halfords

HALFORDS GROUP PLC
Annual Report and Accounts
for the period ended 29 March 2024

LEVERAGING OUR UNIQUE, DIGITAL AND DATA-ENABLED OMNICHANNEL PLATFORM

halfords

Welcome to our
2024 Annual Report

Halfords is the UK's leading provider of motoring and cycling products and services.

Halfords has a clear strategy that we are delivering . . .

. . . evolving into a consumer and B2B services focussed business, with a greater emphasis on motoring generating higher and more sustainable financial returns. For the first time ever, more than half of the Group's revenue now come from services.

Our unique market position means we can offer customers products and services for all their motoring and cycling needs under the **Halfords** brand.

Our Integrated Report

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

Online Annual Report

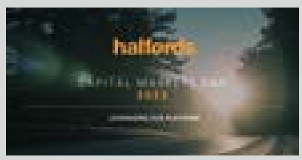
Read our Annual Report online, including a link to the full Remuneration Policy:
halfords.annualreport2024.com

Corporate Website

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

Capital Markets Day

See the latest investor presentation on our corporate website:
www.halfordscompany.com

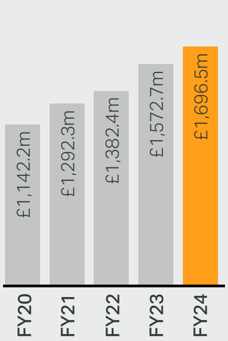


Group Highlights

Financial

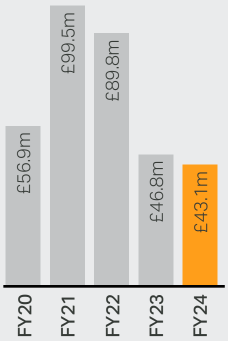
Revenue

+7.9%



Underlying profit before tax

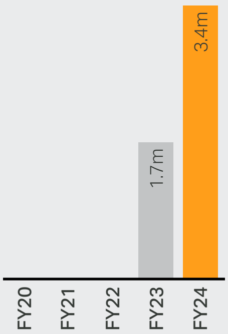
-7.9%



Operational

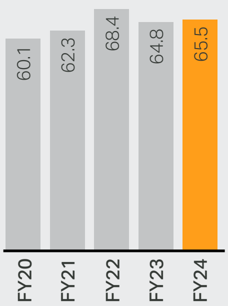
Halfords Motoring Club members

Doubled



Group NPS

+0.7 pts

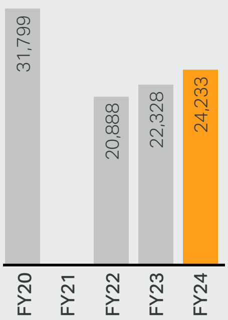


Scores from FY23 onwards on new basis. Further details on page 47.

Sustainability

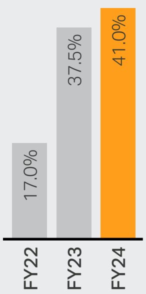
Scope 1 and 2 carbon emissions (tonnes) (% vs FY20 baseline)

-24%



Reduction in Consumer-facing virgin plastic (vs FY20 baseline)

-41%



Our year in review

Strategic

In April 2023, we held a Capital Markets Day ("CMD") for analysts and investors, in which we demonstrated the unique, digital and data-enabled omnichannel platform that has been developed in the previous five years. We then explained how we will leverage this platform to deliver on significant mid- and long-term opportunities. The CMD presentation is available on our corporate website, **www.halfordscompany.com**

51%

of the Group's revenue now comes from Services.

Read more on page 26

Operational

The success of the **Halfords** Motoring Club continued in FY24, with over 3.4 million members now signed up, well ahead of our target. The benefits of the **Halfords** Motoring Club are clearly resonating with customers looking for value in a cost of living crisis. The **Halfords** Motoring Club is a core element of our mid- to long-term strategic plan, with vehicle and vehicle health data central to our Lifetime strategy. Our goal is to drive stronger data analytics, predictive modelling, monetisation, and even more profitable utilisation, alongside a highly personalised customer experience.

18.3m

vehicle registration numbers in CRM (customer records), representing approximately half of the UK car parc.

Read more on page 38

Sustainability

The Group is making good progress on its carbon emissions targets. Scope 1 and Scope 2 emissions increased during the period, primarily due to growth of the business, but were 24% lower than the FY20 baseline. Significant progress was made in calculating accurate Scope 3 emissions, providing the Group with a strong basis for its Net Zero roadmap.

The Bike Xchange programme continued to grow in FY24, with c. 16,000 second-hand bikes returned to our stores and, once refurbished, either resold or gifted to charities for onward distribution to communities in Africa.

49%

reduction in Scope 1 and 2 carbon emissions versus FY20 baseline (on a tCO_2e per £1m of revenue basis).

Read more on page 54

OUR PURPOSE-LED FRAMEWORK

The successful delivery of our strategy is critical to the delivery of the Group's purpose and is underpinned by the values and behaviours that shape our culture and the way that we conduct our business.

Read more on page 48

OUR PURPOSE

To **INSPIRE** and **SUPPORT** a **LIFETIME** of motoring and cycling

OUR VISION

The super-specialist in motoring and cycling, trusted by the nation

OUR MISSION

To make motoring easier, safer and more enjoyable for everyone and to get people cycling, more frequently

Our Culture

A team inspired and motivated to drive towards delivering our Goals, Mission, Vision and Purpose who live and breathe our brand values and represent the very best of what we offer as a business to our customers.

Read more on page 106

Our Values

- one halfords family
- wow our customers
- be better every day
- pride in expertise

Our approach to ESG

Focussed on the areas where **Halfords** can make a real difference and lead the industry to a better, more sustainable future.

Read more on page 54


halfords

OUR ATTRACTIVE INVESTMENT CASE

Over the Short-, Mid- and Long-Term

The platform we have created and will leverage going forwards:

Since the launch of our 'Inspire, Support, Lifetime' strategy in 2018, we have worked hard to maintain the strong heritage that **Halfords** has built over the last 130 years, whilst developing a business that is relevant today and in the future.

We have built a market-leading motoring and cycling business that possesses a unique combination of products and services, delivered through an unrivalled breadth of channel convenience.

Market leading businesses

Well placed to capitalise on attractive markets rebounding from historic lows.

A trusted brand

A brand with good awareness, consideration, and significant heritage.

Data driven

With access to data from almost half of the UK's ageing car parc and a growing **Halfords** Motoring Club, data is driving growth in revenue.

Read more on page 38

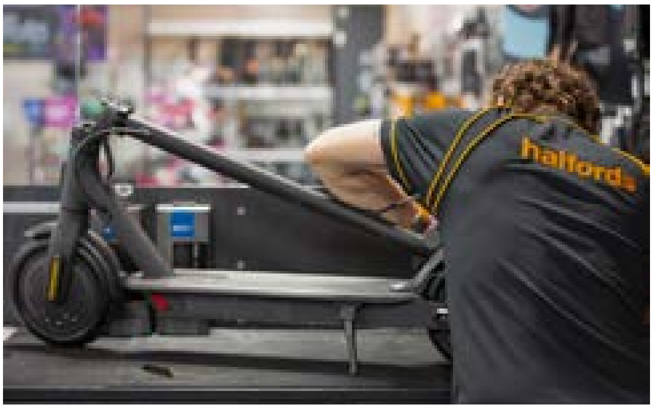
Read more on page 26

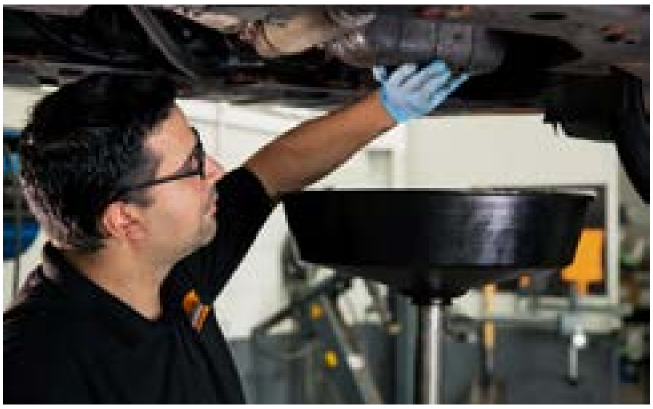
Differentiated operating model

Unique combination of stores, garages, vans and expert colleagues offering an unrivalled breadth of offer, channel mix, and convenience.

Resilient services and commercial business

Resilient and recurring revenue streams from services and commercial propositions, driving higher, more sustainable operating margins.





Opportunities over the mid- and long-term

The UK's one-stop shop for motoring ownership

Giving customers the ability to access all motoring products and services they need from one provider.

Avayler, a growing SaaS business

A growing Software as a Service ("SaaS") business attracting compelling revenue-based valuation multiples.

The UK's servicing destination for electric transport

Ambition to build a market-leading position.

A unique local motoring and cycling offer

Through Project Fusion, we have learnt the value of town-based shopping for both our customers and our business.

OUR JOURNEY

20 years on the London Stock Exchange. We have come a long way.

Through targeted acquisitions, continued development and launching our own SaaS business, we are continuing to evolve, increasing our market share to become the largest provider of motoring and cycling products and services in the UK.

Halfords
Expand service offer from WeFit to full service

2010
Autocentres
Acquisition of Nationwide Autocentres and rebrand to **Halfords**

Garages and Autocentres

HALFORDS RETAIL
MOTORING, CYCLING AND LIFE'S JOURNEY

2014
Boardman
Acquisition of premium bike brand

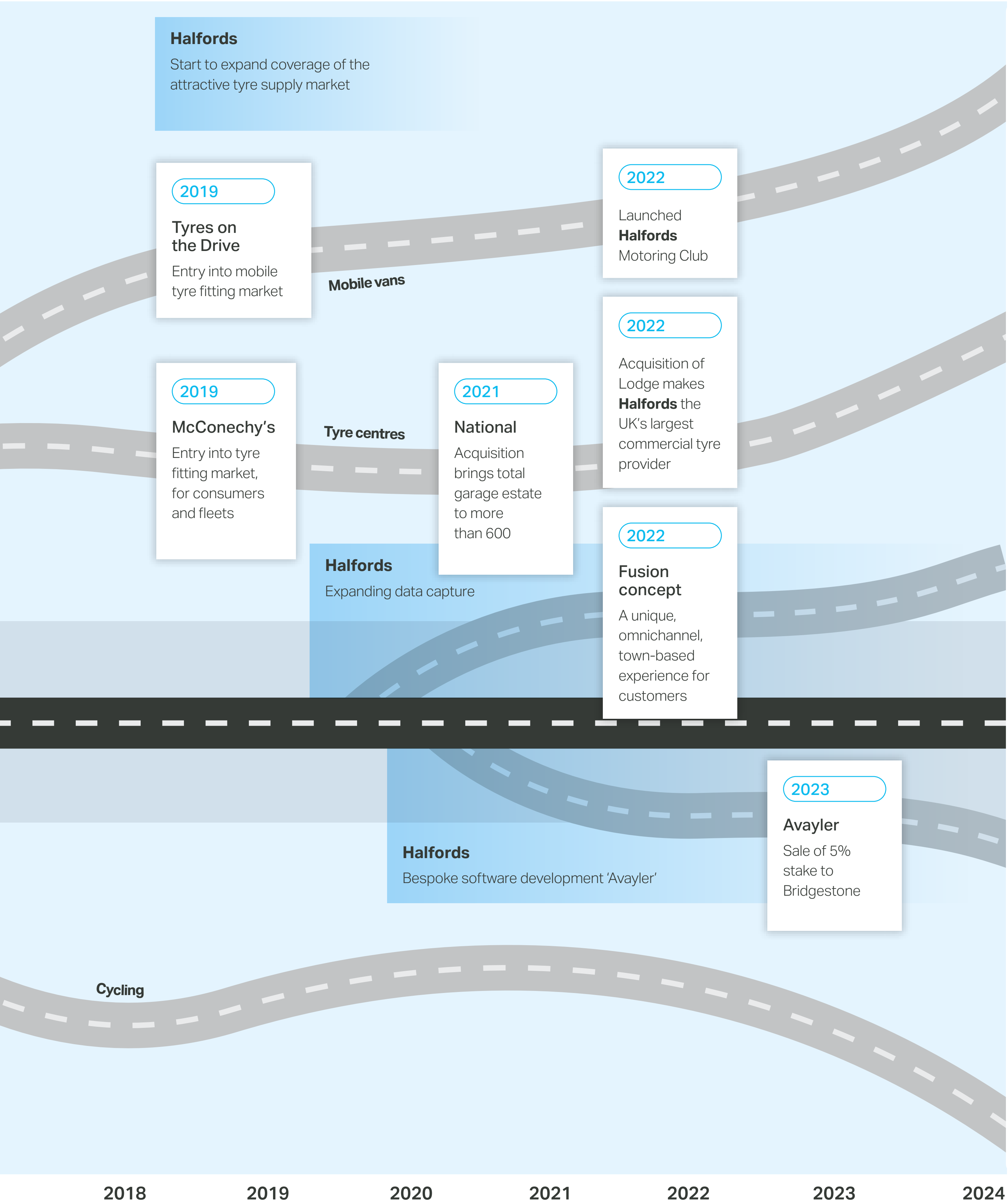
2016
Tredz
Acquisition of premium cycling business

"We are proud to mark 20 years on the London Stock Exchange. Halfords has changed enormously in this time to become the UK's largest provider of motoring and cycling services and products."

Graham Stapleton
Chief Executive Officer

Halfords
Expand cycling offer, including more premium bikes, repair services, online channels, and new brands like Boardman and Tredz

2004 | 2010 | 2014 | 2016


Halfords
Start to expand coverage of the attractive tyre supply market
2019
Tyres on the Drive
Entry into mobile tyre fitting market
Mobile vans
2022
Launched **Halfords** Motoring Club
2019
McConechy's
Entry into tyre fitting market, for consumers and fleets
Tyre centres
2021
National
Acquisition brings total garage estate to more than 600
2022
Acquisition of Lodge makes **Halfords** the UK's largest commercial tyre provider
Halfords
Expanding data capture
2022
Fusion concept
A unique, omnichannel, town-based experience for customers
2023
Avayler
Sale of 5% stake to Bridgestone
Halfords
Bespoke software development 'Avayler'
Cycling
2018
2019
2020
2021
2022
2023
2024

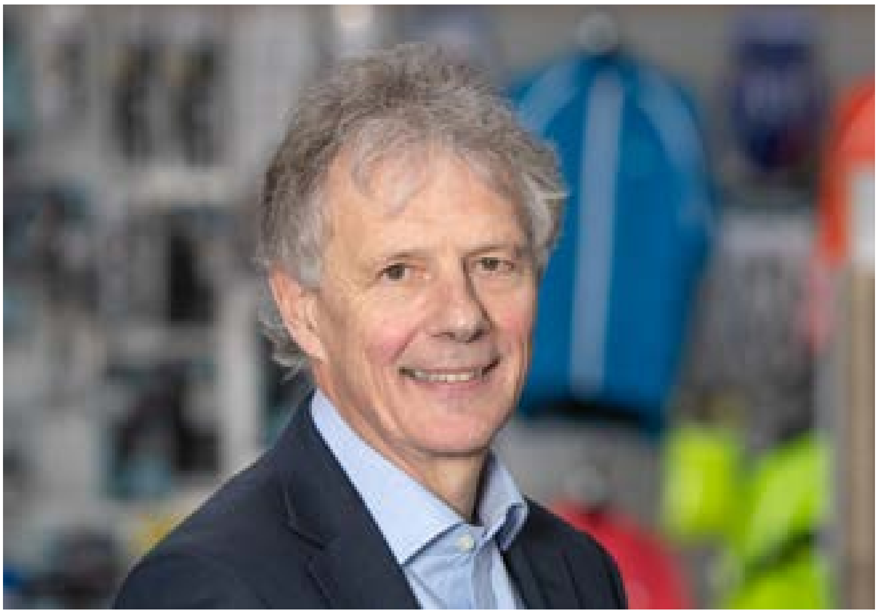
CHAIR'S STATEMENT

Building a strong platform for profitable growth

Challenging markets meant that FY24 was a difficult year for the Group, but I am confident that we are making the right decisions to drive profit and cash generation in the short-term and strengthen the business for the long-term.

Keith Williams
Chair

Read more on page 48



I ended my FY23 statement with reference to our Capital Markets Day in April 2023, where the Management team presented an updated strategy for the medium- and long-term future of the **Halfords** group. Whilst the strategy and our ambitions remain on track, market conditions in FY24 have been worse than we anticipated. Persistently high consumer inflation and elevated interest rates have resulted in low consumer confidence and weak demand for discretionary products, whilst significant cost inflation continued to adversely impact the Group.

In the face of challenging market conditions, the business has focussed on the areas it can control, adapting well to short-term trading volatility and continuing to make strong progress operationally and strategically. Better utilisation of labour and the expansion of dynamic pricing is helping to drive more profitable growth in our Autocentres business, whilst ongoing investment in range and product innovation have strengthened our Retail business. Our **Halfords** Motoring Club has proven to be very popular with customers, with more than 3.4 million members now signed-up. Our Fusion towns – Colchester and Halifax – have seen impressive financial results, giving us the confidence to invest further in this initiative. And finally, our B2B businesses continue to grow very strongly, with Commercial Fleet Services a key highlight as it leveraged its national scale to win several large contracts. The business also continued to reduce the cost base, with over £35m of cost removed in FY24. I am confident that the significant progress made this year gives **Halfords** an even stronger platform for when markets finally recover.

Colleagues

Our colleagues remain at the heart of our business, and it is their skill and passion that makes **Halfords** the first choice for our customers. The Group now employs over 12,000 colleagues in stores, garages, and our mobile van fleet, supported by dedicated central support teams, distribution centres and field colleagues. They have adapted quickly to changing market conditions and I would like to thank them all for their significant contribution in FY24.

Board and Leadership

After nine years as a Non-Executive Director and three years as the Senior Independent Director, Helen Jones retired from the Board in September 2023. I wish to express my sincere thanks to Helen for her significant contributions and service to the Group since 2014.

Tanvi Gokhale was appointed to the Board in June 2023 as a Non-Executive Director and succeeded Helen as Chair of the ESG Committee and Employee Voice Director. Tanvi brings significant experience to the Group, and I am sure that she will contribute greatly to the ongoing success of **Halfords**.

Dividend

At our Capital Markets Day in April 2023, the Group gave clear guidance on its capital allocation priorities, including its dividend policy, which is to target dividend cover in the range of 1.5x to 2.5x of Underlying Profit After Tax. In line with our dividend policy and reflecting the profit delivered in the year, the Board proposes a final dividend of 5.0 pence per share, bringing the full year dividend to 8.0 pence per share. This is a reduction of 20% on the prior year, reflecting the reduction in earnings and the Board's commitment to the Group's dividend policy and the continued maintenance of a strong balance sheet. The Board remains confident in the Group's strategy and mid-term plans and looks forward to increasing the dividend once profit growth returns.

Looking ahead

A recovery in the Group's core markets in FY25 is far from certain, as consumers continue to be impacted by a significant increase in their cost of living. The Management team is planning for another year of subdued demand, whilst taking action on areas under their control. This includes a continued focus on cost reduction, further growing profitability in Autocentres, and investing in opportunities with good returns. I am confident that we are taking the right decisions for FY25 and beyond.

Keith Williams
Chair

17 July 2024

Underlying Profit Before Tax (Continuing Operations)

£43.1m

Dividend Per Share (Full-Year)

8.00p

GROUP AT A GLANCE

Halfords UK and Ireland operations

We are the UK's leading provider of motoring and cycling products and services. We fit products, attend call outs, and maintain more vehicles in the UK than any other provider.

Avayler, based on the internally developed software that powers our Motoring Servicing business, has been sold to third-party customers as a SaaS solution. The unique platform that has been built leaves the business exceptionally well-positioned to maintain and extend its market-leading proposition.

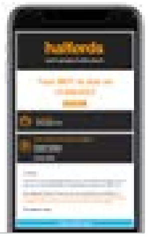
Halfords has over 12,000 colleagues working in more than 1,750 service locations, providing customers with an average drivetime of less than 20 minutes.

387
Stores

385 **Halfords** Retail and 2 Performance Cycling stores offering a wide range of motoring and cycling products and on demand services.

639
Garages

639 garages offering MOT, service, maintenance and repair services.



768
Mobile Vans

273 direct to consumer vans and 495 commercial vans, bringing services direct to customers.

Customer Contact Centre

Offering expert advice, knowledge and help from a centralised, virtual location.

Click and Collect

Enabling customers to pick up products at their local store.

Integrated Web Platform

Bringing together **Halfords** products and services under one website.

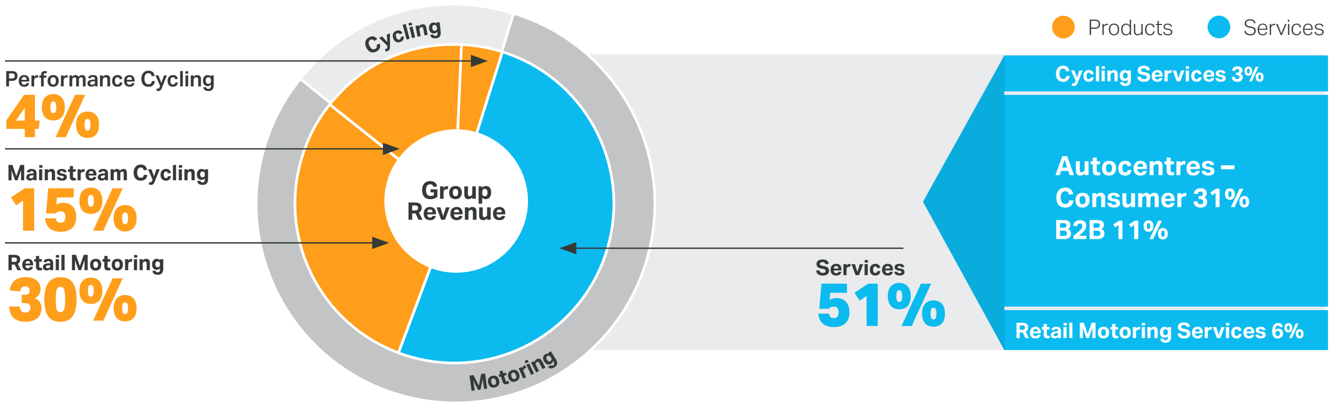
B2B

Offering products and services, across both motoring and cycling, to businesses around the UK and ROI, including our market-leading Cycle2Work scheme.

Avayler

Avayler technology empowers **Halfords** service technicians to deliver an unrivalled experience. This platform is now being sold to third parties as a SaaS solution.

Each channel of the **Halfords** Group works together to provide an unrivalled customer proposition in towns and cities across the UK and Republic of Ireland.

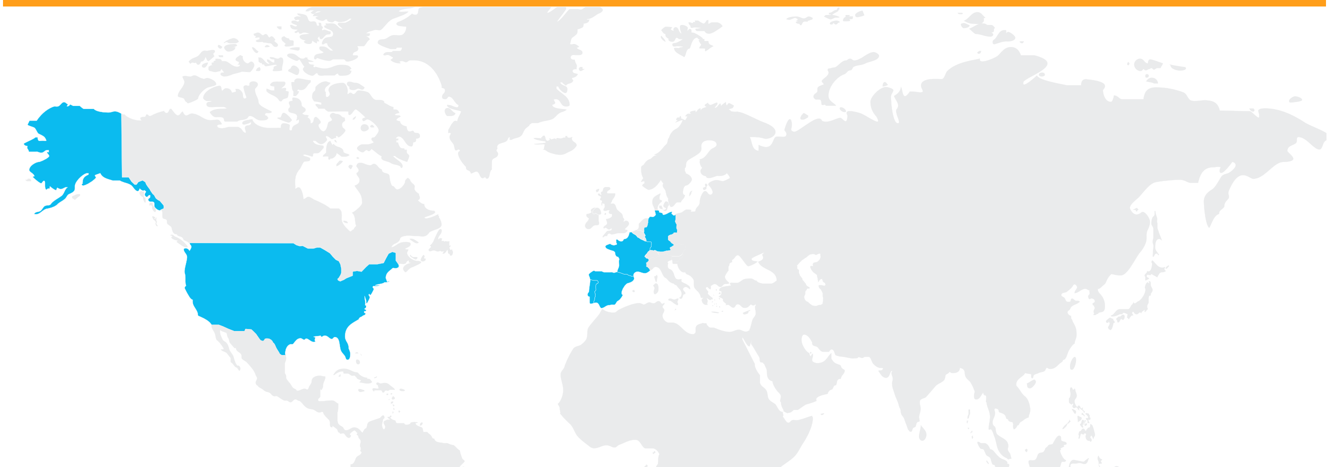


Over 12,000 colleagues work in our stores, Autocentres and Mobile Expert hubs, at over 1,750 locations across the UK.

Our core ESG Priorities

Electrification	Net Zero	Diversity and Inclusion	Product, Packaging and Waste Management

Avayler Software Global Progress



United States

Avayler is the chosen software for major brands operating across the United States, including:

- ATD and Tire Pros – 80,000 garages in the US
- Tirebuyer – 18,000 installers
- Bridgestone – over 2,000 garages in the US

These garage numbers represent the client's total estate, not the number of garages in which Avayler is implemented.

Germany, Spain, France and Portugal

Avayler has been chosen by Mobivia, one of Europe's largest automotive companies, to optimise operations and customer service in its garages and mobile units.

Unique

Our **unique**, omnichannel platform delivers a truly **differentiated** offer

>1,750

Service locations, across stores, garages and vans

>10m

Service jobs completed annually

Omnichannel

Delivered with consistent, local support through a name our customers trust.

From first car seats and bikes, through to routine check ups and MOTs, our unique combination of stores, garages, vans and online, provides customers with unparalleled convenience to shop our products and services in a way that suits them.

Stores

86%

of the population are within a 20-minute drive

Garages

90%

of the population are within a 20-minute drive

Vans

90%

of the population are within easy reach

Systems and technology

Creating local demand and making our customers lives easier.

- Local referrals from store to garage
- Local dynamic price promotion
- Local targeted fleet client growth
- Predictable reoccurring **Halfords** Motoring Club customers

Drive utilisation

Creating local capacity to meet demand.

- Local sharing of Group colleagues across stores, garages and vans
- Local forecasting of demand enabling local matching to capacity
- Digitised consistent operational processes
- Capacity and utilisation tracking

B2B

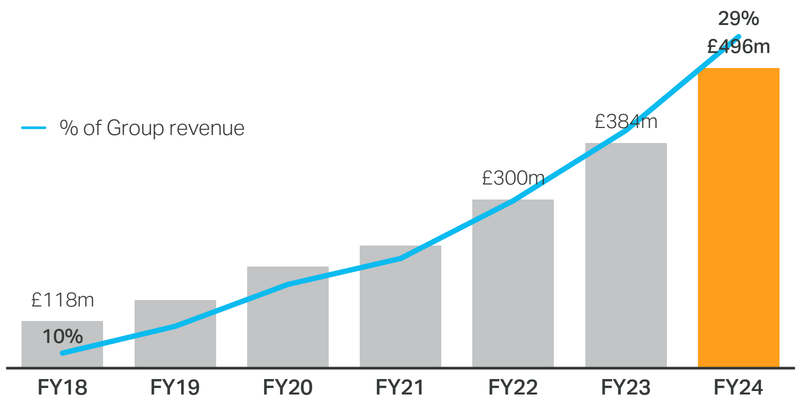
Rapid growth in our B2B client base provides more predictable and reliable revenue streams.

Revenue growth in our B2B businesses continues to outpace the rest of the Group, reflecting the strategy to invest resources and effort into these profitable channels. Our B2B revenues are more resilient to consumer sentiment and more predictable in nature.

£112m
Revenue growth (FY24)

29%
Share of total revenue (FY23: 24%)

Group B2B revenue



Our B2B business is comprised of six key areas

01
Commercial Fleet Services
The acquisitions of Lodge, Universal and McConechy's has transformed **Halfords** into the UK's largest truck tyre service provider.

02
Avayler – Software as a Service
The Group's bespoke, internally-developed software has been packaged into a SaaS solution, and now has major clients in the US and Europe.

03
Cycle2Work scheme
Halfords is the market-leader in the Government subsidised Cycle to Work scheme.

04
Trade Card
Halfords provides promotions and preferential terms for a large number of trade customers across the UK.

05
Bulk Purchases for Business
The Group sells items in bulk to businesses, on both an ad hoc and regular basis. Previous examples include bikes to a holiday park and motorcycle helmets to a last-mile delivery firm.

06
Gift Cards
Like many retailers, **Halfords** sells third-party gift cards at the points of sale.

The combination of Lodge, Universal and McConechy's has made Halfords the UK's largest truck tyre service provider.

Halfords is now the market-leader in the provision of truck tyre services in the UK market. Through the acquisition and consolidation of three leading regional businesses (McConechy's, Universal and Lodge), the business now operates from 90 locations and has unrivalled geographical coverage. This includes the ability to reach more than 85% of UK main road locations within one hour, important for the key provision of tyre breakdown services.

Halfords Commercial Fleet Services aims to operate to the very highest standards with over 500 fully trained and accredited Technicians.

Its customer base includes key tyre manufacturer partners such as Bridgestone, Goodyear, Continental and Michelin; national fleets such as Yodel and AW Jenkinson Transport; Regional and Local Fleets; Councils and specialist companies such as Ports, Crane and Agricultural operators.

Read more on pages 28 to 32

Digital and data-enabled

Leveraging **data** and lifetime value

45m
vehicle records checked

141m
annual website visits

3.4m
Halfords Motoring Club members

Consistent and thorough data collection leads to greater insights and decision-making, generating value for our customers and for our business.

We've invested in our data platform, gathering customer and vehicle data across multiple channels, which is then analysed and utilised to help us better understand our customers, their cars, and their bikes.

Data collection

Via multiple touch points across a variety of channels.

>10m

Service jobs completed each year – more than any other provider.

Analysing data

Via our Single Customer view, CRM and Group Data Platform.

18m

Vehicle registration numbers collected – nearly half the UK car parc.

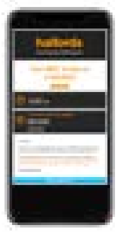
Customer outputs

Via personalised emails, web pages and social posts.

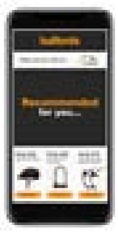
£336m

of revenue from customers in our database.

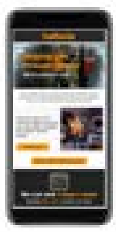
Powering intelligence and personalisation across our customer touch points.



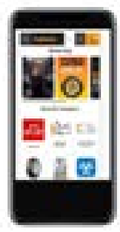
MOT reminder email



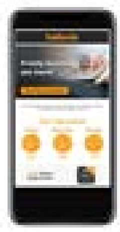
Cycling product recommender



Halfords Mobile Expert email



Tyre web personalisation



Weather personalisation email

- Using data to create personalised experiences is growing significant value for the Group.
- Growing Lifetime value is key to our strategy and we have headroom to grow.

Avayler

What is Avayler?

Customer-centric service management software: built from **Halfords** Autocentres' PACE and Tyres on the Drive technology.

Our mission is to help ambitious businesses put their customers at the heart of their operations by digitising service delivery, optimising processes and facilitating new routes to market.

Scan the QR code to watch our video about Avayler

Built by the automotive industry, for the automotive industry

What does Avayler deliver for its customers:

01
Deliver fully digital customer journey

02
Increase transparency and visibility across the business

03
Streamline processes related to service delivery

04
Increase service margin and offset operational costs

05
Be an industry leader with greater market share

Avayler's unique selling points make the solution highly attractive to large automotive service businesses.

Industry unique selling points

Omnichannel
The only solution on the market that manages and optimises automotive services at any location – mobile, garages, retail store and fleet locations

Built by operators
Avayler was built by a garage and automotive service business to directly solve their pain points

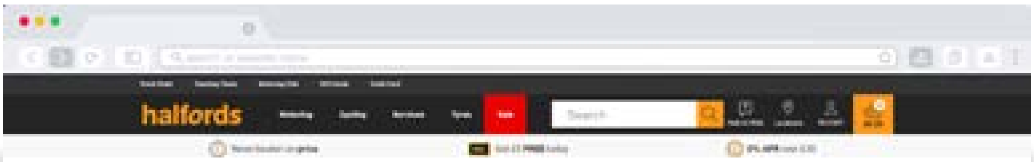
Feature/product unique

Dynamic pricing
While other solutions offer dynamic pricing, Avayler's dynamic pricing is the only automotive solution that leverages technician location, job times and other factors to optimise route density and job profitability

Automatic parts bidding
Avayler is the only automotive solution to provide automotive price bidding, sourcing parts from multiple vendors and surfacing best prices and delivery for customers

How Halfords is using Avayler

Halfords creates a compelling customer experience and delivers operational excellence with an end-to-end developed in-house platform.



Halfords.com eCommerce Platform

01

Offers customers the ability to omnichannel shop for and book automotive services

02

Halfords Mobile Expert and Tyres on the Drive Mobile Motoring Services Platform

03

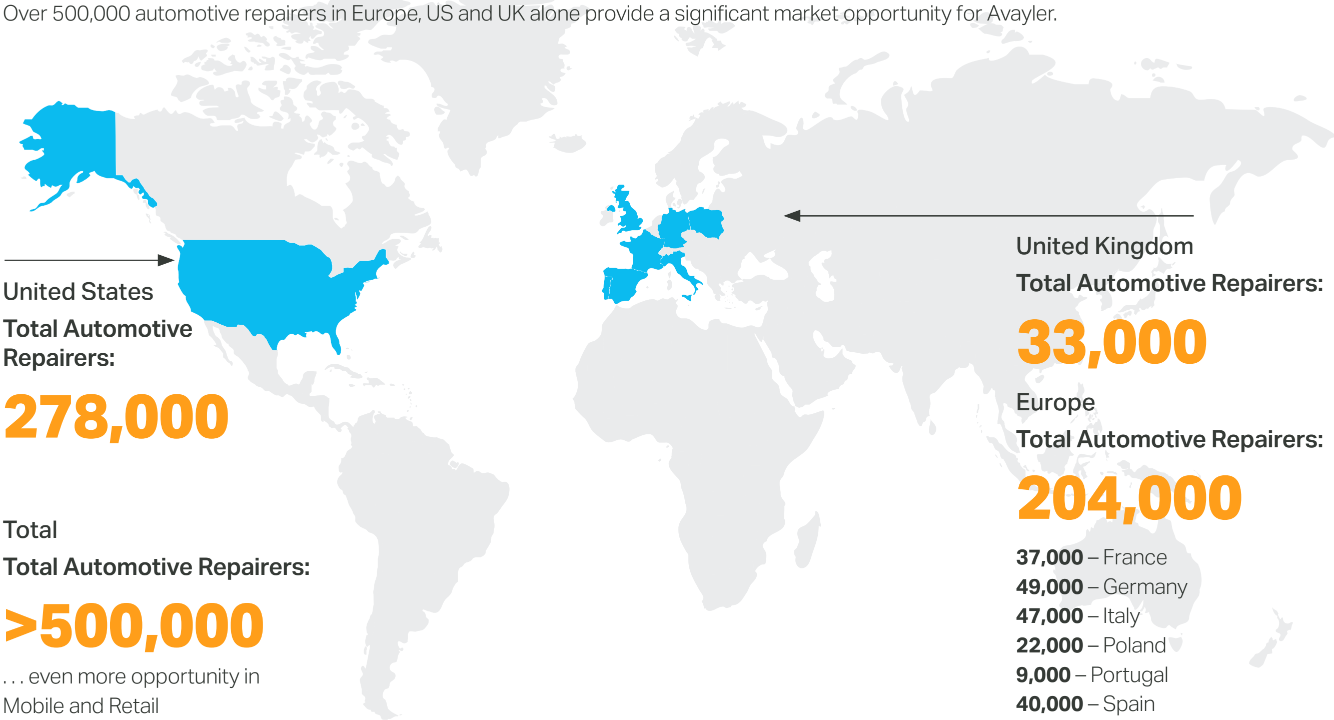
Halfords Autocentres Garage Management Platform

04

Halfords Retail Motoring Services WeCheck Platform

Selling Avayler software globally

Over 500,000 automotive repairers in Europe, US and UK alone provide a significant market opportunity for Avayler.



United States

Total Automotive Repairers:

278,000

United Kingdom

Total Automotive Repairers:

33,000

Europe

Total Automotive Repairers:

204,000

37,000 – France
49,000 – Germany
47,000 – Italy
22,000 – Poland
9,000 – Portugal
40,000 – Spain

Total

Total Automotive Repairers:

>500,000

. . . even more opportunity in Mobile and Retail

Future

Our **strategic focus** has built a solid foundation for continued **growth** and **evolution**

WHAT'S NEXT?

In delivering our strategy, we have built a solid foundation for continued growth and evolution. We have identified three key areas of opportunity for growth in the longer term:

01

The UK's one-stop shop for motoring ownership

02

The UK's servicing destination for all types of electric transport

03

A unique local motoring and cycling offer

75%
of customers found the proposition of a 'one-stop shop' appealing

Majority
of customers saw Halfords as a good brand fit for this proposition

1,794
Halfords fitting and service locations, with c. 90% of the population within a 20-minute drive

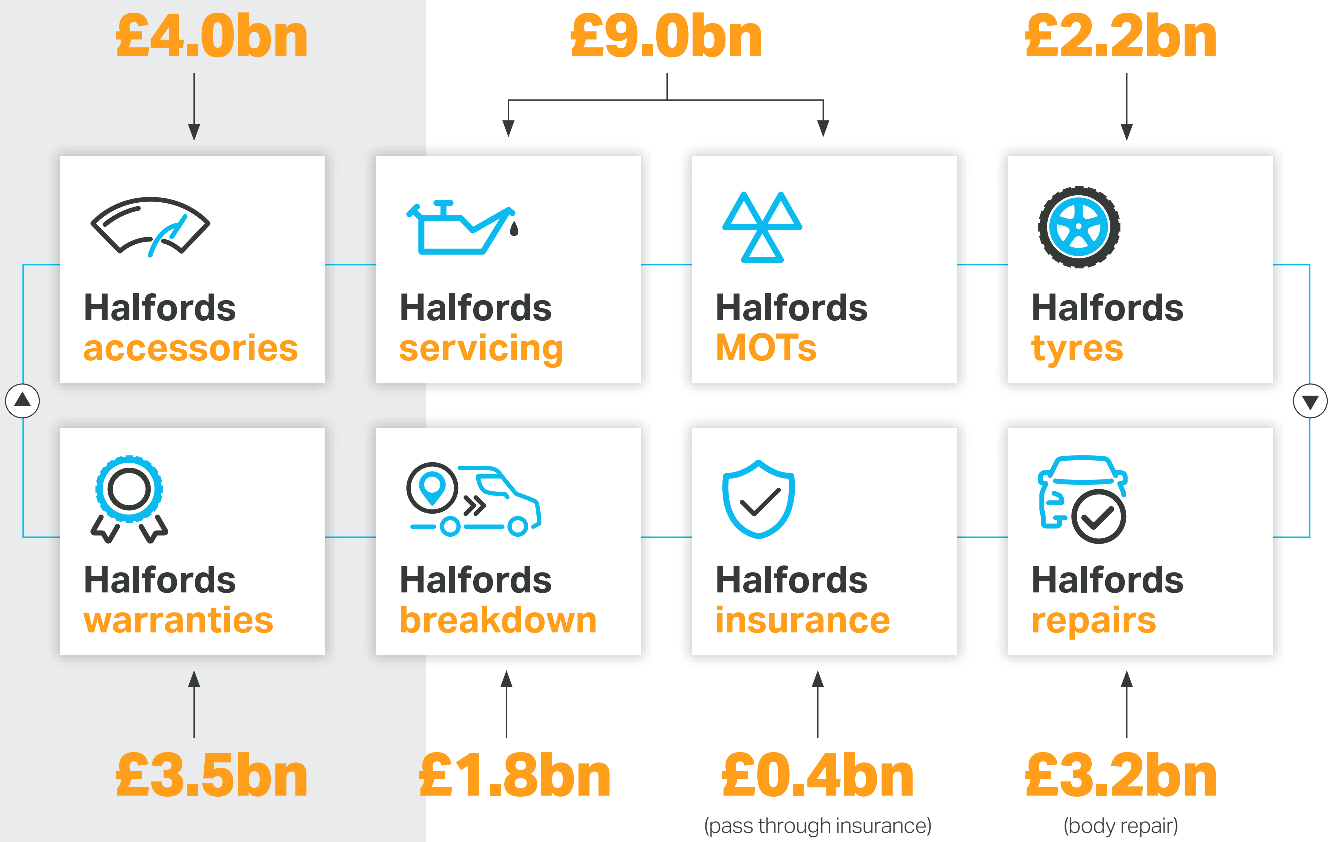
01

The UK's one-stop shop for motoring ownership.

We believe **Halfords** can support motoring customers throughout their vehicle ownership.

The strong platform we have created enables us to expand into more areas of the motoring market, something customers both want and expect from us. Customers today must interact with multiple businesses to operate their cars. This adds both complexity and cost to the customer journey.

Customers like the concept of a one-stop shop for motoring and believe the **Halfords** brand is a good fit. In the future, we intend to provide products and services that provide a one-stop shop for all vehicle ownership needs. Serving these additional markets would significantly increase our addressable motoring market, from £15bn to £24bn. The estimated sizes of each of these markets is presented below.



Future

02

The UK's servicing destination for all types of electric transport.

We are well-positioned to establish a market-leading position in the servicing of electric mobility, growing our revenue while supporting a more sustainable planet.

We already have significant scale as the UK's biggest electric/hybrid servicing network. We have the capability and expertise for servicing electric vehicles, with over 2,000 trained technicians, four Automotive training academies, and a national network of garages and vans.

The speed at which UK drivers adopt electric vehicles and other modes of transport will be determined by several factors, including the UK Government's approach to supporting a shift away from traditional combustion engines.

We have already planned to solidify our position as market leaders through:

Resource and capability

Increase resource and capability in our stores and garages with 100% of our technicians trained to service EVs.

Mobile servicing

Leverage our capabilities, offering electric servicing and maintenance at locations convenient to our customers.

e-Bike and e-Scooter retail

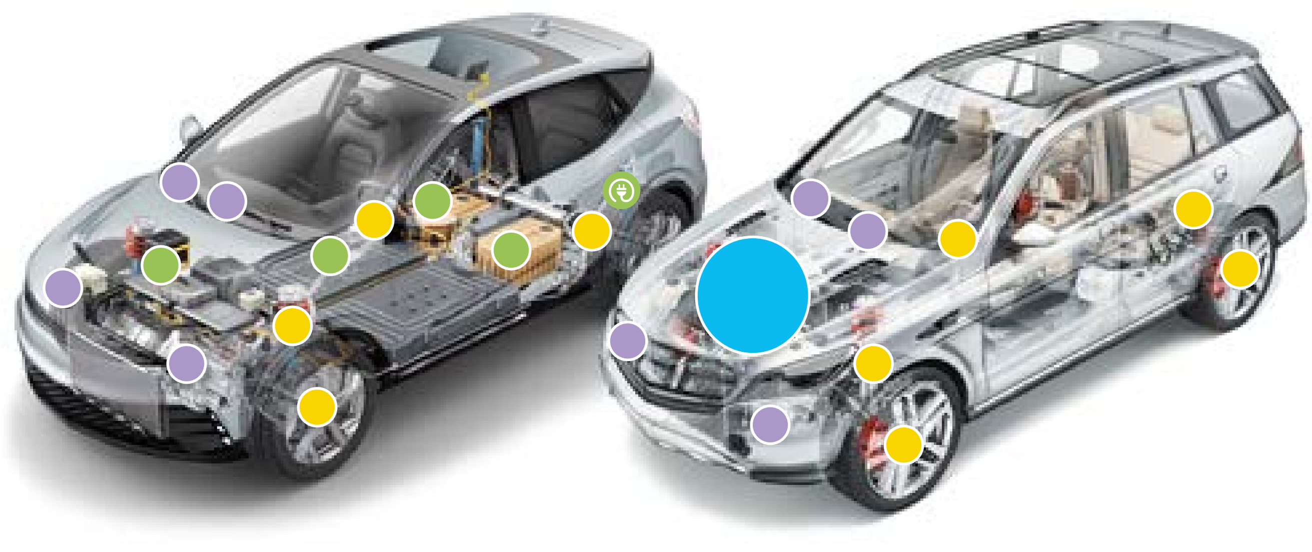
We believe we will grow our market leading position and associated services. Further enhanced through Cycling Club.

Halfords brand

As the used EV car parc increases, we aim to build a **Halfords** brand position as the destination for servicing all types of electric transport.

Focussing on EVs, we have identified the areas where products and parts will remain the same as traditional vehicles and those that will be new, providing further opportunity.

- Common components e.g. wipers and bulbs
- Common, but more expensive or require more maintenance for electric cars e.g. tyres and brakes
- Parts and services purely for the traditional car e.g. engine components
- New parts and services specific to electric cars e.g. batteries and charge point



Electric car

Traditional mechanical car

03

A unique local motoring and cycling offer.

Through our Project Fusion trials, we have learnt the value of town-based shopping for both our customers and our business.

Fusion provides a unique, multi-channel offer to customers in their local town, providing unparalleled convenience.

We believe there is an opportunity for a Fusion town experience in more than half of our locations across the UK.

Scan the QR code to watch our video about Fusion

We have begun implementing the most capital efficient elements of Fusion and this will continue in FY25. This includes upgrading the Retail car park service provision, introducing a referral model to Autocentres garages and vans, and training colleagues to sell full solutions to every customer, every time.

In the future, we will look at the entire **Halfords**' physical estate through a local lens, to ensure we have a town-based approach that optimises all of our local assets with the appropriate levels of investment.

In the future, Retail stores will continue to play their unique role as a location for on demand fitting and as the only nationwide specialist showroom for products. However, they will also become a vital customer acquisition channel for our garages and an important, scaled source of customer data capture.

We currently have 387 Retail stores, and we expect this to decrease to around 350 over the mid- to longer-term.

Moving to our consumer garages, in which we deliver more complex services, MOTs and repairs, and where we know electric will play an even greater role in the long-term. We believe it will be necessary to grow from 639 to 800 garages to offer the best levels of convenience for customers.

And finally, we intend to complement our fixed locations with an increased network of consumer and commercial mobile vans and technicians, to reach a total of 800.

FY22

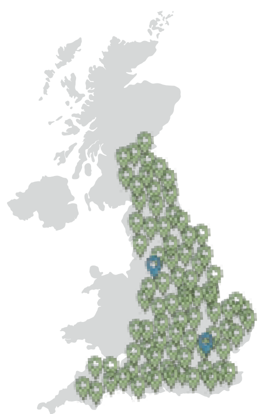
Fusion town concept tested in Halifax and Colchester.

Today

Capital efficient elements of Fusion rolled-out to 50 towns.

FY25

Motoring Services elements of Fusion roll-out to c. 20 towns.



Mid- to long-term

50 of our towns expected to become full Fusion (lite) destinations. 25 towns per year in the outer years of the plan.

● Fusion test stores ● Capital efficient elements ● Fusion lite destinations

STRATEGIC REPORT

CONTENTS


halfords
autocentre

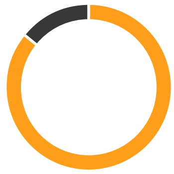
OUR BUSINESS TODAY

We are a consumer and B2B services-focussed business, with a greater emphasis on motoring, capable of generating higher and more sustainable financial returns.

Group Overview

- The **Halfords** Group has evolved significantly since the 'Inspire, Support, Lifetime' strategy was launched in 2018. Today, **Halfords** is as much a Services business as it is a retailer of products, whilst Motoring revenue is nearly four times larger than Cycling.
- Further, the Group has developed several B2B channels, serving a multitude of business customers across many different propositions.
- This strategic transformation means that the **Halfords** Group is more resilient to macro-economic trends and changing consumer sentiment, and as a consequence is well-positioned to generate higher and more sustainable financial returns in the future.

2018 Revenue



- Retail **86%**
- Autocentres **14%**

2024 Revenue

- Retail **59%**
- Autocentres **41%**

Motoring

- Revenue **79%**

Overview: The core of our business, offering customers services and product solutions for their motoring journeys. Our future ambition is to offer customers a "one-stop shop" where they can access everything they need during the ownership of their vehicle.

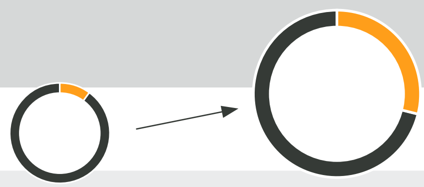
Lower working capital

Higher operating margins

Opportunity to enter adjacent markets

B2B

We have significantly grown revenue through B2B channels.



2018

- B2B Revenue: **10%**
- B2C Revenue: **90%**

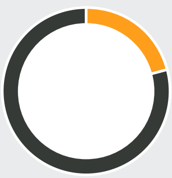
2024

- B2B Revenue: **29%**
- B2C Revenue: **71%**

Highly predictable recurring revenue

High value relationships

Cycling



- Revenue **21%**

Overview: Market leaders with strong customer affiliation and heritage, highlighting our strong environmental focus by promoting low-carbon forms of transport.

Services

Overview: Services give **Halfords** a unique advantage over online competitors and provides a platform to develop long-term relationships with its customers.

Motoring: Highly needs-based categories, from MOTs and Services to fitting a car bulb in a Retail park.

Cycling: From puncture repairs on an E-Scooter to bicycle service care plans, we help to increase the longevity of the products we sell.

Revenue **51%**

- Unique advantage over online rivals
- Deeper long-term relationships with customers
- More needs based, less discretionary
- Opportunity to consolidate fragmented market
- Less FX exposure

halfords motoring club

- Fleet Services
- Avayler – Software as a Service

Gift Cards

Products

Revenue **49%**

Overview: An integral part of our business and what many customers recognise us for. We are the super-specialists in motoring and cycling, providing customers with an unrivalled choice of products that they both need and want.

Motoring: Offering customers a vast range of products they may need for their vehicle, from a bulb or wiper blade to a roof box or a tow bar.

Cycling: High-end performance bikes and accessories in Tredz and mainstream bikes and accessories in **Halfords** Retail, where we own two of the biggest brands in the UK, Carrera and Apollo, appealing to all cyclists from kids and families to fitness enthusiasts.

- Trade Card
- Bulk Purchases for Business
- Cycle2Work

CHIEF EXECUTIVE OFFICER'S STATEMENT

Successfully delivered on the areas within our control

Our focus in FY24 has been to deliver on the areas that are within our control. We have made good progress both strategically and in further optimising the business to create a solid foundation for future growth.

Graham Stapleton

Chief Executive Officer

Read more on page 34

Revenue and Markets performance

Faced with very tough markets, we remained focused on the areas within our control, taking significant market share (volume-based) to record overall revenue growth of +7.9%, of which LFL growth was +5.0%. Volumes in FY24 in two of our core markets – Cycling and Consumer Tyres (c. 32% of Group revenue in FY24) – were worse than independent forecasts anticipated one year ago. Customer confidence has remained weak, driven in part by rising interest rates that are high relative to recent history. These factors have impacted demand for both discretionary big-ticket items such as Bikes and Touring, and less discretionary big-ticket products, such as car tyres. Unfavourable weather conditions impacted key periods during the year, with high rainfall in the summer and winter seasons reducing demand for Cycling, Car Cleaning and Touring products. The poor weather also impacted overall footfall into stores, whilst the lack of cold snaps in the winter months impacted sales of blades, batteries and winter products.

Autocentres

The Autocentres Group is comprised of three businesses:

1. Consumer Garages and Vans, focussed on the provision of tyre fitting and Service, Maintenance and Repair ("SMR") services to consumers and fleets of cars or small commercial vehicles. Operates from 549 garages and 273 vans. Accounts for c. 74% of Autocentres revenue.

2. Commercial Fleet Services ("CFS"), where the acquisitions of Lodge, Universal and McConechy's has made **Halfords** the UK's largest truck tyre service provider. Operates from 90 garages and 495 vans. Accounts for c. 25% of Autocentres revenue.
3. Avayler, the Group's bespoke, internally developed software that is sold as a SaaS solution to major clients in the US and Europe. Accounts for c. 1% of Autocentres revenue.

Overall revenue growth in FY24 was once again very strong, up +17.6% year-on-year and +10.7% on a LFL basis. The revenue performance of each of the businesses was as follows:

- **Consumer Garages and Vans**
  - Consumer Tyres
    - Market volumes fell year-on-year by -1.3%, well behind our expectation of +2.6% growth, as drivers continued to delay essential maintenance for longer than we, and the industry, anticipated.
    - Facing a worse than expected market, we took significant share, up +0.4 points. This was in part driven by an improved customer offer for tyre fitting, introducing a more affordable range and improving convenience through same-day fitting.
  - Motoring Servicing
    - Against a forecast of broadly flat for FY24, the Motoring Servicing market grew by +0.9%, with good growth in H1 offset by a decline in H2, reflecting the ongoing impact of changing MOT seasonality caused by COVID-19 disruption.
    - We increased our market share in the year by +0.2 points, driven by several factors, including: (1) The success of our **Halfords** Motoring Club, with membership doubling to 3.4m and approximately 40% of our MOT work now coming from club members; (2) the launches of our innovative 'Buy Now Pay Later' finance offer and dynamic pricing for MOT bookings, providing customers with greater choice and more affordable options; and (3) Improved utilisation rates in our garages, which was up +9.4 percentage points year-on-year, leading to better capacity planning across the garage network.
- **Commercial Fleet Services**
  - Revenue grew by 47%, in part benefiting from the annualisation of the Lodge acquisition in October 2022.
  - LFL growth in the year was +5.3%. With near national coverage, we are attracting new customers with nationwide requirements who can access an unparalleled network of 495 commercial vans and 90 commercial garages. Further detail on our progress is provided below.
- **Avayler**
  - Revenue more than tripled from the prior year, including intercompany sales, up to £6.6m in FY24.
  - Signed agreements with four new clients, including a 15-year commercial agreement with Bridgestone.

Retail

Retail comprises Retail Motoring (62% of Retail revenue) and Cycling (38% of Retail revenue):

- **Retail Motoring:**
  - A resilient revenue performance, with LFL revenue growth of +4.9%, significantly better than market volume growth of +0.9%. Performance across the year was mixed, with strong growth of +8.2% in the first half followed by lower growth of +1.7% in H2, in large part due to very unfavourable weather in the winter months.
  - Market share increased by +1.3 points, ahead of our target of +0.6 points. The ongoing expansion of our Car Parts proposition, strategic price investment in key categories, and continued product innovation in areas such as Car Seats and Dashcams, all contributed to offsetting weak demand for big-ticket discretionary categories such as technology and touring.
- **Cycling:**
  - LFL revenue declined by -2.8% versus FY23. The Cycling market performed significantly worse than the industry expected, with volumes declining by -4.0% in the year, far behind our own forecast of -1.0%. Low consumer confidence in the ongoing cost-of-living crisis has further impacted demand for big-ticket, discretionary items such as bikes. Another year of decline leaves bike market volumes c. 30% below pre-COVID-19 levels.

Strong revenue growth

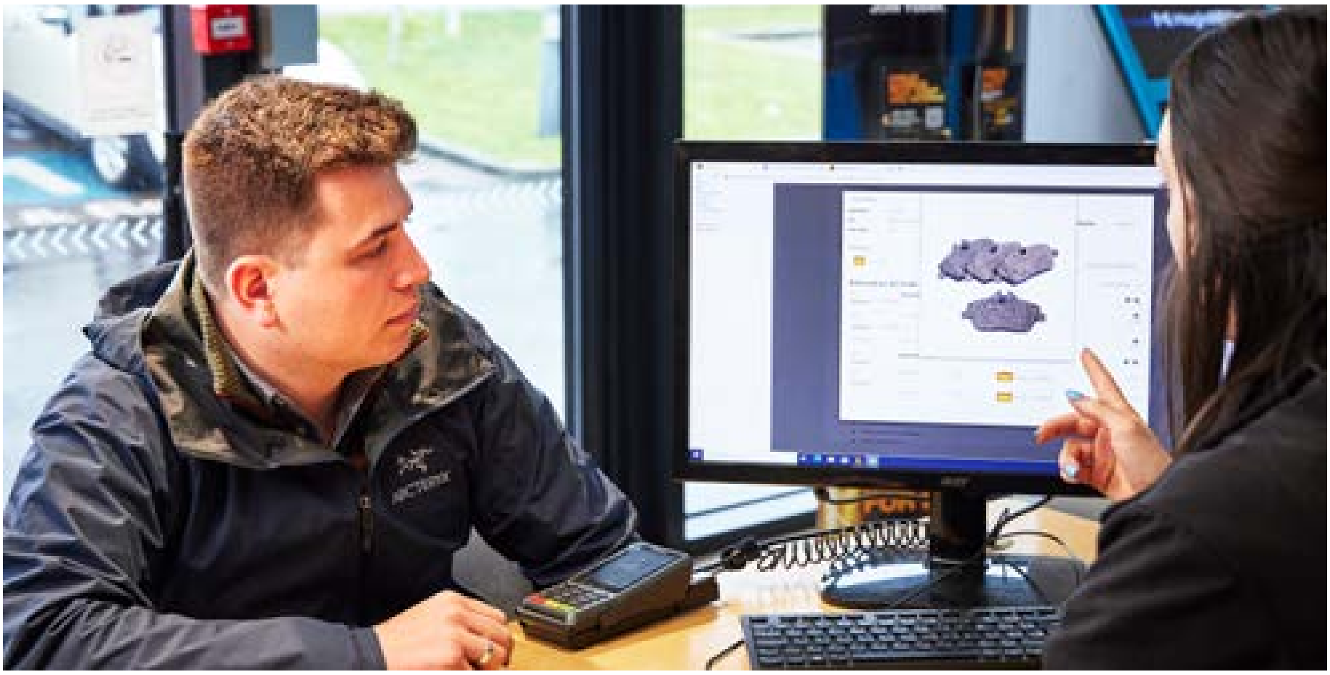
+7.9%

Underlying profit before tax (Continuing operations)

£43.1m

- The market has become more challenging and competitive as it continues to consolidate quickly. Promotional participation increased by 33% year-on-year in H2, and more customers are purchasing on credit, leading to significant pressure on gross margins. The high-profile failure of Wiggle demonstrates a much broader challenge for Cycling businesses in the UK.
- In very challenging market conditions, we were pleased to increase our share by +1.3 points, well ahead of our target of +0.7 points and further cementing our leadership of the UK Cycling market. This strong performance was driven by good progress in three key areas:
  - Cycle2Work ("C2W"): revenue up +8.3% year-on-year, supported by the development of our new B2B platform for small and medium sized businesses.
  - Tredz: our online, high-performance cycling business delivered LFL sales growth of 11.1%, growing share and improving brand awareness in a fast-consolidating industry. We launched a new website in the year, improving the customer journey and our online conversion rate, whilst our Trustpilot score of 4.7 at the period-end remains ahead of our main competitors.
  - Product innovation: we continued to innovate across our Cycling range. For example, the new Boardman SLR 8.9 road bike combined best-in-class specification with a market-leading price point.
- Looking ahead, as the clear market leader, we expect to emerge in an even stronger position once market conditions normalise.

CHIEF EXECUTIVE OFFICER'S STATEMENT



Gross margin

- Gross margin % was 48.5%, -40 bps lower than last year. A very strong performance in Autocentres was offset by a decline in Retail.
- Autocentres gross margin of 50.2% was 180 basis points higher than FY23. The success of our Better Buying programme and several pricing initiatives more than offset the dilutive impact of the Lodge acquisition.
- Retail gross margin was 47.3%, -190 bps lower than FY23, driven by foreign exchange headwinds in relation to the weakening of Sterling hedges versus the US dollar, and the dilutive impact of increased Cycling promotional activity in response to market consolidation. This was partly offset by very strong results from our Better Buying programme.

Strategic and Operational review

Our focus in FY24 has been to deliver on the areas that are within our control, recognising that our core markets remain very challenging. We have made good progress both strategically and in further optimising the business, creating a solid foundation for future growth. We have built a unique, digital-enabled, omnichannel platform that will enable us to drive strong profitable growth once markets recover.

Growing Services and B2B

We continued to invest in our Services and B2B businesses, which now represent 51% and 29% of Group revenues respectively. These businesses provide the Group with greater resilience against weak consumer confidence and are capable of generating higher and more sustainable financial returns. The Autocentres Group, which is comprised of the three businesses described further above, accounts for approximately 83% of Services revenue and c. 55% of B2B.

Autocentres Group revenue growth was +17.6%, including +10.7% on a LFL basis, whilst underlying EBIT, including losses from Discontinued Operations, was £13.8m, representing significant growth on the prior year profit of £3.1m. All three Autocentres businesses contributed to this strong performance:

Consumer Garages and Vans – improved utilisation and pricing initiatives driving significant profit growth:

This material growth in Autocentres profitability reflected the delivery of several initiatives in our Consumer Garages and Vans business, including improved utilisation of colleagues and garage capacity, the launch of dynamic pricing for MOT and Tyre bookings, and an improved customer proposition for same-day tyre fitting.

Commercial Fleet Services ("CFS") – leveraging our market-leading offer and national presence

The October 2022 acquisition of Lodge complemented our existing commercial fleet services businesses, Universal and McConechy's, establishing **Halfords** as the UK's largest provider of commercial tyre services. The scale and national presence of this business is a key differentiating factor that attracts the UK's largest commercial fleet operators.

Revenue growth in FY24 was +47% in total and +5.3% on a LFL basis, driven in part by the award of new fleet contracts. The business was awarded a five-year contract with Yodel, who operate one of the largest commercial vehicle fleets in the UK, with over 1,700 vehicles, adding to existing contracts with DHL, DPD, Evri and Kuehne and Nagel. We also provide services for several local councils and other public entities, including contract wins in FY24 with Dudley, Coventry, Liverpool and Cheshire West councils.

We are continuing to leverage the integration of our combined CFS business, with revenue and cost synergies tracking ahead of expectations.

Avayler – significant contract wins and an investment stake

Our SaaS business 'Avayler' secured a landmark commercial agreement with Bridgestone, to roll-out Avayler software products across their US operations – potentially over 2,000 garages. The 15-year commercial agreement adds significant scale to our existing SaaS business in the US, growing the recurring revenue stream and underpinning our growth projections set out at our CMD in April 2023.

In addition to the contract win, Bridgestone has taken a 5% equity stake in return for a $3m investment. This is a significant endorsement for the Avayler software platform and demonstrates its considerable growth opportunity.

In the fourth quarter, we signed agreements with three new customers, all based in the USA. Our partnerships with Triple A ("AAA"), ZipTire, and Point S further enhance our market position with key players in North America. We are building momentum and have a strong pipeline in place for further customer acquisition targets.

From an operational perspective, during the year we separated Avayler to operate as a standalone business, distinct from the **Halfords** Group. This will enable Avayler to attract talent and develop a culture appropriate for a young but fast-growing, global software business, whilst also ensuring that we can accurately measure the progress it is making and the returns it generates.

Avayler Revenue more than tripled (including intercompany sales), to £6.6m in FY24, with an operating loss, as forecast, of £1.3m, as we continue to invest in technology and operations to support existing customers and future growth. In line with our CMD targets, we expect significant revenue and profit growth in the mid-term.

Profitably growing market share

Halfords Motoring Club grew to 3.4m members

Our **Halfords** Motoring Club was launched in March 2022, providing members with financial and non-financial benefits in return for closer engagement with **Halfords** and, in the case of Premium membership, a paid subscription.

The benefits of the **Halfords** Motoring Club continue to resonate strongly with customers, with membership doubling to 3.4 million by the year-end. In addition to providing customers with attractive benefits, the **Halfords** Motoring Club also creates significant value for **Halfords**:

- Members visit twice as frequently as non-members and spend more per visit.
- Lower customer acquisition cost: Cross-shop[1] for loyalty members was 16% in FY24, an increase of one percentage point on the prior year and four times higher than for non-members. Furthermore, 40% of MOTs in our Autocentres came through the **Halfords** Motoring Club, whilst 45% of members joining in FY24 are new to the **Halfords** Group. With the **Halfords** Motoring Club successfully driving customers into the Autocentres business, we expect our marketing spend on MOTs to reduce by 35% in FY25.
- The data we obtain provides an opportunity to monetise its value.
- The **Halfords** Motoring Club provides a roadmap to future subscription offers across the Group. At the end of FY24, 8.0% of members were signed up to the paid, premium membership offer, an increase of 0.6% from the prior year and within the range of our mid-term target of 8-10%.

1 Cross shop is defined as the proportion of customers who have transacted with both Retail and Autocentres in the period.

"We have continued to invest in our strategically important Services business, which for the first time now represents over half of our total revenues."

Growing our market-leading extended Car Parts proposition

We extended our motoring offer with a major launch of a new specialist Car Parts proposition, providing customers with access to thousands of car parts in our stores and online. Our entry into the £1bn specialist car parts market has driven a more than doubling of revenue in the Parts category, with customers responding positively to our competitive pricing; a step change in convenience with a new click and collect in 60 minutes offer; and adding the 4th 'B', Brakes, to our 3Bs ("Bulbs, Batteries, Blades") proposition.

Continuing to optimise the platform

Restructuring our tyre supply chain

We entered into an agreement with specialist tyre distributor Bond International, who will take responsibility for the tyre supply chain operation in the Autocentres business. This involves a significant restructuring of our tyre supply chain and will result in significant benefits for customers and shareholders.

Costs will reduce by approximately £5m per annum from FY25 onwards, reflecting the operational efficiencies that Bond International can provide as a specialist, market-leading tyre distributor. Further, customers will benefit from better stock availability in garages, with contracted service levels with Bond International in place. The agreement will also drive better operational processes in our garages and hubs, helping to save cost, reduce inventory and improve controls. Over time, the partnership will unlock greater buying synergies and provide an opportunity to improve working capital efficiency.

The restructuring resulted in the closure of tyre wholesale and distribution operations (Viking and BDL) that formed part of the National acquisition in December 2021. The transition of these operations to Bond International has enabled **Halfords** to retain the margin benefits of direct sourcing that came with having a wholly owned supply chain, but at considerably lower cost. The Bond International arrangement also enables a new same day tyre proposition bookable online across all **Halfords** and National branded garages, which the Viking and BDL operations would not have been able to fulfil without considerable scaling and capital investment. As such the transition of the tyre supply chain to Bond International is expected to enhance returns.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Cost and balance sheet efficiency

We continued to successfully manage our costs, delivering over £35m of savings in FY24, ahead of our £30m target. Over half of these savings were due to the success of our Better Buying programme, which has materially reduced our cost of goods on an ongoing basis through strategic supplier partnerships, value engineering, own-brand growth, and group buying synergies. The cumulative cost savings delivered in the last three years is £70m, demonstrating the Group's ongoing focus on efficiency and its ability to continue reducing the cost base.

Despite weaker sales than we had forecast at the start of the year, inventory in the Retail business reduced by £24m, a year-on-year reduction of nearly 11%. The balance sheet remains very strong, with net debt excluding leases of £8.2m and a leverage ratio (including leases) just below our target range.

Sustainability

We continue to make good progress on our ESG programme. Notable highlights include our ever-growing momentum within packaging – we removed 5.5 million items of plastic packaging and swapped 2 million items of non-recyclable plastic to recyclable, whilst we also launched new recycling initiatives in our Retail stores. We continued to strengthen the governance of our supply base, updating our Global sourcing policy and launching a new sustainability tool in partnership with EcoVadis, the global leader of business sustainability ratings.

Our Scope 1 and 2 emissions are now 24% below our FY20 baseline in absolute terms but, relative to Group revenue, are 49% below FY20. We also made significant progress in calculating accurate data for our Scope 3 emissions, working alongside industry experts, The Carbon Trust. This provides **Halfords** with a strong foundation on which to start building our Net Zero roadmap in FY25.

Further details of our ESG Strategy, the progress we have made, and our focus areas for the mid-term can be read in our Annual Report and Accounts located on the corporate website, www.halfordscompany.com.

Dividend and capital allocation

Our capital allocation priorities remain unchanged:

1. Maintaining a prudent balance sheet
2. Investment for growth
3. M&A, focused on Autocentres
4. Dividend covered by 1.5x-2.5x Underlying profit after tax
5. Surplus cash returned to shareholders

We ended the period with net debt, excluding leases, of £8.2m (FY23: Net Debt £1.8m). The Net Debt: EBITDA ratio (including lease debt) was 1.7x (FY23: 1.9x), slightly below our target range of 1.8x pre-M&A or up to 2.3x post.

We have extended our committed £180m Revolving Credit Facility (including £20m overdraft) to April 2028, with an additional one-year extension option that would take it to April 2029.

In line with the mid-term plan communicated at our Capital Markets Day in April 2023, we intend to increase capital expenditure in FY25 to a range of £50-60m, assuming trading continues as expected. Approximately half of this will support ongoing maintenance of the business, c. 35% allocated to optimising projects with strong in-year returns, and approximately 15% invested in strategic initiatives such as Avayler and Project Fusion.

Balancing our capital allocation priorities with the importance of the ordinary dividend to many of our investors, we have proposed a final dividend of 5 pence per share, which would result in a full year dividend of 8 pence. This would be a 20% reduction versus the prior year, reflecting lower profits and the application of our dividend policy described above. The final dividend would be paid on 13 September 2024 with the corresponding ex-dividend date of 8 August 2024 and the record date of 9 August 2024.

Graham Stapleton
Chief Executive Officer

17 July 2024

OUR MARKETPLACE

Our Motoring and Cycling products segments remain core, but we have a greater market opportunity in growing our existing motoring services business.

Retail Motoring

The sale of motoring products in Retail stores and online.

Market drivers

- Ageing UK car parc will lead to more cars within aftermarket segment and an expanding market for motoring products
- Increase in demand for electric vehicle products such as home charging solutions
- Product innovation

Motoring Servicing

The provision of motoring services in Retail stores, Autocentres garages or via mobile vans.

Market drivers

- The ageing UK car parc means cars are requiring more visits to garages on an annual basis
- Increasing number of customers wanting 'Do It For Me' solutions
- Increasing EV repairs and servicing work
- Prioritising convenience, services/repairs done at places of work or car parks

Consumer Tyres

The fitting of vehicle tyres in Autocentres garages or via mobile vans.

Market drivers

- Miles driven
- Regular MOTs
- Tyre tread depth
- Heavier EVs likely to lead to quicker tyre degradation

Consumer Market opportunities

- Provide customers with a "one-stop shop" in which they can access all products and services they need from a single, trusted brand.
- No market-leader in a highly-fragmented marketplace.
- Very few competitors outside of dealerships able to offer EV servicing.
- Mobile services are a growing market segment, particularly the tyre fitting industry.

Our response

- Progress long-term strategic opportunity to offer customers a "one-stop shop" offering for their driving needs.
- Significant organic and acquisitive growth has established **Halfords** as the market leader in aftermarket car servicing, maintenance and repair.
- Investment in training and equipment to ensure **Halfords** is a leader in aftermarket EV servicing.
- Our **Halfords** Mobile Expert vans deliver elements of car fitting and servicing, such as battery replacement, tyres and diagnostic checks, direct to the customer at their home or workplace.

B2B Market opportunities

- Cars will increasingly be owned and operated by businesses, rather than consumers, meaning B2B relationships will be key.
- National fleet owners prefer the benefits of contracting with a single provider with national coverage.
- Commercial vehicle miles driven have rebounded after COVID-19 impacted changes to driving patterns.

Our response

- Through the acquisitions of McConechy's, Universal and Lodge, complementing the B2B relationships already established in the Autocentres business, we have developed a market-leading presence in the commercial tyre market.
- Our national scale provides us with significant advantage to win large, national contracts.

Data on market size and volume share is derived from third-party providers, as follows:
Retail Motoring and Consumer Tyres: GfK; Motoring Servicing: DVSA (MOT data); Cycling: Bicycle Association.

Cycling

The sale of bikes and cycling accessories and the provision of cycling services.

Market drivers

- Government investment in cycling infrastructure, accelerated during COVID-19, is a key part of getting more people into cycling, particularly in urban locations where safety is a serious concern.
- The Government subsidy of bikes through Cycle to Work schemes enable discounted purchasing of bikes through salary sacrifice, giving consumers cheaper ways to cycle.
- The increase in ultra-low emission zones in cities and a general concern for climate change and environmental issues, is likely to drive people to opt for cycling as an alternative form of transport.

Consumer Market opportunities

- E-mobility is rapidly growing in importance to customers, offering a lower carbon mode of transport. Customer demand for E-Bikes is continuing to grow, now accounting for one in every five bikes sold.
- Although most customer journeys begin online, customers are willing to travel greater distances to experience cycling products first-hand in a store. A targeted and joined-up approach to omnichannel provides customers with a leading proposition.

Our response

- Our strong heritage and over 130 years of experience selling bikes means we are a market-leader in cycling products and services.
- **Halfords** Group boasts the biggest and most popular cycle brands in the UK – Carrera and Apollo – which we continue to innovate. In total, approximately 80% of our bikes are own-brand, serving both children and adults at a wide range of price points, from affordable to high performance.
- Our stores are conveniently located, and our online platform provides support and information to help customers choose the products and services they want. Many customers take advantage of our Click and Collect offer, placing orders online via our website and picking up from a designated store at a time which is convenient to them.

B2B Market opportunities

- The Government subsidised Cycle2Work scheme provides consumers with a much more affordable way to purchase a bike.
- E-mobility is driving the market with many businesses searching for lower-carbon means of transport and accessories to help run their businesses, particularly in urban locations, e.g. E-cargo bikes as a 'last mile' solution in ultra-low emissions zones such as central London.

Our response

- We are the market leader in the UK's Cycle to Work scheme, supporting sales and introducing new customers to our brand.
- We are also proud to have working relationships with large brands across the UK to which we supply cycling accessories.

OUR MARKETPLACE

Our Key Macro trends

Value

Description

- The UK consumer continues to experience significant financial pressure, with high levels of inflation, low wage growth and higher interest rates. Customers today want the best combination of value, quality and service.

Impact

- With household budgets increasingly squeezed, consumers have lower than normal disposable incomes to spend on discretionary products and services.

Our response

- Our strategy for the business is as relevant as ever – a transition away from the traditional retail model towards a services and B2B-focussed business, delivering repeatable revenue streams that are less discretionary.
- We have supported customers by investing in price and promotions, consumer financing options and our Bike Xchange programme, whilst our market-leading Cycle2Work offer provides the most affordable way to purchase a bike.

Link to Principal Risks

- Value proposition
- Brand appeal and market share

Transition to Electric

Description

- The UK is transitioning towards lower-carbon forms of transportation, driven by increasing pressures to reduce the use of fossil fuels.
- As a result, all forms of electric mobility are becoming increasingly popular with many customers choosing to make the switch to electric vehicles ("EVs"), E-Bikes or E-Scooters.

Impact

- Significant growth in customer queries relating to electric forms of transport.
- Greater demand for servicing of EVs, E-Bikes and E-Scooters.
- Second-hand markets for electric products.

Our response

- We have invested heavily in colleague training and garage equipment, to ensure we can support customers with their need to service EVs, E-Bikes and E-Scooters.
- We also continue to explore ways to enhance our range of electric products and solutions, including EV charging, innovative new E-Bikes, and second-hand E-Bikes.

Link to Principal Risks

- Climate change and electrification
- Culture/colleague engagement and skills

Do It For Me

Description

- The increasing complexity of vehicles and bikes means that many customers do not have the time, desire or knowledge to carry out repairs and maintenance on their cars and bikes. Instead they are searching for convenient solutions.

Impact

- This trend has been seen for some time and is expected to continue, with increasing demand for services.

Our response

- The strategy of the Group since 2018 has been to accelerate the growth of the Services business, leaning in to this particular customer trend.
- We have invested in colleague training and equipment to ensure we can maintain pace with customer demand.
- We have improved our booking process, providing customers with times and locations for their service to be carried out in-store, in a garage or even on their driveway via our fleet of mobile vans.

Link to Principal Risks

- Service quality
- Stakeholder support and confidence in strategy
- Sustainable business model

Convenience

Description

- Consumers' lifestyles are getting busier, free time is becoming more valuable, and consumers expect retailers and service providers to fit around their routines with on-demand services and friction-free interactions as standard.
- Convenience to them is not just about speed but about making their lives easier, even if this comes at an increased price.

Impact

- Customers expect a seamless shopping experience that is hassle-free and time-efficient. They want choice, whether that is visiting a store, a garage, or having a product delivered to home.

Our response

- Over the last few years, we have more than doubled the number of service locations, reducing customer drive time from 30 minutes to 20 minutes.
- Our mobile van fleet has grown substantially over the past 24 months, giving customers an unprecedented level of convenience, bringing services to their driveway with same-day service options in some instances.
- Launch of dynamic pricing, enabling customers to make their own trade-off between price and convenience.

Link to Principal Risks

- Service quality
- Stakeholder support and confidence in strategy
- Sustainable business model

Changing UK Car Parc

Description

- The age of the UK car parc is increasing from 7.9 years in 2019 to a forecast 9.7 years in 2026.

Impact

- With the average age of cars increasing, they are likely to require more frequent visits to garages for servicing, maintenance and repair.
- A higher proportion of cars will be greater than three years old, with most falling outside of dealer servicing packages. Customers are more likely to explore aftermarket servicing providers.

Our response

- The strategy of the Group since 2018 has been to accelerate the growth of the Motoring Services business. The growth in the number of garage locations and the creation of the mobile vans business has established **Halfords** as the market-leader in aftermarket servicing, maintenance and repair.

Link to Principal Risks

- Stakeholder support and confidence in strategy
- Sustainable business model
- Brand appeal and market share

BUSINESS MODEL

Creating value and leading with our vision to be the super-specialists in motoring and cycling, trusted by the nation.

Our key resources and relationships

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

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

Brand strength: Halfords is the nation's leading provider of motoring services and a trusted retailer for motorists and cyclists. We have a range of exclusive and highly-regarded brands, including Apollo, Carrera and Boardman in Cycling, as well as our **Halfords** Advanced ranges in Motoring.

Our infrastructure/assets: Our physical estate of Retail stores, garages and Mobile Expert vans, combined with a best-in-class digital platform and an efficient distribution network, provide customers with a convenient omnichannel offer.

Financial strength: A strong balance sheet and good cashflow generation provides the Group with the means to continue its investment for growth.

Large and varied customer base: Halfords is one of the largest consumer businesses in the UK, offering products and services to over 20 million people in FY24. With B2B revenue representing 29% of total Group revenue, we also have a significant number of business customers, from large fleet providers to large corporations operating the Cycle2Work scheme. Our Avayler software solution has also enabled us to attract global customers.

Data Capabilities: With over 140 million annual website visits, 45 million vehicle records checked per year, and over 10 million annual service jobs completed, we have access to valuable data and insights on customers and their vehicles.

Our sustainable mindset: We have an established sustainability strategy with proven results.

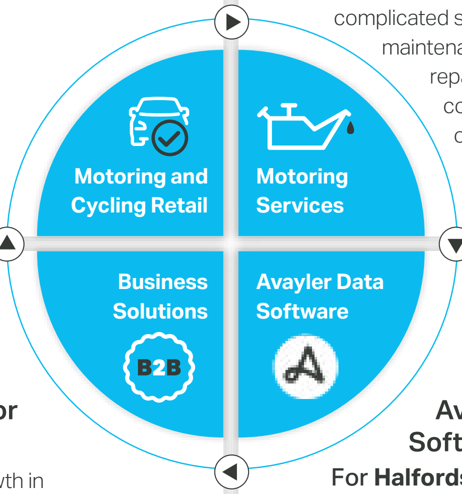
Scale, capability and business intelligence

Motoring and Cycling Products

Products are at the core of our business and have been for over 130 years, defining us as the UK's leading retailer of motoring and cycling products. Whether in one of our stores or online, customers are able to find parts or products they want for their motoring or cycling needs from E-Bikes to socket sets, power washers to bicycle helmets. Our colleagues are true experts and can suggest suitable products for each customer situation.

Motoring and Cycling Services

Our services proposition complements our strong product business; helping to keep the UK moving whilst delivering unrivalled customer service. Operating from over 1,750 locations, **Halfords** has the national scale to serve customers at a time and location convenient to them. Cycling services and basic fitting and car checks are performed in Retail stores or via our fleet of Mobile Expert vans, whilst more complicated service, maintenance and repair jobs are completed in one of 639 garages.



Solutions for Businesses

Significant growth in B2B channels means that it now accounts for 29% of Group revenue. These revenue streams are more predictable and more resilient to consumer sentiment changes, helping to create a stronger platform for the Group and leading to higher, more sustainable financial returns.

Avayler Software

For Halfords

Our internally-developed garage operating platform has greatly increased the operational efficiencies of our garages and mobile vans, whilst also driving an enhanced customer experience.

Selling to third parties

The success of the Avayler software has enabled the Group to sell a packaged version to third-party garage and van operators. The Avayler technology automates and enhances service delivery across the board, achieving more sales and higher margins, increased operational efficiency and increased compliance.

The value we create

Customers Access to a market-leading services and shopping experience, meeting their motoring and cycling needs via the convenience of one Group website and our 1,750+ stores, garages and vans, with access to technical and expert advice from our 12,000+ colleagues.	**>20m** customers this year
Colleagues Developing, rewarding and retaining our colleagues so that they are engaged to drive our growth ambitions.	**72%** colleague engagement score
Investors Generating returns for our shareholders through effective management of our financial resources and investment in high-returning opportunities.	**20 years** of annual dividend payments
Suppliers Providing suppliers with market-leading access to the UK consumer.	**Over 400** key suppliers in our value chain
The planet and our communities Supporting communities in the UK and beyond, whilst working with suppliers in our value chain to reduce our impact on the environment and lead the transition to Net Zero.	**49%** reduction in Scope 1 and Scope 2 emissions since FY20 (tCO_2e per £1m of revenue) **c. 27k** bikes recycled

OUR ENGAGEMENT WITH STAKEHOLDERS

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

The views of all of our stakeholders are considered by the Board and Executive team on a regular basis.

Stakeholders that benefit from the value we create

Colleagues

Why it's important to engage

- Our colleagues are fundamental to the achievement of our customer experience ambitions and are the cornerstone of our services proposition.

What matters to them?

- Support and development
- Career opportunities
- Fair remuneration
- An appropriate sustainability strategy

How we engage

- Promotion of the Group values
- Listening: surveys and colleague groups
- '3-Gears' training programme
- 'Aspire' store management development courses
- Recognition and reward

Outcomes of engagement

- Conducted our annual Colleague Engagement Survey to ensure every colleague has the chance to have their voice heard.
- We run weekly communications through team Huddles, a CEO blog and our intranet.
- Colleague awards take place regularly with the ability for any colleague to be nominated for living the **Halfords** values and role modelling behaviours that positively impact colleagues and our customers.

Link to Principal Risks

- Stakeholder support
- Regulatory and compliance
- Service quality
- Culture/colleague engagement and skills

Suppliers

Why it's important to engage

- Engaging with our supply chain effectively ensures the security of supply and speed to market. Our brand relies heavily on the high standards of our carefully selected suppliers in order for us to deliver market-leading products and services.

What matters to them?

- A trusted distributor in the UK and ROI
- Fair payment terms and pricing
- Responsible sourcing practices

How we engage

- Far East trading office developing mutually beneficial relationships.
- Organising logistics, driving efficiencies and improving environmental management.
- Supplier conferences.

Outcomes of engagement

- Meetings with our top strategic suppliers to understand their sustainability journey.
- Increased data and transparency from suppliers via the EcoVadis platform, supporting our ESG strategy, e.g. primary carbon data and human rights.

Link to Principal Risks

- Stakeholder support
- Sustainable business model
- Disruption to end-to-end supply chain
- Climate change and electrification

Communities

Why it's important to engage

- Engaging with communities is the right thing to do and ensures continued viability of the business in the long-term. We aim to contribute positively to the communities in which we operate.

What matters to them?

- Environmentally friendly practices
- Charitable giving

How we engage

- Charity & Community initiatives
- Media channels
- Recycling initiatives
- Net Zero commitment

Outcomes of engagement

- We continue to support Mind along with its sister charities SAMH (Scotland) and Inspire (Ireland) as our Group charity partner, highlighting the importance of mental wellbeing to our colleagues.
- Continued partnership with Drake Hall prison, where we run a cycle training academy for women prisoners.
- Raised awareness among female students at technical colleges in the UK by showcasing the diverse and engaging work that our female colleagues perform in their roles.

Link to Principal Risks

- Stakeholder support
- Brand appeal and market share
- Cyber security and IT infrastructure

Stakeholders that influence what we do

Investors

Why it's important to engage

- As a publicly listed company, we need to provide fair, balanced and understandable information to instil trust and confidence and allow informed investment decisions to be made.

What matters to them?

- Value creation opportunities and long-term sustainable growth
- Appropriate sustainability practices

How we engage

- Annual Report and Accounts
- RNS announcements
- Annual General Meeting
- Investor presentations
- Corporate website
- One-on-one meetings
- Capital Markets Day

Outcomes of engagement

- Full and half-year results and strategy presentations to shareholders.
- Regular meetings with brokers, analysts and shareholders throughout the year via the Chair, CEO, CFO and Investor Relations team.
- Corporate website kept up to date with annual refresh of all information and more regular minor amendments.
- Ensuring transparent reporting on ESG-related performance.
- Capital Markets Day held in April 2023.

Link to Principal Risks

- Stakeholder support
- Brand appeal and market share
- Sustainable business model
- Regulatory and compliance

Customers

Why it's important to engage

- Understanding our customers' needs and behaviours allows us to deliver relevant products and services, retain customers and attract new ones. It also identifies opportunities for business growth.

What matters to them?

- A great product or service, for a fair price

How we engage

- Satisfaction surveys
- Rewards
- Commercial website
- Social media engagement

Outcomes of engagement

- Regular communications through digital channels (e.g. email, social media) to talk to our customers.
- Regular customer 'listening groups' allowing more detailed feedback.
- Net Promoter Score surveys daily in stores and garages giving quantifiable feedback.
- Commercial website updated every week, enhancing the customer journey, providing the latest information, advice and guidance from our expert colleagues.
- The **Halfords** Blog gives customers more in-depth reports on topics such as electric mobility, ways to save money, competitions and essential information for motorists and cyclists.

Link to Principal Risks

- Stakeholder support
- Value proposition
- Brand appeal and market share
- Service quality

Government

Why it's important to engage

- Policies and regulatory changes may provide opportunities and pose risk to our operations. Working closely with the Government ensures that our products and services evolve appropriately.

Link to Our Risks

- Regulatory and compliance

Media

Why it's important to engage

- We need strong multi-channel exposure to connect with customers and our wider stakeholder audience. Engaging with the media ensures transparency and accuracy of information on the business.

Link to Our Risks

- Stakeholder support
- Brand appeal and market share
- Regulatory and compliance

Read more on page 110

SECTION 172(1) STATEMENT

Engaging with stakeholders delivers better outcomes for our business, fundamental to our long-term success.

Our Approach

As referenced in the Corporate Governance Report on page 102, this section describes how the Directors consider the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006 (the "Act").

In July 2019, the UK Corporate Governance Code reinforced the importance of Section 172(1) of the Act which requires the Directors to consider (amongst other matters) the interests of all stakeholders, including:

- The likely consequences of decisions in the long-term.
- The interests of the Company's workforce.
- The need to foster relationships with suppliers, customers and others.
- The impact of operations on the community.
- The high standards of business conduct.
- The need to act fairly between members of the Company.

Board Information

Keeping the Board Informed

- Leadership and management receive training on Directors' duties to ensure awareness of the Board's responsibilities.
- Board minutes include an explanation of Section 172(1) factors and relevant information relating to them.
- Our Board continually engages with stakeholders.

Read more on pages 102 and 150

Strategic Considerations

Section 172(1) and the Company's Strategy

- Section 172(1) factors considered in the Board's discussions on strategy.
- Chair ensures decision-making is sufficiently informed by Section 172(1) factors.

Read more on pages 48 and 117

Board Decision Making

Outcomes of Considering Section 172(1)

- Outcomes of decisions assessed and further engagement and dialogue.
- Actions taken as a result of Board engagement.
- Actions align with our culture.

Read more on page 106

STRATEGIC REPORT

CASE STUDY

Health and Safety | Visible Safety Leadership

Visible Safety Leadership ("VSL") is an initiative that was introduced throughout the Group in FY24.

VSL's primary purpose is to enable members of the Management teams to visibly demonstrate and commit to ensuring that all of our colleagues are operating in both a safe and healthy manner.

At **Halfords** we believe our management to be the most significant influencer on the behaviour of our people, and it's the ability of management to influence that behaviour which consequently determines whether or not accidents or incidents shall occur.

VSL enables our colleagues to 'see' and 'feel' the importance of safety through regular engagement, and via practical 'on the job' discussions with our Management teams. Management, regardless of their function, view operations through fresh eyes, and are able to proactively:

- experience first-hand tasks our colleagues undertake on a daily basis.
- discuss safety concerns with colleagues in an open environment.
- agree and support with safer and more efficient solutions.
- empower colleagues to operate without jeopardising their personal safety.
- reaffirm and visibly demonstrate an interest that 'We Care'.

VSL is also perceived as an excellent opportunity for our management teams to identify safe acts, and express praise for good practices observed.

"The aim of the discussion is to ultimately **PREVENT** tomorrow's injury."

SECTION 172(1) STATEMENT

Autocentre Supplier Conference

In FY24, we ran an Autocentre supplier Conference for our key supplier Partners.

Section 172(1) Consideration

Suppliers
The objective of the conference was to strengthen and reinforce our supplier relationships. Suppliers are critical to the success of our business through their support and service levels, and we recognise that a fully optimised supply chain and sourcing strategy will enable competitive advantage, whilst ensuring best-in-class service levels for our customers. The theme for the day was 'Partnering for Growth' to build and capitalise on the growth trajectory that **Halfords** has had over the previous year.

Suppliers are classified in our business as 'preferred, approved or listed', depending on strict criteria around commercial competitiveness, service levels and sustainability credentials. The conference was attended by the senior management of our preferred suppliers, who were mostly global in nature. The event was also live streamed to our suppliers in the Far East to enable global participation in the event.

We took the opportunity to update on our Group Strategy, investments that we have made and continue to make in the business, alongside several collaboration opportunities that we believe our businesses can optimise going forward. The messages were delivered by several members of the **Halfords** Executive team, to fully show the importance we place on this area.

As a result of the conference, we believe our suppliers now have a better understanding of our strategy, the importance of their role in our organisation and most importantly how we can both work together collaboratively for the benefit of **Halfords**' customers.

Mentoring Scheme

FY24 saw the trial of a mentorship programme to provide a structured and organised initiative to facilitate the pairing of experienced colleagues with mentees to provide guidance, support, and knowledge transfer.

Section 172(1) Consideration

Colleagues
We set out to create success by doing what is needed and what works for the mentee.

The mentorship pairings promote discussion on a colleague's aims, ambitions, and challenges for their personal and career development. The advice and insights flowing from mentor to mentee are instrumental to personal growth and career aspirations. Our mentors listen, but also offer their opinions and valuable insight into the topics discussed. The positive outcome promotes colleagues to focus on how they can best grow their own personal brand here at **Halfords** and for their future career opportunities. Another, positive outcome is that the programme helps to remind mentees of their own strengths and provides them with confidence to pursue relevant activities to assist in expanding their qualifications. The scheme injects confidence into both mentor and mentee. The approach is flexible with mentees being encouraged to protect time in their diary to focus on their personal and career growth.

Overall, the scheme connects our colleagues through communication and collaboration, leading to positive and rewarding outcomes for both mentor and mentee.

Apprenticeships

Being able to offer apprenticeships provides **Halfords** with a great route to attract and retain colleagues to our one **Halfords** family, whatever their age.

Section 172(1) Consideration

Colleagues
Apprenticeships offer colleagues and potential colleagues the opportunity to gain hands-on experience in a specific job role whilst developing their expertise in that area or subject and gaining a vocational qualification. We recognise the benefits that apprenticeships bring both for colleagues and for us as an employer, and actively offer two types:

- Automotive Apprenticeships are now offered in Level 2 ("L2") Autocare and Level 3 ("L3") Light Vehicle Service & Repair, with colleagues being offered the opportunity to progress to a L3 if they succeed at L2. Historically we have predominantly offered L3 apprenticeships due to the nature of the work our garages complete, however, with the acquisition of National we have been able to offer more colleagues L2 apprenticeships, providing us with a greater potential colleague reach. In addition, an apprenticeship provides job security for a minimum of two to three years; role progression to MOT Tester within four years (L3); and a career for life with highly transferable experience.
- Career/development apprenticeships support colleagues with career development. In FY24 this increased to 25 colleagues.

Communities
We work with the Palmer Foundation which provides additional pastoral and financial support to young people from disadvantaged backgrounds. This enables them to enter the Automotive industry through apprenticeships. Through this partnership, we have also been able to increase the number of females coming into the business through our apprenticeship programme.

Suppliers
We work with a number of different training providers which include local colleges and Remit Training. This enables us to offer alternative learning options such as; block release; day release; and on-site delivery.

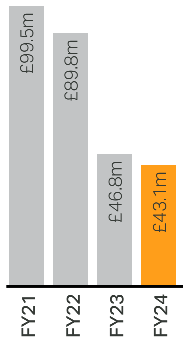
We work with providers that have an Ofsted rating of two or above and we regularly review the colleges and providers to ensure the quality of programmes meets our required standards.

Media
In June 2023, our annual Autocentre Apprentice of the Year competition was won by Holly Darvell. Holly has been an excellent role model for female apprentices in the automotive industry, getting involved in numerous media campaigns and events such as the National Apprenticeship Week visit to the Houses of Parliament. We were then delighted that Holly won the IMI Apprentice of the Year award in March 2024. This was a fantastic achievement for Holly and for her **Halfords**' colleagues.

OUR KEY PERFORMANCE INDICATORS

Shareholder KPIs

Underlying Profit Before Tax



Definition

Profit before income tax and non-underlying items, for Continuing Operations, as shown in the Group Income statement.

Reason

This measurement of profitability provides stakeholders with a view of underlying trends and performance, and the delivery of the Group strategy.

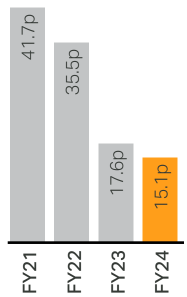
FY24 Performance

Underlying profit before tax from continuing operations of £43.1m was -7.9% lower than the prior period. This was a resilient performance against the backdrop of very challenging markets, weak consumer confidence, and high cost inflation.

Link to Remuneration

Bonus

Underlying Earnings Per Share



Definition

Profit after income tax and before non-underlying items, as shown in the Group Income Statement, divided by the number of shares in issue. Note that FY23 and FY24 are from continuing operations.

Reason

Basic EPS is a measure of underlying profit generation relative to the shares in issue and as such, measures delivery against our strategic objectives.

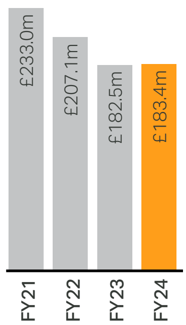
FY24 Performance

Underlying Basic EPS, from continuing operations, declined by -14.2% in the period, reflecting lower profit before tax and an increase in the effective tax rate, which was driven by the statutory increase in the headline corporate tax rate from 19% to 25%.

Link to Remuneration

Performance Share Plan

Underlying EBITDA



Definition

Underlying EBITDA adds back Interest, Depreciation and Amortisation to Underlying Profit Before Tax. Shown for Continuing Operations in FY23 and FY24.

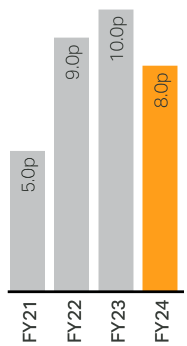
Reason

The Board considers this measurement of profitability to be an important alternative to underlying profit before tax and one which has a closer resemblance to cash generation.

FY24 Performance

Underlying EBITDA from continuing operations increased by 0.5% in FY24, reflecting similar factors that impacted PBT described above.

Dividend per Share



Definition

Cash returned to shareholders as a return on their investment in the Company, presented on a pence per share basis.

Reason

Our dividend policy is to pay an ordinary dividend that is covered by 1.5x to 2.5x Underlying Profit after Tax. Should surplus cash remain in the business that we feel we cannot deploy with good rates of return, we will return this to shareholders in the most appropriate way.

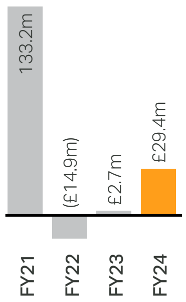
FY24 Performance

In line with lower profit compared to the prior period, and the application of our dividend policy, the Board recommends a dividend per share of 8 pence, down from 10 pence in FY23.

OUR KEY PERFORMANCE INDICATORS

Shareholder KPIs

Free Cash Flow



Definition

Adjusted Operating Cash Flow less capital expenditure, net finance costs, taxation, exchange movement, arrangement fees on loans, and lease payments. Note that FY23 and FY24 are from continuing operations.

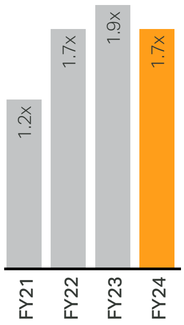
Reason

An important metric for shareholder value.

FY24 Performance

Free Cash Flow from continuing operations was £29.4m, a significant improvement on the prior period. Good working capital management, including lower inventory levels in the Retail business, contributed to this performance.

Net Debt to Underlying EBITDA Ratio



Definition

Represented by the ratio of Net Debt to Underlying EBITDA (including lease debt). Note that FY23 and FY24 underlying EBITDA is from continuing operations.

Reason

We are expecting to operate within a range of 1.8x to 2.3x, with the latter allowing for appropriate M&A. This ratio measures the Group's financial leverage relative to the targeted range.

FY24 Performance

The ratio has improved significantly in FY24 due to lower lease debt and at the period end was below the targeted range.

Like-for-Like Sales

Definition

Revenue from continuing operations that have been trading as part of the Group for at least a year (but excluding prior year sales of stores and Autocentres closed during the period) at constant foreign exchange rates.

Reason

Like-for-like sales is a widely used indicator of a retailer's trading performance, and is a comparable measure of our year-on-year sales performance.

	FY24	FY23
Halfords Group	**+5.0%**	+2.4%
Retail	**+2.2%**	-1.8%
Motoring	**+4.9%**	+4.0%
Cycling	**-2.8%**	-10.9%
Autocentres	**+10.7%**	+15.4%

FY24 Performance

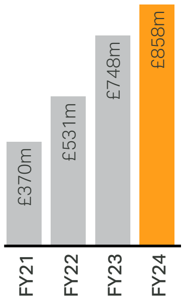
Like-for-like growth was strong in FY24, with Autocentres again posting double-digit growth.

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 225. 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.

Operational KPIs

Service-related Sales Growth



Definition

Service-related Group sales is the income derived from the fitting or repair services themselves along with the associated product sold within the same transaction. From continuing operations.

Reason

A core part of the Group's strategy is to grow service-related sales faster than total Group sales.

FY24 Performance

In line with the Group's strategy, Service-related sales continued to grow strongly in FY24, supported by the annualisation of the Lodge acquisition. Services now represent 51% of Group revenue.

Link to Remuneration

Bonus and Performance Share Plan

Group Colleague Engagement

Definition

The proportion of Group colleagues who respond positively to specific questions in the annual Colleague Engagement Survey.

Reason

High colleague engagement is critical to delivering the Group's strategy, whilst also being the right thing to do for a key stakeholder.

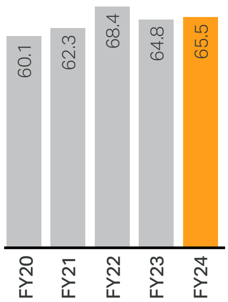
FY24 Performance

The colleague engagement score was down three percentage points versus the prior period. Though disappointing, the score remains high versus relevant benchmarks.

Link to Remuneration

Bonus

Customer Net Promoter Score ("NPS")



Definition

In line with industry measures and calculated using customer surveys completed in several channels across the business. The basis of the measure changed from FY23 onwards, reflecting a more balanced survey across the various Group channels.

Reason

The Customer NPS score is a key measure of how our strategy is delivering for customers and is important for future growth.

FY24 Performance

Our Group NPS score improved by 0.7 points in the period, reflecting a strong performance in our Retail business.

Link to Remuneration

Bonus

Read more on page 68 and 136

OUR STRATEGY

Our resilient performance in FY24 is evidence that our strategy to accelerate growth in Motoring, Services and B2B is working.

Graham Stapleton
Chief Executive Officer

Read more on KPIs on page 45

Read more on page 28

Inspire

Inspire our customers with a differentiated and super-specialist offer.

Our Focus

- Be known as a super-specialist, by enhancing our product range and training our colleagues.
- Lead and differentiate our markets with customer-led innovation, utilising deep customer insight and working with suppliers to create and market innovative products that are exclusive to **Halfords**.
- Improve our customer shopping journey online and in-store by continuing to optimise the Group's web platform and the full omnichannel journey, whilst focussing on personalisation by leveraging our Group-wide single customer view. Improving the in-store experience by providing a more experiential, inspirational and service-led environment.

Progress made in FY24

- Significant extension of our Car Parts offer.
- Further product innovation in both Bikes and Motoring products.
- Strong performance in Tredz, our Performance Cycling business.
- Our Fusion trial towns generated excellent financial results, encouraging us to roll-out this concept further.

Priorities for the next 12 months

- Project Fusion: investing in at least 25 towns, with significant upgrades to Retail car parks and Autocentres garages.
- Relaying the motoring space in up to 100 Retail stores.

Link to Principal Risks

- Value proposition
- Culture/colleague engagement and skills
- Brand appeal and market share
- Climate change and electrification

Support

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

Our Focus

- Offering customers access to our products and services via a unique combination of stores, garages and mobile vans, complemented by a strong online proposition.
- Having an integrated services proposition across the Group, with one Group website and seamless referral of customers from stores and vans to Autocentres garages.
- Further roll-out of new garages to reduce average drive time even further.
- Grow our B2B channels, particularly our Commercial Fleet Services business.
- Grow our Avayler platform to drive opportunities with Automotive service providers around the world.

Progress made in FY24

- Very strong growth in our Commercial Fleet Services business, with the acquisition of Lodge providing national coverage and attracting new customers.
- Better utilisation in garages, driving demand to under-utilised garages and reducing labour turnover.
- Improved customer proposition for tyre fitting, with more affordable options, greater financing choices, and better convenience through same day fitting.
- Dynamic pricing launched for MOT and Tyre bookings, giving customers a choice on quickest, nearest and best value.
- Launched a new Cycle2Work web portal for small and medium sized customers.
- Avayler completed a 15 year commercial agreement with Bridgestone, which included Bridgestone taking a 5% stake in Avayler.

Priorities for the next 12 months

- Continue to grow the Commercial Fleet Services business, leveraging its national scale to win new contracts.
- Leverage unique platform to improve consumer garage operating model.
- Invest in leadership capability and garage apprentices, with up to 150 new apprentices anticipated in FY25.
- Avayler will focus on operationalising the Bridgestone contract whilst developing the order pipeline.

Link to our KPIs

- Services as a percentage of Group revenue
- LFL sales
- Customer net promoter score

Link to Principal Risks

- Service quality
- Culture/colleague engagement and skills
- Brand appeal and market share
- Stakeholder support

Lifetime

Enable a lifetime of motoring and cycling.

Our Focus

- More actively drive customer loyalty and retention by leveraging our CRM programme and **Halfords** Motoring Club, providing compelling reasons for customers to return to our brand, optimising lifetime value and advocacy.
- Put our customer at the forefront of decision-making.

Progress Made in FY24

- Signed up 3.4 million members to our **Halfords** Motoring Club, significantly ahead of our target and double that of last year.
- The mix of premium members increased to 8% of total membership, supported by the recent launch of premium till sign-up capability in our Retail stores.
- NPS score of our **Halfords** Motoring Club members was 71.2 points, higher than non-members.
- Cross-shop of our members was four times higher than non-members. 39% of MOTs completed in Autocentres came through the **Halfords** Motoring Club.

Priorities for the next 12 months

- Grow the **Halfords** Motoring Club in National and focus incentives on tyres.
- Build on partnership proposition to support with acquisition and retention of members.

Link to our KPIs

- Customer Net Promoter Score

Link to Principal Risks

- Stakeholder support
- Service quality
- Brand appeal and market share

OUR STRATEGY

Inspire

our customers with a differentiated and super-specialist offer.

Progress made

- We extended our motoring offer with a major launch of a new specialist Car Parts proposition. Our entry into this £1bn market has driven a doubling of revenue, with customers responding positively to our competitive pricing; a step change in convenience with a new 'Click and Collect' in 60 minutes offer; and adding the 4th 'B', Brakes, to our 3Bs proposition.
- We continued to bring new and innovative products to our Retail customers. These include the market leading Nextbase IQ dashcams and a huge range change in our own brand car seats, aimed at providing better choice and innovation, with sustainability front and centre, via the utilisation of recycled fabrics. We also innovated across our cycling range, for example, the new Boardman SLR 8.9 men's road bike combines a best-in-class specification with a market leading price point.
- With growing brand awareness, an excellent trust pilot rating, and market leading finance options, our Tredz business is going from strength to strength. Tredz is also a key contributor to our B2B revenue through Cycle2Work, and in total delivered strong like-for-like growth.
- This year, we have seen excellent results from our two Project Fusion towns – Colchester and Halifax – where the biggest shift in performance has been across our Garage services. This includes our physical garages, and the motoring service areas of our Retail car parks where we fit 3Bs and refer customers across to our garages. These results have given us the confidence to accelerate investment in our Fusion programme in FY25.

Priorities for the next 12 months

- Roll-out of the Motoring services elements of Project Fusion. We have identified up to 25 towns across the UK for Fusion investment in FY25. We will invest approximately £5m of capex to enable major changes to our operating model in both the garages and Retail car park.
- We will invest in the physical layout of our Retail stores to deliver an improved journey for customers shopping for Motoring products. We anticipate investing in up to 100 retail stores, which we expect to provide a better shopping experience for our customers.

Support

our customers through an integrated, unique and more convenient services offer.

Progress made

- The Commercial Fleet Services business continued to attract new customers with a strong pipeline of contracts. We are already working with the likes of DHL, DPD, Evri, and Yodel, alongside some substantial local government contracts.
- Launch of our new Cycle2Work portal for SME businesses, making it easier to sign up to participate in our Cycle2Work scheme. As a result we have significantly grown the total volume of Cycle2Work clients versus the prior year.
- Entered into a 15-year commercial partnership with Bridgestone to implement our Avayler technology across the US, where Bridgestone has 2,000 consumer garages and a substantial fleet of mobile vans. In addition, demonstrating their confidence in our business, Bridgestone have also acquired a 5% stake in Avayler for $3m. This presents an incredible growth opportunity for Avayler, with significant scope to develop further over time.
- Delivered improved utilisation in Autocentres, by reducing labour turnover and driving demand into those areas where we have the capacity available to service it. The ongoing focus here means we have seen estate-wide utilisation improve, increasing 9 percentage points in FY24.
- The introduction of dynamic pricing not only helps customers to see their quickest, nearest, and best value options across our garage network, it also helps us significantly improve margin per worked hour. This is a consequence of being able to push demand where we need it most, improving efficiency, driving better utilisation, and higher profit.
- In Consumer Tyres, we focussed on two key areas to drive share growth. The first is value for money. We have improved our own brand budget tyre range and have made our tyres more affordable with initiatives such as our "never beaten on price" promise, combined with our market-leading range of financial services offers including "buy now pay later". Combined, these initiatives have seen our 'Value for Money' score improve by 5.2 points in FY24. The second is convenience. Here, our focus is on same day fitting of tyres across National, where we have seen strong sales growth in FY24, with customers rating this proposition highly. Finally, for the ultimate convenience, our **Halfords** Mobile experts come to you with an industry leading 4.7 trust pilot rating.
- Tyre supply chain operations restructured and outsourced to Bond International. Delivering daily to garages, driving increased convenience and facilitating our customer proposition of same-day tyres, bookable online.

Priorities for the next 12 months

- We will continue to invest in growing the Commercial Fleet Services business, leveraging its national scale to develop its pipeline and win new contracts.
- We will drive profitability improvements through several initiatives:
  - Further cost savings across the Group, in particular by lowering our cost of goods.
  - Completing transition of tyre supply chain operation to Bond International.
  - Improving leadership capability.
  - Improving consumer garage operating model.
- We will continue to invest in the garage apprenticeship scheme, with up to 150 new joiners anticipated. Typically, our apprenticeship schemes attract a higher proportion of females than the industry average. This is an important way for us to achieve greater diversity for **Halfords** and for the automotive servicing industry.
- Our Avayler software business will focus on fully implementing and running the Bridgestone contract, whilst it seeks to continue developing its pipeline of new clients.

OUR STRATEGY

Lifetime

Enable a Lifetime of motoring and cycling.

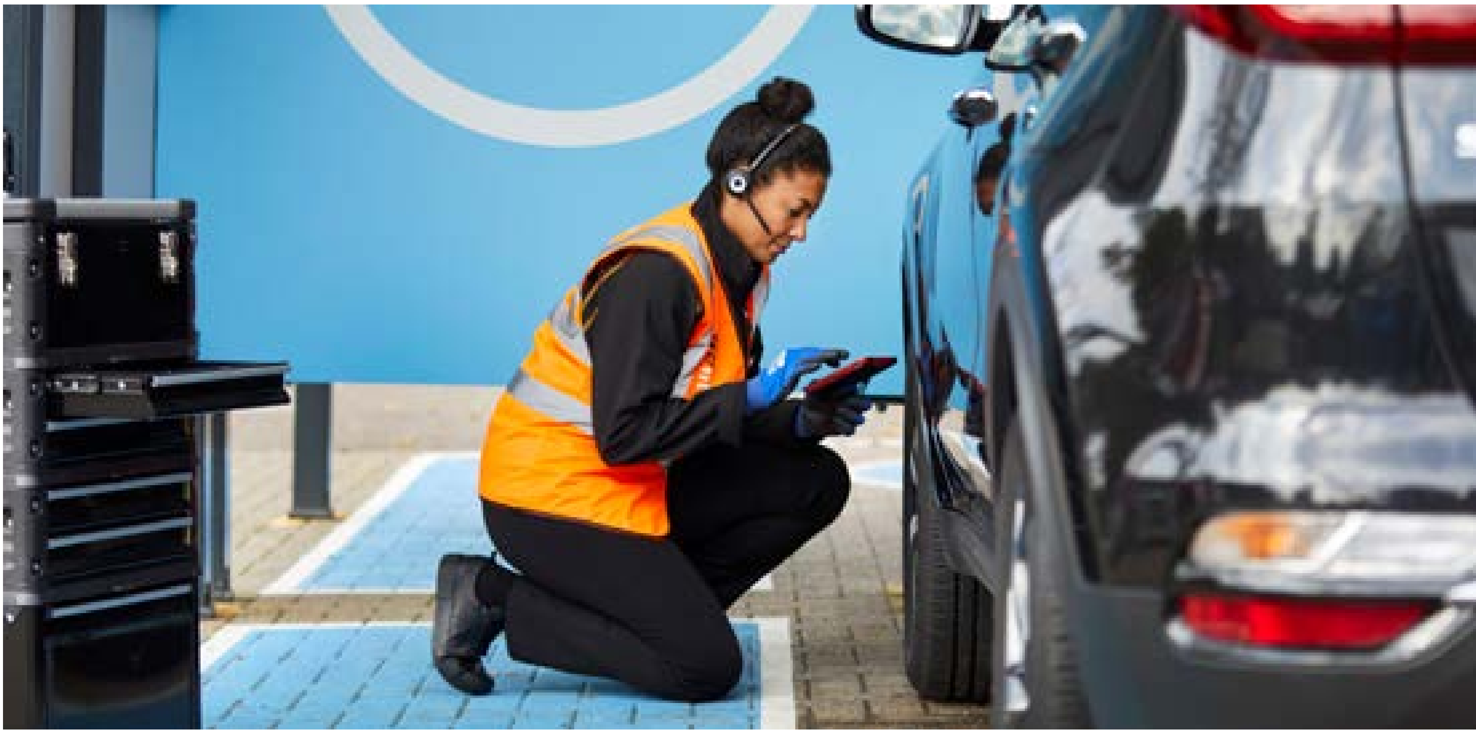
Progress made

- Our **Halfords** Motoring Club is the key component of our Lifetime strategy. After a very strong first year, the club continued to grow in FY24, the benefits clearly resonating with customers looking for value in a cost-of-living crisis.
- Now with over 3.4 million members, we have significantly exceeded our sign-up targets for this financial year. And we continued to see growth in the number of members new to the **Halfords** Brand.
- The mix of premium members is a critical measure for us, driving cross shop, recurring revenue, and lifetime value. This has increased to 8%, supported by the recent launch of premium till sign up capability in our Retail stores.
- We are delighted that the club is delivering on its goal to change customer retention behaviours in Retail, as demonstrated by the significant increases in both frequency and breadth of shop.
- As we showed at the CMD, the club is an acquisition tool which drives customers from our Retail stores across to our garages. The proportion of MOTs in our consumer garages coming from Loyalty members is just under 40%.
- Overall, the club remains a core part of our strategic plans, over the mid- to long-term, with vehicle and vehicle health data absolutely central to our Lifetime strategy. Our goal is to drive stronger data analytics, predictive modelling, monetisation, and even more profitable utilisation, alongside a highly personalised customer experience.

Priorities for the next 12 months

- Leverage the **Halfords** Motoring Club to reduce marketing acquisition costs across key categories.
- Grow the **Halfords** Motoring Club in National and offer our members greater incentives to shop tyres.
- Build on our partnership proposition within the **Halfords** Motoring Club, selecting key partners to support the acquisition and retention of members.
- Develop new benefits for **Halfords** Motoring Club members.

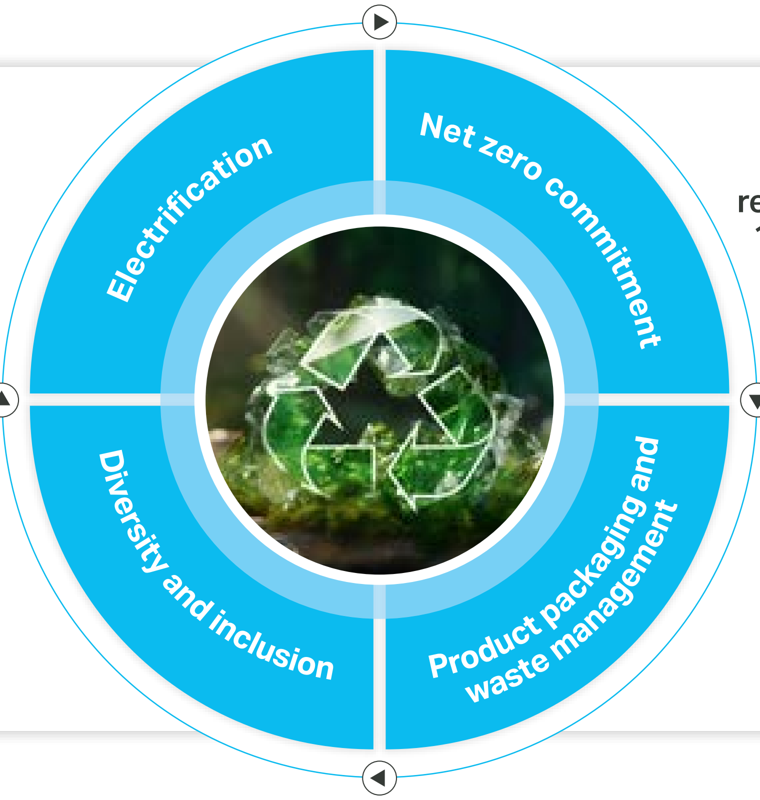
ESG INTRODUCTION



We continued to make good progress on our ESG strategy this year, focussing on our people and our planet to work towards a more sustainable future.

274
EV-ready garages

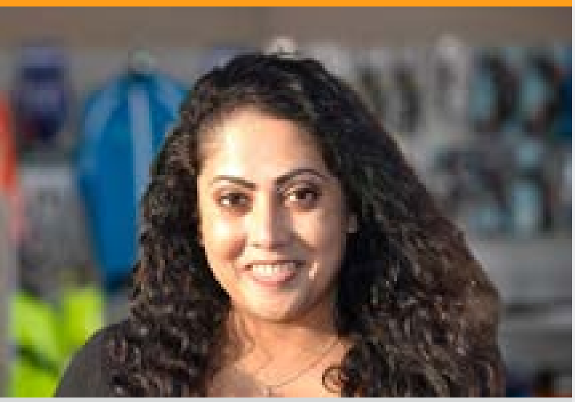
49%
reduction in Scope 1 and 2 emissions vs FY20 baseline (relative to revenue)



6%
Median Pay Gap, well below national average

41%
reduction in consumer-facing virgin plastic vs FY20

CASE STUDY



Tanvi Gokhale
Chair of the ESG Committee

Introducing the new Chair of the ESG Committee

This is my first annual report as the Chair of the ESG Committee and as a Non-Executive Director of **Halfords**, having joined the Board in June 2023. I wish to thank my predecessor, Helen Jones, for her commitment to ESG at **Halfords** and for the progress that has been made in her years as Chair.

We have continued to make good progress on our ESG programme, most notably in progressing our Net Zero plan and in our contributions to the circular economy. That said, there is so much more we want to achieve and I look forward to contributing to the **Halfords** journey.

"I am delighted to be the new Chair of the ESG Committee at Halfords and I look forward to overseeing continued progress in the years ahead."

We are committed to making sure good governance is maintained throughout the delivery of our ESG strategy.

The Board

Overall responsibility for the implementation and success of the ESG strategy.

Health and Safety Committee

Our Group sub-committee is responsible for co-creating and agreeing policy, implementation framework and standards as well as monitoring performance, reviewing any remedial action and sharing good practice and lessons learned from across the Group.

ESG Committee

Responsible for the ongoing delivery against targets set for the four priority areas.

ESG business leaders

Ensure information is shared and monitored at a business level.

Read more on page 124 and 125

OUR ESG STRATEGY

Overview

We have continued to make good progress on our ESG strategy and in particular on our key priority areas. By focussing on the areas on which we can have the biggest impact, we will continue to maintain a sustainable business that delivers for all our stakeholders.

Electrification

Our Focus

- Lead the market in Electric Servicing as the UK shifts towards more sustainable mobility options, specifically electric vehicles ("EVs"), E-bikes and E-scooters.
- Providing industry-leading training to our colleagues and invest in equipment to better support customers as they make the switch to electric.
- Broadening our range of E-mobility services and products, e.g. E-bikes/E-scooters, making the transition to electric travel easier.
- Investing in education and community engagement programmes to help and support consumers to make climate-smart choices.
- Raise Government awareness on the investment required to accelerate the transition to electric vehicles and other electric transport options.

Progress in FY24

- Investment in equipment and colleague training to ensure we have a sufficient number of garages capable of providing EV servicing. Due in part to colleague attrition, the number of EV-trained colleagues reduced by 14% to 414, whilst the number of EV-ready garages was broadly flat, at 274. Our historically significant investment in EV servicing means that **Halfords** is very well positioned to lead the market, but the pace of change in the UK vehicle market has slowed this year.
- Worked on a proposition to introduce EV servicing capability in **Halfords** Mobile Expert vans, with a launch date expected in FY25.
- Increased demand for EV servicing in our fast-growing B2B channels

Priorities for Next 12 Months

- We are well-positioned to support UK customers with the switch to electric forms of transport and our progress here will be shaped by the pace of change in the UK vehicle market.
- The UK Government's decision in September 2023 to postpone the ban on new petrol and diesel cars and vans by five years could slow down the adoption of electric vehicles, and growth has slowed this year.
- **Halfords** strategy for Electrification is to lead the market in EV Servicing, but the speed at which it rolls-out EV servicing capability across the business will be proportionate to the pace of change in the UK vehicle market.

Related UN Sustainable Development Goals ("SDGs"):

3 GOOD HEALTH AND WELL-BEING; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION

Link to Principal Risks

- Climate change and electrification
- Stakeholder support and confidence in strategy
- Skills shortage

Net Zero Commitment

Our Focus

- Reduce our carbon emissions and make progress on our reduction targets. These targets are aligned to the more ambitious 1.5ºC scenario set out in the Paris Agreement (2015).
- Reduce absolute Scope 1 and Scope 2 GHG emissions 42% by 2030 from a 2020 base year.
- Increase annual sourcing of renewable electricity to 100% by 2030 from 0% in 2020.
- Reduce absolute Scope 3 GHG emissions from 'Purchased Goods and Services', 'Capital Goods' and 'Upstream Transportation and Distribution', by 25% before 2030 versus a 2020 base year.
- Our ultimate aim is to achieve Net Zero emissions across our value chain by 2050. We recognise we cannot do this alone, so will collaborate and partner with our suppliers, vendors and customers to work towards a Net Zero future.

Progress in FY24

- Reduced our Scope 1 and Scope 2 emissions by 49% from a FY20 baseline based on tCO_2e per £1m of revenue.
- Significant progress made in calculating accurate data for Scope 3 emissions.
- 88% of electricity needs from renewable sources, backed by REGOs.

Priorities for Next 12 Months

- Building upon strong foundations laid in FY24, the key focus in FY25 is to create the strategy and roadmap for **Halfords** Net Zero plan.
- Continue to seek ways to further reduce Scope 1 and Scope 2 emissions e.g. increased EV adoption rates for colleagues.
- Utilise improved tools and datasets to engage positively with suppliers on reducing Scope 3 emissions, whilst supporting them on their own Net Zero roadmap.

Related UN SDGs:

3 GOOD HEALTH AND WELL-BEING; 13 CLIMATE ACTION

Link to Principal Risks

- Climate change and electrification
- Regulatory and compliance

Diversity & Inclusion

Our Focus

- Create an inclusive workplace in which all colleagues are able to be themselves at work, feel valued for their contribution and are supported to perform their best.
- Provide equal opportunities for all colleagues.
- Remove the gender/ethnic/diversity pay gap.
- Create accessible opportunities and training to improve female representation across our Group, particularly in our garages.

Progress in FY24

- Colleague Network Groups continued to meet regularly, providing a source of support, feedback, and awareness.
- Conducted a series of listening groups with colleagues at all levels, gathering feedback on D&I matters and giving a voice to all colleagues.
- Overall D&I score in annual colleague survey was 82%, with 86% of respondents reporting positively to the statement 'I feel that I can be myself at work'.

Priorities for Next 12 Months

- Focus on increasing diversity of our Garage leaders population.
- Review recruitment approach and implement changes to remove bias.
- Invest in D&I training for colleagues, with recruitment training for line managers.
- Update D&I related policies e.g. Recruitment, Menopause and embed actions.
- Launch EDI council.
- Extend mentoring programmes, including introducing a Reverse Mentoring Programme for senior leaders.

Related UN SDGs:

Link to Principal Risks

- Colleague engagement/culture
- Stakeholder support and confidence in strategy

Product, Packaging & Waste Management

Our Focus

- To develop a packaging material strategy that improves environmental impact through increased recyclability, the use of responsibly certified card and a reduction in virgin plastic.
- Reduce packaging tax through plastic reduction.
- Continue to seek innovative ways to reduce, reuse and recycle core waste streams.

Progress in FY24

- Removed 5.4 million items of plastic from our own-brand packaging.
- Reduced virgin plastic in our packaging by 41% since FY20 baseline.
- Over 26,000 bikes either donated to charity or refurbished and sold second-hand to customers. This year, our Bike Xchange programme was extended to online which has significantly boosted the scheme.

Priorities for Next 12 Months

- Continue FSC card transformation programme and on-pack recyclability labelling.
- Further reduce virgin plastic use in our own label packaging e.g. bike boxes.
- Increase the number of products for which we offer recycling solutions e.g. inner tubes.

Related UN SDGs:

Link to Principal Risks

- Climate change and electrification
- Sustainable business model
- Regulatory and compliance

OUR ESG STRATEGY

Electrification

Our Ambition

"To be the leading name in electric mobility services, giving everybody the confidence to switch and continually enjoy the benefits of electric mobility."

Overview

For **Halfords**, Electrification means leading the way as the UK shifts towards electric modes of transport and supporting our customers as they make the switch. **Halfords** is uniquely positioned in the UK to offer electric services and solutions for both two and four-wheeled modes of transport and we are proud to support our customers with everything they need as the UK transitions towards lower carbon electric mobility.

Our ambition is to be the leading name in electric services, giving everybody the confidence to switch and continue to enjoy the benefits of E-mobility. We are in a privileged position to champion the needs of consumers and we intend to use our voice to develop the UK's electric mobility industry.

Progress in FY24

We are committed to supporting the transition to E-mobility and providing our customers with the best service and experience possible. We have continued to invest in equipment and colleague training to increase our EV-ready service centres, which can handle all types of electric vehicles, from hybrids to battery electric vehicles ("BEV").

We have 274 EV-ready service centres across the country, representing 50% of the consumer garage estate. The whole estate provides national coverage, with 90% of the population within a 20-minute drivetime. This investment enables us to meet the growing demand for EV servicing and maintenance, and to offer our customers more convenience and choice.

We have been working on a proposition to introduce EV Servicing capability to our HME Mobile vans, with the aim to launch this in FY25. This will provide our customers with the convenience of having either a full or major EV service, completed at their home or work address from 8am to 8pm, 7 days per week.

We have seen increased demand for EV servicing from our B2B customers, for whom we provide servicing and maintenance of their fleet network. We provide customers with comprehensive and customised EV servicing solutions, which include preventive maintenance, diagnostics, repairs, and software updates. We also offer them flexible and competitive pricing, as well as dedicated account managers and support teams.

We saw a significant increase in the number of EV vehicles serviced in our garages last year, up +149% vs FY23.


Electric
Faster
Further
halfords
Staying safe
while we stay open
ROAD

OUR ESG STRATEGY

Net Zero

Our Ambition

"Achieve Net Zero value chain emissions by 2050 and interim reductions aligned to science-based principles."

Overview

Addressing climate change through the reduction of greenhouse gas ("GHG") emissions is now a key priority for most companies and **Halfords** is no exception. As one of the UK's largest employers it is critically important that we make a strong commitment to tackle climate change and put this at the top of our ESG agenda.

Our carbon reduction targets are:

- Reduce absolute Scope 1 and Scope 2 GHG emissions 42% by 2030 from a 2020 base year.
- Increase annual sourcing of renewable electricity to 100% by 2030 from 0% in 2020.
- Reduce absolute Scope 3 GHG emissions from "Purchased Goods and Services", "Capital Goods" and "Upstream Transportation and Distribution" by 25% before 2030, versus a 2020 base year.

Progress in FY24

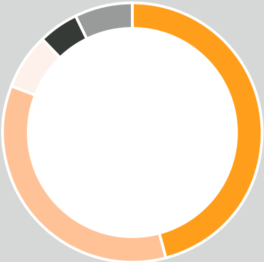
We are committed to achieving our reduction targets by 2030 and have already made significant strides in reducing our direct greenhouse gas emissions. Compared to our FY20 baseline, we have reduced our Scope 1 and Scope 2 emissions by 49% relative to revenue, through a series of initiatives, such as introducing LED lighting into our stores and garages (now at 60% of sites). We also procured 88% of our electricity from renewable energy sources.

With Scope 3 emissions accounting for a much larger proportion of our total emissions than Scope 1 and Scope 2, and of those the majority relating to the purchase of goods, it is imperative that we engage with our suppliers to support them on their own Net Zero journey. We have implemented the EcoVadis sustainability rating platform, which records and assesses the environmental, social, and ethical performance of our suppliers. 80p of every £1 we spend is now going through the EcoVadis platform, providing us with a strong dataset to understand where we should focus our efforts and to help inform our sourcing decisions.

CASE STUDY

Scope 3 emissions data

Scope 3 Emissions



- Purchased goods and services **46.0%**
- Use of sold products (indirect) **35.0%**
- Upstream transport and distribution **7.0%**
- Use of sold products (direct) **5.0%**
- Other **7.0%**

With support from industry experts, Carbon Trust, we have significantly improved the accuracy of our Scope 3 emissions data.

For over 90% of our emissions, we have replaced our estimates that are based on supplier spend to one that utilises volumetric data (e.g. actual purchase volumes) and emissions factors from reputable data libraries. The six-month project provided us with actionable insight on the product categories and suppliers contributing most to business value-chain emissions, and provides us with a robust dataset that will support our Net Zero roadmap planning in FY25 and our overall decarbonisation journey.

Diversity & Inclusion

Our Ambition

"Make Halfords a truly inclusive place to work and representative of the customers and communities we serve."

Overview

Halfords Group is committed to providing equal opportunities to colleagues and candidates. This applies to recruitment, training, career development and promotion, regardless of physical ability, gender, sexual orientation, pregnancy and maternity, race, religious beliefs, age, nationality or ethnic origin.

We are proud to promote diversity in the motoring and cycling industries through our engagement and representation on Diversity and Inclusivity ("D&I") working groups within the Institute of the Motor Industry ("IMI"). We work hard to ensure every colleague feels they can be themselves at work and perform to their best. We recognise there is always more we can do, and we are excited to build on our foundations through ongoing engagement with colleagues.

Our key areas of focus are:

- Increasing female representation across all levels, particularly in our Services businesses and our Leaders Group.
- Increase the ethnic diversity of our colleague base, with a particular focus on developing talent from within the Group and increasing the ethnic diversity of our leadership population.
- Create an inclusive culture so that all colleagues feel that they can be themselves at work, be treated fairly, and be given equitable opportunity to succeed.

Progress in FY24

Our four Colleague Network Groups – Women of **Halfords**, LGBTQIA+, Ability and Disability, and Race and Ethnicity – are a key component of our Diversity and Inclusion strategy, providing a supportive forum for colleagues from different backgrounds, identities, and experiences to share their views and perspectives. Led by colleagues working at different levels of the organisation, these groups continued to meet throughout the year, discussing the key issues and challenges that affect their community, providing the leadership teams with feedback, and promoting awareness.

A series of listening groups, held with colleagues at all levels and functions of the Group, were conducted during FY24, where the focus was to gather feedback on how **Halfords** can improve its diversity and inclusion practices. The listening groups were facilitated by our people function, and many were also attended by the Chair of the ESG Committee, which was both Helen Jones and Tanvi Gokhale in FY24. The insights and recommendations from the listening groups will be used to inform our Diversity and Inclusion strategy.

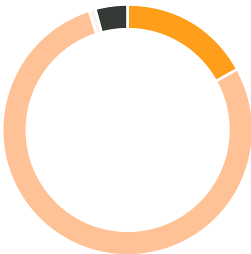
The **Halfords** apprenticeship scheme offers a unique opportunity for people new to the industry to learn from our experienced and talented colleagues. It is also a significant lever to increase the diversity of our colleague base and improve our inclusivity. In FY24, 12 apprentices joined **Halfords**, of whom 8% are female. The apprentice intake of 12 in FY24 was much lower than FY23, as we rebalanced the workforce, but we plan to increase this significantly next year to more than 150, where we aim to recruit more diverse apprentices. This is driven by our proactive efforts to attract more female candidates, such as partnering with schools and colleges, hosting open days and events, and showcasing the achievements and stories of our female colleagues and apprentices. This year one of our female Apprentices, Holly Darvell, won the IMI Apprentice of the Year Award. We are determined to continue this progress and to create more opportunities for women in our industry.

Our annual Colleague Engagement Survey has included diversity and inclusion questions for several years, and therefore provides us with good feedback for measuring colleague sentiment. This year, the overall D&I score was 82%, with 86% of respondents reporting positively to the statement 'I feel that I can be myself at work'.

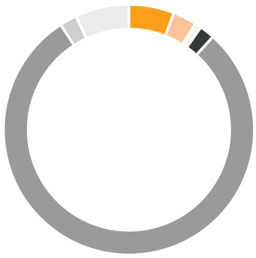
Gender Pay Gap

Achieving gender equity in pay is an important pillar of the Group's overall Diversity and Inclusion strategy. Although slightly higher than the previous year, the median pay gap of 6% remains significantly below the national median of approximately 9%. The increase on the prior year reflects the growth in the Autocentres business, which has a lower proportion of female colleagues who also tend to be in less senior roles or are relatively new to the industry. Our plan to increase gender diversity is most heavily focussed on the Autocentres business, where we aim to lead the industry with best-in-class diversity and inclusion practices.

Diversity and Inclusion Data



- Female **17%**
- Male **78%**
- Other **1%**
- Prefer not to say **4%**



- Asian or Asian British **6%**
- Black/Black African/Black Caribbean/Black Other **3%**
- Middle Eastern **1%**
- Mixed or Multiple Ethnic Heritage **2%**
- White/Caucasian/White other **80%**
- Other **2%**
- Prefer not to say **6%**

CASE STUDY

Apprentice of the Year

Holly Darvell is a 21-year old apprentice working in the Canterbury Autocentre, having joined **Halfords** 18 months ago. Holly won Apprentice of the Year at **Halfords** from a shortlist of 120 colleagues and then followed this up by winning the same award at The Institute of the Motor Industry's (IMI) annual awards show.

In addition to performing her role with exceptional aptitude, Holly has also been a champion of diversity in the industry. Being a woman in a predominantly male environment is a challenge, one that Holly rises to consistently, working at the same level as many experienced technicians. She goes the extra mile to encourage more women to enter the industry. Specifically, she was part of a programme that involved going into primary schools to talk about the industry to young students who may not know how exciting and diverse it is.

Holly's determination, skills, and passion for promoting diversity in the industry are truly admirable and provide a real success story for our Apprenticeship programme.

OUR ESG STRATEGY

Our Colleagues

Colleague Engagement

Colleague engagement is vital to our success as a business. Each year, we conduct a Colleague Engagement Survey, that provides actionable, anonymised reports at a team level. This year's survey, conducted in April 2024, had a response rate of 95% and an engagement index score of 72%, a reduction from the previous year's score of 75%. In response to the survey results, every team produces an engagement plan for the year ahead, which rolls up into department and Group plans.

Training and Development

We remain committed to providing best-in-class training to our colleagues. This includes field-based training for store and garage colleagues, such as the servicing of Electric Vehicles or Bikes, to online training courses on management and leadership skills. Some highlights from FY24 were:

- Values Recognition Scheme: This year saw 823 colleagues nominated for our Values Recognition Scheme, 'Colleague of the Quarter'. Colleagues are nominated by their peers for how well they role model the **Halfords** Values. Each quarter our Values Champions from across the business award 12 Colleague of the Quarter awards and another 12 are recognised for their contribution.
- In Retail, we trained over 4,000 colleagues in technical skills to deliver our We Fit propositions.
- Apprentice programme: we currently have 104 people on Apprenticeships, with plans to recruit over 150 in FY25.
- Electric vehicle servicing: 195 garage technicians completed their Hybrid Level 3 qualifications and 24 HME technicians completed their Hybrid Level 2 qualifications. We introduced our T4 Technician Development Programme, providing us with 10 EV L4 garage technicians/experts.
- We trained over 1,000 garage technicians to achieve automotive qualifications.
- Over 500 garage managers and 40 Supply Chain managers attended our two day 'DRIVE' programme, which is focused on developing management skills.

Health and Safety

At **Halfords** we commit to operating in a manner that ensures the health, safety and wellbeing of our colleagues remains at the forefront of our organisation. We recognise that high standards of health and safety are good business practice, and require persistent management focus supported by appropriate financial and physical resources. We maintain an effective health and safety management system that focusses on both our organisations compliance and colleague culture.

Halfords recognises that good health and safety adds value, increases overall engagement levels, empowers our colleagues, and also provides efficiencies in enabling us to become a more sustainable organisation.

Our health and safety performance is measured through periodic audits, site inspections, safety concerns, reported events, and visible leadership tours. We have a clear strategic approach within our Group Health and Safety Roadmap to reduce colleague harm, ensure our risks are prioritised, and improve overall awareness throughout the organisation. We work collectively with our management teams to provide clear, robust, and fit for purpose safety standards that are consistently reviewed to ensure they not only fulfil, but also surpass local laws and regulations. Our Board receives frequent communication on health and safety performance and regular updates on roadmap progression.

At **Halfords** we believe our management team to be the most significant influencer on the behaviour of our people, and it is the ability of our management teams to influence that behaviour which consequently determines our overall health and safety performance. We deploy Visible Safety Leadership ("VSL") to enable members of our management team to visibly demonstrate and commit to ensuring that all of our colleagues are operating in both a safe, and healthy manner. Our management, regardless of their function, view our operations directly on the ground, and are able to proactively:

- experience first-hand tasks our colleagues undertake on a daily basis.
- discuss safety concerns with colleagues in an open environment.
- agree and support with safer and more efficient solutions.
- empower colleagues to operate without jeopardising their personal safety.
- reaffirm and visibly demonstrate an interest and that 'We Care'.

The Group's Safety Non-Negotiables ("SNNs") have been developed with our colleagues to ensure sufficient health and safety standards are both maintained and respected at all times. These provide a clear set of expectations to reflect our personal values, ethics, and principles when it comes to the health, safety, and wellbeing of our colleagues. We fundamentally believe in promoting a cooperative approach with our colleagues to both understand, and promptly rectify any shortcomings of safety standards.

Compliance with our health and safety policy is a condition of employment, and our Board openly supports all colleagues endeavouring to carry it out. Equally our Board recognises colleagues identifying good practices and demonstrating exceptional leadership.

Clear standards and procedures detailing safe ways of working to manage health and safety across the business continue to be developed, based on risk assessments that are reviewed on an ongoing basis. We work with primary authorities to obtain assured advice covering operational safety and fire safety to comply with all applicable regulations. We use this information to develop colleague-centric training providing the tools and knowledge to enable them to operate in a safe manner.

Regular health and safety audits are conducted by field teams to ensure our operations remain safe for both colleagues and customers, ensuring compliance so far as is practicable is aligned with both health and safety laws and our internal policies.

Charity and Communities

Halfords is proud to support charities and communities across the UK, through charitable donations, gifts in kind and time.

We have relationships with several charity partners, including with Mind, who we began a three year partnership with starting in FY22. Mind, together with its sister partners, Inspire (Northern Ireland) and SAMH (Scotland), is a mental health charity with local presence across the UK. Not only is this an important charity that provides significant benefit to UK society, but it also aligns with our own wellbeing programme for colleagues. In FY24 we donated £23,000 to Mind.

We have also continued to work with other charities that have a strong connection to **Halfords**, which you can read more about in the case studies on the next page.

CASE STUDY

HMP Drake Hall

The **Halfords** Academy at HMP Drake Hall (a prison and young offender institution in Staffordshire, for women aged 18 and over) was launched in 2016. It offers participants the opportunity to train as cycle mechanics and create the prospect of steady employment upon release.

The programme is tailored for each participant with an added focus on Mechanics, Customer services or Retail. Since launch, over twenty graduates have joined the business in a variety of roles following their release. Fully supported by **Halfords** colleagues, participants are subject to the same high standards of training as all colleagues within the Group – the training programme is thorough, designed to challenge participants and raise aspirations.

The programme provides offenders with the opportunity to be trained and work on the reconditioning of bikes, which are then donated to charities. For example, many bikes are donated to primary schools in disadvantaged areas to help children access cycling through the **Halfords** school bike donation scheme.

Link to

4 QUALITY EDUCATION

5 GENDER EQUALITY

CASE STUDY

Re-Cycle and Krisevac

Halfords has worked with the Re-Cycle charity since 2013 – an amazing charity which repurposes bikes by sending them to those in desperate need of basic transport in African countries, training mechanics in-country to recondition the bikes and ultimately giving the bike a second life. For the people in these communities, a reliable bike is essential for their livelihoods and **Halfords** is well-placed to provide this support.

We encourage our customers to donate their old bikes at our stores, which are then transported to our central distribution centre before being shipped to the main Re-Cycle hub. When the bikes are received at Re-Cycle, they are assessed for quality and suitability to send to Africa. They are then sent to Re-Cycle's Africa Partners and 'prepped' by an amazing team of volunteers, before being taken to communities in desperate need. Re-Cycle has a zero-waste policy and any parts or components that cannot be repurposed or reused are recycled. This is very much aligned with our own ambitions to reduce products and packaging ending up in landfill and is a great example of how a circular economy can help benefit the planet in various ways. Read more here: https://re-cycle.org/about-us/

Project Krizevac is achieving lasting, enterprising change in some of the most disadvantaged areas of Africa. They provide high quality education, set up enterprises and support the most vulnerable. Part of this is the 'Cycle of Good' project which employs over 30 Malawian tailors full-time who earn a good wage and support their families without help of donations. The bikes and parts, such as waste inner tubes and other materials saved from landfill, are shipped in containers to Malawi where tailors carefully craft what was waste into useful and beautiful items. Read more here: https://www.cycleofgood.com/our-story/

Across the last year, we have donated over 20,000 bikes to these charities and are proud to be partners with all of them.

Link to

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

Product, Packaging and Waste Management

Our Ambition

"Minimise our environmental impact and increase our transparency whilst continuing to pursue sustainability opportunities within our product portfolio."

Overview

Halfords has a rich heritage as a destination for cycling and motoring services, maintenance and repair. Through its full estate, **Halfords** is responsible for millions of repairs each year and therefore plays an important role in enhancing the longevity of products and promoting a circular economy. We will expand these strengths to offer this industry-leading service in the emerging E-mobility market, to reduce the impact of full-product replacements by upskilling our store colleagues in service and repairs – leading to a better customer experience and reduced environmental impact.

Progress in FY24

Product and Packaging

Our strategy focusses on the principles of Reduce, Reuse, Recycle and we have seen good success in establishing a strong recycling economy. We encourage our customers to bring in a range of products to our stores for recycling, whilst our WeFit Service means that colleagues can recycle such items directly, without customers having to take them home. Recycled products in store include car batteries and cycle inner tubes, whilst 396,000 wiper blades were recycled in FY24.

Our Bike Xchange programme continues to see a strong response from customers. The scheme allows customers to trade in their old bikes for vouchers to buy new ones. Over 16,000 bikes have been returned via our Bike Xchange programme this year, having extended the proposition to online, which has significantly boosted the scheme. Any of the trade-in bikes which are not resold to customers are donated to our charity partners Re-Cycle and Krisevac. During the year, over 20,000 bikes were donated to these charities.

We continue to make significant progress in improving the environmental credentials of our packaging. For our own-label products, the amount of responsibly-sourced packaging increased to 30%, meaning that it is either recyclable, compostable, biodegradable, or made from renewable or recycled materials. Furthermore, we removed 5.4 million items of plastic from our own-brand packaging, such as plastic trays, zip ties, and lids. This has saved over 29 tonnes of plastic waste.

In addition to removing plastic from our packaging, we are also reducing the amount of virgin plastic we use. Virgin plastic is made from fossil fuels and contributes to greenhouse gas emissions and climate change. We have reduced virgin plastic in our packaging by 41% since our FY20 baseline, by swapping to plastic alternatives or using lightweighting techniques to reduce the amount of plastic used in each item.

Accurate data is key to driving innovation and improvement in our packaging. We have collected component-level packaging data for our own-label packaging, having analysed the weight, material, recyclability, and carbon impact of each packaging component for over 10,000 products. This has enabled us to identify opportunities for optimisation, redesign, and substitution of packaging materials.

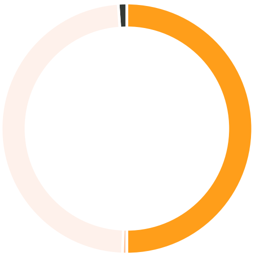
Waste Management

Halfords is committed to minimising the impact of waste on the environment by promoting and facilitating the waste hierarchy through prioritising reduce, reuse and recycle, and, where necessary, managing waste disposal in a responsible and compliant manner. During FY24, our total waste tonnage was 47,688.

Our recycling rate fell from 56% to 51%, with incineration increasing from 44% to 49%, almost all of which is done with energy recovery. We are working with a major tyre processing business who has a leading role in the development of a pyrolysis solution, which we believe will significantly increase tyre recycling and our overall recycling rates.

Waste going to landfill makes up less than 1% of total waste, now limited to Automotive lead battery waste sludge, which is a by-product of the recycling process.

Waste solutions



- Recycled **51%**
- Landfill **0.1%**
- Incinerated with energy recovery **48%**
- Incinerated without energy recovery **1%**

Responsible Sourcing

We are committed to maintaining high ethical standards within the supply chain. We updated our Global Sourcing Code ("Code") in FY23, which sets out the principles that are instrumental in enabling our commercial and responsible sourcing goals.

Our Code also works to raise global supply chain standards and positively enhance the lives of the many people working in our global supply chain. Our Code supports our commitment to respect human rights and uphold international standards, including the United Nations ("UN") Guiding Principles on Business and Human Rights and the Organisation for Economic Cooperation and Development ("OECD") Guidelines for Multinational Enterprises. Our commitment to respect human rights is based on the International Bill of Human Rights consisting of the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights; and the International Labour Organization's ("ILO") Declaration on Fundamental Principles and Rights at Work.

The Code details the minimum standards we expect our suppliers to adhere to and, in turn, ensure that their own business partners meet similar standards. Our Code covers expectations in the areas of environmental management, responsible sourcing of materials, safe working practices and human rights.

Over 80% of our suppliers (by spend) have so far signed up to our Global Sourcing Code. We monitor our suppliers' compliance with the Code through audits, inspections, and feedback mechanisms, and we provide them with training and support to help them meet our expectations. Continued non-compliance will lead to us ending a supplier relationship but our strong preference is to work in partnership with our suppliers to make improvements and help them to adhere to the code. We encourage a culture of 'speaking up' and expect our suppliers and their workers to do so in confidence and without fear of retaliation.

Due Diligence

We have implemented the EcoVadis platform to collect a series of data points relating to responsible sourcing practices, including for example, areas such as environmental management, ethics, labour practices, and human rights. The EcoVadis scorecard helps to inform our own due diligence process, highlighting good practice and where there may be greater need for auditing, remediation or corrective action. We apply a risk-based (or tiered) approach to assessing and auditing our suppliers. For Tier 1 suppliers, which are those operating in higher risk countries, we conduct in-depth audits, including in-person factory visits, confirming compliance every two years as standard, and every year for bike suppliers. Tier 2 suppliers are generally own-brand manufacturers operating in low-risk countries. For these, we may accept an alternative audit report as a means of validating compliance, and we will accept a reduced frequency of audit. Tier 3 suppliers are proprietary branded goods for resale. We currently have over 80% of suppliers by spend on the EcoVadis platform.

CASE STUDY

Plastic Packaging

Our Packaging and Bike design teams led a project to identify opportunities to reduce bike packaging for our adult mechanical bike range.

We focussed on our popular Carrera Vengeance mountain bike, which we identified had 28 separate items of plastic in its packaging.

We have now reduced this to 11 items of plastic (for now), a 62% reduction, which will save 6 tonnes of material and 1.7 million items of plastic. These changes will be rolled out across other bike suppliers in FY25.

This has also saved time for those colleagues who assemble bikes for customers, improving their experience and reducing costs.

OUR ESG STRATEGY

Performance Data

Carbon Emissions	Unit	FY20 (baseline)	FY23	**FY24**	Comments
Gas consumption (+acquisitions for rebaselining of FY20 emissions)	tonnes	11,749 (+95)	8,880	**7,799**	12% reduction driven by energy management initiatives.
Gas consumption	kWh	63,902,230	48,649,459	**42,634,183**	
Vehicles on Company business (+acquisitions for rebaselining of FY20 emissions)	tonnes	2,547 (+2,499)	6,315	**7,401**	Increase due to inclusion of vans from acquired Lodge business. Excluding Lodge, emissions reduced by c. 9%.
Total Scope 1 (rebaselined FY20)	tonnes	16,890	14,233	**15,200**	
Electricity consumption (+acquisitions for rebaselining of FY20 emissions)	tonnes	13,473 (+1,436)	8,095	**9,020**	
Electricity consumption	kWh	52,712,652	41,858,265	**43,560,004**	FY24 increase driven by inclusion of Lodge, but 17% below FY20.
Renewable energy (% of Group needs)	%	0	76	**88**	Backed by REGO certificates
Total Scope 2 (location based)	tonnes	14,909	8,095	**9,020**	
Total Scope 1 and Scope 2	**tonnes**	**31,799**	**22,328**	**24,220**	
tCO_2e per £1m Group revenue	tonnes	27.8	14.0	**14.3**	49% below the FY20 baseline.

Note: Scope 2 emissions are calculated on a location-based approach. FY24 Scope 2 emissions calculated on a market-based approach are 1,116 tCO_2e.
Rebaselining calculations for Scope 1 and 2 was completed using intensity metrics in the absence of FY20 carbon emissions data for acquisitions.

Note: in the FY23 Annual Report and Accounts, the total scope 1 and 2 emissions figure was reported incorrectly as 23,290 tonnes. This has been corrected to 22,328 in the above table. The intensity metric below that row of 14.0 replaces the previously reported incorrect figure of 14.6.

Total Scope 3 (see page 61 for detailed breakdown).

	Unit	FY23	**FY24**	Comments
Water				
Water consumption	m^3	249,130	**245,254**	1.6% reduction year-on-year.
Waste				
Total waste	tonnes	43,542	**47,688**	Approximately half of the increase in total waste is due to an increase of general waste in Autocentres, which is driven by the organic and inorganic growth of the segment. We have seen a reduction in incineration without energy recovery and landfill is limited to Automotive lead battery waste sludge, which is a by-product of the recycling process.
Waste recycled	tonnes	24,274	**24,075**	
Waste incinerated with energy recovery	tonnes	14,707	**23,030**	
Waste incinerated without energy recovery	tonnes	4,282	**528**	
Waste to landfill	tonnes	239	**54**	
Product				
Bikes returned through Bike Xchange and resold	Number	11,047	**6,378**	Decrease driven by market volume decline
Bikes donated to charity partners	Number	8,543	**20,385**	Significant increase driven by more trade-in events
Packaging				
Reduction in consumer-facing virgin plastic (vs. FY20)	%	37.5	**41.0**	A significant success in FY24 was 28 tonnes of plastic reduction in bulb packaging.
Occupational Health and Safety				
Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ("RIDDOR")	Number	34	**47**	
Ethics Training				
All FCA training, including Conduct Rules, Treating Customers Fairly and Vulnerable Customers.	% Completion	76	**94**	
Anti-bribery	% Completion	70	**70**	
Competition Law	% Completion	64	**66**	
Modern Slavery	% Completion	88	**37**	Reduction due to the training course being opened up to the entire colleague base

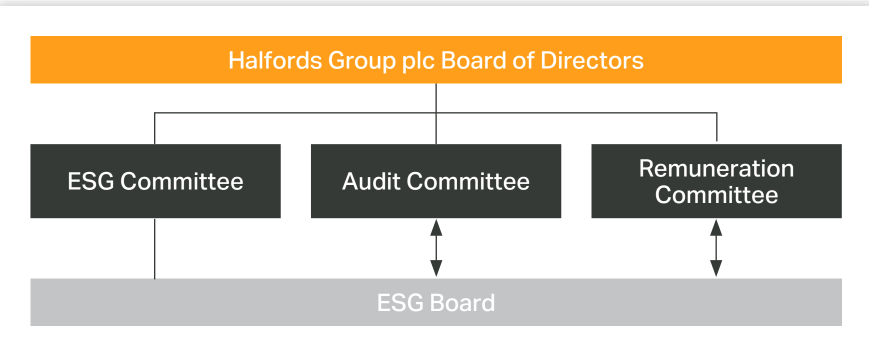
TCFD

The following disclosure is consistent with the recommendations of the Taskforce on Climate Related Financial Disclosure ("TCFD") as stated in the listing rule LR 9.8.6(8)R.

This is our third year of disclosure under TCFD and whilst improvements have been made, we will continue to seek ways to enhance our climate disclosures. We recognise that climate change poses both risks and opportunities to our strategy and operations and as a result, this is included as a principal risk within our Annual Report and Accounts.

1. Governance

The Board oversees our approach to climate change and its impact on strategic decisions and is committed to reducing the impact of climate change on our operations whilst monitoring the opportunities that it presents. The ESG Committee is a committee of the Board, comprised of three Non-Executive Directors, and offers advice and guidance to the business based on a wealth of experience. The ESG Committee met three times during FY24. The Executive Team are ultimately responsible for the day-to-day management of the ESG programme. They, alongside colleagues in key ESG roles, form the ESG Board, which meets regularly and is focussed on the delivery of our ESG strategy and the management of emerging risks and opportunities. The ESG Board met seven times during FY24. Members of the ESG Board regularly attend ESG Committee meetings to provide important updates on the ESG programme. Climate-related risks are monitored through our risk management process, which is overseen by the Audit Committee, with Climate Change and Electrification designated as a Principal Risk. Financial, Operational, Strategic and Brand impact are all considered when prioritising risks and opportunities.



This year, we conducted Board training on the current landscape of sustainability reporting and disclosures, including the likely direction of travel in the coming years.

The Board contributed to discussions on the steps required to mitigate climate risk, which were identified through our scenario analysis. These discussions contributed to the further development of our strategy on electrification, which was presented to investors at our Capital Markets Day in April 2023. Our Electrification strategy, which is a response to the transitional risk of combustion engine cars being replaced by electric alternatives, is our most material risk but also a significant opportunity for the Group to establish itself as a market leader in servicing Electric vehicles. At this time, the Board does not believe other climate risks, such as extreme weather events, have a material impact on financial forecasts, but this will be kept under constant review.

Looking ahead, we will continue to upskill the Board, senior leaders and other colleagues on Climate Change matters, including how the Group responds to emerging risks and opportunities.

2. Strategy

In response to climate change, the UK Government had previously set a policy to ban the sale of new Internal Combustion Engine ("ICE") vehicles from 2030. During the last year, the Government has postponed the date to 2035. This does not change our focus on the importance of lower-carbon forms of transport, however the business will need to adapt its pace of change if consumer adoption slows.

Both our Corporate and ESG strategies are closely focussed on the growth of E-mobility and we have set out our ambitions to lead the market in Electric Servicing as the UK shifts towards more sustainable mobility options, specifically EVs, E-bikes and E-scooters. We have also committed to providing industry-leading training to our colleagues to better support customers as they make the switch to electric. Further information is available in the Electrification segment of our ESG Report.

The acceleration of our strategy – to evolve into a consumer and B2B services-focussed business – also positions us well for any climate-related changes in the future with service-led markets being significantly more resilient than product-based ones, e.g. not reliant on complex supply chains.

As we progress and better understand the impact of climate change on our business, and the demands of our key stakeholders, we commit, via our ESG Board, to regularly reviewing our strategy and ensuring that we adapt it appropriately to mitigate the risks and leverage the opportunities that emerge.

Risks and Opportunities

Risks and opportunities relating to Climate Change are identified through an approach that aligns with the Group's principal risk process. Internal stakeholders, starting with the ESG Board but also engaging relevant subject matter experts in the business, are consulted on identifying the risks and opportunities, their potential to have a material impact, and our mitigating response. The output of this process is summarised below, detailing the key risks and opportunities that we face. The Board deems these key risks and opportunities to remain the same for the current year. They are split into two areas:

- Transitional risks are those associated with policy, technology, and market changes due to the transition to a lower-carbon economy.
- Physical risks describe the physical impacts of climate change, which include event-driven impacts (acute) and longer-term shifts in climate patterns (chronic).

TCFD

Description	Area	Timeframe	Risk/Opportunity
Transition			
The UK Government's ban on the sale of new petrol/diesel vehicles by 2035 will necessitate a change in the products and services we offer. This represents both risk (e.g. reduced demand for engine oils) and opportunity (e.g. Electric Vehicle servicing and E-bikes).	Political and Legal	Medium-Long	Risk and Opportunity
Consumers will increasingly look for more sustainable products and services. A failure to respond to this demand could lead to a loss in brand consideration, market position and revenue, however an opportunity exists to innovate and take market share in an emerging market.	Market	Short-Medium	Risk and Opportunity
Failure to deliver against our climate strategy and net zero targets, leading to a loss in confidence from our stakeholders and potential reputational damage.	Reputational	Medium-Long	Risk
Physical			
Disruption of either supply chains, operations or customers due to infrastructure damage from extreme weather events.	Acute and Chronic	Medium	Risk
Should winter in the UK become milder and wetter, this could adversely impact demand for certain products, such as car cleaning, batteries and de-icer.	Chronic	Medium	Risk

Our timeframes considered are as follows: Short-Term 1-3 years; Medium-Term 3-10 years; Long-Term 10-25 years.

We consider all climate-related risks and opportunities as part of our risk management process and, where material impacts are identified, put in place the necessary mitigations to offset the impact at the appropriate time. No such material impacts have yet been identified. Climate-related opportunities continue to be monitored and our strategy adjusted to take advantage of such opportunities. For example, at our Capital Markets Day in April 2023 we discussed the Group's strategic focus on electric forms of transport in response, in part, to the risks stated above.

Scenario Analysis

We have carried out detailed quantitative scenario analysis over four key climate-related risks and opportunities to explore the potential range of climate-related outcomes and financial impact to the business. In alignment with the TCFD recommendations, 1.5°C, <2°C, 2-3°C and 4°C scenarios have been selected for timeframes 2030 and 2050. (Note: 1.5°C scenario was only for transition risk and 4°C scenario was only for physical risk.)

We selected the Future Energy Scenarios from the National Grid to model transition risks, and the IPCC's Shared Socioeconomic Pathways ("SSP") scenarios to model physical risks. We chose the Future Energy Scenarios as these are grounded in the current characteristics of the UK's transportation system and take into account legislation on the ban of new petrol/diesel cars in the UK. Data from Jupiter Intelligence was used to model the physical risks for a sample of **Halfords** sites.

Note: For transition risk, scenario analysis was conducted to assess how climate change and the transition to a lower carbon economy could impact motoring and EV products and servicing at **Halfords**. This was only conducted on the Motoring element of **Halfords**' business.

	Potential impact on business	Halfords Response	Mitigations / Reinforcements
Transition			
Lower demand due to EV transition Note: Scenario analysis was prioritised on motoring products and services as it is recognised that the insights are important to guide **Halfords**' strategic direction moving forward.	• Reductions in Motoring services revenues are driven by the assumed lower cost per serviced EV but are also influenced by a changing total vehicle stock. • Reductions in Motoring product revenues are driven by selling fewer maintenance-related products for EVs compared with internal combustion engine ("ICE") vehicles.	Vehicle servicing currently represents a very small proportion of total Group sales (low single digit percentages). The assumed lower EV servicing costs do not account for the opportunity to increase the volume of serviced vehicles due to reduced turn-around time or the potential need to increase prices due to the specialist skillset required for EV servicing. Further, other revenue streams are likely to increase, such as tyres due to the heavier degradation associated with EVs. Despite only making up a fraction of overall revenue, we feel we're well positioned to manage this risk and associated opportunities.	• Continue to grow share in areas of the market which are not impacted by fuel type. • Ensure buying teams are kept up to date with **latest product trends** to mitigate products revenue loss from lower BEV product sales. • **Monitor the regulatory environment** for changes to policies around e.g. sale of ICE vehicles, tax breaks for e-mobility or infrastructure developments. • **Monitor market for EVs both from a manufacturing side and consumer uptake** side so **Halfords** can appropriately shift its business model to account for the rise of e-mobility, increasing volume to counter lower profitability per unit under current business models.
Electric Vehicle Technical Skills	• As the number of EVs increases, the number of EV technicians must also increase. • In every scenario, all servicing will be 100% electric by 2050.	We recognise the need to upskill EV servicing technicians and are already making good progress with our training programme. We continued the #Plugtheskillsgap campaign, calling on the industry to train EV technicians to meet the needs of EV servicing. We believe we're well positioned to manage this risk.	• Keep technicians up to date with the **latest developments in EV servicing.** • Continue **supporting customer education** on e-mobility to allow them to make more sustainable choices, whilst making the transition simple and convenient. • **Partnerships to advance e-mobility** and create new market opportunities.

TCFD

	Potential impact on business	Halfords Response	Mitigations / Reinforcements
Physical			
Extreme Weather Events Note: Analysis carried out on select **Halfords** UK and supplier sites only, i.e. sites with the most material impact on **Halfords** operations.	• Significant and diverse risks to our physical sites due to extreme weather. • Increased flooding in the UK and increased heat in South East Asia are most prominent risks. • All scenarios suggest an increased magnitude of floods with more damage to contents and inventory.	Whilst only a small number of our sites were deemed as being high risk to flooding, we recognise the potential for supply disruption due the flooding and extreme weather. We are working with our suppliers to better understand their climate resilience and carbon reduction strategies. This information and data collection will support further scenario analysis to gain a more complete picture of this risk. We consider ourselves well placed to manage this risk.	• Work with **insurance providers** to ensure our estate is covered with adequate weather-related cover and importantly any necessary structural amends are prioritised for sites at potential risk. • **Work with suppliers** to better understand climate risk management and resilience within key supply areas. • **Assign accountability** for assessing and managing risks. • **Integrate physical risk** assessment into core risk management processes. • **Improve data collection** to increase the accuracy of scenario analysis and expand scope of analysis.
Increased Temperatures	• Climate change will cause hotter, longer summers and milder winters resulting in risks and opportunities for our product and servicing categories which correlate to temperature. • All scenarios suggest relatively low impact to overall revenue due to the balance of positive and negative changes.	We recognise the potential for peaks in demand for product ranges that are more receptive to warmer climates and the opportunity this presents. We are well-positioned to realise these opportunities and will continue analysis for additional product ranges in this area.	• **Monitor the markets** to ensure buying teams are kept up to date with projections of the impact on product sales. • **Expand analysis** for additional product areas. • **Assess supply chain resilience** against the projected demand increases and identify potential periods of supply chain stress.

The next stage of scenario analysis, in which we will overlay **Halfords**-specific data and financials, was deprioritised in FY24. This was in part due to our expectations that new reporting frameworks will be announced during 2024 and we will need to ensure we comply with these new frameworks before undertaking a thorough analysis of future scenarios.

3. Risk and Opportunity Management

Climate change is one of our Principal Risks, recognising the urgency of the climate crisis, the increasing demands from stakeholders and the forthcoming introduction of new regulatory obligations and reporting requirements. As such the risk management process for climate change is now in line with how we manage our other Principal Risks, using the same likelihood and impact criteria.

Climate change related risks have been assessed in detail through the scenario analysis described in the Strategy section of the TCFD Report and, whilst extreme weather events could impact a small subset of **Halfords** stores and garages across the UK, our most material risks and opportunities are transitional, relating to the evolving regulatory landscape. More sustainable mobility options, including Electric Vehicles and E-Bikes, are going to be crucial over the next decade as the country prepares for the shift away from conventional fuel sources and transitions to a lower carbon economy. This transition will impact our motoring and cycling business in the short-, medium- and long-term, with increasing magnitude over time.

Our principal climate-related risks and opportunities, which are transitional rather than physical, are:

- The UK Government's ban on the sale of new petrol/diesel vehicles by 2035 will necessitate a change in the products and services we offer. This represents both risk (e.g. reduced demand for engine oils) and opportunity (e.g. Electric Vehicle servicing and E-bikes).
- Consumers will increasingly look for more sustainable products and services. A failure to respond to this demand could lead to a loss in brand consideration, market position and revenue, however an opportunity exists to innovate and take market share in growing markets.
- Failure to deliver against our climate strategy and net zero targets, leading to a loss in confidence from our stakeholders and potential reputational damage.

During the year, we updated our Principal Risk relating to 'Climate Change and Electrification', details of which can be found on page 85. We will continue to monitor climate-related risks and opportunities regularly, whilst ensuring that mitigation measures are incorporated into our strategic plans appropriately. We will also increase the frequency and depth of our conversations with suppliers on their own climate risk management.

4. Metrics and Targets

The Group sets out below the KPIs and metrics most closely aligned to the Principal Risk relating to Climate Change and Electrification, as described earlier in this TCFD Report. Further environmental metrics are shared on page 68 of this Annual Report.

	Target	Progress
Scope 1 and Scope 2 emissions	**Commit to a 1.5ºC-aligned target across our own operations (Scope 1 and Scope 2) by 2030,** reducing our emissions by at least 42% in this time period (vs. FY20 baseline).	24% reduction since FY20 baseline and 49% reduction on a tCO_2e per £1m of revenue basis. Further information on pages 60 and 61.
Scope 3 emissions	**Engage with 67% of our suppliers (by emissions),** with the objective of them having science-based targets of their own by the start of 2026. This target covers our Scope 3 emissions. **Reduce absolute scope 3 emissions by 25% by 2030** from purchased goods and services, capital goods and upstream transportation.	We significantly improved the reporting accuracy of Scope 3 emissions, with over 90% now linked to volumetric data and emissions factors from respected databases.
EV Resource and Capability	We plan to increase resource and capability in our stores and garages with 100% of our technicians trained to service EVs in the mid-long term.	14% reduction vs. FY23 Further information on page 58.
EV Service Locations	Grow the number of fixed and mobile Electric Mobility servicing locations.	Broadly flat versus FY23, reducing by one to 274.

Our Scope 1 and Scope 2 target was aligned with the more ambitious target set out in the Paris 2015 agreement; to limit global warming to 1.5ºC. We have made good progress against this, having reduced our Scope 1 and Scope 2 emissions by 24% compared to our FY20 baseline, despite acquisitions and rapid growth of our mobile van fleet. We recognise that reductions in Scope 1 emissions can often result in increases in Scope 2. The procurement of renewable energy is an important part of our strategy in this respect, but we also continue to seek ways of reducing overall consumption. The Board is mindful of the incremental cost of procuring renewable energy and will continue to appropriately balance this with our emissions targets.

We significantly improved Scope 3 reporting accuracy through a six-month project, working alongside industry experts, Carbon Trust. Over 90% of our Scope 3 emissions data is now linked to volumetric data and emissions factors from respected databases. We will use this improved data to support our Net Zero roadmap, providing detail on which tasks we will undertake to transition to a lower carbon economy, aligned to the Transition Plan Taskforce ("TPT") Disclosure Framework.

We continue to invest in equipment and colleague training to ensure we have a sufficient number of garages capable of providing EV servicing. Due in part to colleague attrition, the number of EV-trained colleagues reduced by 14% to 414, whilst the number of EV-ready garages was broadly flat, at 274. Our historically significant investment in EV servicing means that **Halfords** is very well positioned to lead the market, but the pace of change in the UK vehicle market has slowed this year. The Government's decision in September 2023 to postpone the ban on new petrol and diesel cars and vans by five years could slow down the adoption of electric vehicles. **Halfords** strategy for Electrification is to lead the market in EV Servicing, but the speed at which it rolls-out EV servicing capability across the business will be proportionate to the pace of change in the UK vehicle market.

CHIEF FINANCIAL OFFICER'S STATEMENT

Delivering strong revenue growth and a resilient profit performance

In what has been a volatile macroeconomic environment we have delivered strong revenue growth, demonstrating the resilience of our strategically important Services and B2B businesses.

Jo Hartley
Chief Financial Officer

Reportable Segments

The Group has two reportable segments, Retail and Autocentres, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different operational, technological and marketing strategies.

The operations of the Retail reporting segment comprise the retailing of automotive, leisure and cycling products and services through retail stores.
The operations of the Autocentres reporting segment comprise vehicle servicing and repair performed from garages and vans, along with the operations of Avayler Software-as-a-Service products to both internal and external customers.

The "FY24" accounting period represents trading for the 52 weeks to 29 March 2024 ("the financial period"). The comparator period, "FY23", represents trading for the 52 weeks to 31 March 2023. All numbers shown reflect continuing operations and are on a post-IFRS 16 basis and before non-underlying items, unless otherwise stated.

Group Financial Results

	FY24 (52 weeks) £m	FY23* (52 weeks) £m	FY24 versus FY23 change
Group Revenue	**1,696.5**	1,572.7	7.9%
Group Gross Profit	**822.6**	768.8	7.0%
Underlying EBIT	**56.2**	58.9	-4.6%
Underlying EBITDA	**183.4**	182.5	0.5%
Net Finance Expense	**(13.1)**	(12.1)	8.3%
Underlying Profit Before Tax	**43.1**	46.8	-7.9%
Net Non-Underlying Items	**(4.3)**	(7.8)	-44.9%
Profit Before Tax	**38.8**	39.0	-0.5%
Income tax expense	**(9.8)**	(8.1)	
Loss after tax from discontinued operations	**(12.1)**	(2.8)	
Total Profit for the period (continuing and discontinued)	**16.9**	28.1	-39.9
Underlying Basic Earnings per Share (continuing and discontinued)	**12.2p**	16.1p	-23.6%

* Restated, see Note 30 in the financial statements

During FY24, we committed to close our tyre supply chain operation, outsourcing the activity to a third-party, Bond International. The closed operations (Viking and BDL) have been classified as 'Discontinued' in our accounts for both the FY24 reported period and the FY23 comparator. However, the total (Continuing and Discontinued) result of the Group is a more accurate comparison to previous market guidance. It is also more reflective of ongoing profit because it includes the ongoing cost of running the tyre supply chain, which in future will be outsourced to Bond International (with incremental cost savings for **Halfords**). We have, therefore, also presented the total Underlying Profit Before Tax ("PBT") in this report where relevant. A reconciliation of Underlying PBT, from Continuing Operations to the total result, is provided in the table below, with further disclosure in the Glossary of Alternative Performance Measures on page 225.

£m	FY24	FY23	Change %
Underlying PBT (from Continuing Operations)	**43.1**	46.8	-7.9%
Underlying loss before tax from Discontinued Operations	**(7.0)**	(2.6)	
Underlying PBT – Total Result (comparable to previous market guidance)	**36.1**	44.2	-18.3%

FY24 underlying profit before tax ("PBT"), from continuing operations, was £43.1m, -£3.7m (-7.9%) vs. the prior period. On a total basis, including all operations, underlying PBT was £36.1m.

Group revenue of £1,696.5 was +7.9% ahead of last year and +5.0% on a like-for-like ("LFL") basis. Growth was driven by price inflation and volume market share gains, with the externally measured overall Cycling and Consumer Tyres markets declining in volume terms year-on-year. The Cycling and Consumer Tyres markets were particularly weak and remain depressed versus pre-COVID-19 levels, down c. 30% and c. 14% respectively. Total Revenue comprised Retail revenue of £997.1m and Autocentres revenue of £699.4m. Retail revenues grew +2.0% (+£17.5m) versus FY23, a resilient performance in challenging markets.

Motoring LFL of +4.9% was much stronger than Cycling LFL of -2.8%, reflecting a stronger performance in needs-based categories. Autocentre revenue was up +10.7% on a LFL basis, driven by market share gains in both Motoring Servicing and Consumer Tyres. The annualisation of the Lodge acquisition brought total revenue growth to +17.6% in FY24. The Chief Executive's Statement contains detailed commentary on the trading and market performance in the year.

The Group gross margin % was 48.5%, 40 basis points ("bps") lower than last year. A very strong performance in Autocentres, up 180 bps, was offset by a 190 bps decline in Retail. Further explanations in each segment are provided below.

Underlying Profit Before Tax

£43.1m

Dividend Per Share (Full-Year)

8.0p

Total operating costs were £766.4m, of which Retail comprised £430.4m, Autocentres £330.3m and unallocated costs £5.7m. Unallocated costs represent amortisation charges in respect of intangible assets acquired through business combinations. Group operating costs increased by +8.0% in the year, slightly more than total revenue growth of +7.9%, and as a result, operating costs as a percentage of revenue increased from 45.1% to 45.2%. Of the +8.0% year-on-year increase, +1.7% was due to the annualisation of the Lodge acquisition, which was completed in October 2022. The remaining increase was driven by several factors, including significant cost inflation in energy and labour, and investment to support the growth of the business.

Group Underlying EBIT decreased by -4.6% to £56.2m, whilst net finance expense of £13.1m was 8.3% higher than FY23, reflecting higher interest rates and debt levels. Underlying Profit Before Tax for the year decreased -7.9% vs FY23.

Non-underlying items from Continuing Operations totalled a £4.3m debit in the year, further details of which are provided below. FY23 non-underlying items totalled a net debit of £7.8m, comprised of restructuring costs, acquisition costs and the costs associated with property closures. After non-underlying items, Group Profit Before Tax from Continuing Operations was £38.8m, -0.5% lower than last year.

CHIEF FINANCIAL OFFICER'S STATEMENT

Autocentres

	FY24 (52 weeks) £m	FY23 (52 weeks) £m	FY24 versus FY23 change %
Revenue	**699.4**	594.8	+17.6%
Gross Profit	**351.1**	288.0	+21.9%
Gross Margin %	**50.2%**	48.4%	+180 bps
Operating Costs	**(330.3)**	(282.3)	+17.0%
Underlying EBIT	**20.8**	5.7	+264.7%
Non-underlying items	**(2.8)**	(7.1)	
EBIT	**18.0**	(1.4)	
Underlying EBITDA	**60.2**	41.9	+43.7%

* Restated, see Note 30 in the financial statements. FY23 has also been restated for comparability following a change in categorisations of supplier income in FY24 the impact on FY23 is a decrease in Gross profit of £4.7m and a corresponding reduction in operating costs. There is no impact on the overall Group results from this adjustment.

Reconciliation of Underlying EBIT:

£m	FY24	FY23	Change %
Underlying PBT (from Continuing Operations)	**20.8**	5.7	+264.7%
Underlying loss before tax from Discontinued Operations	**(7.0)**	(2.6)	
Underlying EBIT – Total Result (Continuing plus Discontinued operations)	**13.8**	3.1	+345.2%

Overall revenue growth in FY24 was once again very strong, up +17.6% year-on-year and +10.7% on a LFL basis. Non-LFL growth came from the annualisation of the Lodge acquisition that was completed in October 2022.

LFL growth was strong in all three Autocentres businesses: Consumer Garages and Vans, Commercial Fleet Services ("CFS"), and Avayler. In Consumer Garages, we took share in both the Tyres and Servicing markets. CFS revenues grew +5.3% on a LFL basis, leveraging its scale and national presence to win new contracts. For Avayler, revenue increased to £6.6m in FY24, including the recognition of intercompany sales to other **Halfords** Group companies. The business signed agreements with four new customers in the period, including a 15-year commercial agreement with Bridgestone.

Autocentres' gross margin of 50.2% was 180 basis points higher than FY23. The success of our Better Buying programme and several pricing initiatives more than offset the dilutive impact of the Lodge acquisition.

Operating costs were £330.3m, +£48.0m (+17.0%) higher than FY23. Of this increase, +4.2% was due to the annualisation of the Lodge acquisition, with the remaining increase due to the impacts of inflation on staff and store operations costs. The total increase in operating costs was lower than total revenue growth, resulting in operating costs as a percentage of revenue decreasing from 47.5% to 47.2%, with cost savings partly offsetting inflation.

Autocentres' underlying EBIT (Continuing Operations) was £20.8m, a significant increase on £5.7m in FY23. Including Discontinued Operations, FY24 EBIT was £13.8m, again a significant increase on FY23 of £3.1m. This excellent performance reflected the delivery of several initiatives in our Consumer Garages and Vans business, including improved utilisation of colleagues and garage capacity, the launch of dynamic pricing for MOT and tyre bookings, and an improved customer proposition for same-day tyre fitting.

Retail

	FY24 (52 weeks) £m	FY23 (52 weeks) £m	FY24 versus FY23 Change %
Revenue	**997.1**	977.9	+2.0%
Gross Profit	**471.5**	480.7	(19%)
Gross Margin %	**47.3%**	49.2%	(190 bps)
Operating Costs	**(430.4)**	(417.4)	3.1%
Underlying EBIT	**41.1**	58.6	(29.8%)
Non-underlying items	**(1.5)**	(0.7)	
EBIT	**39.6**	57.9	(31.6%)
Underlying EBITDA	**123.2**	140.6	(12.4%)

* Restated, see Note 30 in the financial statements. FY23 has also been restated for comparability following a change in categorisations of supplier income in FY24 the impact on FY23 is an increase in Gross profit of £4.7m and a corresponding increase in operating costs. There is no impact on the overall Group results from this adjustment.

Revenue of £997.1m was up +1.8% on the prior year and +2.2% on a LFL basis. Like-for-like revenues and total sales revenue mix for the Retail business are split by category below:

	FY24 LFL vs FY23 (%)	FY24 Total sales mix (%)	FY23 Total sales mix (%)
Motoring	+4.9%	**64.6**	63.0
Cycling	(2.8%)	**35.4**	37.0
Total	+2.2%	**100.0**	100.0

Retail Motoring saw a resilient revenue performance, with LFL revenue growth of +4.9%, significantly better than market volume growth of +0.9%. Performance was stronger in the first half at +8.2% LFL, with slower growth of +1.7% LFL in H2, driven by milder and wetter weather year-on-year. In an ongoing cost-of-living crisis, needs based spend categories performed better, with 3Bs and parts growing strongly but more discretionary categories such as technology and touring suffering from weak demand.

LFL revenue decline in Cycling was -2.8%. Whilst we grew market share, the market itself was very challenging, with market volumes declining -4%. Cycling market volumes, as reported by the Bicycle Association, are now c.30% below pre-covid levels.

The Motoring sales mix increased to 64.6% during the year, underlining the importance of the Group's strategy.

Gross margin was (190 bps) lower than FY23, driven by foreign exchange headwinds in relation to the weakening of Pound Sterling hedges versus the US dollar, and the dilutive impact of increased Cycling promotional activity in response to market consolidation. This was partly offset by very strong results from our Better Buying programme.

Retail operating costs before non-underlying items were £430.4m, +2.0% higher than the prior year. Significant cost inflation, notably in energy costs and salary expenses relating to rises in the national minimum wage, were offset by cost savings and lower incentive payments.

Underlying EBIT of £41.1m was (29.8%) lower than FY23, reflecting declining market volumes and related margin pressure, FX headwinds, and significant cost inflation.

Portfolio Management

The total number of fixed stores or garages within the Group stood at 1,026, with a further 196 HME vans, 9 Cycling Vans, 495 Commercial vans and 68 vans supporting mobile tyre fitting in National and Lodge as at 29 March 2024. The portfolio comprised 387 stores (end of FY23: 395), 90 commercial garages (end of FY23: 90) and 549 consumer garages (end of FY23: 552).

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

	Stores	Garages	Vans
Relocations	–	1	–
Leases renegotiated	43	63	–
Refreshed	–	–	–
Openings/ Acquisitions	–	4	20
Closed	8	7	8

In Retail, eight stores closed during the year. When analysing the anticipated sales transfer to other channels and neighbouring stores, it was considered more profitable to the Group to close these stores and reduce the overall cost base.

The number of lease expiries, or breaks under option, increases significantly within the next five years. Retail will see more than three quarters of stores experience optionality within five years, allowing for a high degree of flexibility within the estate. The average remaining lease length in Retail is 2.9 years.

Within Autocentres, four garages were opened or acquired and seven garages were closed, taking the total number of Autocentre garages to 549 as at 29 March 2024 (end of 2023: 552).

With the exception of nine long-leasehold and three freehold properties in Autocentres, the Group's locations are occupied under short-term leases, the majority of which are on standard lease terms, typically with a five to 15 year term at inception and with an average lease length of under six years.

"Our Autocentres segment continued to grow very strongly, with revenue up +17.6% and underlying EBIT more than tripling, demonstrating the resilience of motoring services and the significant profit potential of this business. "

Net Non-Underlying items

The following table outlines the components of the non-underlying items recognised in the 52 weeks ended 29 March 2024:

	FY24 £m	FY23 £m
Organisational restructure costs (a)	**7.7**	6.1
Acquisition and investment-related fees (b)	**1.0**	1.9
Closure costs (c)	**(4.4)**	(0.2)
Non-underlying items before tax relating to continuing operations	**4.3**	7.8
Tax on non-underlying items (d)	**(0.5)**	(1.1)
Non-underlying items after tax relating to continuing operations	**3.8**	6.7
Non-underlying items after tax relating to discontinued operations	**6.9**	0.2
Total Non-underlying items	**10.7**	6.9

a. During the period organisational restructure costs of £7.7m were incurred. Costs in relation to these activities comprise:

- £2.0m (2023: £1.6m) linked to the ongoing warehouse management system replacement programme. This project and associated costs are expected to conclude in FY25;
- £1.9m (2023: £2.9m) of redundancy costs primarily within the support centre;
- £1.9m relating to professional fees incurred on a one-off strategic review of procurement and related activities undertaken to drive future cost efficiency. The strategic review is now complete and no further costs will be incurred;
- £1.1m of professional fees incurred in relation to restructuring the Avayler operation. The restructuring is now complete and no further costs are anticipated;
- £0.5m (2023: £1.2m) due to the new system and financial dual running costs incurred in relation to the integration of National Tyres; and
- £ 0.3m (2023: £0.4m) relating to master data management systems upgrade. This project and associated costs are expected to conclude in FY25.

b. Acquisition and investment-related costs of £1.0m (2023: £1.9m) incurred in the period primarily comprise professional fees and acquisition costs in relation to the acquisitions of National and the Lodge, where no further costs will be incurred in relation to these acquisitions.

c. During periods ended 3 April 2020 and 2 April 2021 the Group completed a strategic review of the profitability of its physical estate and subsequently closed a number of stores and garages. Assets were impaired and costs associated with ongoing onerous commitments under lease agreements and other costs associated with the property exits were provided for. In the current period, £4.4m (2023: £0.2m) was credited to the income statement within non-underlying items following lease disposals and subsequent review of provisions required. In future periods, further lease disposals may be negotiated. This may result in further amounts being released to the income statement due to the significant estimation uncertainty over the timing of exits and the final negotiated settlements.

CHIEF FINANCIAL OFFICER'S STATEMENT

d. The tax credit of £0.5m represents a tax rate of 11.6% applied to non-underlying items. The prior period represents a tax credit at 13.8% applied to non-underlying items. The effective tax rate of is lower than the UK corporation tax rate principally due to the impact of disallowed expenses being incurred.

Discontinued Operations

On 25 January 2024, the Group announced its intention to enter into a strategic partnership with specialist tyre distributor Bond International and to close its existing tyre operation. As a consequence, on 22 February 2024, the Group sold Birkenshaw Distributors Limited ("BDL") and the wholesale customers of Stepgrades Motor Accessories Ltd ("Viking") to R & R C Bond (Holdings) Limited ("Bond International"). On 22 March 2024, the remaining principal operations of Viking ceased.

The events noted above result in Viking and BDL being treated as a discontinued operation in the period. The results of the business have been shown separately from the continuing business for all periods and presented on the face of the income statement and within other disclosures in the financial statements as a discontinued operation.

Viking and BDL combined for a £7.0m pre-tax loss on discontinued operations in the period (before non-underlying items). Non-underlying items relating to discontinued operations amounted to £9.4m, comprising of £11.9m of organisation restructuring costs and £2.5m of gains on disposal.

Net Finance Expense

The net finance expense (before non-underlying items) for the 52 weeks ended 29 March 2024 was £13.1m (FY23: £12.1m) reflecting an increase in bank interest due to rate increases and an increase in the overall debt position.

Taxation

The taxation charge on profit for the 52 weeks ended 29 March 2024 was £10.3m (2023: £8.2m), including a £0.5m credit (2023: £1.1m credit) in respect of tax on non-underlying items. The effective tax rate of 26.2% (2023: 20.7%) is higher than the UK corporation tax rate principally due to the impact of prior period adjustments arising from a review which led to RDEC and Super Deduction claims on the Group's software expenditure for the periods ending 1 April 2022 and 31 March 2023, offset by non-deductible depreciation in the period.

Earnings Per Share ("EPS")

Underlying Basic EPS was 12.2 pence and after non-underlying items 7.8 pence (FY23: 16.1 pence and 12.9 pence after non-underlying items), a –23.6% and -39.5% movement on the prior year. Basic weighted-average shares in issue during the year were 217.4m (FY23: 217.4m).

Dividend ("DPS")

Following the payment of an interim dividend of 3.0p per share on 19 January 2024, the Board is proposing an FY24 final dividend of 5.0p per share (FY23: 7.0p per share) which will absorb an estimated £11.0m (2023: £15.3m) of shareholders' funds. It will be paid on 13 September 2024 to shareholders who are on the register of members on 9 August 2024.

Capital Expenditure

Capital investment beyond maintenance expenditure prioritises projects which align to the Group's strategy and deliver attractive returns that exceed the cost of capital.

Capital investment, excluding right of use assets, in the 52 weeks ended 29 March 2024 totalled £43.7m (FY23: £48.1m) comprising £22.8m in Retail and £20.9m in Autocentres. Within Retail, £9.3m (FY23: £3.6m) was invested in stores and £13.5m in technology systems, which included the continued development of the Group's web platforms and further investment in our data capability.

The capital expenditure in Autocentres principally related to £10.6m on the replacement of garage equipment and vehicles, and £10.3m on software development primarily on our Avayler platform and further development of our digital garage workflow system.

Inventories

Group inventory held as at the year-end was £237.5m (FY23: £256.2m). Retail inventory decreased to £178.8m (FY23: £202.8m) as a result of strong stock management.

Autocentres' inventory increased to £58.7m (FY23: £53.4m) to support the increased sales volumes in this segment.

Cashflow and Borrowings

Adjusted Operating Cash Flow was £185.6m (FY23: £164.4m), reflecting a working capital inflow of £14.4m, driven by the reduction in inventory levels in the year. After acquisitions, taxation, capital expenditure and net finance costs, Free Cash Flow of £29.4m (FY23: £2.7m) was generated in the year. Group net debt was £315.3m (FY23: £348.7m).

Jo Hartley
Chief Financial Officer

17 July 2024

RISK MANAGEMENT

Risk management is intrinsic to the delivery of our purpose, which is "to inspire and support a lifetime of motoring and cycling".

Our approach to risk supports informed decision making by identifying, assessing, and responding effectively to threats and opportunities. The Board oversees the management of risk and the identification of Principal risks and sets and monitors the appetite for risk in the pursuit of the Group's strategic objectives.

Risk Management Framework

The Audit Committee, on behalf of the Board, has responsibility for maintaining oversight of the Group's framework for risk management. The framework comprises the process for the identification, measurement, response, and continual monitoring and reporting of risk, informed by a top-down bottom-up governance approach following the three lines model. Applying the risk management framework provides a clear perspective for the evaluation of risks and opportunities and emerging risks across all our operations.

Risk management governance

Board

- Responsible for risk management.
- Sets and annually reviews the risk appetite for the Group.
- Reviews recommendations from the Audit Committee and Executive Committee on risk governance and internal controls.

Audit Committee

- On behalf of the Board, has responsibility for maintaining oversight of the Group's framework for risk management.
- Assists the Board in achieving its obligations under the UK Corporate Governance Code (the "Code") in risk management and internal control.

Executive Committee

Manages the risk management process.

- Responsible for application of risk management.
- Leads and directs achievement of business objectives in line with policies, procedures, and risk appetite.
- Makes recommendations to the Board on the Group's risk appetite, principal risks, controls and mitigations and emerging risks.

Operational Board

Responsible for applying risk management process.

- Provides timely risk management updates to the Executive Board.
- Applies risk management process (identify, assess, respond & report) at functional level.
- Maintains risk registers with continuous improvement of mitigation plans and controls.

Internal Audit and Risk

Independent and objective assurance of risk management process.

- Completion of annual risk based internal audit plan.

PRINCIPAL RISKS

Report and Monitor

Appetite

Risk appetite is an expression of the quantum of risk that the Group is willing to take to achieve its strategic objectives aligned with its culture. The Board has determined a risk appetite, reviewed annually, that articulates the appropriate level of risk that should be taken in pursuit of the Group's strategic objectives without threatening its business model or the long-term interests of shareholders. Where there has been an increase in a risk that takes it outside appetite, the risk management governance process will be applied to assess what response is necessary and whether additional mitigating actions are required to bring the risk within the appetite determined by the Board.

A dashboard of risk appetite measures for each principal risk is reviewed by the Executive Board quarterly. The measures highlight the trend for principal risks against appetite levels and whether an adjustment to the risk response is needed to stay within appetite and on course to achieve our strategic priorities.

Report and Monitor

Functional and programme risk registers are monitored, and movements escalated. The Executive Board holds a quarterly Risk Committee to consider risk trends, performance against risk appetite and emerging risks. Performance of the Group's risk framework is considered at each Audit Committee meeting and principal risks are reviewed twice annually.

Identify

To identify risk a top-down and bottom-up approach is applied covering all levels of the Group, from Board and Executive review of strategy to transformation programmes and functional operations. There is regular review of recorded risks for changes and the capture of new risks at the inception of new projects or processes.

Respond

Risks are reviewed against appetite and appropriate action is determined. A risk can be mitigated through the existing control environment, or adjustments might be required to improve control effectiveness. In certain cases, a risk may be accepted in accordance with appetite guidance.

Measure

Risks are reviewed for movements in impact and likelihood with standardised scoring applied to track against risk appetite. The impact of a risk event is measured against its Financial, Operational, Compliance or Strategic significance.

Principal Risks

The Audit Committee reviews the effectiveness of the risk management processes and monitors the assessment of the Group's principal risks, reflecting on external factors and their impact on strategic priorities. Each principal risk has an Executive owner and is included within a Corporate Risk Register, which is subject to a "top-down" review. Function risk registers are maintained to provide greater granularity, a "bottom-up" perspective and a further means to identify emerging risks.

Principal risk changes: The thirteen principal risks identified in FY23 have been condensed into eleven risks in the current year. There are no other changes to the principal risks.

Emerging Risks

The evolution of risk is actively considered at Board level and across the senior management team. Emerging risk is seen as an undefined risk that may eventually develop to materially impact the business in the future.

The Audit Committee receives presentations from contributors to the risk management process with insight on key risk themes such as economic, environmental, technological, societal, and geopolitical risks. Where appropriate, the views of external subject matter experts or stakeholders may be sought.

The following emerging risks have been identified: -

- Generative AI offers great potential for creativity, automation, and problem-solving, which could create a competitive advantage. Its misuse poses significant risks including misinformation, privacy breaches, biased outcomes, and security threats.
- Climate extremes leading to extreme weather events could impact our customers, colleagues, and supply chain partners and lead to different and more volatile patterns of trade requiring enhanced operational resilience.
- Rising geopolitical tensions could lead to supply chain disruption through impacting transportation costs or the supply of certain products.
- Market recovery may be slower than previously anticipated, requiring revisions to plans and forecasts.

Capability and capacity to effect change	Risk direction
Failure to build sufficient capacity and capability (in terms of our people, processes, and systems) to successfully implement the transformation and change required across the business, may result in the expected benefits of our strategy not being delivered, thereby risking the future sustainability of the business. Given the material consumer and inflationary headwinds facing the business, risk has increased given the requirement to focus more resource on business-as-usual trading.	Risk increasing

Mitigation	Current year priorities
We have a dedicated Transformation and Change team supported by experienced Programme and Project Managers to drive the delivery of change projects. In line with our IT roadmap, we continually advance the automation of standardised processes to improve efficiency and consistency, applying a dedicated project management tool. An established transformation program management office applies robust approval processes, allocation of resource, benefit measurement and the monitoring of progress against the plan for all projects. Dedicated best practice sessions are routinely held within the Transformation community to foster a culture of continuous learning and knowledge-sharing amongst our change professionals.	• FY25 plan deliberately focussed on fewer change projects. • External capacity and capability increasingly sought to support major change projects. • Comprehensive change management strategy and plan embedded across the organisation through a series of workshops and training sessions led by the Transformation office; for example, launching awareness and training programs to build change readiness. • A greater focus on tracking and realising benefits for our customers, colleagues and shareholders through the design and launch of a Transformation KPI dashboard which feeds into our strategic meetings to give greater visibility of ability and success in delivering change.

Stakeholder support and confidence in strategy	Risk direction
Failure to secure and maintain our stakeholders' (investors, suppliers, colleagues) support for our strategy, may mean they lose confidence in the business and withdraw their resources.	No risk movement

Mitigation	Current year priorities
Throughout the year we have engaged with internal and external stakeholders to ensure their understanding of our performance and strategy. The Capital Markets Day ("CMD") in April 2023 provided further support and understanding of the long-term prospects of the business. We know from broker feedback that the majority of investors understand our strategy well and have confidence that it is the right one.	• Maintain progress on the delivery of our strategic objective to inspire and support a lifetime of motoring and cycling. • Continue to proactively engage with our investors through scheduled events and transparent and regular communication, demonstrating progress against the targets laid out at our CMD. • Enhance understanding of colleague engagement through more regular surveys throughout the year and continuing our regular listening groups.

Key to risk direction

▲ Risk increasing ▼ Risk decreasing ▶ No risk movement N New risk

PRINCIPAL RISKS

Value Proposition	Risk direction
With customers under continuing pressure in a cost of living crisis and a consolidating cycling market, it is important we offer value for money for our products and services to retain and grow share in challenging markets. There is a risk that investing in price without a corresponding increase in volume leads to a diminution of financial returns. Equally increasing prices outside of market movements, could create further damage to our value perception. With significant consumer and inflationary headwinds causing pressure on short-term profit targets, balancing value perception with passing through inflation becomes even more critical.	▶

Mitigation

We have continued to invest to support customers in a cost of living crisis, reducing prices across our motoring category and maintaining our "Never Beaten On Price" campaign on a number of fitted product categories, including tyres. In addition, we have improved and scaled our financial services offering and grown our Cycle2Work proposition and pre-pedalled bike offer, making our products accessible to more customers and creating further differentiation in our proposition.

Our value proposition is enhanced by the **Halfords** Motoring Club, which grew to over 3m members during the year. This provides members with access to a wide range of benefits and discounts.

Our promotional strategy supports customers at key moments (for example pay weekends) to ensure we optimise the attractiveness of our offer when it matters most to customers.

Our strategy emphasises the importance of creating value for customers by delivering advice and services alongside the sale of a product and during the year we introduced dynamic pricing in garages to enable customers to make their own choices around price and convenience.

Quality is a key part of the value equation and customers rated this well with Trust Pilot scores in Tredz and HME at 4.8 and 4.7 respectively and an average product review rating of 4.3 in retail.

Current year priorities

- Maintaining an agile and well-communicated trading plan, flexing promotions to respond to the changing customer landscape and ensuring all promotions are effective.
- Scaling and leveraging the insight from our **Halfords** Motoring Club to further improve value for our members with differentiated offers.
- Further application of data science to adjust for real-time demand enabling smart pricing while progressing the creation of an intelligent pricing and promotion engine to support a greater level of sophistication in our tools for the mid-term.
- Further progressing our Better Buying programme, providing an ongoing opportunity to ensure we support customers with the right value proposition.

Brand appeal and market share	Risk direction
Investment in awareness of our brand and our services is insufficient to increase our brand relevance, in which case we will be unable to maintain and grow our customer base or improve our customer shopping frequency and spend and correspondingly build market share. Cost inflation puts growing pressure on our marketing cost as a % of sales.	▼

Mitigation

We have grown volume market share in each of our core categories of Motoring Product, Cycling, Tyres and Motoring Servicing during FY24 through leveraging our strong customer proposition and through effective use of data and Customer Relationship Management ("CRM") to increase personalisation and relevance.

Consistent investment in our Group online platform has supported awareness and consideration of our Group proposition.

Our Cycle2Work platform was enhanced during the year to create a more accessible proposition for employers, particularly SMEs.

The **Halfords** Motoring Club continued to introduce new customers to **Halfords**, increasing brand appeal through our free and premium propositions. It also supported a strong and cost-effective acquisition channel for Autocentres from Retail, through cross shop.

Current year priorities

- Further development and growth of the **Halfords** Motoring Club.
- Greater personalisation through enhanced data analytics to target priority segments with more relevant messages and using a wider channel approach.
- Consolidation and tender of media buying partners across the group to support the efficiency and effectiveness of our spend.
- Continued expansion into new markets such as car parts and further extended range opportunities.
- Continued digital investment to further drive our unique omnichannel proposition.

Climate Change and Electrification	Risk direction
The long-term success of our business depends on us operating sustainably in environmental, social, and financial aspects. All our stakeholders must have confidence that we are acting responsibly in both our own operations and our global supply chains. Failing to meet these expectations is likely to damage the Group's brand reputation and financial performance. Climate change will have a significant effect on the Group, with transition risks likely to have the biggest impact. The ban on the sale of new internal combustion engine ("ICE") vehicles in the UK from 2035 will necessitate a change in the products and services that we provide, including for example, reduced demand for products such as engine oil and certain car parts. There will also be significant opportunities for **Halfords**, particularly in the servicing of Electric vehicles, in addition to alternative transport options such as Electric Bikes and Scooters. With regards to physical risks, extreme weather such as flooding could impact our global supply chains and disrupt our ability to trade in stores and garages in the UK. Finally, a failure to deliver against our own Net Zero carbon reduction targets could lead to a loss in confidence from our stakeholders and potential reputational damage.	▶

Mitigation	Current year priorities
The Group regularly identifies its most material climate-related risks and seeks to adjust strategy, investment, and resources to mitigate these. Governance is led by the ESG Committee (a Board committee), which receives regular updates on material risks and opportunities and the progress made on mitigating actions. The Group had made good progress against its carbon emission targets, seeing a 24% absolute reduction in its Scope 1 and Scope 2 emissions versus the FY20 baseline, or 49% relative to revenue. This has been enabled by capital investment to support the roll-out of LED lighting in stores and garages, and the switch to renewable energy for over 88% of the Group's electricity needs. We significantly improved Scope 3 reporting accuracy during FY24, such that now over 90% of our Scope 3 emissions data is linked to volumetric data (primarily purchasing volumes) and emissions factors from respected databases, rather than based on supplier spend information. We have made progress on our Electrification strategy, which aims to leverage our market leadership in Motoring Servicing and Cycling to support our customers through the transition to electric vehicles, bikes, and scooters. We continue to monitor the landscape to best understand emerging trends and the speed of EV adoption in the UK, to ensure the Group invests appropriately in support of its Electrification strategy.	• Create a strategy and roadmap for **Halfords** Net Zero plan, aligned to the requirements of the Transition Plan Taskforce ("TPT") Disclosure Framework • Host a supplier conference, collaborating with suppliers to improve their sustainability ratings, focussing on those with lower scores clarifying our repercussions and incentives for supplier engagement. • Ensure readiness for increasing complexity of IFRS S1 and S2 reporting requirements. • Deliver Climate change training for key leaders. • Amend our company car policy, to enable increased EV adoption rates, reducing Scope 1 emissions. • Launch EV capability into HME.

Key to risk direction

▲ Risk increasing ▼ Risk decreasing ▶ No risk movement N New risk

PRINCIPAL RISKS

Sustainable Business Model	Risk direction
In recent years the business has faced unprecedented inflationary headwinds and challenging consumer markets driven by a cost of living crisis. Unless we can mitigate the significant levels of cost inflation (through cost mitigation and savings, growth in new business areas, and increasing selling prices), we will be unable to maintain a sustainable business model.	

Mitigation	Current year priorities
Over half of the Group's turnover is from service-related sales, providing improved revenue stability with reduced exposure to discretionary sales. Low average retail lease lengths <3 years provide optionality over the size of the Retail estate and therefore, our fixed cost base. Energy volumes are purchased in advance according to a risk management strategy, bringing cost certainty. Our cost and efficiency program delivered over £35m of savings in the year, well ahead of target, driven by the success of our externally supported Better Buying program and numerous other cost-saving initiatives. The tyre supply chain has been re-organised through the closure of Viking and outsourcing of services to 3PL provider Bond International on a long-term contract, which will result in considerable cost savings in FY25. Detailed price/elasticity analysis helped to optimise consumer pricing decisions. Supplier relationships were optimised to realise value from supplier contributions/support. A US dollar hedging programme is maintained to identify, monitor, report and actively manage the foreign exchange exposures of the Group. Debt facilities were extended to 2028 maturity with a further one-year extension option.	• Deliver the FY25 Cost reduction plan targeting over £30m of savings in FY25, with the Better Buying program entering its second year. • Continue to optimise profit, through balancing price decisions and sales volume using pricing science. • Identify further medium-term opportunities to reduce cost through the use of data and AI and through optimising the end-to-end operating model. • FX hedging program in place with the majority of US dollar currency required for FY25 purchases already secured. • Continue to review all leases at renewal, with underperforming stores and garages closed where this provides the best economic outcome.

Regulatory and Compliance	Risk direction
A failure to adhere to our legal and/or regulatory obligations for some, or all, of the Group's activities leads to an inability to meet our responsibilities to stakeholders and/or the imposition of financial penalties, placing a strain on the business. Regulatory requirements continue to increase, which, together with the increased scale and complexity of the Group, result in an increase in risk.	

Mitigation	Current year priorities
There is continual monitoring of legal and regulatory developments for all regions where the Group operates. A suite of policies sets out the Group's commitment to conduct its business with honesty and integrity. The senior leadership team communicates tone from the top to provide guidance to colleagues on all policy commitments. All new colleagues are inducted into our mandatory training programme with recurring refresher courses to observe our regulatory responsibilities across areas such as health and safety, data protection and security, and financial conduct. We have a code of conduct with our suppliers whom we monitor for compliance across ethics: environmental management; labour practices; and human rights. Health and safety, Data Protection and Financial Conduct Authority compliance are examples of areas managed by experts reporting to dedicated committees with representatives across the business to assess our regulatory rigour. Regular horizon scanning is undertaken to capture new regulations and requirements. An established whistleblowing process enables colleagues to report suspected or actual wrongdoing in confidence.	• Monitor legal and regulatory developments for all regions where the Group operates. • Continuous improvement of the Group's framework for compliance with regulatory and statutory obligations. • Third-party services and supplier onboarding due diligence enhancements for improved operational resilience and reduced risk of harm to our customers. • Management Information enhancement and improved root cause analysis for the identification and early resolution of compliance breaches.

Service Quality	Risk direction
The services we provide fall below the quality standards to which we are committed, placing customers at risk of harm.	No risk movement

Mitigation	Current year priorities
All colleagues are provided with dedicated training and adhere to established quality control and safety procedures. We also have a dedicated compliance team monitoring our regulated activities. A continual programme of quality assessment specifically focussed on service standards is conducted across our garage services network by regional management with guidance, training and process improvements applied as necessary. In Autocentres our digital operating platform, PACE, enables increased workflow, productivity, and quality assurance. PACE drives service quality by requiring quality controls to be completed for all workshop colleagues as determined by the Technician Quality Rating. All our Quality Controllers follow an approved training pathway and receive refresher training annually. We have a Retail, HME and Garages Contact Centre that provides a level of call answer rates that ensures we can provide a quality service to our customers whatever channel they choose.	• External Mystery Shop programs in place to monitor performance across stores and garages with support and guidance for colleagues. • Continued development of quality control procedures across all service offerings with appropriate technical training. • Complaints programme implemented with root cause analysis and learnings by garage, supported by a specific process for High Priority Failures. • Enhanced induction programme for colleagues providing servicing expertise.

Cyber Security and IT Infrastructure	Risk direction
If we fail to sufficiently prevent, detect, and respond to cyber incidents and attacks, they may result in disruption of service, compromise of sensitive data, financial penalties from regulatory authorities, financial loss, and reputational damage. Failure in our IT system(s) may cause significant disruption to, or prevention of, normal business-as-usual activities. External threat levels continue to accelerate, resulting in this risk worsening despite continued investment.	Risk increasing

Mitigation	Current year priorities
A programme of activities has matured our Governance, Risk and Compliance function and improved our visibility, alerting and reporting to provide a pro-active approach to cyber security. A fully functional Security Operations Centre operated by our third-party partner, TCS, provides real-time analysis of threats and a heavy focus on incident management ensuring detection and response times are reduced. TCS provides first line assurance security operations capabilities including vulnerability management, email filtering, and website security. A perpetual education and awareness campaign is provided to all colleagues. Regular briefings promote an understanding of the risks to our data and the benefits of good security practices. The Audit Committee is regularly briefed by senior technology management on the business' cyber security framework. Several of our critical applications have been migrated into the cloud for enhanced availability. **Halfords** key trading systems not migrated to the cloud are hosted securely within data centres operated by a specialist company. These systems are supported by disaster recovery arrangements, including comprehensive backup, patching and fall-back strategies. Monitoring and early detection of issues has been enhanced through the roll-out of AI, enabling faster resolution and better application availability. An improved major incident process was put in place this year, enabling faster root cause analysis and implementation of remedial steps to prevent future recurrence.	• Roll-out of ISO 27001 compliant Information Security Management System to improve governance, risk and compliance oversight, using best practice external advice. • Develop a new Privacy and Security strategy to build on previous work and create a new security roadmap. • Completion of the transformation to a software defined network, delivering improved capacity across stores and garages • Further migration of core systems to our cloud environment, including the move of SAP and Iserve in FY25 • IT infrastructure on a modernised network of cloud-based computing systems. In the medium-term, we will leverage the infrastructure to refresh legacy software and the retail hardware (tills).

Key to risk direction

▲ Risk increasing ▼ Risk decreasing ▶ No risk movement N New risk

PRINCIPAL RISKS

Culture / Colleague Engagement and Skills	Risk direction
We fail to maintain an engaging, inclusive culture where colleagues feel connected to their manager, team and the business as part of 'One **Halfords** Family'. We are unable to attract, recruit, develop and retain colleagues with the required skills, now and for future growth. Attracting skilled colleagues remains as challenging as it was a year ago. Risks around colleague engagement have increased reflecting a challenging trading environment making it harder to hit targets.	▲

Mitigation

Our colleague engagement strategy includes 'always on' listening. We focus on driving actions based on what we hear and communicating what we are doing. Leaders play a key role in engagement, and we are developing capability to 'Inspire and Engage' our colleagues.

A new learning and development portal 'The Academy' was launched during the year, digitising our learning system and step changing our digital learning and development capability.

A technical careers pathway was launched, setting out the development journey for every technical colleague.

The Drive leadership development program supports managers in our garage services to develop their leadership capability.

An enhanced referral scheme incentivises our colleagues to introduce candidates to join the **Halfords** family.

During the year labour turnover reduced by 3.2% as a result of processes, systems and training implemented to support recruitment and retention

Current year priorities

- Further develop our engagement strategy through evolving our annual survey, introducing quarterly pulse surveys, and running engagement surgeries for hotspot areas.
- Define our listening strategy focussing on listening groups, colleague network groups and launching a colleague council to ensure that the voice of the colleague is visible, heard and supported.
- Launch the **Halfords** leadership behaviours with a focus for all leaders on 'Engages and Inspires' and 'Develops Talent'.
- Deliver a Garage Manager capability programme which emphasises what is expected in engaging and leading their teams.
- Recruit an engagement manager and ED&I manager to support the development of plans to further drive the progression of equality, diversity, and inclusion.
- End-to-end review of recruitment, onboarding, and colleague induction with a plan to deliver an increase in hiring volume, the speed to hire, retention through probation and an improved colleague experience.
- Review of our colleague proposition, reward, and benefits for key difficult to hire roles, ensuring we are market competitive.
- Develop an early careers strategy for garage services that further leverages our learning Academy and technical skills and career pathways.
- Recruit 150 garage apprentices and launch leadership apprenticeships.

Disruption to end to end supply chain	Risk direction
The **Halfords** End-to-end ("E2E") supply chain is an integration of the process from sourcing of products (including the raw material procurement and product design by our supply partners) through to scheduling and delivery of goods to our customers (through our Distribution centre ("DC") network or third party logistics providers to stores and garages, or direct-to-consumer). Disruption to the E2E process creates a major impact to customer fulfilment and/or customer facing price increases due to supply shortages, increased demand for raw materials impacting availability and input price, production delays that lead to an extension in supply lead times, logistics delays in the form of shipping of goods, or the potential closure of one of our DC's, all of which challenges our ability to meet sales and profit projections.	▶

Mitigation	Current year priorities
Our sourcing capability and supplier relationships are delivered through dedicated UK, Asian and Near sourcing teams. These teams maintain both strategic and upstream supplier relationships, operate multiple sources, dual sourcing, product engineering and are engaged in the ESG agenda. Our in-house expertise delivers the high global trading standards from Authorised Economic Operator accreditation, import/export expertise and dedicated security at each of our DC sites. Our third-party logistics ("3PL") relationships give expertise and options. We contract with multiple shipping lines for flexibility and leverage, we have access to large organisational support from Yusen Logistics, Wincanton, and Clipper Logistics. PwC also provide external trading and compliance expertise. During the year, we successfully transitioned our Washford Retail Distribution Centre to a new cloud-based Warehouse Management System, improving system reliability and resilience. We also transitioned our tyre distribution arrangements to a 3PL provider, delivering a more effective and efficient service to our garages.	• The new Warehouse Management System roll-out continues across the Retail Distribution network following the successful deployment in our Washford Retail Distribution Centre in FY24. • We plan to invest in further resource and auditing of our key suppliers to manage due diligence on duty preference benefits and anti-dumping risks, especially on bicycles. • Following the transition of our tyre distribution arrangements to a 3PL provider, we will conduct a review of the end-to-end garage supply chain to identify opportunities to increase effectiveness and efficiency.

Key to risk direction

▲ Risk increasing ▼ Risk decreasing ▶ No risk movement N New risk

GOING CONCERN AND VIABILITY STATEMENT

In determining the appropriate basis of preparation of the financial statements for the period ended 29 March 2024, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The Board has concluded that it is appropriate to adopt the Going Concern basis, having undertaken an assessment of the financial forecasts for the 12 month period to July 2025.

Management has prepared the assessment of Going Concern, which included reviewing financial forecasts and projections to July 2025. Within these financial projections, management reviewed profit and net cash flow and tested the financial covenants associated with the Group's committed facility in the period. No issues were found.

The financial forecasts have been stress tested to determine the required sales decline versus the Going Concern scenario before the covenant conditions were breached. This assessment also included variable and other cost-saving measures the Group would employ in this scenario and showed that sales would have to reduce by more than 19% annually before the first covenant condition is broken (interest payable to EBITDAR).

The current economic environment means that we are expecting some impact on consumer spending given the pressures on disposable incomes, especially in "non-needs" based spending areas, but do not believe that these external risks would cause a sales reduction of greater than 19% in the next 12 months. If sales were to reduce at this level, then further actions could be taken by management to prevent a covenant breach. The key mitigating action would be to halt strategic investment in FY25.

The Group continues to be cash generative and has a committed revolving credit facility of £180m which expires on 16 April 2028. The Board has a reasonable expectation that the Group and Company will be able to continue in operation and meet its liabilities as they fall due; retain sufficient available cash and not breach any covenants under any drawn facilities over the remaining term of the debt facility. They do not consider there to be a material uncertainty around the Group or Company's ability to continue as a Going Concern.

Conclusion

Based on this review, management is satisfied that it is appropriate to adopt a going concern basis in preparing the FY24 period end accounts.

VIABILITY STATEMENT

In accordance with the Corporate Governance Code, the Directors have assessed the viability of the Company over a three-year period to March 2027.

The Directors believe this period to be appropriate as the Company's strategic planning encompasses this period, and because it is a reasonable period over which the impact of key risks can be considered within a fast-moving retail and services business. This period is consistent with the approach taken last year and with many other retailers' disclosures.

The Directors have assessed the prospects of the Group by reference to its current financial position, its recent and historical financial performance, its business model and strategy, and the Principal risks and mitigating factors described on pages 82 to 89. The Board regularly reviews financial headroom and cash flow projections to ensure that the business retains sufficient liquidity to meet its liabilities in full as they fall due. The Group is, as results demonstrate, financially strong, historically generating cash (excluding acquisitions) and profitable each year, which was true throughout the period ended 29 March 2024 and is expected to continue. In making this Viability Statement, the Directors have reviewed the overall resilience of the Group and have specifically considered:

The likelihood and impact of the principal risks

At a recent review by the Audit Committee, Directors agreed that the risk register identifies no matters that may jeopardise a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due in the reasonably foreseeable future (i.e., three years). The Audit Committee's review included a robust assessment of the impact, likelihood and management of principal risks facing the Group, including those risks that could threaten its business model, future performance, solvency, liquidity or day-to-day operations and existence. Mitigating actions that would serve to protect the sustainability of the business model include an ongoing shift to a services proposition, a continued focus on reducing underlying costs (e.g., rental costs through property renegotiations) and driving down cost of goods where possible through targeted efficiencies and scale benefits.

Financial analysis and forecasts

The Board recently reviewed the financial plan to FY28, including the current financial position and performance, cash flow projections, dividend strategy, funding requirements and funding facilities. Sensitivity and stress testing was subsequently applied to the financial plan to determine the extent to which sales and cash would need to deteriorate before breaching the financial covenants embedded within the Group's committed bank facilities.

The testing indicated that the business could experience a sustained reduction in sales of over 19%, and still remain within existing facilities and covenants. The downside scenario makes an assumption on variable cost savings, assuming that costs equating to 15% of sales, or, on average, c. £61m per annum, are removed. The downside scenario also incorporates a further, on average, c. £84.2m of fixed costs which would be saved annually were this sales scenario to materialise, with savings across a number of business areas including performance-related incentives, transformation programme investment and head office costs. Based on their assessment of the plan, the Directors believe a downside sales scenario of this magnitude and duration is unlikely to materialise. The Group's committed revolving credit facility has been extended, the new committed facility expires on 16 April 2028.

Viability Statement

Based on this review, the Directors confirm that they have a reasonable expectation that the Group will continue to meet its liabilities as they fall due over the three-year period.

GOVERNANCE

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GOVERNANCE AT A GLANCE

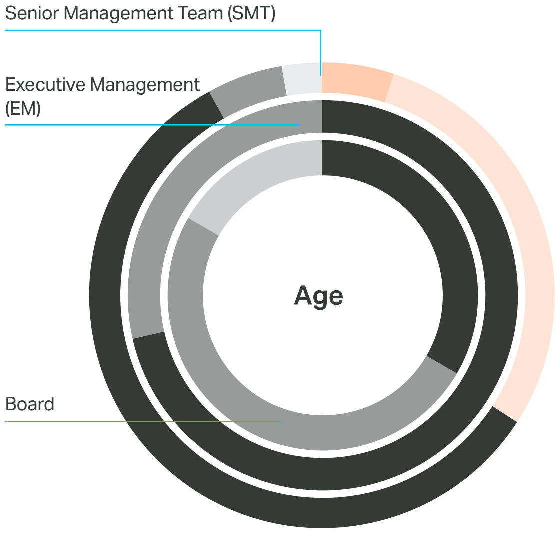
Meeting Attendance

Board member	Board scheduled: 10	Audit Committee scheduled: 5	Remuneration Committee scheduled: 5	Nomination Committee scheduled: 2	ESG Committee scheduled: 3
Executive Directors					
Graham Stapleton	10 10	N/A	N/A	N/A	N/A
Jo Hartley	10 10	N/A	N/A	N/A	N/A
Non-Executive Directors					
Keith Williams	10 10	N/A	N/A	2 2	N/A
Jill Caseberry	10 10	5 5	5 5	2 2	3 3
Tom Singer	10 10	5 5	5 5	2 2	3 3
Tanvi Gokhale (appointed 20 June 2023)	8 8	4 4	4 4	2 2	2 2
Helen Jones (retired 6 September 2023)	4 4	1 1	2 2	0 0	1 1

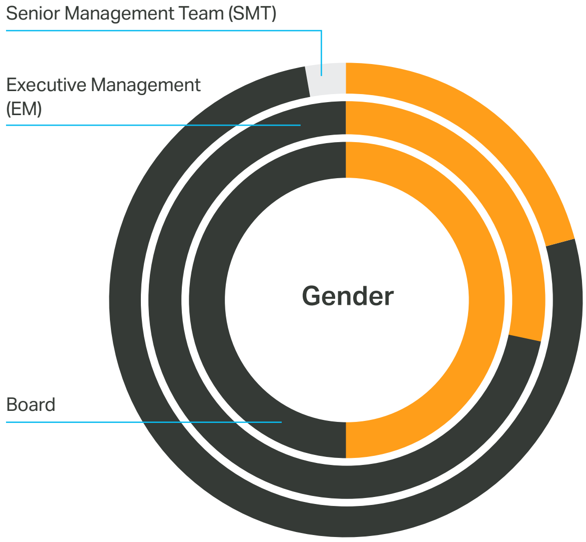
● Meetings attended ● Possible meetings

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

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

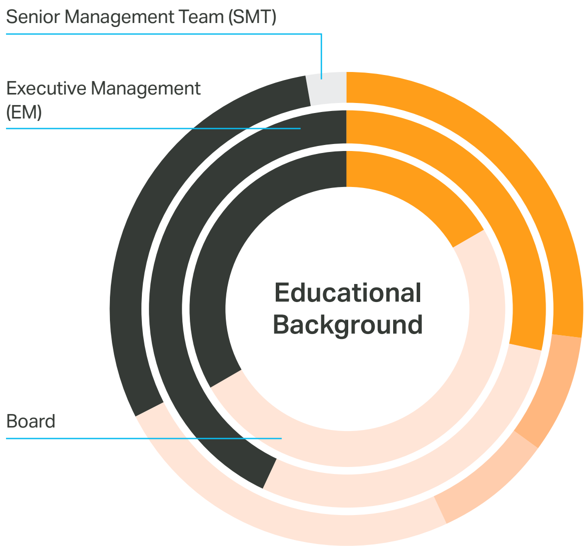


	Board	EM	SMT
Under 18	0	0	0
18-24	0	0	0
25-34	0	0	2
35-44	0	0	11
45-54	2	5	22
55-64	3	2	2
65 and over	1	0	0
Not specified/prefer not to say	0	0	1



	Board	EM	SMT
Female	3	2	8
Male	3	5	29
Non-binary	0	0	0
Not specified/prefer not to say	0	0	1

	Board	EM	SMT
White British or other White	5	7	37
(including minority-white groups)	0	0	0
Mixed/Multiple Ethnic Groups	0	0	0
Asian/Asian British	1	0	0
Black/African/Caribbean/ Black British	0	0	0
Other ethnic group, including Arab	0	0	0
Not specified/prefer not to say	0	0	1



	Board	EM	SMT
Level 3 or Below (GCSE, A Level or equivalent)	1	2	10
Level 4 (HNC, CertHE, higher apprenticeship or equivalent)	0	0	3
Level 5 (HND, DipHE or equivalent)	0	0	3
Level 6 (University degree or equivalent)	3	2	9
Level 7 (Masters Degree, postgraduate certificate or equivalent)	2	3	11
Level 8 (Doctorate)	0	0	0
Not specified/prefer not to say	0	0	1

Note: Executive Management is defined as the most senior Executive body below the Board including the Company Secretary but excluding administrative and support staff. Senior Management Team is defined as the Company's Executive Committee or equivalent and those senior managers reporting directly to them.

GOVERNANCE AT A GLANCE

BOARD SKILLS and experience

Leadership: 6 Directors
The ability to guide, direct or influence people.
Total years: **143**

Strategy: 6 Directors
The art of developing or carrying out a carefully devised plan of action to achieve a goal.
Total years: **136**

Cross-functional: 6 Directors
Experience in finance, marketing, operations, and human resources departments. Typically, working with suppliers, key customers, or consultants.
Total years: **165**

Marketing: 4 Directors
Promotion of the value of a product, service or brand to customers for the purpose of promoting or selling that product, service or brand.
Total years: **105**

Governance: 6 Directors
Position of authority or control.
Total years: **126**

Banking: 3 Directors
Total years: **69**

Finance: 6 Directors
Total years: **167**

Corporate: 6 Directors
IPOs, Schemes of Arrangements, Flotation, Restructure, Reorganisation, Listing/ De-listing.
Total years: **117**

Digital: 5 Directors
Experience in processing, storing, transmitting, representing, or displaying data.
Total years: **102**

Retail: 6 Directors
The selling of goods directly to customers, e.g. in shops.
Total years: **117**

M&A: 6 Directors
Total years: **98**

Customer Services: 5 Directors
The provision of service to customers before, during and after a purchase.
Total years: **124**

Business Development/ Brand Building: 5 Directors
Developing and implementing growth opportunities within and between organisations.
Total years: **119**

Supply Chain: 5 Directors
Involvement in a system of organisations, people, activities, information and resources involved in moving a product or service from supplier to customer.
Total years: **78**

Promoting Long-Term Sustainable Success of the Group

Addressing Opportunities and Risks to the Future Success of the Business

The Board's primary role is to ensure the long-term success of the Group, by delivering sustainable value for all its stakeholders. The Board has responsibility for setting the Group's strategy and monitoring its execution, for ensuring the implementation of a robust risk management framework and, for overseeing financial and operational performance. These responsibilities are supported by the Group's culture and values, which are designed to drive the right behaviours and by a strong corporate governance framework.

The Sustainability of our Business Model

Our current strategy was launched in September 2018, built around our purpose to "Inspire and Support a Lifetime of motoring and cycling". At our Capital Markets Day in April 2023, we reaffirmed that this strategy remains the right one, and painted a clear vision for the financial outcomes we expect it to drive in the mid-term and mid- to long- term. Further details of our strategy and business model are provided on pages 26 to 52.

How the Board Contributes to the Delivery of Halfords' Strategy

Through formal Board meetings and regular engagement with the Executive Team, the Board continues to oversee the implementation of the strategy to ensure it remains fit for purpose.

Board Training Sessions

April 2023	July 2023	November 2023	February 2024	March 2024
Diversity and Inclusion Employee voice update **Cyber/IT** Technology architecture update	**Diversity and Inclusion** Employee voice update **Governance** Remuneration update from Deloitte	**Diversity and Inclusion** Employee voice update **Governance** Remuneration update from Deloitte	**Diversity and Inclusion** Employee voice update	**Diversity and Inclusion** Gender pay **Cyber/IT** IT security update **Governance** ESG update from Gate One Consulting

Diversity and Inclusion

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

The Nomination Committee keeps under review the composition and diversity of the Board and the capability and capacity to commit the necessary time to the role in its recommendations to the Board. Whilst the Group does not apply a fixed quota on diversity to decisions regarding recruitment, the Nomination Committee considers the Policy and ensures we have a sufficiently diverse Board in terms of age, gender, ethnicity and educational and professional background and that the Board members work together effectively to achieve its objectives. The intention is always to ensure the appointment of the most suitably qualified candidate to complement the Board and to promote diversity. Those appointed are deemed to be the best able to help lead the Group in its long-term strategy. At **Halfords**, half of the Board is female, which exceeds the recommended target as published by the Hampton-Alexander Review ("Improving Gender Balance in FTSE Leadership") in November 2017. The Board has always been committed to improving ethnic diversity at Board and senior management level and in June 2023 Tanvi Gokhale was appointed as a Non-Executive Director, more information can be found in the Nomination Committee Report on pages 120 and 121. The Board is well-placed by the mixture of skills, experience and knowledge of its Directors, to act in the best interests of the Company and its shareholders. In accordance with LR 9.8.6(R)9, as of 25 June 2024, the Group was compliant with all three of the targets on Board diversity prescribed by the Listing Rules as set out below:

1. at least 40% of the individuals on its Board of Directors are women;
2. at least one of the senior positions of Chair, CEO, CFO and/or SID on its Board of Directors is held by a woman; and
3. at least one individual on its Board of Directors is from a minority ethnic background.

The 25 June 2024 date is used as the reference date for this information as it is the latest practicable date prior to the publication of the Annual Report and Accounts. Between the reference date and the date of publication of the 2024 Annual Report and Accounts, the structure of the Executive management has changed, please refer to page 122 for more details. The numerical data in the format prescribed by LR 9.8.6(R)10 is available on page 122. For the purposes of the description required by DTR 7.2.8AR(1)(d), the Group has decided to disclose the numerical data on the diversity of the members of the Board and Executive Management, this is available on page 122.

BOARD OF DIRECTORS

Keith Williams
Chair

N

Current role
Appointed Chair of the Company and of the Nomination Committee on 24 July 2018.

Additional roles held
Keith is the Non-Executive Chair of International Distribution Services plc (previously Royal Mail Group); Chair of the Nomination Committee and a member of the Remuneration Committee. Keith is a qualified Chartered Accountant.

Past roles
Keith was formerly a Non-Executive Director and Deputy Chair of John Lewis, a Non-Executive Director of Aviva plc, and Chief Executive Officer and then Executive Chair of British Airways, having previously been at Boots, Reckitt and Colman, and Apple Computer Inc. Keith was the independent Chair of the Government-supported Rail Review.

Key strengths
Keith brings extensive leadership and plc board experience. He is a highly regarded business leader with a proven record in retail and deep experience in relevant areas such as customer service and digital.

Graham Stapleton
Chief Executive Officer

Current role
Graham was appointed Chief Executive Officer ("CEO") on 15 January 2018.

Additional roles held
None.

Past roles
Previously, Graham was CEO of Dixons Carphone plc's software business, Honeybee. Prior to that he was CEO of Dixons Carphone's Connected World Services Division from 2015 to 2017 and CEO of Carphone Warehouse UK and Ireland from 2013 to 2015. Graham's early career covered senior leadership roles in Kingfisher plc from 2001 to 2005 and Marks and Spencer plc from 1994 to 2001, prior to which Graham set up and ran his own business for several years. Graham was a Trustee of the Make-A-Wish charity. Graham was also previously a Non-Executive Director of The Magic Bean Co. Limited and a Non-Executive Director of Loyalty Angels Limited (known as Bink).

Key strengths
Graham is an outstanding business leader and brings extensive skills and experience to the plc Board.

Jo Hartley
Chief Financial Officer

Current role
Chief Financial Officer ("CFO") since 16 June 2022.

Additional roles held
None.

Past roles
Prior to joining **Halfords**, Jo was the Group CFO for Virgin Active for over six years. Before that, Jo worked at Tesco plc in a number of finance roles in the UK and internationally, having qualified as a chartered accountant at Deloitte UK.

Key strengths
Jo has extensive experience across all finance functions gained within consumer facing businesses.

Committee Membership

A	E	EV	N	R
Audit Committee	ESG Committee	Employee Voice Director	Nomination Committee	Remuneration Committee

Jill Caseberry
Senior Independent Director

A E N R

Current role
Non-Executive Director and Remuneration Committee Chair since 1 March 2019. Senior Independent Director since 6 September 2023.

Additional roles held
Jill is currently a Non-Executive Director and member of the Audit and Remuneration Committees of C&C Group plc; Senior Independent Director, Chair of the Remuneration Committee and a member of the Nomination Committee of Bakkavor Group plc; Senior Independent Director, Remuneration Committee Chair and member of the Audit and Nomination Committees of St. Austell Brewery; and a Non-Executive Director and Chair of the Remuneration Committee and a member of the Audit, Nomination and ESG Committees of Bellway plc.

Past roles
Previously, Jill was Non-Executive Director, Remuneration Committee Chair and a member of the Audit and Nomination Committees of Northgate plc; and the Designated Workforce Engagement Non-Executive Director of Bakkavor Group plc. During her Executive career, Jill gained extensive sales, marketing and general management experience across a number of blue chip companies, including Mars, PepsiCo and Premier Foods. She also founded a soft drink company and established a sales and marketing consultancy.

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

Tom Singer
Independent Non-Executive Director

A E N R

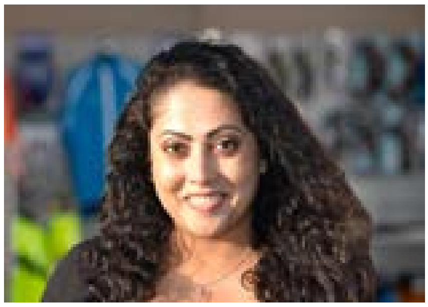
Current role
Non-Executive Director since 16 September 2020, and Chair of the Audit Committee since 1 January 2021.

Additional roles held
Tom is a Non-Executive Director and Audit Committee Chair of Mukuru and Vue International Group.

Past roles
Tom was the Senior Independent Director and Chair of the Audit and Remuneration Committees at DP Eurasia NV; Chair of the Audit Committee at Liberty Living; and a Non-Executive Director and Chair of the Audit Committee at Mediclinic International plc. Previously, he served as CFO of InterContinental Hotels Group plc, Group Finance Director of British United Provident Association ("BUPA"), CFO and Chief Operating Officer of William Hill plc and Finance Director of Moss Bros plc, having started his career in professional services and spending a total of 12 years at Price Waterhouse and McKinsey.

Key strengths
Tom brings extensive experience of strategy development, corporate governance and numerous finance disciplines.

Tanvi Gokhale
Independent Non-Executive Director



A E EV N R

Current role
Non-Executive Director since 20 June 2023, and Chair of the ESG Committee and Employee Voice Director since 6 September 2023.

Additional roles held
Tanvi currently serves as Managing Director, Retail Strategy and Innovation of NatWest Group and is a Trustee of English Heritage.

Past roles
Tanvi previously served as a strategy consultant at Booz & Co. She also previously served as Segmentation and Propositions Director for Lloyds Banking Group, and until March 2023, she served as Chair of the Investment Committee at English Heritage.

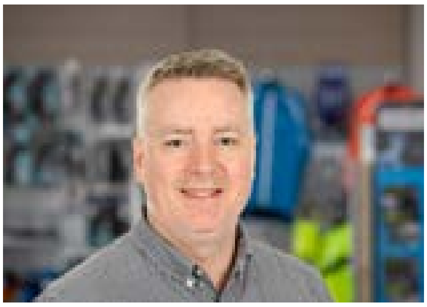
Key strengths
Tanvi brings extensive experience in retail strategy and financial services to the Board.

EXECUTIVE TEAM

Karen Bellairs
Chief Customer and Commercial Officer

Please see full biography on the corporate website: www.halfordscompany.com/about-us/our-executive-team/

Paul O'Hara
Chief People and Property Officer



Please see full biography on the corporate website: www.halfordscompany.com/ about-us/our-executive-team/

Adam Gerrard
Chief Information and Data Officer

Please see full biography on the corporate website: www.halfordscompany.com/about-us/our-executive-team/


BOARDMAN
GIRO
GIRO

CORPORATE GOVERNANCE REPORT

To Inspire and Support a Lifetime of motoring and cycling

We continued to embed our values through our Group induction programme and recognition scheme

Keith Williams
Chair

Strategy

Our purpose is "to inspire and support a lifetime of motoring and cycling", and our long-term strategy is to evolve into a consumer and B2B services-focussed business, with a greater emphasis on motoring. We have continued to deliver on this strategy in FY24, with Services now accounting for over half of Group revenues. This has helped to create a more resilient platform and positions the Group well to generate higher and more sustainable financial returns in the future. More details of our strategy can be found on pages 48 to 52 in the Strategic Report.

Purpose, Culture and Engaging with the Workforce

During FY24, we continued to recognise the importance of ensuring the culture of the organisation is aligned with our business strategy and ambition to become a customer-led, market-leading services business. More details can be found on pages 106 to 109.

Annual General Meeting ("AGM")

Once again, we look forward to being able to welcome shareholders to the AGM to be held at our Support Centre. Further details of the AGM arrangements can be found on pages 119 and 154 of this report.

Board Changes

On 20 June 2023, we announced that Helen Jones would be stepping down from the Board as a Non-Executive Director and Senior Independent Director at the AGM on Wednesday 6 September 2023. On 20 June 2023, Tanvi Gokhale was appointed as a Non-Executive Director to join the Board, the Nomination, Audit, Remuneration and ESG Committees. On 6 September 2023, Jill succeeded Helen as Senior Independent Director, and Tanvi succeeded Helen as Chair of the ESG Committee and as the Employee Voice Director.

Keith Williams
Chair

17 July 2024

Corporate Governance Statement

The Board confirms that, throughout the period ended 29 March 2024 and, as at the date of this report, the Company has applied the principles of, and complied with, the provisions of the 2018 UK Corporate Governance Code ("Code") save for the following: the Board notes that there was a short breach of provision 11 of the Code between 31 March 2023 and 20 June 2023. It was agreed that Helen Jones should remain in office until the end of the 2023 AGM on 6 September 2023. The Board recognised that Helen would no longer be considered independent for the purpose of the Code, due to her extended tenure, and that this did create a technical breach of the Code's recommendation that the majority of the Board be independent Non-Executive Directors. However, the Board believed that this short-term situation (which was resolved on 20 June 2023 when Tanvi Gokhale was appointed) was justified to ensure that the correct candidate could be appointed to the Board in Helen's place and an orderly handover could be undertaken. This decision was made in accordance with the comply or explain spirit of the Code.

This report, together with the other statutory disclosures and reports from the Audit, Nomination and Remuneration Committees, provides details of how the Company has applied the principles of good governance as set out in the Code during the period under review. A copy of the Code is available on the Financial Reporting Council's website at www.frc.org.uk.

The Company has complied with the relevant requirements under the Disclosure Guidance and Transparency Rules, the Listing Rules, the Directors' Remuneration Reporting regulations and narrative reporting requirements.

Promoting Our Purpose, Culture and Long-Term Success

Board Leadership and Company Purpose

Description:	Read more:
The Company is led by an effective Board, which promotes the long-term success of the Company and engages with its shareholders and stakeholders. The Board has established the Company's purpose, values and strategy and is satisfied that these, and its culture, are aligned.	Read more on our Strategy on pages 48 to 52.
The Board has ensured that the workforce is able to raise any matters of concern, and that all policies and practices are consistent with the Company's values.	Read more on Risk Management on pages 81 to 89.
The Board has established an effective governance and risk framework.	Read more on our Culture on pages 106 to 109.

Ensuring a Clear Division of Responsibilities

Division of Responsibilities

Description:	Read more:
The Chair leads the Board, which includes an appropriate combination of Executive Directors and Non-Executive Directors.	Read more on Board Composition on pages 95 and 114.
The Non-Executive Directors provide constructive challenge, strategic guidance and advice and have sufficient time to meet their Board responsibilities.	Read more on Division of Responsibilities on pages 114 to 117.
There is a clear division of responsibilities between the running of the Board and the running of the business, and the Board has identified certain "reserved matters" that only it can approve. Other matters, responsibilities and authorities have been delegated as appropriate, and there are relevant policies and processes in place for the Board to function effectively and efficiently.	Read more on Risk Management on pages 81 to 89.

Delivering Effectiveness Through a Balanced Board

Composition, Succession and Evaluation

Description:	Read more:
A comprehensive and tailored induction programme is in place for new Directors joining the Board. The induction programme facilitates their understanding of the Group and the key drivers of the Group's performance.	Read more on Board Appointments and Induction on page 121.
A rigorous, effective and transparent appointment process is in place, which, together with the effective succession plans, promotes diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	Read more on Board Evaluation on pages 118 and 119.

Enabling Reporting Integrity and an Effective Control Environment

Audit Risk and Internal Control

Description:	Read more:
The Board has established formal and transparent policies and procedures to ensure the independence and effectiveness of both internal and external audit functions. The Board satisfies itself on the integrity of financial and narrative statements. The Board presents a fair, balanced and understandable assessment of the Group's position and prospects.	Read more on the Audit Committee on pages 126 to 131.
The Board has established procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks of the Group.	Read more on Risk Management and Internal Control on pages 81 to 89.

Ensuring Alignment With the Successful Delivery of Our Long-Term Strategy

Remuneration

Description:	Read more:
The Company has designed the Remuneration policies and practices to support strategy and promote long-term sustainable success. The Executive remuneration is aligned to the interests of our shareholders and to the Company's purpose and values and is clearly linked to the successful delivery of our long-term strategy. There is a formal and transparent procedure for developing Executive Remuneration policy and determining Director and senior management remuneration. Directors are able to exercise independent judgement and discretion when authorising remuneration outcomes, taking into account Company and individual performance and wider circumstances.	Read more on Director Remuneration on pages 132 to 149.

CORPORATE GOVERNANCE REPORT

Board Leadership and Company Purpose

Board Priorities for FY24: Main Areas:

Strategy

- Received updates on FY24 key strategic initiatives and opportunities.
- Discussed and reviewed updates on the acquisition strategy and M&A activities.
- Reviewed and approved the agreement with R & R C Bond (Wholesale) Limited.
- Discussed and approved the investment of Bridgestone in the Avayler business.

Link to Stakeholder

A B D E F G H

Link to Strategy

1 2 3

Governance

- Received regular updates from the Chairs of the Remuneration, Audit, Nomination and ESG Committees.
- Reviewed and approved the FY23 Annual Report and Accounts.
- Reviewed and approved the Directors' Conflicts of Interests Register, Group policies, the Group Risk Register and the roles of the Chair, the Chief Executive Officer and Senior Independent Director.
- Received regular corporate governance updates, project investment reviews and a review of the external audit.

Link to Stakeholder

A B C E F G

Link to Strategy

1 2 3

Board Matters

- Reviewed the succession plans for the Board and the restructure of the senior management team.
- Reviewed the Board and Committees' programme and forthcoming meeting schedule.
- Reviewed the outcome of the external FY23 Board evaluation.
- Discussed and agreed the scope of the internal FY24 Board evaluation.

Link to Stakeholder

A B F

Link to Strategy

1 2 3

Financial and Risk Management

- Reviewed monthly business and trading performance.
- Reviewed and approved the preliminary and interim announcements, the trading update approaches and announcements.
- Reviewed and approved the interim dividend and recommended payment of the final dividend.
- Reviewed updates on banking arrangements, liquidity, cash control, treasury matters and currency hedging.
- Reviewed and approved the Group Going Concern and Viability Statement.
- Reviewed and approved the five-year plan, the FY25 budget and forecast.
- Reviewed and discussed the refinancing arrangements.

Link to Stakeholder

A B F

Link to Strategy

1 2 3

Commercial Matters

- Received updates on the process for, and approval of, the annual renewal of the Group's insurance policies.
- Reviewed and approved a number of large commercial contracts and spend.

Link to Stakeholder

A B C E F G

Link to Strategy

1 2 3

Shareholder and Stakeholder Relations

- Reviewed results of the Colleague Engagement Survey.
- Discussed and approved colleague health and wellbeing programmes.
- Reminded the Directors of their obligations under Section 172 of the Companies Act 2006.
- Reviewed monthly investor relations reports and annual shareholder body reports.
- Reviewed and approved the 2023 Notice of the Annual General Meeting and the arrangements for the 2023 Annual General Meeting.

Link to Stakeholder

A B C D E F G

Link to Strategy

1 2 3

Key to Stakeholders

A Colleagues B Investors C Communities D Media E Customers F Suppliers G Environment H Government

Board Priorities for FY25: Main Areas:

Strategy

- Review the annual strategy refresh and associated financial business plan.
- Review any potential M&A opportunities.

Link to Stakeholder

A B E F G

Link to Strategy

1 2 3

Governance

- Receive regular updates from the Chairs of the Remuneration, Audit, Nomination and ESG Committees.
- Review and approve the FY24 Annual Report and Accounts.
- Review and approve the Directors' Conflicts of Interests Register, Group policies, the Group Risk Register and the roles of the Chair, the CEO and Senior Independent Director.
- Continue the process to ensure that the composition of the Board is compliant with the Parker Review.

Link to Stakeholder

A B C D E F G

Link to Strategy

1 2 3

Board Matters

- Review succession plans for the Board and the Senior Management Team.
- Review the Board and Committees' programme and forthcoming meeting schedule.
- Discuss the outcome of the FY24 internal Board evaluation and agree the scope of the FY25 Board evaluation.
- Review the Board programme of visits.

Link to Stakeholder

A B F

Link to Strategy

1 2 3

Financial and Risk Management

- Review monthly business and trading performance.
- Review and approve trading update announcements.
- Review and approve the dividend policy and any dividend payments.
- Review and approve the FY25 updated forecast, the FY26 budget, banking arrangements, the financing arrangements and FX hedging strategy.

Link to Stakeholder

A B F

Link to Strategy

1 2 3

Commercial Matters

- Review commercial matters brought to the Board for attention and potential approval.
- Discuss and review deep dives on the supply chain, commercial margin and garage utilisation and profitability growth.

Link to Stakeholder

A B E F

Link to Strategy

1 2 3

Shareholder and Stakeholder Relations

- Review colleague engagement survey results and the progress on the health and wellbeing programme.
- Focus on ESG agenda, particularly environmental issues.
- Reminder to Directors of their obligations under Section 172 of the Companies Act 2006.
- Review monthly investor relations reports and annual shareholder body reports.
- Review and approve the 2024 Notice of the Annual General Meeting.

Link to Stakeholder

A B C D E F G

Link to Strategy

1 2 3

Key to Strategy links

1 Inspire 2 Support 3 Lifetime

CORPORATE GOVERNANCE REPORT

Board Leadership and Company Purpose

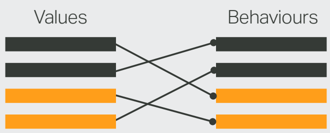
The Board continues to recognise the importance of its role in ensuring the culture of the organisation is aligned to its business strategy and ambition to become a customer led, market-leading services business.

Culture and Values

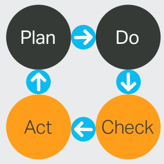
Goals

Create a performance culture where colleagues enjoy working efficiently and effectively together using their skills and expertise to win the hearts and minds of our customers.

Key Achievements



Built management capability through the delivery of our leadership capability framework and trained over 550 managers through our DRIVE training programme.



Launched our Leadership Behaviours and integrated these behaviours into the performance and talent management frameworks.

Continued our programme to improve employee wellbeing, supporting colleagues through our various programmes focussed on cost of living and mental wellbeing.

Outcomes

Customers

- Customers will have a joined-up experience wherever they shop across the Group.

Colleagues

- Engaged colleagues will work together and use their skills and expertise to deliver an excellent and efficient customer experience.

Shareholders

- Shareholders will benefit from the generation of additional profitable sales and a reduction in costs.

Our Culture Journey

Our values were established following a full cultural review in 2021 and remain key to defining our culture. We continue to embed our values with colleagues and during FY24 have supplemented these with our new Leadership Behaviours.

In partnership with Korn Ferry, the Executive and Leadership team identified the critical Leadership Behaviours and capabilities we need across the Group to deliver our strategic plan. These eight Leadership behaviours have now been rolled-out across the leadership population and are being embedded into our performance and talent review processes. We will continue to embed these behaviours in our Leadership team, delivering focussed Leadership development training to increased capability.

In FY24 we implemented our leadership capability programme DRIVE for Autocentre managers. This programme is designed to ensure that our managers and leaders are immersed immediately into an experience that clearly sets out "how to be a great **Halfords** manager" and how we live and breathe our values and leadership behaviours through strong communication and team management. The programme is also intended to provide the opportunity to further practice and enhance these skills.

We continue to focus on improving colleague wellbeing across four wellbeing pillars; financial, physical, mental and social.

To help colleagues through the continued increases in the cost of living, we continue to provide our colleagues with greater control over their pay and can help educate on money management through a dedicated financial wellbeing application. The application supports personal finance management; gives colleagues early access to salary throughout the month; access to a trusted and impartial financial education hub, to help build money confidence; and encourages colleagues to build an emergency or rainy-day fund.

We also offer great elective benefits allowing access to affordable health plans and dental insurance, discounts and cashback at thousands of retailers and have extended our friends and family discount scheme permanently.

For colleagues facing or at risk of significant financial hardship we support with our **Halfords** "Here to Help" Fund, which was set up by the **Halfords** Group during the pandemic and continues to provide grants to support colleagues in need.

To help colleagues manage stress and support their mental wellbeing, we have continued to create awareness and provide resources through our online portal and through promotional material visible to all colleagues. We continued to support our mental health first-aider programme with over 90 mental health first aiders across the Group. Our partnership with mental health charities Mind, SAMH and Inspire have provided access to further mental health information and resources.

To support embedding our values, we continued to run our recognition programmes across all our business areas, including our "Colleague of the Quarter" and "Colleague of the Year" award. As well as prizes, all winners were also invited to a celebratory lunch with the Executive team.

FY24

H1

- Annual pay review for all hourly colleagues completed.
- Full annual colleague engagement survey conducted.
- Engagement targets set for Board and Executive Team.
- Celebrated Pride Month across the **Halfords** Group to raise awareness of LGBTQIA+ colleague network group and promote Diversity and Inclusion.

H2

- Launched our Leadership Behaviours to over 100 senior leaders across the Group.
- Built management capability by delivering DRIVE training to 550 managers.
- Annual pay review for all salaried colleagues.
- D&I colleague network groups ran online broadcasts with speakers on topics such as black history month, menopause and disabilities to raise awareness and promote inclusivity at **Halfords**.

CORPORATE GOVERNANCE REPORT

Board Leadership and Company Purpose

Workforce Engagement

Halfords has a long-established practice of inviting feedback from colleagues across all areas of the business, including holding regular listening groups, appointing and meeting with local colleague engagement champions ("People Champions"), and conducting regular colleague surveys.

People Champions hold meetings to gauge how colleagues are feeling, which informs the programme of engagement and wellbeing activities. During the year, People Champions and colleagues from across the Group were invited to provide input into broader business initiatives, including ESG and reward practice, and to gain an understanding of corporate governance.

The Group has long-established grievance and whistleblowing policies that facilitate colleagues' ability to raise any matters of concern more formally, and in total confidence, should the need arise. The Board reviews reports relating to whistleblowing cases and the process is outlined in the Audit Committee Report on page 131. We know from the calls received and the data obtained that a large proportion of the whistleblowing calls received via the helpline are from store colleagues seeking clarification on HR or safety issues, this shows that the process works well as an adjunct to our normal HR processes and ensures we provide the best support we can to our colleagues.

Monitoring Culture

The Board monitors culture on an ongoing basis, both formally and informally, through the outputs of colleague engagement surveys, and through regular listening groups that are held across all areas of the business.

Prior to Helen Jones stepping down from the Board, as Senior Independent Director and also with accountability for representing the voice of our colleagues in Board meetings, Helen personally attended many of the listening groups held, alongside other Board and Executive colleagues and regularly reported back to the Board on the issues raised, a role Tanvi Gokhale has now taken up. Helen continues to feedback to the Board colleague challenges and insight gained through her continued voluntary role as Chair of the **Halfords** Here To Help Fund Committee.

Survey outputs and associated actions are reviewed by the Board and are incorporated into Executive Directors' and Executive Committee functional engagement plans. As in prior years, our colleague engagement index remains a strategic measure in the bonus plans for our Leadership population.

Our more holistic review of the culture of the business told us that **Halfords** is a great, collaborative place to work, is engaging and is values-led with knowledgeable, friendly colleagues that go the extra mile to serve our customers. The survey conducted in April 2024 confirmed that this remains the case today with our broader colleague engagement index at 73%, which means our engagement index remains above median when compared with broad market benchmarks.

Engagement with Our Stakeholders

We understand the importance of engagement with all our stakeholders. It is of significant value to our decision-making and planning processes and, ultimately, the long-term success of the business.

Board Listening Approach

	What This Channel Brings
Employee Voice Non-Executive Director	• Provides a forum for colleagues to express their views, suggestions or concerns to ensure they are heard and acted upon where possible.
Virtual focus groups	• Insights and feedback from colleagues employed in different parts of the Group focussed on a particular topic such as communication, wellbeing or engagement.
Colleague engagement survey	• Measures how engaged colleagues are and how they feel about working at **Halfords**. The insights are used to identify priority areas and drive actions to improve these measures.
Blogs and written communications	• Connects colleagues across all areas of the Group with our **Halfords** strategy by sharing updates from senior leaders on the latest business performance, transformation activity, strategic, commercial and customer experience initiatives as well as colleague engagement activity.

Stakeholder Management

The Board understands the importance of strong relationships with all stakeholders and strongly values their input into its decision-making and planning processes. The Board seeks to ensure that engagement with our stakeholders is effective, either by engaging directly or through oversight of the management team. This includes the monitoring of KPIs, such as Customer Net Promoter Score and Colleague Engagement Index. Furthermore, the Board ensured that stakeholder interests were carefully considered in the Company's recent sustainability strategy review, playing a key role in determining our key focus areas for the years ahead.

Directors and their Other Interests

Details of the Directors' service contracts, and emoluments, as well as the interests of the Directors and their immediate families in the share capital of the Company and options to subscribe for Company shares, are shown in the annual Directors' Remuneration Report on pages 132 to 149.

In line with the requirement of the Companies Act 2006, each Director has notified the Company of any situation in which they have, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (a situational conflict), and a register of these is maintained by the Company Secretary.

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

Concerns

The Chair seeks to resolve any concerns raised by the Board, whether these arise in a Board meeting or in another forum. Where raised and unresolved in a Board meeting, the unresolved business can be recorded on behalf of a Director in the minutes of the relevant meeting. A resigning Non-Executive Director would also be able to raise any concerns in a written letter to the Chair, who would bring such concerns to the attention of the Board.

No such concerns have been raised throughout the period.

CORPORATE GOVERNANCE REPORT

Board Leadership and Company Purpose

Stakeholder Engagement

Key Themes Discussed with Shareholders in FY24

- Progress on our strategy and our medium- to long-term opportunities, which were outlined in our Capital Markets Day in April 2023.
- The dynamics of the motoring and cycling markets, specifically the recovery of the consumer tyres and cycling markets, both in terms of timing and if there have been any structural changes.
- The background to the trading update on 28 February 2024 that reduced profit guidance.
- Capital allocation priorities, specifically the balance of maintaining a prudent balance sheet, maintaining the dividend and enabling investment for growth.
- Gross and operating margin performance, including cost saving progress and further opportunities.
- The Chair is responsible for ensuring that appropriate channels of communication are established between Directors and shareholders and that Directors are aware of any issues or concerns that major shareholders may have. Regular engagement provides investors with an opportunity to discuss any areas of interest and raise concerns. The Group is eager to make sure that it understands shareholders' views and that it is able to communicate its strategy in the most effective way. The Group engages through regular communications, the Annual General Meeting and other investor relations activities.

Investor Relations Programme

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

- **Annual Report and Accounts** – this is the most significant communication tool, ensuring that investors are kept fully informed regarding Group developments. Management continually strives to produce a clear and easily accessible Annual Report and Accounts, which provides a complete and transparent picture;
- **The corporate website** – provides investors with timely information on the Group's performance as well as details of Environmental, Social and Governance activities;
- **Management roadshows** – allow key investors access to management. These are usually attended by the Chief Executive Officer, the Chief Financial Officer and the Investor Relations team following our trading and results updates, and our April 2023 Capital Markets Day; and
- **Responding promptly** – the Group is committed to responding to any investor-related queries within a short time frame.


halfords
autocentre

Support our people with tools and frameworks

Q&A with our newly appointed Non-Executive Director,

Tanvi Gokhale

Q How has your first year as a Non-Executive Director been at Halfords?

As I fast approach my first anniversary as a Non-Executive Director at **Halfords**, I am pleased with the manner in which our **Halfords** colleagues and our management team and Board have embraced my joining.

Our colleagues are our eyes to our customers and ensuring we retain a "one **Halfords**" family feel is critical to our long-term success. It is a great privilege to be Employee Voice Director, to support the nurturing of our people and enabling the right coaching conversations. My predecessor, Helen Jones, established colleague listening groups, which continue to run as a wonderful legacy to her time on the Board – a note of thanks to Helen for establishing mechanisms where our colleagues' voices are heard in addition to our Colleague Engagement Survey.

In my role as Chair of the ESG Committee, I have been able to observe first hand our focus on the environmental agenda. I am also passionate about the ED&I agenda, on which I attended many listening sessions in late 2023. I was pleased to hear how diversity is second nature to our colleagues and have been delighted to listen to the strong voices of the many diversity champions in our business.

I have also been pleased to share my perspectives on the development of a services-focussed organisation, putting customer experience versus product first. **Halfords** is already on this journey, and I see opportunity to unleash more potential. My experience in financial services offers a sound parallel to contribute my ideas because there are so many shared lessons to learn across industries, especially Financial Services and Retail.

In all, it has been a great first year at **Halfords**. Thank you to everyone for welcoming me into the **Halfords** family.

Q What does culture at Halfords mean to you?

The culture at **Halfords** is one where colleagues can bring their whole selves to work. I have met colleagues from across the business (store managers, distribution centre colleagues and many others) and the resounding sentiment is that our colleagues feel a sense of purpose and fulfilment. The key overarching themes I hear are focussed on how they can continue to do more for each other and for our customers. In terms of doing more for each other, the consistent views are how they can find more time to focus on coaching and development conversations during their busy days and how each **Halfords** colleague should understand the varied career paths on offer.

In terms of doing more for our customers, I observe colleagues going above and beyond to help fulfil further customer needs and adapt to their local markets well. As the business has grown recently, it is critical to ensure that from an inclusion perspective, all colleagues across our businesses feel part of the "one **Halfords** family".

Q What have been the key highlights in FY24?

Reflecting on the past year, I have found myself most enjoying my role when I am on the front line with our colleagues, learning about how they operate, what could make their environment better and how they really are the coal face to customer sentiment. In short, my key highlight has been my visits. The listening sessions on diversity and inclusion have been a highlight early on in my role, understanding how our colleagues feel about diversity and most importantly, that there is mutual respect and affinity in our colleagues for all who come from different walks of life.

Q What are the key areas of focus for you in FY25?

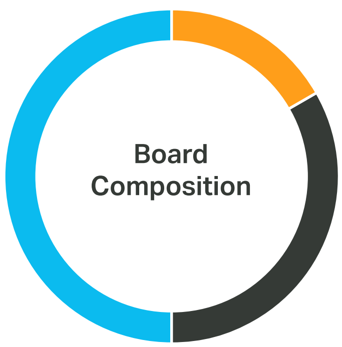
From an Employee Voice perspective, I am keen to continue with the listening sessions and visits with our colleagues and working closely with our Chief People and Property Officer, Paul O'Hara, to support our people with the tools and frameworks they need to have rich, development-focussed coaching conversations. On the ESG elements, we have recently been through excellent training to better understand how ESG reporting is evolving, and I am focussed on supporting our Management team to ensure readiness for the new reporting and disclosure standards.

CORPORATE GOVERNANCE REPORT

Division of Responsibilities

Board Composition

At the date of this report, the Board of Directors comprised of six members, namely the Non-Executive Chair, three other Non-Executive Directors and two Executive Directors. The composition of the Board is set out on page 152, and the biographies of each Director, including any other business commitments, are available on pages 98 and 99. The Board believes it has an appropriate balance of Executive and independent Non-Executive Directors, having regard to the size and nature of the business. The Board is responsible for the long-term success of the Company and is committed to ensuring that it provides leadership to the business as a whole, having regard to the interests and views of its shareholders and other stakeholders. It is also responsible for setting the Group's strategy, values and standards. Details of the Group's business model and strategy can be found on pages 38 to 52.



1 Chair

2 Executive Directors

3 Non-Executive Directors

Board Changes

On 20 June 2023, Tanvi Gokhale joined as a Non-Executive Director of the Board and its Committees. At the end of the Annual General Meeting ("AGM"), on 6 September 2023, Helen Jones retired as a Non-Executive Director and was succeeded by Jill Caseberry as Senior Independent Director.

Board Independence

The Non-Executive Directors bring wide and varied experience to the Board and its Committees. The Code recommends that at least half of the Board of Directors, excluding the Chair, should comprise Non-Executive Directors, who are determined by the Board to be independent and are free from relationships or circumstances that may affect, or could appear to affect, the Non-Executive Director's judgment. Following a review, the Board considers Jill Caseberry, Tom Singer and Tanvi Gokhale to be independent in character and judgement.

The Chair, Keith Williams was considered independent upon his appointment.

Re-election

In compliance with the Code and the Company's Articles of Association, as at 17 July 2024, the following Directors will seek re-election at the 2024 AGM on Friday 6 September 2024: Keith Williams, Jill Caseberry, Tom Singer, Tanvi Gokhale, Graham Stapleton and Jo Hartley.

Board Key Responsibilities

The Board is collectively responsible for the long-term success of the Group and is committed to ensuring that it provides leadership to the business as a whole, having regard to the interests and views of its shareholders and other stakeholders. It provides leadership and direction on the Group's culture, values and purpose; sets the strategic direction; agrees the risk framework; and ensures these are managed effectively. The Board is accountable to shareholders for the financial and operational performance of the Group. Details of the Group's business model and strategy can be found on pages 38 and 52.

Division of Responsibilities

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

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

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

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

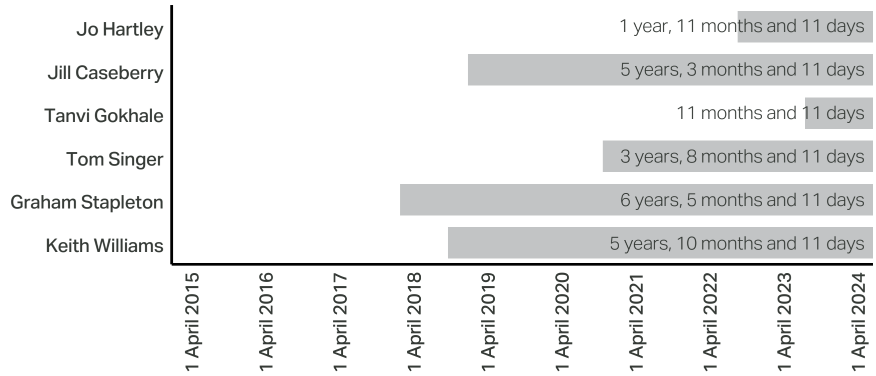
A formal schedule of matters reserved for the Board is in place and is annually reviewed as referred to above.

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

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

Director Tenure and Board Succession

Succession planning for the Board is monitored regularly and, in particular, is considered in detail during the annual evaluation of the Board performance as described on page 118. Details of the tenure for all Board members are as follows:



Board Committees

The Board's principal Committees are the Audit Committee, the Nomination Committee, the Remuneration Committee and the Environmental, Social and Governance ("ESG") Committee. Each Committee has its own Terms of Reference, which are approved and regularly reviewed by the Board.

On the following pages, each Committee Chair reports how the Committee they chair discharged its responsibilities in FY24 and the material matters that were considered.

Following a Committee meeting, the relevant Committee Chair provides a report to the Board. Whilst not entitled to attend, professional advisors and members of senior management attend when invited to do so, as do those Directors who are not formally a member of the relevant Committee. The external Auditor attends Audit Committee meetings by invitation. No person is present at Nomination Committee or Remuneration Committee meetings during discussions pertinent to them. The Company Secretary acts as the secretary to the principal Committees.

Matters which require Board approval between scheduled Board meetings can be approved by a Board Committee, which consists of a minimum of two Directors.

The final wording of market announcements is approved prior to release by a Disclosure Committee, which is made up of a minimum of two Directors. Six Disclosure Committee meetings were held during the period.

At Executive level, the day-to-day investment decisions of the Group are approved by an Investment Committee, chaired by the Chief Financial Officer. The Company has a Finance Risk Committee, which reviews and progresses financial governance, and a Treasury Committee, which manages the treasury needs of the Group – both of which are chaired by the Chief Financial Officer; the other members of these Executive Committees are senior members of the Finance and Treasury teams.

The Board may establish other ad hoc committees of the Board to consider specific issues from time to time.

CORPORATE GOVERNANCE REPORT

Division of Responsibilities

Halfords Group plc Board of Directors

Nomination Committee

Key Objectives

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

Main Responsibilities

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

- considering the size, structure and composition of the Board;
- considering Board and Executive Team succession plans with a commitment to improving gender and ethnic diversity; and
- identifying and making recommendations to the Board on potential Board candidates.

Chair:	Members:
Keith Williams	• Jill Caseberry • Tom Singer • Tanvi Gokhale

ESG Committee

Key Objectives

To ensure that the Group has an ESG strategy that is aligned with the Group's strategy.

Main Responsibilities

- Development of an ESG strategy including the setting of appropriate targets.
- Monitoring progress against key targets and initiatives.

Chair:	Members:
Tanvi Gokhale	• Jill Caseberry • Tom Singer

Audit Committee

Key Objectives

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

Main Responsibilities

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

Chair:	Members:
Tom Singer	• Jill Caseberry • Tanvi Gokhale

Remuneration Committee

Key Objectives

To ensure that a Board policy exists for the remuneration of the Chief Executive Officer, the Chair, Non-Executive Directors, other Executive Directors and members of the Executive Management.

Main Responsibilities

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

Chair:	Members:
Jill Caseberry	• Tom Singer • Tanvi Gokhale

Chief Executive Officer

Key Objectives

- Responsible for the day-to-day management of the Company.
- Develops the Group's objectives and strategy for Board approval.
- Creates and recommends to the Board an annual budget and financial plan.
- Delivers the annual budget and plan and executes the agreed Group strategy and other objectives.
- Identifies and executes new business opportunities and potential acquisitions or disposals.
- Keeps the Chair informed on all important matters.
- Manages the Group's risks in line with the Board-approved risk profile.

Chair

Key Responsibilities

- Manages and provides leadership to the Board.
- Builds an effective and complementary Board of Directors.
- Sets the agenda, style and tone of Board discussions.
- Facilitates and encourages active engagement in meetings, promoting effective relationships and open communication.
- Ensures effective communication with shareholders and other stakeholders.
- Ensures that the performance of individuals and of the Board as a whole and of its Committees is evaluated at least once a year, and the results are acted upon.
- Acts as an advisor to the Chief Executive Officer.
- Meets with the Non-Executive Directors without Executive Directors being present.
- Facilitates the effective contribution of Non-Executive Directors.
- Ensures constructive relations between Executive Directors and Non-Executive Directors.

Non-Executive Directors

Key Responsibilities

- Evaluate and appraise the performance of Executive Directors and Senior Management against agreed targets.
- Participate in the development of the Group's strategy.
- Monitor the financial information, risk management and controls processes of the Group to make sure that they are sufficiently robust.
- Meet regularly with senior management.
- Periodically visit Group sites, stores and Distribution Centres.
- Meet without the Executive Directors present.
- Participate in a training programme, including store visits and updates from management.
- Formulate Executive Director remuneration and succession planning.

Executive Committee

Key Objectives

- Monitors performance against the implementation of the commercial plan, and approves investment against strategy.
- Acts as the senior steering group for the Transformation Programme, approving and monitoring significant programme spend and monitoring programme risk.
- Oversees the Group's risk management framework, providing assurance over risk mitigation and scanning the horizon for emerging risk.
- Approves all Group financial investment.

Senior Independent Director

Key Responsibilities

- Provides a sounding board for the Chair.
- Holds meetings with the other Non-Executive Directors without the Chair at least once a year to appraise the Chair's performance.
- Acts as an intermediary for the other Directors.
- Is available to other Directors and shareholders in order to address concerns that cannot be raised through the normal channels.

Employee Voice Director

Key Responsibilities

- Ensures colleague feedback is brought to the attention of the Board to help shape and influence some of the decisions that are taken.

Company Secretary

Key Responsibilities

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

CORPORATE GOVERNANCE REPORT

Composition, Succession and Evaluation

Board Evaluation

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

FY23 External Evaluation	FY24 Internal Evaluation	FY25 Internal Evaluation

FY24 Evaluation Process

Step One	Step Two	Step Three	Step Four
Online surveys issued to the Board members.	Received and analysed the feedback with the Chair of the Board. The Chair produced a note of action points to be addressed, which was circulated to the Board members.	The Chair of each Board Committee received the evaluation report in relation to their Committee, and time was arranged to consider the findings and agree an action plan.	Implementation and monitoring of the action plans.

The findings identified by the FY23 external review are as follows:

Topic	FY23 Outcomes	Progress Made in FY24
Delivery of Capital Markets Day ("CMD") targets	Development of a shorter scorecard to consider delivery of CMD targets.	During the year, new Board reporting was implemented, providing a succinct summary of progress towards the targets set at the CMD.
People and culture focus	A focus on people and culture, to ensure the health and wellbeing of colleagues, and to concentrate on recruitment, turnover and succession to Board and management.	The business conducts a Colleague Engagement Survey and in pulse surveys on specific issues throughout the year. These surveys enable us to monitor people issues and to understand the cultural matters affecting the business. In addition, work is being carried out to address issues relating to recruitment and retention at all levels.
Understand our customers	To spend more time understanding our customers and progress our successes to build our knowledge base and how this can be used to meet customers' needs.	In FY24 we have established the Customer Panel, 'The Inside Track', a key insight tool, growing membership to 10,000 customers and successfully testing and gaining feedback to help build and improve new and existing proposition. We are also leveraging wider data and knowledge around our customer experience, and were able to improve NPS a further 0.7 points from 64.8 to 65.5 in the year. In addition, we continued along the trajectory on the **Halfords** Motoring Club, doubling our membership to 3.4m members, and achieving an 8% Premium membership mix.
Board meetings	To hold more Board meetings in person at the Support Centre in Redditch.	More Board meetings in person at the Support Centre were held during FY24 than in previous years. Board meetings were also held in person in London.

The findings identified by the FY24 internal review were as follows:

Topic	FY24 Outcomes
Understanding the business	Given the significant recent M&A transactions which have helped to transform the business, the Directors are aware of the need to understand fully the products offered by the whole group and how each division interacts with others. To ensure the Board is on top of all the demands of the business in FY25, the Directors will increase their visits to the business locations, operations and also to the Support Centre. This will ensure that the Directors are able to fully consider the opportunities, the risks involved, and any mitigating actions required.
Business landscape / external perspective	The governance landscape needs to be monitored carefully and we continue to closely monitor the markets in which we operate, to ensure our product offerings remain relevant.
Health and safety	Following changes within the business, with more garage services now being offered, the Board is aware of the need to continue, and develop even further, the Group's investment in health and safety matters to ensure risks are fully identified and mitigated accordingly.

Risk Management and Internal Control

The Board is responsible for the Group's risk management processes and the system of internal control. The Audit Committee has a delegated responsibility to keep under review the effectiveness of the Group's risk management and internal control framework. Throughout the year, the Committee maintained oversight to ensure a robust process is in place to monitor and evaluate the principal risks of the group. The Group's principal risks and mitigating actions are detailed in the Strategic Report on pages 82 to 89.

The Audit Committee considers the principal and emerging risks of the business and reviews the mitigating controls with senior management. The Group Risk Committee reports on the development of the risk management framework and provides insight to the Audit Committee on regulatory and compliance risks.

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

The management of risk and review of the internal control environment is a continual process supported by all colleagues. The Committee supports the development of risk maturity and a strong control culture.

Annual General Meeting ("AGM")

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

The AGM gives all shareholders the opportunity to communicate directly with the Board and their participation is welcomed. It is the Company's practice to propose separate resolutions on each substantial issue at the AGM. The Chair will advise shareholders on the proxy voting details at the meeting.

We look forward to seeing shareholders at our AGM on Friday 6 September 2024.

Tim O'Gorman
Company Secretary

17 July 2024

NOMINATION COMMITTEE REPORT

Nomination Committee meetings held:

2

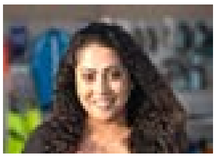
Committee Composition

During the year, the Committee comprised:

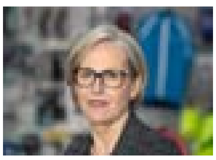
Keith Williams (Chair)

Jill Caseberry

Tom Singer



Tanvi Gokhale
(appointed 20 June 2023)



Helen Jones
(retired 6 September 2023)

"The Committee monitors and develops Board and Executive succession plans."

Keith Williams
Chair of the Nomination Committee

CHAIR'S LETTER

The Nomination Committee's objective is to ensure that the Board comprises individuals with the necessary skills, knowledge, experience and diversity to ensure that the Board is effective in discharging its responsibilities. The Committee also ensures that the composition and structure of the Board and its Committees are kept under constant review and nominates candidates for appointment as Directors to the Board. The Committee monitors and develops Board and Executive succession plans.

During the year, Tanvi Gokhale was appointed as a Non-Executive Director on 20 June 2023 and Helen Jones retired from the Board at the AGM on 6 September 2023, having reached her nine-year tenure. The Committee also undertook an internal annual Board evaluation, the details of which can be found on page 119 in the Corporate Governance Report.

Looking ahead, the key priorities for the Committee are:

- to review the size of the Board to ensure a variety of opinions are available to the Board;
- to ensure that the Board maintains the skillsets necessary to meet its strategic objectives; and
- to develop an internal succession plan for the current Executive Directors.

By order of the Board

Keith Williams
Chair of the Nomination Committee

17 July 2024

Main Responsibilities of the Committee

- Review the size, structure and composition of the Board and its Committees.
- Ensure plans are in place for orderly succession to the Board and senior management positions.
- Lead the process for appointments by identifying and making recommendations on potential candidates to join the Board.

Activities During the Year

- Induction of Tanvi Gokhale, as the new Non-Executive Director.
- Continued with the progression of the succession and talent development plan, taking into account the recommendations of the Parker Review.
- Reviewed the external FY23 Board performance action plan undertaken by Ripley Consulting Limited (previously Anne Whalley Consulting Limited).
- Agreed to undertake an internal FY24 Board performance evaluation.
- Reviewed the composition of the Board and its Committees.
- Carried out an annual review of the Committee's Terms of Reference.
- Recommended the re-election of the Board at the Annual General Meeting.

Board Appointments

On 20 June 2023, Tanvi Gokhale was appointed a Non-Executive Director to join the Board, the Nomination, the Audit, the Remuneration and the ESG Committees. At the AGM on 6 September 2023, Helen Jones retired from the Board having reached her nine-year tenure, following which she was succeeded by Jill Caseberry as Senior Independent Director, and Tanvi Gokhale as Chair of the ESG Committee and as Employee Voice Director.

Board Induction Programme

Introductory Meetings

- Meetings held with members of the Senior Management Team and Executive Committee.

Site Visits

- Retail store and Autocentre visits, including an introduction to **Halfords** Mobile Expert.
- Visit to Coventry distribution centre.

Deep Dive Sessions

- In-depth teach-ins with functional experts across the business, including Strategy, ESG, Customer, Commercial and People Teams.
- Introductory meeting with Corporate Broking teams and advisors.
- Meetings with specialist financial stakeholders, including Auditors, consultants and lending banks.

Director Training

All Directors have the opportunity for ongoing development and support via:

- A programme of visits to the Support Centre, Distribution Centres, stores and Autocentres;
- Reviews with the Chair to identify any training and development needs;
- Access to the Company Secretary for advice on governance, regulatory and legislative changes affecting the business or their duties as Directors;
- Access to independent professional advice at the Company's expense; and
- Membership of the Deloitte Academy, a training and guidance resource for Boards and Directors.

Diversity and Inclusion

The Group's Diversity Policy ("Diversity Policy") sets out **Halfords**' commitment to eliminate discrimination and to encourage diversity and inclusion across the Board of Directors and amongst all colleagues. **Halfords**' Diversity Policy applies to all activities, including its role as an employer and as a provider of services, ensuring that no colleague, potential colleague, customer, visitor or contractor will receive less favourable treatment on the grounds of gender, race, ethnic origin, disability, age, nationality, national origin, sexual orientation, gender reassignment, marital or civil partnership status, pregnancy or maternity, religion, beliefs and social class.

The Company does not currently publish specific diversity targets for the majority of diversity factors, but, in practice, it has created a more balanced and diverse Board and Senior Management Team. Half of the Board is comprised of women: 29% of the Executive Team is female and 21% of their direct reports are women.

In accordance with the 2024 Parker Review update, the Group is now required to set itself a target for ethnic diversity in its Senior management, defined by the Parker Review as "Company's Executive Committee or equivalent and those senior managers reporting directly to them" to be achieved by 2027. The Group has chosen to set a target of 7% for this population and will report on progress against this target in subsequent Annual Reports. Details of the current diversity of the Group can be found on page 95.

NOMINATION COMMITTEE REPORT

Disclosures required by LR 9.8.6(R)9 and LR9.8.6(R)10

As of 25 June 2024, the Group was compliant with all three of the targets on Board diversity prescribed by the Listing Rules as set out below:

1. at least 40% of the individuals on its board of directors are women;
2. at least one of the senior positions on its board of directors is held by a woman and;
3. at least one individual on its board of directors is from a minority ethnic background.

The 25 June 2024 date is used as the reference date for this information as it is the latest practicable date prior to the publication of the 2024 Annual Report. Between the reference date and the date of publication of the 2024 Annual Report, the structure of the Executive management has changed providing more focus on the business units and to ensure that profits are maximised. These changes include the creation of managing director roles for Retail Garage and Business to Business.

a. Table for reporting on gender identity or sex

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive management	Percentage of Executive management
Men	3	50%	2	5	71%
Women	3	50%	2	2	29%
Other/ prefer not to say	–	–	–	–	–

b. Table for reporting on ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive management	Percentage of Executive management
White British or other White (including minority-white groups)	5	83%	4	7	100%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	1	17%	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/ prefer not to say	–	–	–	–	–

Note: Approach to collating diversity data: gender information is extracted from employee database containing all permanent colleague details as at 25 June 2024. Ethnicity information is based on voluntary self-declaration. Executive Management is defined as the most senior Executive body below the Board including the Company Secretary but excluding administrative and support staff.

FY24 Key Activities

- Progression of succession and talent development plans.
- Induction of the new Non-Executive Director.

Areas of Focus in FY25

- Review the size of the Board to ensure a variety of opinions are available to the Board.
- Ensure that the Board maintains the skillsets necessary to meet its strategic objectives.
- Develop an internal succession plan for the current Executive Directors.

Board Succession

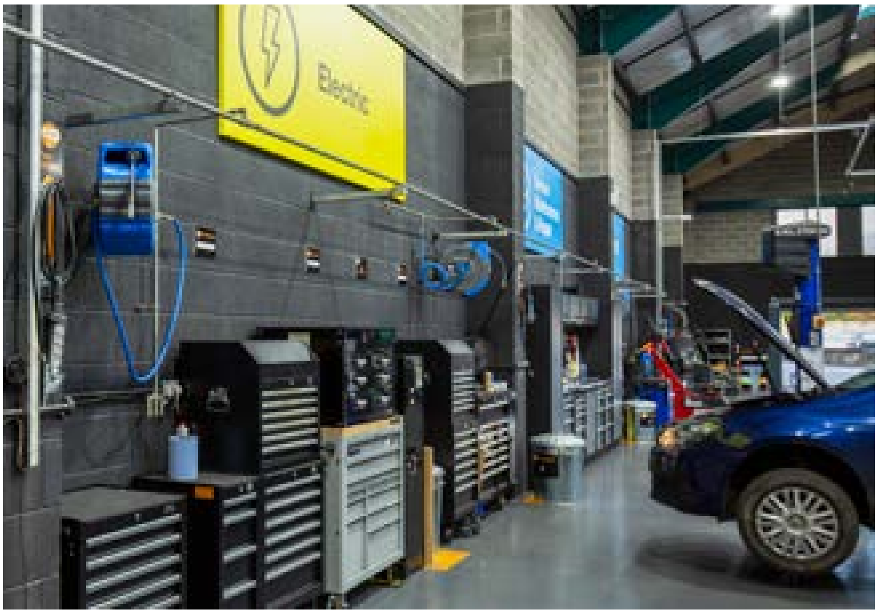
The **Halfords** Board considers succession planning each year in respect of both Director roles and the Senior Management Team. Senior Executives have well-developed skills and experience to fulfil their roles, and their skills are constantly updated as new challenges arise. A key factor in making better decisions is that the business has a diverse range of Directors, Executives and colleagues. Diversity and gender positions are monitored each year to ensure **Halfords** is able to identify any improvements and benefits and we are compliant with the Parker review.

Looking Ahead

Looking ahead developing an internal succession plan for the Executive Directors will be a key priority, together with undertaking a review of the size of the Board to ensure a variety of opinions are represented and that the relevant skillsets are met.

Keith Williams
Chair of the Nomination Committee

17 July 2024



ESG COMMITTEE REPORT

ESG Committee meetings held:

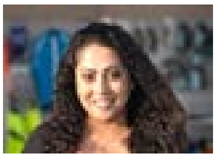
3

"I am delighted to be the new Chair of the ESG Committee at **Halfords** and I look forward to overseeing continued progress in the years ahead."

Tanvi Gokhale
Chair of the ESG Committee

Committee Composition

During the year, the Committee comprised:



Tanvi Gokhale
(appointed as Chair 6 September 2023)

Jill Caseberry

Tom Singer

Helen Jones
(stepped down as Chair on 6 September 2023)

CHAIR'S LETTER

This is my first letter as the Chair of the ESG Committee and as a Non-Executive Director of **Halfords**, having joined the Board in June 2023. I wish to thank my predecessor, Helen Jones, for her commitment to ESG at **Halfords** and for the progress that has been made in her years as Chair.

Our strategic approach to ESG is organised around the four pillars of Electrification, Net Zero, Diversity and Inclusion, and Product, Packaging and Waste Management. Although other areas, such as Responsible Sourcing and Colleague Engagement, remain very important to the Group, it is these pillars in which we believe the Group can have the most positive impact and through which our ESG strategy should be focussed.

During the year, the Committee's focus has been to ensure the delivery of the ESG Strategy in line with the roadmap and associated targets. We are particularly pleased with the progress made on our Net Zero commitment, with significant reductions in our Scope 1 and Scope 2 emissions and strong progress seen in our engagement with suppliers to gain better insight into our Scope 3 emissions. Furthermore, I am pleased to say we improved our CDP Score in FY24 to a B-, putting **Halfords** in the "Management" band as a Company taking coordinated action on climate issues.

We have also made good progress in our contributions to the circular economy. We removed 5.4m items of plastic from our own-brand packaging and reduced virgin plastic by 41% from an FY20 baseline. Furthermore, over 16,000 bikes were returned via our Bike Xchange programme this year, of which approximately 6,000 were reconditioned and sold to new customers. Separately, we donated over 20,000 bikes to charities who specialise in supporting poorer communities in Africa to improve living standards.

The ESG strategy and planning roadmap must continue to evolve as stakeholder expectations change, the Group's corporate strategy develops, and the regulatory landscape moves forward. The pace of change will impact the Group's strategic response to the risks and opportunities it faces. For example, the UK Government's decision in September 2023 to postpone the ban on new petrol and diesel cars and vans by five years could slow down the adoption of electric vehicles, meaning that **Halfords** may need to reconsider the speed at which it rolls-out EV servicing capability across the business. We are pleased with the progress we have made in FY24 and will continue to develop our strategy so that it remains fit for the future and supports a sustainable future for **Halfords** and for the communities it works alongside.

Committee Membership and Responsibilities

The Committee oversees the governance of our sustainability strategy and is chaired by me, Tanvi Gokhale. The Company Chair, Keith Williams, and the Chief Executive Officer, Graham Stapleton, whilst not members of the Committee, attend the meetings upon the invitation of the Committee Chair. There were three Committee meetings held during the year and after each one, either I or Helen Jones, my predecessor, reported to the Board on the key issues that we covered. Both Helen and I held informal discussions between Committee members and ESG business leaders regularly throughout the year, as well as attending listening groups with colleagues from across the business.

The primary responsibilities of the Committee include:

- Oversight and continued development of our ESG strategy.
- Setting KPIs and targets, and monitoring progress against those targets.
- Ensuring the Group continues to meet stakeholder expectations, as appropriate.
- Maintaining the highest possible standards of ethical practices in our supply chain.

Looking Ahead

In FY25, our focus will be on further progression of our ESG programme, with a continued focus on our four core pillars of Electrification, Net Zero, Diversity and Inclusion, and Product, Packaging and Waste Management. We will also continue to improve the quality and transparency of our sustainability reporting, whilst keeping abreast of further changes in regulation and reporting standards.

In Electrification, we are well-positioned to support UK customers with the switch to electric forms of transport and as I noted above, our progress here will be shaped by the pace of change in the UK vehicle market.

Our Net Zero commitment is well established, and we have made significant progress in reducing our Scope 1 and Scope 2 emissions and obtaining a robust understanding of our Scope 3 emissions. Our focus in FY25 will be to create the strategy and roadmap for Net Zero, building upon the strong foundations we now have in place. We will also start to put more attention on reducing our Scope 3 emissions, utilising the tools and datasets we now have in place to engage positively with suppliers.

Finally, we will make strong progress on our Diversity and Inclusion programme in FY25. We will refresh our three year roadmap and put focus into increasing the diversity of our garage leader's population, whilst changing our policies and procedures to remove bias and improve inclusivity. We will also invest in training and education for a significant proportion of the colleague base, whilst engaging further with colleagues through councils and network groups.

We have made excellent progress in reducing virgin plastic use and improving our recycling solutions, and this work will continue in FY25 as we see further opportunities to make progress. For example, we believe there is more opportunity to reduce virgin plastic use in our bike packaging, whilst we are confident that we can offer recycling solutions for more of our products, such as inner tubes and bulbs.

Tanvi Gokhale
Chair of the ESG Committee

17 July 2024

What we did in FY24

- Monitored progress of the ESG strategy, with a particular focus on the four pillars of Electrification, Net Zero, Diversity and Inclusion, and Product, Packaging and Waste Management.
- Reviewed overall ESG performance and future priorities.
- Reviewed an update to the Diversity and Inclusion strategy.
- Undertook Board-level training on the reporting and disclosure landscape for Sustainability Reporting.
- Reviewed ESG Strategy and TCFD reporting for inclusion in the Annual Report.

Further information on the Group's approach to managing ESG, performance against the priority areas and performance data can be found on pages 54 to 74 of the Strategic Report.

AUDIT COMMITTEE REPORT

Audit Committee meetings held:

5

“Working with management to progress and improve financial reporting, internal controls and risk management processes.”

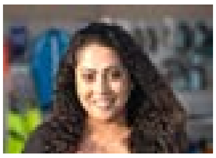
Tom Singer
Chair of the Audit Committee

Committee Composition

During the period, the Committee comprised:

Tom Singer (Chair)

Jill Caseberry



Tanvi Gokhale
(appointed 20 June 2023)

Helen Jones
(retired 6 September 2023)

CHAIR'S LETTER

I am pleased to present the report of the Audit Committee for the 52-weeks ended 29 March 2024.

This report describes how the Committee has carried out its responsibilities during the period. The Committee reviews financial reporting judgements and monitors risk and the effectiveness of the system of internal control through engagement with Executive management, internal audit and the external Auditor.

During the period, the Committee considered several key issues, most notably:

- The FY23 prior period misstatements in relation to Goods Received Not Invoiced (“GRNI”) and supplier arrangements including root cause analysis and control improvements made as a result;
- The carrying value of investments, intangible assets, right of use assets and property, plant and equipment in light of the financial performance of the Group;
- The changes in BEIS proposals for Audit and Corporate Governance reform, considering the impact on our reporting and control environment;
- The accounting treatment and controls relating to the transition of tyre warehousing and distribution to a third-party logistics provider, the consequent discontinuation of existing operations, and the related accounting treatment;
- The response to a letter received from the Financial Reporting Council requesting information relating to **Halfords** FY23 Annual Report and Accounts during the period;
- The evaluation of the FY23 audit process;
- The results of the External Auditors Audit Quality Review (“AQR”);
- External audit partner rotation; and
- Monitoring the acceleration of our business and financial controls programme, in particular in relation to control issues identified as part of the external audit for the period ended 31 March 2023.

Tom Singer
Chair of the Audit Committee

17 July 2024

FY24 Key Activities

- Reviewed and approved the Committee's updated Terms of Reference.
- Carried out our responsibilities as set out in the Terms of Reference, including the review of external reporting to ensure it is fair, balanced and understandable.
- Reviewed and challenged the longer-term Viability Statement and Going Concern basis of preparation in advance of approval by the Board, including a review of the carrying value of goodwill. This assessment was inclusive of stress testing to ascertain the level of headroom in the plans against possible covenant breach.
- Reviewed and challenged the external Auditor's year-end and half-year reports.
- Reviewed the statement of external Auditor's independence.
- Reviewed and approved the external Auditor's audit strategy and fees.
- Approved the non-audit fee policy.
- Carried out a formal assessment of BDO's performance in relation to the FY23 audit.
- Monitored and reviewed controls and process improvements put in place as a result of the prior period misstatements.
- Reviewed disclosures in regard to the prior period misstatements.
- Discussed and agreed Audit partner rotation.
- Reviewed accounting treatment and controls over transition of tyre warehousing and distribution arrangements to a third-party logistics provider.
- Reviewed key and emerging risks and the effectiveness of the Group's risk management framework and considered risk appetite.
- Reviewed and challenged progress of the Internal Audit plan and received regular updates on internal control systems.
- Reviewed and approved the Information Security Management Policy.
- Review cyber risk and associated strategy.
- Reviewed and approved the Internal Audit Program.
- Received an update on the Group's GDPR compliance, and on health and safety matters.
- Reviewed and challenged the effectiveness of the Group's whistleblowing procedures and approved the Group Whistleblowing Policy.
- Reviewed and approved the Anti-Money Laundering Policy.
- Reviewed and approved the Anti-Bribery and Corruption Policy.
- Received regular updates on the Gifts and Hospitality register.
- Reviewed and approved the Group's tax strategy and arrangements.
- Reviewed the plan for **Halfords**' response to BEIS proposals.
- Reviewed the Corporate offence of failure to prevent tax evasion policy.
- Reviewed the approach to **Halfords** identity and access management project.
- Requested internal Audit to advise on the formalisation of our approach to determining risk appetite.
- Requested regular reports from management on our approach to managing cyber risks and access controls over information technology systems.
- Reviewed and ensured FCA compliance.
- Oversaw the Group's ongoing Finance transformation programme.
- Checked to ensure we have adequate distributable reserves to legally pay dividends.

Areas of Focus

- Continue to monitor the impact of macroeconomic issues upon the Group's Viability Statement and Going Concern assessment.
- Continue emphasis on the quality of financial reporting, including the application of accounting judgment.
- Maintain focus on the adequacy of the control environment and further development of the risk management framework, with particular emphasis on complying with the outcome of the BEIS recommendations on audit and governance.

AUDIT COMMITTEE REPORT

The effects of the current economic crisis have led to a challenging macroeconomic environment for UK consumer-facing businesses. This further underlines the importance of a robust risk management process and strong financial controls, key topics that have been high on the agenda for the Audit Committee in FY24.

Halfords Annual Report and Accounts was selected by the Financial Reporting Council ("FRC") for review for the period ended 31 March 2023. On 29 January 2024, the FRC raised queries in relation to the nature of the third-party logistics arrangement and supplier financing and the cash flow statement disclosure. Additionally, the FRC raised some observations to take into account when considering whether any improvements can be made to future financial reporting. Following correspondence, the review was closed on 21 March 2024 and disclosure enhancements have been made to the Consolidated Financial Statements for the period ended 29 March 2024. The Audit Committee reviewed **Halfords** correspondence with the FRC and discussed with management the disclosures incorporated in the Consolidated Financial Statements in response to the FRC review.

Halfords completed the acquisition of Capital Tyres during the current financial period. The Audit Committee reviewed the accounting treatment of the transaction, ensuring that the judgments were appropriate.

On 25 January 2024, the Group announced its intention to enter a strategic partnership with specialist tyre distributor Bond International and close its existing tyre operation. As a consequence, on 22 February 2024, the Group sold Birkenshaw Distributors Limited and the wholesale customers of Stepgrades Motor Accessories Ltd ("Viking") to Bond International. On 22 March 2024, the remaining principal operations of Viking ceased.

The Audit Committee reviewed the proposed process and control framework to be introduced following the closure of Viking and outsourcing of tyre warehousing and distribution to Bond.

The Audit Committee also reviewed the judgements made and financial disclosures required as a result of this transaction including the treatment of Viking as a discontinued operation within the underlying results of the Group and classification of various items as non-underlying in the Group Income Statement.

Finally, the Committee reviewed the Company's principal risks, ensuring that robust risk mitigation was in effect during the period and that emerging risks were identified and flagged appropriately.

I would like to thank the members of the Committee, the management team and our external Auditor for the open discussions that take place at our meetings and their contribution and support during the period.

Committee attendance can be found on page 94 in the Corporate Governance Report.

Five scheduled and two ad hoc Committee meetings were held during the period and attended by all members. After each Committee meeting, the Audit Committee Chair reported to the Board on the key issues discussed.

Although the Company Chair, CEO and CFO are not members of the Committee, they do attend meetings regularly and so contribute to the work of the Committee, assisting with the fulfilment of its oversight functions.

Membership and Remit of the Audit Committee

During the period, the members of the Audit Committee were considered to be independent Non-Executive Directors.

Tom Singer is a Non-Executive Director and Chair of the Audit Committee of Mukuru and a Non-Executive Director and Chair of the Audit Committee of Vue International Group. Tom was also Senior Independent Director and Chair of the Audit and Remuneration Committees at DP Eurasia NV and a Non-Executive Director of Mediclinic International plc. Previously, Tom served as CFO of InterContinental Hotels Group plc and Group Finance Director of British United Provident Association ("BUPA"), and, as such, is considered by the Board to have recent and relevant financial experience to chair the Committee. Each of the other independent Non-Executive Directors has, through their other business activities, significant experience in financial matters. The Audit Committee is considered to have competence relevant to the sector in which

GOVERNANCE

the Company operates. The effectiveness of the Audit Committee is reviewed at least annually through discussions at the Board and Audit Committee and through a formal Board survey.

The Company's Chair, Executive Directors, senior managers and key advisors are invited to attend meetings, as appropriate, in order to ensure that the Committee maintains a current and well-informed view of events within the business and reinforce a strong risk management culture. The Audit Committee meets according to the requirements of the Company's financial calendar. The meetings of the Audit Committee also provide the opportunity for the independent Non-Executive Directors to meet without the Executive Directors present and to raise any issues of concern with the internal audit team and external Auditor. There have been seven such meetings in the period ended 29 March 2024 and nothing of note was reported.

Principal Responsibilities

Financial Reporting

- Review the interim and final financial statements of the Group and assess whether appropriate suitable accounting policies have been adopted, and whether management has made appropriate estimates and judgements. Assess the appropriateness of disclosures in the Annual Report and Accounts and ensure that it is fair, balanced and understandable.

Risk and Control Environment

- Assist the Board in achieving its obligations under the UK Corporate Governance Code in areas of risk management and internal control, focussing particularly on compliance with legal requirements, accounting standards and the Listing Rules.
- Review the risk management framework and the principal risks and mitigation strategies, including the investigation of fraudulent activity.

Internal Audit

- Review reports from Internal Audit on developments in the internal control framework to ensure that an effective system of internal financial and non-financial control is maintained on an ongoing basis.

External Audit

- Make recommendations to the Board on the reappointment of the external Auditor, including on effectiveness, independence, non-audit work undertaken (against a formal policy) and remuneration.

Policies

- Approve a formal Whistleblowing Policy whereby colleagues may, in confidence, disclose issues of concern about possible malpractice or wrongdoings by any of the Group's businesses or any of its employees without fear of reprisal, including arrangements to investigate and respond to any issues raised.
- Approve the Company's systems and controls for the prevention of bribery and corruption, including the receipt of any reports on non-compliance.
- Approve the Group's Tax Policy and published tax strategy.
- Approve the Group's Treasury Policy, including foreign currency and interest rate exposure.

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

The Terms of Reference for the Committees are available at www.**Halfords**company.com/environment-social-and-governance/governance/committees-terms-of-reference/.

Matters Considered in Relation to the Financial Statements

In order to discharge its responsibility to consider accounting integrity, the Committee carefully assesses key judgements applied in the preparation of the consolidated financial statements, which are set out on pages 168 to 173.

The Committee has considered the following key accounting judgements during the period:

Impairment of Goodwill Associated with the Group's Retail and Autocentres groups of Cash Generating Units ("CGUs") :

- The Group balance sheet contains £403.6m (2023: £403m) of goodwill across Retail and Autocentres CGUs. There are a number of factors that could impact on the future profitability of the business (e.g. loss of customer confidence, change in market behaviour) and, therefore, there is a risk that the business may not meet the growth projections necessary to support the carrying value of the CGUs (see Note 12 on page 195 of the Financial Statements);
- The Audit Committee has received detailed reports from **Halfords**' finance team addressing this issue. The finance team has undertaken detailed work to consider the impairment of goodwill associated with the CGUs. Consideration has been given to ensuring that cash flow models, discount rates, sensitivity analysis and store and centre profitability are all reasonable. The Committee concluded that it is satisfied with the impairment assessment of goodwill.
- The Audit Committee have also reviewed the carrying value of the investments held by the Parent company. At the balance sheet date, the parent company held an £817.6m (2023: £813.8) investment in subsidiaries. Using the same cashflow projections as those used for Goodwill impairment, the Committee has similarly concluded that there should be no impairment of the carrying value of the investment.
- Finally, the finance team also reviewed the recoverability of an intercompany receivable balance and concluded that an impairment of £35m was required. The Audit Committee reviewed the proposed impairment and concluded it was appropriate.

Valuation of Inventory Within the Retail Division:

- With the business holding a wide range of stock and changing consumer demands, some lines will not be sold or will be sold at below the carrying value. Provisions are made to reflect this. Given the inherent difficulties of forecasting market trends, there is a risk that inventory provisions made will be inappropriate or incomplete (see Note 15 on page 199 of the Financial Statements). Management has fully reviewed the inventory provision in the current period, and believes the level of provisioning is appropriate. Range reviews are regularly undertaken to ensure that all discontinued inventory is identified.
- The Audit Committee has received detailed reports from **Halfords**' finance team addressing this issue. The finance team has undertaken detailed work around the valuation of inventory within the Retail division. After consideration of the accuracy of the provisioning model, the completeness and accuracy of range reviews, and the reflection of these reviews within the provisions, the Committee concluded that it is satisfied with the accounting treatment of the valuation of inventory.

AUDIT COMMITTEE REPORT

Non-Underlying Items and Alternative Performance Measures

The Group recorded a net debit of £3.8m in Non-Underlying items in FY24 within continuing operations, having recorded a larger debit in the previous period.

The debits in both periods were material due to strategic redundancy costs due to the restructure of the Support Centre, the costs in relation to the replacement of the warehouse management system and acquisition costs in regards to Lodge and Capital Tyres. In the current period, professional costs have also been incurred in relation to a strategic review of procurement and related activities and professional fees incurred as a result of the Avayler separation.

The Group recorded a net debit of £6.9m in Non-Underlying items in FY24 within discontinued operations. These related to organisational restructuring costs offset by the gain on disposal of certain assets.

The Audit Committee has reviewed management's assessment of Non-Underlying items and is satisfied that the correct accounting treatment has been applied.

Management has continued to use Alternative Performance Measures ("APMs") to provide the reader with a more insightful analysis of the Group's performance. The Audit Committee has reviewed the use of APMs and is satisfied this strikes an appropriate balance for the benefit of the reader of the accounts.

Halfords' Preparedness for BEIS' Proposed Reforms to Audit and Corporate Governance

The Committee continues to stay abreast of updates from the Government and reviews **Halfords**' preparedness for the reforms at each meeting. The most significant piece of reform is the likely requirement for enhanced internal controls and the associated reporting of their effectiveness. The Group's response to this is well underway, having invested in a team of controls specialists to put in place Risk and Controls matrices and testing programmes.

External Auditor

BDO UK LLP ("BDO") present their audit plan, risk assessment, and audit findings to the Committee, identifying their consideration of the key audit risks for the period, and the scope of their work. These reports are discussed throughout the audit cycle.

Effectiveness of External Audit

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

In addition, at its meeting in March 2024, the Committee reviewed the External Audit Planning document prepared by BDO. Following this, the Committee concluded that:

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

The Audit Committee is aware that the external Auditor has been subject to a review by the FRC's Audit Quality Review ("AQR") team in respect of the audit of the 52-week period ended 31 March 2023. The Audit Committee Chair shared the AQR Inspection Report with the Audit Committee and also discussed the findings directly with the BDO partner. The Audit Committee noted the scope of the review and the key findings raised, together with BDO's proposed plan to address the findings. The Audit Committee was satisfied with BDO's response to address the findings raised, and the BDO plan was implemented as part of the audit for the 52-week period ended 29 March 2024.

Approach to Appointment or Reappointment

Halfords confirms that it was in compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 throughout the financial period ended 29 March 2024.

BDO was appointed as external Auditor to the Group in 2019 following a formal tender process. The Audit Committee considers that the relationship with the Auditor is working well and is satisfied with its independence, objectivity and effectiveness and has not considered it necessary to require BDO to re-tender for external audit work this period. The Audit Committee has recommended to the Board, for approval by shareholders at the Annual General Meeting on 6 September 2024, the reappointment of BDO as external Auditor. The Audit Committee monitors, and will continue to comply with, best practice and external guidance with respect to the frequency of audit tenders.

Diane Campbell was appointed as the Lead Audit Partner for the 2019/20 audit and is, therefore now in her fifth annual audit cycle. Diane will serve a maximum term of five annual audit cycles and, therefore, will be replaced for next year's audit. Her replacement, Sophie Michael, will take over as Lead Audit Partner for the 2024/25 audit cycle.

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

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

The policy specifies:

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

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

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

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

An analysis of the fees earned by the external Auditor is disclosed in Note 3 to the Financial Statements on page 188.

Role and Effectiveness of Internal Audit

Internal Audit follows an annual risk-based programme of audits to review the effectiveness of the control environment. The Audit Committee reviews the annual audit programme for coverage and may revise it according to changing business circumstances or requirements. The Audit Committee ensures that there are sufficient resources to undertake the audit programme.

The Head of Internal Audit attends each Committee meeting, providing a summary of audit findings and an update on progress against the plan. The Committee also reviews the status of the implementation of audit recommendations ranked by age and level of risk to the business. All Internal Audit reports are shared upon completion with the external Auditor. Internal audits are financial and non-financial and, during the period, included Inventory, Payroll, Financial Controls, Supplier Management and Fleet Management.

The Head of Internal Audit reports to the CFO, but maintains direct and regular communication with the Audit Committee Chair outside of Committee meetings.

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

Alongside the Internal Audit programme, the team also continued to drive the Group's risk management framework.

Whistleblowing

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

The Policy was reviewed and approved by the Audit Committee, and the Company Secretary provides the Audit Committee with a regular summary of whistleblowing contacts and resolutions.

Anti-Bribery and Corruption Policy

The Group's Anti-Bribery and Corruption Policy statement reinforces that the **Halfords** Board is committed to conducting its business affairs in a way that ensures it does not engage in or facilitate any form of corruption. It is **Halfords**' policy to prohibit all forms of corruption amongst its colleagues, suppliers and any associated parties acting on its behalf. The Group has a detailed Anti-Bribery and Corruption Policy and maintains a Gifts and Hospitality Register. Anti-bribery expectations are set out in standard purchasing terms and conditions. Face-to-face and online training has been provided to colleagues to raise awareness of anti-bribery and corruption legislation.

The Audit Committee has requested that anti-bribery and corruption safeguards are periodically reviewed by Internal Audit.

Internal Control and Risk Management

The Board is responsible for the Group's risk management processes and the system of internal control. The Audit Committee contributes to this purpose by providing oversight and challenge to the Group's risk management framework. An Executive Risk Committee formed in the prior period reports to the Audit Committee on the risk management framework, providing insight on principal and emerging risks, risk appetite and ongoing updates on regulatory and compliance risk.

At each meeting during the period, the Committee received a presentation on the Group's control framework in preparation for changes to the UK's governance and reporting.

Further details of the Group's internal control and risk management framework are set out on pages 81 and 82.

Tom Singer
Chair of the Audit Committee

17 July 2024

REMUNERATION COMMITTEE REPORT

Remuneration Committee meetings held:

6

"Good progress has been made strategically in further optimising the business to create a solid foundation for future growth."

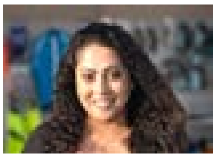
Jill Caseberry
Chair of the Remuneration Committee

Committee Composition

During the year, the Committee comprised:

Jill Caseberry (Chair)

Tom Singer



Tanvi Gokhale
(appointed 20 June 2023)

Helen Jones
(retired 6 September 2023)

CHAIR'S LETTER

On behalf of the Remuneration Committee, I am pleased to present the Remuneration Report for the financial year ended 29 March 2024.

The Report consists of four sections:

- This Chair's statement providing a summary of pay outcomes for FY24 and our approach for FY25;
- Remuneration at a glance;
- A summary of our Directors' Remuneration Policy – The Company's Directors' Remuneration Policy (the "Policy") was approved at the 2023 Annual General Meeting. A copy of our full Policy is available on our website (Remuneration Policy – **Halfords** Group plc (www.halfordscompany.com/environment-social-and-governance/governance/policies/remuneration-policy/); and
- The annual Directors' Remuneration Report – this summarises the remuneration outcomes for FY24 and explains how we intend to apply the Remuneration Policy in FY25.

Performance in the Year

Underlying profit before tax ("PBT") was down 7.9% to £43.1m, on a reported basis (which excludes discontinued operations), and 18.3% lower, to £36.1m, including discontinued operations. This profit performance reflects the backdrop of very challenging markets and ongoing cost inflation well above normal levels.

The focus of the management team has been to deliver on the areas that are within its control. Good progress has been made strategically in further optimising the business to create a solid foundation for future growth. The Group took market share in all four of its core markets, whilst the cost and efficiency programme continued to deliver significant savings. Progress has, however, been offset by external factors; in particular, the Consumer Tyres and Cycling markets declined in the period and consumer demand for big-ticket purchases remained subdued, whilst high cost inflation continued.

Looking forward to FY25, the management team is cautiously planning on another year of headwinds, but has confidence in continuing to deliver the strategy that has positioned **Halfords** well for the future.

Remuneration Outcomes in Respect of the Year

The annual bonus for FY24 was based 80% on financial measures (Underlying Group Profit Before Tax – 50%, Group Revenue – 10%, Free Cash Flow – 10%, Cost as a percentage of sales – 10%) and 20% on strategic metrics (NPS, Colleague Engagement, Market Share, Colleague Turnover all equally weighted). Revenue performance for FY24 was £1,696.5m (+7.9%) which was between threshold and target. Free Cash flow performance was £29.1m which was between target and stretch. PBT performance was below threshold reflecting the challenging markets outlined above.

We made good progress against the strategic measures included in the plan. Our focus on customers and service resulted in both Customer NPS and Market Share targets being exceeded, and whilst material progress was made on employee engagement and reducing employee turnover, we did not meet the ambitious targets we set at the beginning of the year.

Further details on performance against the strategic targets can be found on pages 48 to 52. Based on the outcomes of both the financial and non-financial measures, this would have resulted in a formulaic annual bonus outcome of 28.2% of maximum being payable.

Considering the context of wider business performance in the year, the Executive Directors and Committee mutually agreed that no bonus should be paid. This considered factors including the overall shareholder experience and PBT performance. Although we were pleased to make bonus payments to our Autocentre and Retail colleagues where applicable. Support Centre colleagues received no bonus due to the profit before tax outcome being below the threshold for bonus payment.

Therefore, the annual bonus payable for Executive Directors in FY24 was 0% of the maximum opportunity.

The 2021 Performance Share Plan ("PSP") was based on Underlying EPS (50% of the award), Group Services related sales (20% of the award) and Relative TSR (30% of the award). Based on performance against the targets the award has lapsed in full. No discretion was applied to this outcome.

Remuneration for FY25

The current Directors' Remuneration Policy (the "Policy") was approved by shareholders in September 2023. As part of this process, the Remuneration Committee reviewed the previous policy to assess whether it remained fit for purpose and continued to best support the business. The general view was the structure remained appropriate to support the strategy, so no major amendments were made to the structure of pay, incentive opportunities or governance features. This view was confirmed by the level of support received at the 2023 AGM where over 99% of shareholders voted in favour of the resolution.

This Policy will continue to apply in FY25 and after undertaking a review of performance metrics in the year, the Committee determined to adjust the measures on the annual bonus plan. Given the importance and focus of the business in this period, we have increased the weighting on financial metrics to 90% overall. This is also to ensure the metrics remain best aligned with our ongoing strategy, remain motivational for participants and ensure emphasis on profit growth, cost reduction and cash flow improvements, all of which are crucial for the business whilst we continue to operate in challenging and exceptional short-term market conditions. As a result, the annual bonus plan for FY25 will consist of four measures, with 60% of the bonus opportunity weighted on Underlying Group Profit Before Tax, 20% on Free Cash Flow, 10% on Cost as a percentage of Revenue and 10% on Strategic Measures (NPS and Colleague Engagement both equally weighted).

It is not proposed to make any amendments to performance measures under the long-term incentive plan. The quantum awarded will remain the same as in FY24 (annual bonus: 150% of salary; PSP: 200% of salary). Based on the current share price, the Committee is of the view that no adjustment is required to the award level, however, the Committee will take this into account when determining award levels in the Autumn.

Salaries will be reviewed in the year with increases effective from 1 October 2024. The Committee's intentions are that increases will not exceed those for the wider workforce. Pension allowances for both Directors have been aligned with the maximum employer pension contribution currently available to the majority of the workforce of 3%.

Concluding Remarks

The Committee is committed to an open dialogue with shareholders and institutional investor bodies on remuneration matters and is also aware of the importance of considering broader stakeholder experiences in the year, including shareholders and our colleagues. This is reflected in our consistent use of discretion in recent years where outcomes are not representative of business performance in the year.

The Committee also considers voting on Annual General Meeting resolutions and is pleased with the high level of support received, historically, for its Annual Reports on Remuneration and for the renewal of the Remuneration Policy in 2023.

Additionally, the Committee has sought to promote a remuneration environment that strongly aligns the commercial direction of the Group with the interests of shareholders and regularly keeps up to date with best practice developments and market trends.

I look forward to your support for the FY24 Annual Directors' Remuneration Report at the Annual General Meeting.

Jill Caseberry
Chair of the Remuneration Committee

17 July 2024

2023 PSP awards

PSP awards were granted on 12 December 2023 at 200% of base salary to the CEO and CFO.

Awards were based on Underlying EPS Growth (40%), Relative TSR (40%) and Group Services-Related Sales (20%). In light of the macroeconomic uncertainty around the time of award, the Committee was still reviewing the performance measures and targets for the 2023 PSP awards and these were not disclosed with the FY23 Remuneration Report. These targets were determined before the award was made and are now set out on page 141.

REMUNERATION COMMITTEE REPORT

Remuneration at a Glance

At **Halfords**, the reward principles and framework is consistent across all colleague populations – although remuneration levels vary to reflect market salary and benefits benchmarks across all roles.

	Colleagues	Managers	Senior Managers	Executive Team
Salary	Y	Y	Y	Y
Pension	Y	Y	Y	Y
Paid holiday	Y	Y	Y	Y
Share plans	Y	Y	Y	Y
Bonus/incentives	Y	Y	Y	Y
Death in service	Y	Y	Y	Y
Car allowance or car	Job need	Market dependent	Y	Y
Private medical	N	N	Y	Y

Why is Reward Structured Differently at Senior Levels?

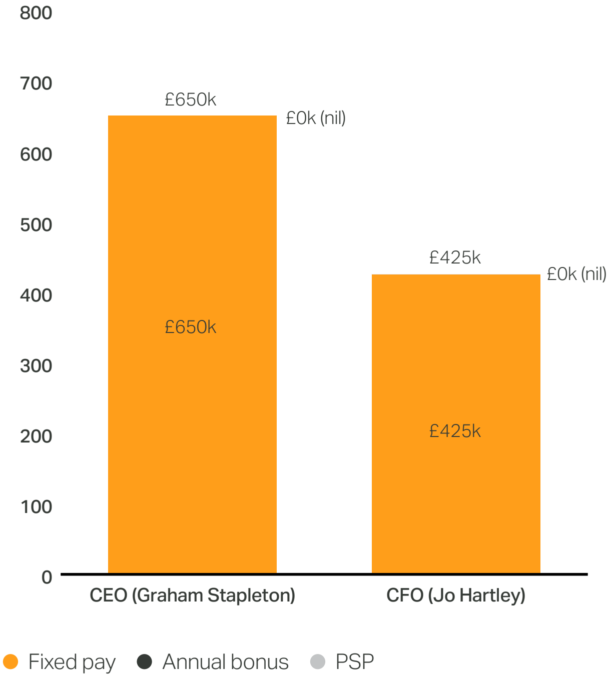
The UK Corporate Governance Code protects the interests of shareholders by ensuring that reward is structured in a way that ensures Executives make the right long-term decisions for the business to deliver sustainable long-term shareholder value in a way that is consistent with our culture and values. As a consequence, a high proportion of Executive reward is directly linked to long-term performance, resulting in "variable pay", which only pays out when the Company does well. The Executive Directors participate in two variable reward plans as follows (further details can be found on pages 140 and 141):

Annual Bonus	Targets are assessed over the financial year based on performance against financial and strategic measures (one-third of any payment is deferred into a Deferred Bonus Plan for three years after payment).
Performance Share Plan ("PSP")	Targets are assessed over three financial years. Vested awards are subject to a two-year holding period.

Single Total Figure of Remuneration for Executive Directors for the Year Ended 29 March 2024

Fixed pay comprises base salary, benefits and pension. Variable pay comprises of the annual bonus and PSP award.
Further information on the single figure of remuneration can be found on page 140.

Executive Directors' Remuneration



Aligning Pay with Performance

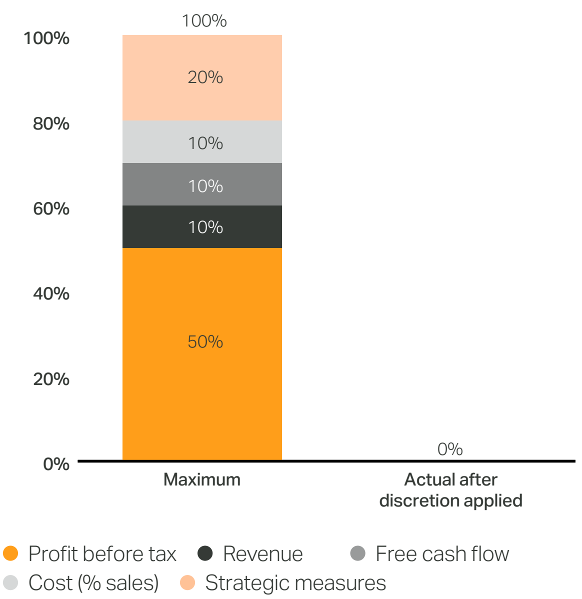
Discretion applied to overall outcome so final outturn was 0%. See pages 140 and 141 for further detail.

Key Performance Indicator	Result	Outturn before discretion	Outturn post discretion
2023/24 Annual Bonus			
Underlying Group PBT	43.1m	nil	nil
Group revenue	£1,696.5m	3.4%	nil
Free cash flow	£29.1m	7.8%	nil
Cost as a % of sales	(44.6%)	10%	nil
Group NPS	66.5	3.5%	nil
Group colleague turnover	42.8%	nil	nil
Group colleague engagement	79%	nil	nil
Market share	Above target	3.5%	nil
2021 PSP			
Relative TSR	lower quartile	nil	nil
Underlying basic EPS	13p	nil	nil
Group services-related revenue	£578m	nil	nil

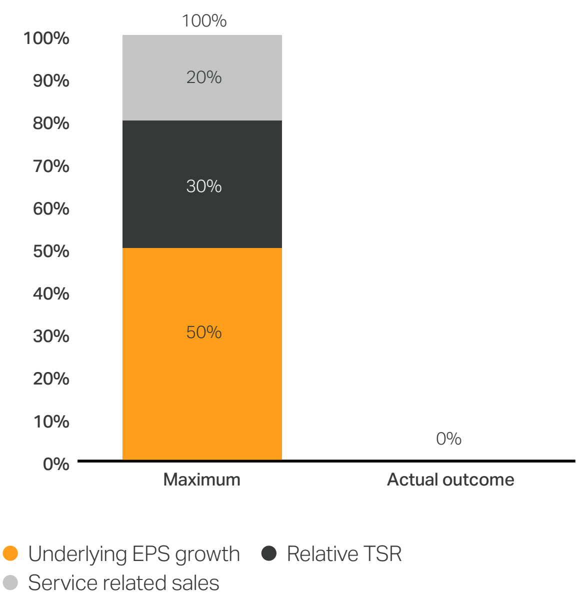
Annual Bonus and Long-Term Incentive Plan Outcomes

The charts below show the results of the performance targets for the annual bonus and PSP.
Further information on the outcomes for the annual bonus is shown on page 140 and for the PSP on page 141.

FY24 Annual Bonus



2021 PSP



REMUNERATION COMMITTEE REPORT

Aligning Our Performance Measures to Our Strategy

Over the past few years, our strategy has remained unchanged with motoring and cycling products and services remaining at the core of our proposition. However, as we continue to evolve into a consumer and B2B services-focussed business, we placed greater emphasis on motoring, generating higher and more sustainable financial returns.

As such, we have sought to ensure that the performance measures for our incentive awards reflect our strategic ambitions. The table below provides a summary of our alignment.

	Alignment to Strategy	Alignment to Our Stakeholders' Interests
Annual Bonus		
Underlying Group PBT	PBT is one of our main KPIs assessing the profitability of our business and provides stakeholders with information on trends and performance before the effect of non-underlying items.	Financial, shareholder
Free Cash Flow	Strong cash flow enables investment in our plan and returns to shareholders, whilst aligning with broader aims to maintain a strong balance sheet.	Financial, shareholder
Cost as a percentage of revenue	Cost management remains a key focus for FY25, aligned with delivering our profit ambitions and shareholder value generation.	Financial, shareholder
Group NPS	As our business evolves to be more consumer and B2B services-focussed, this measure focusses on our commitment to customer service both in Retail and Autocentres.	Customers, shareholder
Colleague engagement	We are committed to an ambitious people agenda and strategy. For FY25, measures within the annual bonus will focus on colleague engagement. We believe this is a key metric to ensure employee motivation, aligns with our organisational goals and keeps a focus on retention of key employees in the business.	ESG, financial, customers, shareholder
Performance Share Plan		
Relative TSR	Aligns management with the wider shareholder experience and reinforces our ongoing focus in shareholder value creation.	Financial, shareholder
EPS	EPS is a measure of our investment thesis and indicates whether we are achieving our aim to manage revenues, margins and invest in long-term growth.	Financial, shareholder
Group services-related sales	An indicator of our progress towards the ambition to become a consumer and B2B services-focussed business with over half of our business in services.	Financial, customer, shareholder

Directors' Remuneration Policy Summary Report

Our Directors' Remuneration Policy (the "Policy") was approved by shareholders at the 2023 AGM. The full Policy is available on the Company's Website but as context for the rest of this report, the main elements of the Policy, as well as how the Policy was implemented during the year and how it will be implemented in FY25, are summarised below:

Elements	Objective	Key features	Implementation in FY24	Implementation in FY25
Base salary	To attract and retain management of a high calibre.	Normally reviewed annually with increases effective from 1 October. Salary increases generally in line with the wider employee workforce.	Graham Stapleton: £616,700 Jo Hartley: £406,850 Increased by 3%, below the wider workforce with effect from 1 October 2023.	Salaries will next be reviewed with effect from 1 October 2024 and it is expected that any increase will not exceed the increase received for the wider workforce.
Benefits	Provide market competitive benefits consistent with the role.	Set at an appropriate level taking into account the individual's circumstances, market practice and other employees in the Group.	Executive Directors received benefits in relation to a car plus fuel or a cash allowance, private health insurance and life assurance.	No changes proposed.
Pension	To provide individuals with retirement arrangements.	Pension is aligned with the maximum employer pension contribution available to the majority of the UK workforce (currently 3% of base salary).	On 1 April 2023, Graham Stapleton's pension allowance was reduced from 15% to 3% to be in line with the rate available for the wider workforce. Jo Hartley received a pension opportunity of 3% of salary upon appointment.	No changes proposed.
Annual Bonus	Incentivise the achievement of annual financial targets and key strategic, operational and ESG objectives.	Maximum opportunity of 150% of salary with one-year performance period. One-third deferred into shares for three years. The Committee may, in its discretion, adjust payments, if it considers that the outcome does not reflect underlying financial or non-financial performance. Malus and clawback provisions apply.	Based on 80% financial measures and 20% delivery of strategic measures (full details on page 140). The Committee considered the overall outcome in the context of wider business performance in the year and determined that downwards discretion should be applied, and no bonus should be paid.	Graham Stapleton: 150% of salary. Jo Hartley: 150% of salary. For FY25, measures will be 90% financial measures and 10% strategic measures: • Underlying Group Profit Before Tax 60%, • Free Cash Flow 20%, • Cost as a percentage of sales 10% Strategic Metrics 10% (customer NPS 5% and colleague engagement 5%)

REMUNERATION COMMITTEE REPORT

Elements	Objective	Key features	Implementation in FY24	Implementation in FY25
PSP	Align Executive Directors' interests with those of our shareholders by incentivising them to deliver the Company strategy and to create a sustainable business and maximise returns to shareholders.	Maximum opportunity of 200% of salary. Three-year performance period. Two-year holding period after vesting. The Committee may, in its discretion, adjust payments, if it considers that the outcome does not reflect underlying financial or non-financial performance. Malus and clawback provisions apply.	Graham Stapleton and Jo Hartley were granted awards of 200% of salary in the year. Awards granted in December 2023 were based on: • EPS growth 40%; • Group service-related revenue 20%; and • Relative TSR vs the FTSE All Share General Retailers Index 40%. Targets are disclosed on page 141.	Graham Stapleton and Jo Hartley will be granted awards of up to 200% of salary. Consideration will be given to share price performance and stakeholder experience when determining the award prior to the date of grant. FY25 awards will be subject to the following performance conditions: • EPS growth 40% • Group service-related revenue 20% • Relative TSR vs the FTSE All Share General Retailers Index 40%
Shareholding guidelines	Align individuals with shareholders.	Executive Directors are expected to build and retain a shareholding with a value equal to at least 200% of their annual base salary. Expectation that 75% of any post-tax shares that vest from incentive plans are retained until the guideline is met. Executive Directors will normally be expected to maintain a minimum shareholding of 200% of salary (or actual shareholding if lower) for two years following stepping down as an Executive Director.	Executive Directors were subject to a 200% of salary shareholding guideline.	No change.

Structure and Content of the Remuneration Report

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

The information set out below represents auditable disclosures referred to in the Independent Auditor's Report on pages 158 to 167, as specified by the UK Listing Authority and the Regulations.

Committee Composition

During the year, the Committee consisted of:

- Jill Caseberry (Chair)
- Tom Singer
- Tanvi Gokhale (appointed 20 June 2023)
- Helen Jones (retired 6 September 2023)

Six scheduled Committee meetings were held during the year and were attended by all relevant members at the time of the meeting.

After each Committee meeting, the Remuneration Committee Chair reported to the Board on the key issues that had been discussed.

A number of informal discussions were also held with the Committee members throughout the year when the need arose.

Activities During the Year

During the year, the Policy operated as intended. The Committee undertook the following activities:

- Reviewed and approved the Directors' Remuneration Report published in the FY23 Annual Report and Accounts.
- Finalised the Remuneration Policy for shareholder approval at the 2023 AGM.
- Discussed and approved incentive outcomes for FY23.
- Reviewed and approved organisational design changes.
- Approved grants under the Company's share schemes.
- Considered the approach to implementing the Remuneration Policy for FY24, including setting Executive Director and Chair salaries/fees from 1 October 2023. Non-Executive Director fees are determined by the Chair and the Executive Directors.
- Reviewed considering and setting the approach to performance measures for the FY24 annual bonus and performance share plans.
- Reviewed the mechanics and assets of the Employee Benefit Trust and hedging arrangements.
- Discussed and approved remuneration arrangements for the Executive management team below the Board.
- Reviewed the Committee's Terms of Reference.
- Reviewed and approved new share plan rules for the UK Sharesave, the International Sharesave and the Company Share Option Scheme.
- Discussed and approved a change to the Sharesave grant timetable to enable participants to take advantage of the new HMRC bonus rates.
- Reviewed remuneration arrangements for the wider workforce and took these into account when considering Executive pay.
- Received a market update on the Executive pay landscape.
- Received an update on the gender pay report.
- Reviewed and approved the appointment of remuneration advisors and set the appropriate fee.

Advisors and Other Attendees

During the year, the Committee has been supported by the Chief Property and People Officer and the Reward Director together with the Company Secretary (who acts as secretary to the Committee). The Chief Executive Officer and Chief Financial Officer also attend Committee meetings on occasion, at the request of the Committee; they are not present when their own remuneration is discussed. In carrying out its responsibilities, the Committee is authorised to obtain the advice of external independent remuneration consultants and is solely responsible for their appointment, retention and termination. During the year, the Committee has taken advice from Deloitte LLP ("Deloitte"), which advised on remuneration reporting, share option evaluations and other remuneration matters. Deloitte also provided unrelated advice on debt advisory work, tax services, financial reporting and legal support during the year. Total fees paid to Deloitte in respect of remuneration advice were £51,125 charged on a time and materials basis.

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

Shareholder Dialogue

The voting outcome from the 2023 AGM held on 6 September 2023 showed strong support for the revised Directors' Remuneration Policy (the "Policy"). Furthermore, the voting outcome from the 2023 AGM showed strong support for our FY23 Directors' Remuneration Report. The following table sets out the votes cast at the 2023 AGM in respect of the Policy and the FY23 Directors' Remuneration Report.

	% of votes For	% of votes Against
FY23 Directors' Remuneration Report*	99.22%	0.78%
FY23 Remuneration Policy**	99.23%	0.77%

* 49,856 votes (0.03% of votes) were withheld in relation to this resolution

** 40,189 votes (0.02% of votes) were withheld in relation to this resolution

We continue to be mindful of the views of our shareholders and other stakeholders and encourage discussion with shareholders on any issue related to Executive remuneration.

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

REMUNERATION COMMITTEE REPORT

Annual Report on Remuneration

How the Remuneration Policy was Implemented in FY24 – Executive Directors

Single Remuneration Figure (Audited)

2023/24	Base Salary (£)	Benefits (£)	Pension (£)	Other (£)	Total Fixed (£)	Bonus (£)	PSP (£)	Total Variable (£)	Total "Single Figure" (£)
Graham Stapleton	**607,719**	**24,758**	**17,962**	**–**	**650,440**	**–**	**–**	**–**	**650,440**
Jo Hartley	**400,940**	**12,225**	**11,850**	**–**	**425,015**	**–**	**–**	**–**	**425,015**
2022/23									
Graham Stapleton	587,224	24,821	88,084	–	700,129	–	534,462[1]	534,462	1,234,591
Jo Hartley[2]	376,190	11,602	11,286	112,017	511,095	–	–	–	511,095

1 For 2022/23, the 2020 PSP value had been restated to reflect the share price at the date of vesting on 3 July 2023 of £2.156 compared to the average three month share price to 31 March 2023 of £1.97 used in the FY23 Remuneration Report. The value disclosed in FY23 was £489,255. No discretion was applied in relation to share price changes

2 Jo Hartley received a payment of £112,017 upon joining to replace a cash bonus she was required to repay on cessation of employment from her previous employer

Benefits

Benefits include payments made in relation to a car cash allowance and fuel and private health insurance. For Graham Stapleton, the car allowance plus fuel came to £21,601 and for Jo Hartley £11,200.

Pension

Pension payments represent contributions made either to defined contribution pension schemes or as a cash allowance. Graham Stapleton received an allowance of 15% of base salary until 1 April 2023 when Graham's allowance reduced to 3% of base salary to ensure alignment with the maximum employer pension contribution available to the majority of the workforce. Jo Hartley received an allowance of 3% of base salary in line with the majority of the workforce.

FY24 Annual Bonus

The annual bonuses for FY24 for the Executive Directors were as follows:

						FY24 Outturn	
Financial measures (80% of award)	Weighting	Threshold (15%)	Target (50%)	Maximum (100%)	FY24 Achievement	before discretion	post discretion
Underlying PBT (£m)	50%	£50.0m	£53.0m	£56.0m	£43.1m	0%	0%
Group Revenue (£m)	10%	£1,670m	£1,721.6m	£1,773.2m	£1,698.4m	3.4%	0%
Free Cash Flow (£m)	10%	£24.4m	£27.4m	£30.4m	£29.1m	7.8%	0%
Cost (% of sales)	10%	(47.8%)	(47.3%)	(46.8%)	(44.6%)	10%	0%

					FY24 Outturn	
Strategic measures (20% of award)	Weighting	Target	Stretch	FY24 Achievement	before discretion	post discretion
Group Colleague Engagement	5%	81-83%	84%+	79%	0%	0%
Group NPS (FY24 score)	5%	66.3	66.8	66.5	3.5%	0%
Market Share	5%	Motoring, Cycling, MOT and Tyres		Above target	3.5%	0%
Labour Turnover (%)	5%	42.5%	42%	42.8%	0%	0%
Total						

While we have demonstrated good progress in some key strategic areas, in making this decision, the Committee and the Executive Directors took into account a number of factors including overall stakeholder experience, performance against financial metrics and payouts for colleagues. Although we were pleased to make bonus payments to our Autocentres and Retail colleagues, the Committee also took into account that there were a number of colleagues who received no bonus due to a PBT performance being below threshold. Therefore, the annual bonus for FY24 is 0%.

Performance Outcomes for 2021 PSP Awards

Metric	Weighting	Threshold targets (25% vesting)	Maximum targets (100% vesting)	Performance	% total award vesting
Group services-related sales (total of sales for FY22 to FY24)	20%	£586.2m	£617.0m	£578m	0%
Underlying EPS growth – CAGR	50%	29.5p	38.2p	13p	0%
Relative TSR	30%	Market median	Upper quartile	below median	0%
Total					0%

As none of the performance conditions were met, the award has lapsed in full.

Share Awards Granted During the Year (Audited)

Performance Share Plan

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

	Date of award	Type of award	Number of shares[1]	Maximum face value of award[2]	Threshold vesting (% of award)	Performance period
Graham Stapleton	12 Dec 2023	Nil cost option (0p exercise price)	645,759	£1,233,400	25%	1 April 2023 to 3 April 2026
Jo Hartley	12 Dec 2023	Nil cost option (0p exercise price)	426,020	£813,698	25%	1 April 2023 to 3 April 2026

1 Awards based on 200% of salary

2 Based on the average mid-market price on three preceding days of the awards of £1.91 on 12 December 2023

Performance Conditions

The performance conditions and targets for PSP awards granted during FY24 are as follows:

		Underlying EPS growth – CAGR (40% of the award)	Relative TSR (40% of the award)	Group services-related sales (total of sales for FY23 to FY25) (20% of the award)
Award (200%)	100% vesting	35.5 pence or higher	Upper quartile	Above £946.0m
	Straight-line vesting	Between 26.6 pence and 35.5 pence	Between market median and upper quartile	Between £851.4m and £946.0m
	25% vesting	26.6 pence	Market median	£851.4m
	0% vesting	Below 26.6 pence	Below market median	Below £851.4m

The award shares that vest will become exercisable in 2026. The shares that vest will be subject to a two-year holding period.

Deferred Bonus Plan

During the period, no awards were granted under the Deferred Bonus Plan ("DBP").

Outstanding Share Awards (Audited)

Performance Share Plan ("PSP")

The following summarises outstanding awards under the PSP:

	Award date	Grant price[7] (£)	Awards held 1 Apr 2023	Awarded during the period	Dividend reinvestment[8]	Forfeited during the period	Lapsed during the period	Exercised during the period	Awards held 29 Mar 2024	Performance period years to	Holding period to
Graham	5 Oct 2018[1]	3.197	350,071	–	12,334	–	–	362,405	–	2 Apr 2021	2 Apr 2023
Stapleton	20 Sept 2019[2]	1.696	633,709	–	33,440	–	–	–	667,149	1 Apr 2022	1 Apr 2024
	16 Oct 2020[3]	2.425	495,791	–	13,081	247,896	–	–	260,976	31 Mar 2023	31 Mar 2025
	7 Oct 2021[4]	2.921	412,380	–	21,760	–	–	–	434,140	29 Mar 2024	29 Mar 2026
	21 Oct 2022[5]	1.671	637,419	–	33,636	–	–	–	671,055	28 Mar 2025	28 Mar 2027
	12 Dec 2023[6]	1.91	–	645,759	10,938	–	–	–	656,697	3 Apr 2026	3 Apr 2028
Jo											
Hartley	21 Oct 2022[5]	1.671	360,444	–	19,019	–	–	–	379,463	28 Mar 2025	28 Mar 2027
	12 Dec 2023[6]	1.91	–	426,020	7,216	–	–	–	433,236	3 Apr 2026	3 Apr 2028

1 The 2018 award granted on 5 October 2018 vested at 84.9% in April 2021, a two-year deferral period was attached to the award. The deferral was applied as a gross holding retention period, which meant the award could not be exercised until the second anniversary of vesting (April 2023). The award continued to attract dividend reinvestment shares during the deferral period. Graham exercised his award on 12 December 2023

2 The 2019 award granted on 20 September 2019 vested at 100% in April 2022, a two-year deferral period is attached to the award. The deferral is applied as a gross holding retention period, which means the award cannot be exercised until the second anniversary of vesting (April 2024). The award continues to attract dividend reinvestment shares during the deferral period

3 The 2020 award granted on 16 October 2020 vested at 50% in April 2023, a two-year deferral period is attached to the award. The deferral is applied as a gross holding retention period, which means the award cannot be exercised until the second anniversary of vesting (April 2025). The award continues to attract dividend reinvestment shares during the deferral period

4 The 2021 award granted on 7 October 2021 was subject to 50% underlying EPS growth (25% vesting at 5% CAGR. 100% vesting at 12% CAGR), 30% to Relative TSR (25% vesting achieving below market median. 100% vesting achieving upper quartile), and 20% to Group services related sales (25% vesting for £586.2m, 100% vesting for £617.0m). On 6 June 2024, the Committee confirmed the award will lapse in full

5 The 2022 award granted on 21 October 2022 is subject to 50% underlying EPS growth (25% vesting at 24.7p in FY25. 100% vesting at 34.5p in FY25), 30% to Relative TSR (25% vesting achieving below market median. 100% vesting achieving upper quartile), and 20% to Group services related sales (25% vesting for £840.6m, 100% vesting for £934.0m)

6 The 2023 award granted on 12 December 2023 is subject to 40% underlying EPS growth (25% vesting at 26.6p in FY26. 100% vesting at 35.5p in FY26), 40% to Relative TSR (25% vesting achieving below market median. 100% vesting achieving upper quartile), and 20% to Group services related sales (25% vesting for £851.4m, 100% vesting for £946.0m)

7 The grant price is calculated by taking the mid-market average across the three preceding days prior to the grant date

8 The interim and final dividends have been reinvested in shares at prices between £1.771 and £1.9867

Deferred Bonus Plan ("DPB")

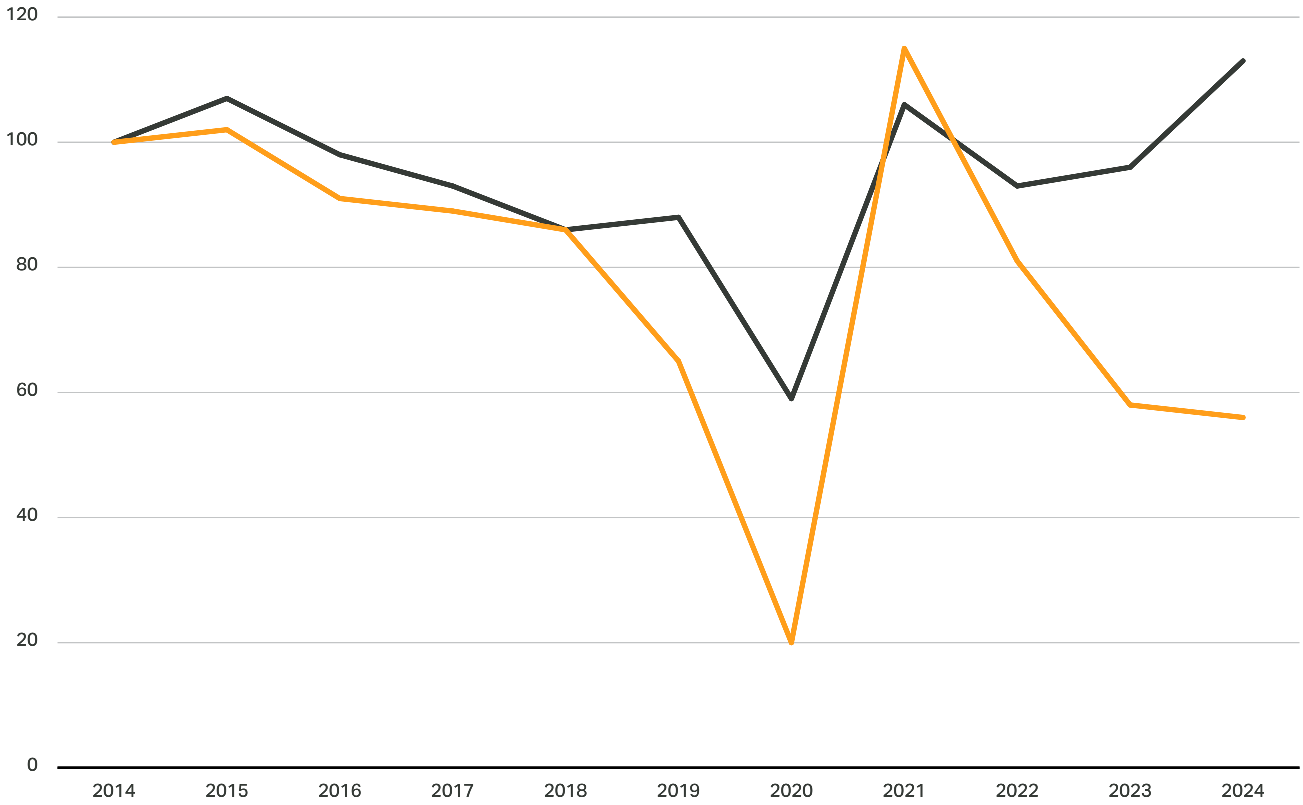
	Award date	Grant price[1] (£)	Awards held 1 Apr 2023	Awarded during the period	Dividend reinvestment[2]	Forfeited during the period	Lapsed during the period	Exercised during the period	Awards held 29 Mar 2024	Vesting
Graham	30 June 2021	4.312	65,056	–	3,432	–	–	–	68,488	30 June 2024
Stapleton	30 June 2022	1.429	167,306	–	8,827	–	–	–	176,133	30 June 2025

1 The grant price is calculated by using the mid-market quotation on the date of grant

2 The interim and final dividends have been reinvested in shares at prices between £1.771 and £1.9867

CEO Pay Compared to Performance

The following graph shows the TSR performance of the Company since April 2014, against the FTSE All Share General Retailers Index (which was chosen because it represents a broad equity market index of which the Company is a constituent).



Source: Thomson Reuters Datastream

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

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	**FY24**
CEO Single Figure (£000)										
Graham Stapleton[1]	–	–	–	1,818	670	678	2,699	2,752	1,189	**650**
Jonny Mason[2]	–	–	–	236	–	–	–	–	–	**–**
Jill McDonald[3]	–	851	741	295	–	–	–	–	–	**–**
Matt Davies[4]	645	54	–	–	–	–	–	–	–	**–**
Annual Bonus (% of maximum)										
Graham Stapleton[1]	–	–	–	70%	–	–	92.5%	79.37%	–	**–**
Jonny Mason[2]	–	–	–	42.3%	–	–	–	–	–	**–**
Jill McDonald[3]	–	23.5%	–	–	–	–	–	–	–	**–**
Matt Davies[4]	–	–	–	–	–	–	–	–	–	**–**
PSP Vesting (% of maximum)										
Graham Stapleton[1]	–	–	–	–	–	–	84.9%	100%	50%	**–**
Jonny Mason[2]	–	–	–	–	–	–	–	–	–	**–**
Jill McDonald[3]	–	–	–	–	–	–	–	–	–	**–**
Matt Davies[4]	–	–	–	–	–	–	–	–	–	**–**

1 Graham Stapleton was appointed in January 2018. An incorrect benefits figure was reported for FY19 in error; this was corrected and reflected in the total for FY19. The single figure for FY21 has been restated to reflect the share price of the PSP at the date of vesting on 9 June 2021 of £3.88

2 Jonny Mason was appointed as interim Chief Executive Officer for the period from September 2017 to the date of Graham Stapleton joining in January 2018, and the figures represent pro-rated amounts of his bonus and overall remuneration for FY18

3 Jill McDonald was appointed in May 2015 and resigned as CEO in September 2017

4 Matt Davies was appointed in October 2012 and resigned as CEO in April 2015

REMUNERATION COMMITTEE REPORT

Shareholding Guidelines

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

	Graham Stapleton	Jo Hartley
Shareholding guideline	200%	200%
Shareholding as at 29 March 2024	852,509[1]	nil
Current value (based on share price on 29 March 2024)	£1,368,277	nil
Current % of salary	221.87%	nil

1 The shareholding figure includes the vested shares from the 2019 and 2020 Performance Share Plan awards (on a net of tax basis), which are currently being held in a two-year deferral period in the Employee Benefit Trust ("EBT"). The figure also includes the shares held in the EBT in relation to the Deferred Bonus Plan grants made in 2021 and 2022 (on a net of tax basis)

These figures include those of their spouse or civil partner and infant children, or stepchildren, as required by Section 822 of the Companies Act 2006.

On 12 July 2024, Graham Stapleton exercised his 2019 Performance Share Plan award and his 2021 Deferred Bonus Plan award. Consequently, as at 17 July 2024, Graham held 851,469 shares. There has been no change in the beneficial interest of Jo Hartley between 29 March and 17 July 2024

Under the post-employment shareholding guideline, Executive Directors are expected to retain their shareholding guideline (200% of salary) for a period of two years post stepping down as an Executive Director. This post-employment shareholding guideline applies to any performance incentive shares that vested from 1 April 2020.

Executive Directors' Appointments

Director	Date of Service Agreement	Notice Period
Graham Stapleton	8 September 2017	6 months
Jo Hartley	1 October 2021	6 months

Outside Appointments

Halfords recognises that its Executive Directors may be invited to become Non-Executive Directors of other companies. Such Non-Executive duties can broaden experience and knowledge, which can benefit **Halfords**. Subject to approval by the Board, Executive Directors are allowed to accept Non-Executive Director appointments and retain the fees received, provided that these appointments are not likely to lead to conflicts of interest.

Loss of Office Payments (Audited)

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

Payments to Former Directors (Audited)

No payments were made to former Directors during the period.

How the Remuneration Policy was Implemented in FY24 – Non-Executive Directors

Non-Executive Director single figure comparison (Audited)

During the year, fees for the Non-Executive Directors and the Chair were reviewed to ensure they remained competitive and aligned with those offered at similar sized companies. As a result of this review, it was determined that the base for the NEDs and Chair would be increased by 3%, effective from 1 October 2023. No increase was applied to the Committee Chair fees.

Director	Role	Board fees (£)	Senior Independent Director fee (£)	Committee Chair/ Employee Voice Director fees (£)	Taxable benefits[1] (£)	**Total "Single Figure"[2] 2024 (£)**	Total "Single Figure" 2023 (£)
Keith Williams[3]	Company Chair	206,760	–	–	–	**206,760**	199,787
Jill Caseberry[4]	Senior Independent Director, Remuneration Committee Chair	55,883	5,714	10,000	449	**72,047**	64,437
Tom Singer[3]	Audit Committee Chair	55,883	–	10,000	–	**65,883**	64,345
Tanvi Gokhale[5]	ESG Committee Chair and Employee Voice Director	43,787	–	5,000	–	**48,787**	–
Helen Jones[6]	Senior Independent Director, ESG Committee Chair and Employee Voice Director	26,929	5,000	5,000	426	**37,355**	74,212

1 Includes hotel and travel costs incurred when attending **Halfords**' meetings and Board visits

2 The Chair and Non-Executive Directors are not entitled to participate in any of the Group's incentive plans or pension plans so all pay is fixed

3 Keith Williams, Tom Singer and Tanvi Gokhale did not claim any taxable benefits during the year

4 Due to a payroll error, a portion of fees for Jill Caseberry relating to her appointment as Senior Independent Director from 6 September 2023 were paid in FY25. This amounted to £5,714

5 Tanvi Gokhale joined the Board on 20 June 2023 and became ESG Committee Chair and Employee Voice Director on 6 September 2023

6 Helen Jones retired from the Board on 6 September 2023

Non-Executive Director Shareholding

Director	**2024**	2023
Keith Williams	**180,000**	150,000
Jill Caseberry	**20,283**	3,125
Tom Singer	**30,000**	30,000
Tanvi Gokhale	–	N/A

These figures include those of their spouses, civil partners and infant children, or stepchildren, as required by Section 822 of the Companies Act 2006. There was no change in these beneficial interests between 29 March 2024 and 17 July 2024.

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

Non-Executive Directors' Appointments

None of the Non-Executive Directors have an employment contract with the Company. However, each had entered into a letter of appointment with the Company confirming their appointment for a period of three years, unless terminated by either party giving the other not less than three months' notice or by the Company on payment of fees in lieu of notice.

Director	Appointed	Date of current appointment	Expiry date	Unexpired term at the date of this report
Jill Caseberry	01-Mar-19	01-Mar-22	28-Feb-25	9 months
Tom Singer	16-Sep-20	16-Sep-23	15-Sep-26	27 months
Keith Williams	24-Jul-18	24-Jul-21	23-Jul-24	1 months
Tanvi Gokhale	20-Jun-23	20-Jun-23	19-Jun-26	24 months

Their appointments are subject to the provisions of the Companies Act 2006 and the Company's Articles of Association, and, in particular, the need for re-election. Continuation of an individual Non-Executive Director's appointment is also contingent on that Non-Executive Director's satisfactory performance, which is evaluated annually. The Non-Executive Directors' letters of appointment are available for inspection by shareholders at the Company's registered office.

REMUNERATION COMMITTEE REPORT

How the Remuneration Policy will be Implemented for FY25 – Executive Directors

Salary

The salary for the Executive Directors, Graham Stapleton and Jo Hartley, was increased by 3% with effect from 1 October 2023, which was below the increase received across the wider workforce.

The salaries for the current Executive Directors are as follows:

CEO – Graham Stapleton	£616,700
CFO – Jo Hartley	£406,850

Salaries will next be reviewed with effect from 1 October 2024.

Pension

Graham Stapleton and Jo Hartley receive pension allowances of 3%, which is in line with the rate available for the wider workforce.

Annual Bonus

The normal maximum annual bonus for Executive Directors is 150% of base salary with two-thirds paid in cash and one-third paid in **Halfords**' shares deferred for three years.

For FY25, following a review of the performance measures, the Committee agreed to adjust the measures on the annual bonus plan to reflect the emphasis on profit growth, cost reduction and cash flow improvements for FY25.

Performance Measures for FY25 Annual Bonus	
Financial Measures • Underlying Group Profit Before Tax – 60% • Free Cash Flow – 20% • Cost as a percentage of sales – 10%	90%
Strategic Measures • NPS – 5% • Colleague Engagement – 5%	10%

Targets have not been disclosed at the current time as they are considered to be commercially sensitive. The Committee intends to disclose targets in next year's Directors' Remuneration Report.

Performance Share Plan ("PSP")

The normal PSP award for Executive Directors is 200% of base salary.

The Committee is mindful of shareholder guidance that award levels should be adjusted where the share price has fallen significantly compared to prior years. Based on the current share price, the Committee is of the view that no adjustment is required; however, the Committee will take this into account when determining award levels in September.

Our normal practice is to grant awards in the autumn.

FY25 PSP awards are due to be granted later in the year. These awards will continue to vest based on relative TSR vs. FTSE All-Share General Retailers Index (40% weighting), on EPS performance for FY27 (40% weighting), and on Group Services-Related Revenue for FY26 (20% weighting). These weightings are unchanged from FY24. 25% of the TSR element will vest for median performance with 100% vesting for upper quartile TSR performance. Targets for the EPS and Group Services-Related Revenue measures will be determined and disclosed by the Committee in due course.

How the Remuneration Policy will be Implemented for FY25 – Non-Executive Directors Fees

The fees of Non-Executive Directors are reviewed regularly. Any changes to these fees will be approved by the Board as a whole following a recommendation from the Chief Executive Officer and the Remuneration Committee.

The fees of the Non-Executive Directors were reviewed in October 2023, where a 3% fee increase was applied to the Chair's fee and the base Non-Executive Director fee; however, no increase was applied to the Committee Chair fees. The next fee review will be in October 2024.

Current fees for Non-Executive Directors are as follows:

	FY24	FY23
Chair	**£209,816**	£203,705
Base fee	**£56,709**	£55,058
Additional fees		
Senior Independent Director	**£10,000**	£10,000
Committee Chair (Audit and Remuneration)	**£10,000**	£10,000
Employee Voice Director	**£5,000**	£5,000
Committee Chair (ESG)	**£5,000**	£5,000

Change in Remuneration of Directors Compared to Group Colleagues

The table below sets out the increase in total remuneration of the Directors and that of all colleagues in FY24 compared with the prior year.

	FY23 to FY24			FY22 to FY23			FY21 to FY22			FY20 to FY21		
	Base salary/ fees % change	**Annual bonus % change**	**Benefits % change**	Base salary/ fees % change	Annual bonus % change	Benefits % change	Base salary/ fees % change	Annual bonus % change	Benefits % change	Base salary/ fees % change	Annual bonus % change	Benefits % change
Executive Directors												
Graham Stapleton	**3.00%**	**0%**	**–**	4.00%	–13.00%	–	1.80%	100.00%	–	1.80%	–	–
Jo Hartley[1]	**3.00%**	**0%**	**–**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Loraine Woodhouse[2]	**N/A**	**N/A**	**–**	N/A	–13.00%	–	1.80%	100.00%		1.80%	–	–
Non-Executive Directors												
Keith Williams	**3.00%**	**–**	**–**	4.00%	–	–	1.80%	–	–	0.00%	–	–
Helen Jones[3]	**N/A**	**–**	**–**	4.00%	–	–	1.80%	–	–	9.50%	–	–
Jill Caseberry	**3.00%**	**–**	**–**	4.00%	–	–	1.80%	–	–	0.00%	–	–
Tom Singer	**3.00%**	**–**	**–**	4.00%	–	–	1.80%	–	–	N/A	N/A	N/A
Tanvi Gokhale[4]	**N/A**	**–**	**–**	N/A	–	–	N/A	–	–	N/A	N/A	N/A
Average pay of all colleagues in the Group	**5.7%**	**–2.7%**	**–**	5.91%	8.58%	–	2.80%	76.30%	–	4.02%	45.42%	–

1 Jo Hartley was appointed as Chief Financial Officer on 16 June 2022

2 Loraine Woodhouse retired from the Board on 1 July 2022

3 Helen Jones retired from the Board on 6 September 2023

4 Tanvi Gokhale was appointed as a Non-Executive Director on 20 June 2023

REMUNERATION COMMITTEE REPORT

CEO Pay Ratio

Halfords being a UK-listed Company with more than 250 employees means that the Company is required to disclose annually the ratio of its CEO's pay to the median, lower quartile and upper quartile pay of their UK employees. Details of this can be found in the table below.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2023/24	**Option B**	**29:1**	**23:1**	**22:1**
2022/23	Option B	61:1	56:1	34:1
2021/22	Option B	167:1	147:1	90:1
2020/21	Option B	143:1	126:1	99:1

Of the three options set out in the legislation for calculating the CEO pay ratio, we have chosen Option B using Gender Pay Gap data. This option was chosen as it represents the most efficient method to determine the respective pay ratios. The colleagues at the three quartiles were identified and their respective single-figure values calculated as of 5 April 2023. To ensure the identified colleagues were representative, the total remuneration for a group of individuals above and below the identified colleague at each quartile was also reviewed. The Board has confirmed that the ratio is consistent with the Company's wider policies on employee pay, reward and progression. In order to determine the full-time equivalent salary component for the representative colleagues, the hourly rate was multiplied by full-time hours to calculate the full-time equivalent salary. No component of total remuneration was omitted. The base salary and total remuneration for each representative colleague are outlined below, adjusted to reflect full-time equivalent hours. There is a decrease in the CEO pay ratio in 2024 compared to 2023. As has been the case in previous years, the remuneration arrangements for the Executive Directors are more closely linked to performance, and this is reflected in the year-on-year change, given both the annual bonus and the PSP did not pay out in the year.

Component	P25	P50	P75
Base Salary	£21,099	£23,643	£26,345
Total Remuneration	£25,212	£28,806	£29,075

Workforce Engagement in Remuneration

Halfords has long-established practices of engaging with colleagues across all areas of the business, including holding regular listening groups, appointing and meeting with local colleague engagement People Champions, and conducting a colleague engagement survey. Although during FY24 the Committee did not consult directly with colleagues regarding Executive Directors' remuneration, the scope of this engagement will be expanded to include Directors' remuneration where appropriate for FY25 and the future.

During FY24, the Committee did not consult directly with colleagues regarding Executive Directors' remuneration due to the mutual agreement not to pay a bonus for FY24 and a below-average pay increase award. In addition to future engagement with employees, the Committee will continue to consider the broader approach to pay and incentive outcomes for the wider employee base when setting pay policy and determining incentive outcomes for the Executive Directors.

Gender Pay Gap Report

Details of the Group's Gender Pay Gap Report for 5 April 2023 are available at www.**Halfords**company.com/environmental-social-and-governance/our-colleagues/gender-pay-gap/.

Relative Importance of Pay

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

	2024	2023
EBITDA (underlying from continuing operations) (FY23: updated comparative)	**£183.9m**	£182.5m
PBT (underlying from continuing operations) (FY23: updated comparative)	**£43.1m**	£46.8m
Payments to employees:		
Wages and salaries	**£351.6m**	£321.0m
Executive Directors[1]	**£1.1m**	£2.0m
Dividend paid to shareholders and share buybacks[2]	**£21.7m**	£19.5m

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

2 There were no share buybacks during FY23 nor FY24

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of **Halfords** Group plc (the "Company") together with its subsidiary undertakings (the "Group") for the period ended 29 March 2024.

Halfords Group plc

Registered Number	04457314
Registered Office Address	Icknield Street Drive, Washford West, Redditch, Worcestershire B98 0DE
Country of Incorporation	England and Wales
Type	Public Limited Company

Additional Disclosure

The Company, in accordance with Section 414C of the Companies Act 2006, has chosen to provide disclosures and information to the extent necessary to understand the Company's development, performance and position and the impact of its activity, relating to, as a minimum: environmental matters, the Group's employees, social matters, respect for human rights, and anti-corruption and anti-bribery matters. These matters and cross-references to the relevant sections of this Annual Report are shown in the table below:

Topic	Location	Page
Appointment and removal of Directors	Directors' Report	152
Anti-Bribery and Corruption	Audit Committee Report	131
Articles of Association	Directors' Report	154
Auditor	Directors' Report	154
Audit Committee Report	Audit Committee Report	126
Authority to issue or purchase shares	Directors' Report	154
Board of Directors	Directors' Report	152
Board effectiveness and leadership: role and composition of the Board and Committees; meeting attendance; skills and experience; independence; diversity; induction and development; evaluation; Directors and their other interests; and Board Committees	Corporate Governance Report	102
Branches	Directors' Report	154
Charitable donations	Strategic Report: Our ESG Strategy	64
Colleague engagement	Corporate Governance Report	108
	Directors Report	153
Colleagues' involvement; training, diversity and inclusion; and disability	Directors' Report	153
	Strategic Report: Our ESG Strategy	62
Community	Strategic Report: Our ESG Strategy	64
Compensation for loss of office	Directors' Report	154
Creditor payment policy	Directors' Report	154
Culture	Corporate Governance Report	106
Directors' biographies	Board of Directors	98
Directors' indemnities	Directors' Report	153
Directors' interests	Directors' Remuneration Report	144
Directors' Remuneration Report and Remuneration Policy Summary	Directors' Remuneration Report	132
Directors' Responsibilities Statement	Directors' Responsibilities Statement	155
Diversity and Inclusion	Directors' Report	153
	Governance at a Glance	97
	Nomination Committee Report	122
	Strategic Report: Our ESG Strategy	62
Energy and Carbon Emissions	Strategic Report: Our ESG Strategy	68
Financial instruments	Note 22 to the Financial Statements	202
Future developments of the business	Chief Executive Officer's Statement	28
Financial position of the Group, its cash flows, liquidity position and borrowing facilities	Chief Financial Officer's Statement	76
Gender	Strategic Report: Our ESG Strategy	63
	Governance at a Glance	95
	Nomination Committee Report	122
Going concern	Strategic Report: Going Concern and Viability	90

Topic	Location	Page
Governance	Corporate Governance Report	92
Important events since year-end	Directors' Report	154
Independent Auditor	Independent Auditor's Report	158
Internal control and risk management	Corporate Governance Report	119
Modern Slavery Statement	Directors' Report	154
Nomination Committee Report	Nomination Committee Report	120
Political donations	Directors' Report	154
Powers of the Directors	Directors' Report	152
Principal activities	Directors' Report	152
Re-election of Directors	Corporate Governance Report	114
Restrictions on transfer of securities	Directors' Report	152
Section 172(1) Statement	Strategic Report: Section 172(1) Statement	42
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Share capital	Directors' Report	153
	Note 23 to the Financial Statements	207
Significant shareholders	Directors' Report	153
Subsidiary and associated undertakings	Note 4 to the Financial Statements	217
Stakeholders	Corporate Governance Report	109
Statement of Corporate Governance	Corporate Governance Report	102
Strategic Report	Strategic Report	24
Viability Statement	Strategic Report: Going Concern and Viability	90
Voting rights	Directors' Report	153

Disclosures required under Listing Rule 9.8.4R

The Company, in accordance with Listing Rule 9.8.4C, has disclosed the information required to be included in the Annual Report under Listing Rule 9.8.4R. This information can be found on the following pages of the Annual Report:

Topic	Report	Page
Statement of the amount of interest capitalised	Note 16 to the Financial Statements	200
Long-term incentive schemes	Directors' Remuneration Report	135
Waiver of dividends	Director's Report	152

No other disclosures under Listing Rule 9.8.4 are required.

Disclosures Required under Listing Rule 9.8.6

The Company, in accordance with Listing Rule 9.8.6, has included in the Annual Report and Accounts a number of statements, which contain certain prescribed Corporate Governance disclosures this includes diversity-related disclosures and climate-related financial disclosures consistent with the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations and recommended disclosures. This information can be found on the following page of the Annual Report:

Topic	Report	Page
Interests of each Director of the Company	Directors Report	152
Interests disclosed in accordance with DTR5	Directors Report	153
Going Concern	Strategic Report: Going Concern and Viability	90
Shareholder Authority for purchase of own shares	Directors Report	154
Compliance with the UK Corporate Governance Code	Directors Report	152
	Corporate Governance Report	102
Task Force on Climate-related Financial Disclosures ("TCFD")	Strategic Report: TCFD	69
Board Diversity	Strategic Report: Our ESG Strategy	62
	Corporate Governance Report	97
	Nomination Committee Report	122
Numerical data on Board diversity	Corporate Governance Report	95
	Nomination Committee Report	122
Approach to Data Collection	Corporate Governance Report	122

DIRECTORS' REPORT

UK Corporate Governance Code

The Company has applied the principles of, and complied with, the provisions of the 2018 UK Corporate Governance Code (the "Code") throughout the period, save for the following: the Board notes that there was a short breach of provision 11 of the Code between 31 March 2023 and 20 June 2023. It was agreed that Helen Jones would remain in office until the end of the AGM on 6 September 2023. The Board recognised that as it had assessed that Helen would no longer be regarded as independent for the purpose of the Code, because of her extended tenure, this did create a technical breach of the Code's recommendation that the majority of the Board be independent Non-Executive Directors. However, the Board believed that this short-term situation was justified to ensure that the correct candidate was appointed to the Board in Helen's place and was resolved when Tanvi Gokhale was appointed as a Non-Executive Director on 20 June 2023.

The Corporate Governance Report as set out from page 102 forms part of the Directors Report.

Principal Activities

The principal activities of the Group are: the provision and retailing of motoring and cycling services and products; vehicle servicing, maintenance and repairs through garages and mobile vans; and the provision of software as a service. The principal activity of the Company is that of a holding company. The Company's registrar is Link Group, Central Square, 29 Wellington Street, Leeds LS1 4DL.

Profits and Dividends

The Group's results for the period are set out in the Consolidated Income Statement on page 168. The profit before tax from continuing operations was £38.8m (2023: updated comparative £39.0m) and the profit after tax amounted to £17.3m (2023: updated comparative £28.1m). The Board proposed that a final dividend of 5.0 pence per ordinary share be paid on 13 September 2024 to shareholders whose names are on the register of members at the close of business on 9 August 2024. An interim dividend payment of 3.0 pence per ordinary share was paid on 19 January 2024.

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

Performance Monitoring

The delivery of the Group's strategic objectives is monitored by the Board through Key Performance Indicators ("KPIs") and periodic reviews of various aspects of the Group's operations. The Group considers that the KPIs listed on pages 45 to 47 are appropriate measures to assess the delivery of the Group's Strategy.

Directors

The following were Directors of the Company during the period ended 29 March 2024 and at the date of this report:

- Keith Williams
- Graham Stapleton
- Jo Hartley
- Jill Caseberry
- Tom Singer
- Tanvi Gokhale (appointed 20 June 2023)
- Helen Jones (retired 6 September 2023)

In accordance with the Company's Articles of Association and the UK Corporate Governance Code guidelines, all those persons holding office as a Director of the Company on 29 March 2024 will retire and offer themselves for re-election at the 2024 Annual General Meeting ("AGM").

The Service Agreements of the Executive Directors and the Letters of Appointment of the Non-Executive Directors are available for inspection at the registered office of the Company. A summary of these documents is also included in the annual Directors' Remuneration Report on pages 132 to 149.

Appointment and Removal of a Director

A Director may be appointed by an ordinary resolution of shareholders in a general meeting following a recommendation by the Nomination Committee in accordance with its Terms of Reference, as approved by the Board or by a member (or members) entitled to vote at such a meeting. Alternatively, a Director may be appointed following retirement by rotation if the Director chooses to seek re-election at a general meeting. In addition, the Directors may appoint a Director to fill a vacancy or act as an additional Director, provided that the individual retires at the next Annual General Meeting and, if they are to continue, they offer themselves for election. A Director may be removed by the Company in circumstances set out in the Company's Articles of Association or by a special resolution of the Company.

Powers of the Directors

Subject to the Articles, the Companies Act and any directions given by the Company by special resolution and any relevant statutes and regulations, the business of the Company will be managed by the Board who may exercise all the powers of the Company. Specific powers relating to the allotment and issuance of ordinary shares, and the ability of the Company to purchase its own securities, are also included within the Articles, and such authorities are submitted for approval by the shareholders at the Annual General Meeting each year. The authorities conferred on the Directors at the 2023 Annual General Meeting ("AGM"), held on 6 September 2023, will expire on the date of the 2024 AGM.

Directors' Interests

The Directors' interests in, and options over, ordinary shares in the Company are shown in the Directors' Remuneration Report on pages 144 and 145.

Since the end of the financial year and the date of this report, there have been no changes to such interests.

In line with the requirements of the Companies Act, Directors have a statutory duty to avoid situations in which they have, or may have, interests that conflict with those of the Company unless that conflict is first authorised by the Board.

The Company has procedures in place for managing conflicts of interest. The Company's Articles of Association contain provisions to allow the Directors to authorise potential conflicts of interest, so that if approved, a Director will not be in breach of their duty under company law. In line with the requirements of the Companies Act 2006, each Director has notified the Company of any situation in which they have, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (a situational conflict). Directors have a continuing duty to update any changes to their conflicts of interest and the register is updated accordingly.

The Directors are also aware of their duties under Section 172 of the Companies Act 2006 and so, in making their decisions, they consider the long-term impact on the business as well as taking into consideration the interests of stakeholders such as colleagues, suppliers, customers and the wider communities in which we operate. More information on this can be found on pages 42 to 44.

Directors' Indemnities

Directors' and Officers' insurance has been established for all Directors and Officers to provide cover against their reasonable actions on behalf of the Company. The Directors of the Company and the Company's subsidiaries also have the benefit of third-party indemnity provisions, as defined by Section 236 of the Companies Act 2006, pursuant to the Company's Articles of Association.

Colleague Engagement

Engagement with, and feedback from, our colleagues across the business is vital to the Group. The Group has an established framework of colleague communications providing regular information on business performance and other important and relevant matters. For more information see Our ESG Strategy on pages 54 to 68.

Employment Policies

The Group encourages diversity and inclusion and, as an equal opportunities employer, is committed to providing equal opportunities for all colleagues and applicants during recruitment and selection, training and career development and promotion.

This commitment to equality of opportunity applies regardless of anyone's physical ability, sexual orientation or gender identity, pregnancy and maternity, race, religious beliefs, age, nationality or ethnic origin. This is underpinned by our Group's policies, which ensure full and fair consideration to employment applications from people from diverse backgrounds, including those with disabilities wherever suitable opportunities exist, having regard to their particular aptitudes and abilities. Should a colleague become disabled, efforts are made to ensure their continued employment with the Group, with appropriate training as necessary.

Further details of our Diversity Policy are included in the Nomination Committee Report on page 121.

The Group takes a zero-tolerance approach to matters of discrimination, harassment and bullying in all aspects of its business operations. Appropriate policies and procedures are in place for reporting and dealing with such matters.

Colleague Training and Development

The Group strives to meet its business objectives by motivating and encouraging all colleagues to be responsive to the needs of its customers and to continually improve operational performance. To achieve this, we deliver a range of blended training and development programmes, across the Group. We regard the training and development of our colleagues as being particularly important for our business and also for the communities in which we operate.

For many years we have held strong relationships with a number of apprenticeship partners that allow us to offer personal and professional growth. In addition, the Group runs targeted Leadership Development programmes and operational succession programmes to further build capability in skills identified to both ensure that colleagues are successful in their chosen roles, as well as to help colleagues identify and develop skills that will support them to be our future leaders.

Whistleblowing

The Group's Whistleblowing Policy and Procedure (the "Whistleblowing Policy") enables colleagues to report concerns on matters affecting the Group or their employment, without fear of recrimination. As part of our commitment to ensuring a culture of honesty and integrity, in 2022, **Halfords** partnered with SeeHearSpeakUp in order to launch externally operated reporting channels, including a new web-based channel. Posters publicising whistleblowing channels are distributed to all stores, Autocentres, Distribution Centres and the Support Centre.

During the period, the Whistleblowing Policy was reviewed and approved by the Audit Committee, and the Audit Committee receives regular summaries of whistleblowing contacts and resolutions.

Research and Development

Information relating to research and development carried out by the Group in relation to products and services can be found on pages 26 to 89 of the Strategic report.

Share Capital and Shareholder Voting Rights

Details of the Company's share capital and of the rights attached to the Company's ordinary shares are set out in Note 23 on page 207. All ordinary shares, including those acquired through Company share schemes and plans, rank equally with no special rights.

All members who hold ordinary shares are entitled to attend, vote and speak at the general meetings of the Company, appoint proxies, receive any dividends, exercise voting rights and transfer shares without restriction. On a show of hands at a general meeting every member present in person, and every duly appointed proxy, shall have one vote for every share held, and on a poll, every member present in person or by proxy shall have one vote for every ordinary share held. The Company is not aware of any arrangements that may restrict the transfer of shares or voting rights.

Significant Shareholders

As at 29 March 2024, the Company had been notified under the Disclosure Guidance and Transparency Rules (DTR5) of the following notifiable interests representing 3% or more of the Company's issued share capital. The information provided below was correct at the date of notification. These holdings are likely to have changed since the Company was notified.

Fund Manager	Shares	% at 29 March 2024
Fidelity International	21,540,916	9.84
Jupiter Asset Management	16,167,336	7.38
Gresham House Asset Management	13,788,951	6.30
Janus Henderson Investors	11,723,781	5.36
Dimensional Fund Advisors	9,282,716	4.24
Blackrock	9,173,061	4.19
Lombard Odier Investment Managers	9,129,727	4.17
Vanguard Group	9,038,380	4.13
Schroder Investment Management	7,676,764	3.51
Morgan Stanley	7,290,286	3.33

As at 17 July 2024, the notifiable interests have not crossed reporting thresholds under DTR5 except for Janus Henderson Investors which now hold 10,226,516 shares representing 4.87% of voting rights, Morgan Stanley which now hold 13,000,957 shares representing 5.94% of voting rights, and Aberforth Partners LLP which now holds 11,205,625 shares representing 5.12% of voting rights.

DIRECTORS' REPORT

Authority to Purchase Shares

At the 2023 Annual General Meeting, shareholders approved a special resolution authorising the Company to purchase a maximum of 21,892,874 shares, representing not greater than 10% of the Company's issued share capital at 13 July 2023, such authority expiring at the conclusion of the Annual General Meeting to be held in 2024 or, if earlier, on 30 September 2024.

Transactions with Related Parties

During the period, the Company did not enter into any material transactions with any related parties.

Articles of Association

In accordance with the Companies Act 2006, the Articles of Association may only be amended by a special resolution of the Company's shareholders in a general meeting.

Political Donations

The Group made no political donations and incurred no political expenditure during the period (FY23: nil). It remains the Company's policy not to make political donations or to incur political expenditure. However, we recognise that the application of the relevant provisions of the Companies Act 2006 is potentially very broad in nature and, as last year, the Board is seeking shareholder authority to ensure that the Group does not inadvertently breach these provisions as a result of the breadth of its business activities. However, the Board has no intention of using this shareholder authority.

Credit Facilities, Change of Control and Share Schemes

The Company's committed revolving credit facilities require the Company, in the event of a change of control, to notify the Facility Agent and, if required by the majority lenders, these facilities may be cancelled. The Company does not have agreements with any Director or colleague that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share schemes and Deferred Bonus Plan may cause options and awards granted to Directors and colleagues under such schemes and plans to vest on a takeover.

Details of employee share plans are provided in Note 24 on pages 208 to 210.

Modern Slavery Statement

In order to support its estate of Retail stores, garages, mobile vans and online operations, the Group sources products from a large number of suppliers both within the UK and overseas. In particular, the international suppliers – managed largely by the **Halfords** Global Sourcing ("HGS") team based in Hong Kong, Taiwan and Shanghai – are bound contractually by the Group's policies on modern slavery and human trafficking, as detailed within the Global Sourcing Code (the "Sourcing Code").

The Company continues to be committed to ensuring due diligence processes remain robust. Our Global Sourcing Code supports the Company's commitment to respect human rights and uphold international standards, including the United Nations ("UN") Guiding Principles on Business and Human Rights and the Organisation for Economic Cooperation and Development ("OECD") Guidelines for Multinational Enterprises. The Company partners with EcoVadis, a platform that rates the environmental, social and governance performance of suppliers. The output of this data will support due diligence processes – and will assess good supplier performance as well as where corrective action, remediation or additional audits may be required.

In line with the requirements of the Modern Slavery Act, all colleagues are trained on the issue of modern slavery, with a mandatory e-learning module. This supports colleagues with their understanding and what they should do if they suspect modern slavery taking place.

During the period, no concerns were raised regarding any of the Group's suppliers. It is recognised that whilst no incidents were raised (through contractual mechanisms) this does not mean issues do not potentially exist. The Company, therefore, remains committed to further enhancing its approach and understanding and enhancing its due diligence process.

The Group's Board of Directors reviews its Modern Slavery Statement on an annual basis. It was last approved on 6 September 2023.

Creditor Payment Policy

The Group does not follow any formal Code of Practice on payment. Instead, it agrees terms and conditions for transactions when orders for goods or services are placed, and includes relevant terms in contracts, as appropriate. These arrangements are adhered to when making payments, subject to the terms and conditions being met by suppliers. The number of trade creditor days outstanding as at 29 March 2024 for the Group was 72 days (2023: 74 days). The Company is a holding company and has no trade creditors.

Branches

The Company and its subsidiaries, where relevant, have established overseas branches in the countries in which they operate.

Auditor

The Company's and the Group's external Auditor is BDO LLP. A resolution proposing the reappointment of BDO LLP will be set out in the Notice of the 2024 Annual General Meeting and will be put to shareholders at the meeting.

Disclosure of Information to the Auditor

In accordance with Section 418(2) of the Companies Act 2006, each Director in office at the date and approval of the Directors' Report confirms that:

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

ii. the Directors have taken all reasonable steps to ascertain any relevant audit information and to ensure that the Company's Auditor is aware of such information.

Important Events Since Year End

There have not been any important events since the year-end.

Annual General Meeting ("AGM")

The AGM will be held at the **Halfords** Group plc Support Centre, Icknield Street Drive, Washford West, Redditch B98 0DE on Friday 6 September 2024. The Notice of the AGM and explanatory notes regarding the ordinary and special business to be put to the meeting will be set out in a separate circular to shareholders.

By order of the Board

Tim O'Gorman
Group Company Secretary

17 July 2024

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with UK-adopted international accounting standards and applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with UK-adopted international accounting standards and have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss for the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business;
- prepare a Directors' report, a Strategic report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

Website Publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' Responsibilities Pursuant to DTR4

The directors confirm to the best of their knowledge:

- The financial statements have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the group.
- The annual report includes a fair review of the development and performance of the business and the financial position of the group and company, together with a description of the principal risks and uncertainties that they face.
- The Report and Financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position and performance, business model and strategy.

Approved by order of the Board.

Keith Williams
Chair

17 July 2024

FINANCIAL STATEMENTS

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

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 29 March 2024 and of the Group's profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of **Halfords** Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the 52 weeks ended 29 March 2024 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Shareholders' Equity, the Consolidated Statement of Cash Flows, the Company Balance Sheet, the Company Statement of Changes in Shareholders' Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the conclusion of a formal tender process led by the Audit Committee, the Board proposed appointment of BDO LLP as the Parent Company's auditor for the financial year ended 3 April 2020 and subsequent financial periods. The appointment was approved by the Parent Company's shareholders at the Annual General Meeting on 31 July 2019.The period of total uninterrupted engagement including retenders and reappointments is 5 years, covering the years ended 3 April 2020 to 29 March 2024. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- **Assessment of assumptions within the projected cash flows:** we evaluated the reasonableness of the assumptions and future plans modelled within the Board approved going concern forecasts, covering the period to 31 July 2025 and including the impact of strategic initiatives as well as the ongoing and uncertain impact of current macro-economic factors including consumer spending, national minimum wage, energy prices and interest rates. This involved evaluation of the budgeted figures compared to FY24, consideration of inflationary impacts and other adjustments applied by the Directors reflecting pricing communications with certain suppliers and external data used to support assumptions.
- **Arithmetical accuracy:** we assessed the arithmetical accuracy of management's going concern model.
- **Financing:** confirmed the Group had committed financing facilities in place throughout the period of the going concern review as modelled in its forecasts. We also recomputed the calculations supporting covenant compliance and headroom throughout the going concern period with reference to the revolving credit facility agreement.
- **Sensitivity analysis:** evaluation of sensitivities of the Group's cash flow forecasts with reference to the headroom and financial covenants in place over the existing committed financing facilities. The analysis considered reasonably possible adverse effects that could arise as well as a stress test to consider the level of future revenue reduction the Group could support before breaching covenants. We recomputed the Directors prepared sensitivities applied to the forecasts and further considered these by applying additional sensitivity testing.
- **Reverse stress test:** we assessed management's reverse stress test and were satisfied it was a scenario that, in our view, was not plausible.

- **Post year end trading performance:** comparison of the post year end trading results to the forecasts so as to evaluate the accuracy and achievability of the forecasts prepared.
- **Disclosures:** evaluation of the adequacy of the disclosures in relation to the risks posed and scenarios the Directors have considered in performing their going concern assessment and the requirements of the accounting framework.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	88% (2023: 89%) of Group profit before tax		
	94% (2023: 90%) of Group revenue		
	85% (2023: 92%) of Group total assets		
Key Audit Matters		**FY24**	FY23
	1. Goodwill impairment testing for the Retail and Autocentres Segments	✓	✓
	2. Carrying value of the Parent Company's Investment in subsidiaries and intercompany receivables	✓	✓
	3. Third Party Logistics Arrangement[1]	✓	✓
	4. Supplier income[2]	✓	
	5. Acquisition of LTC Trading Holdings Limited and subsidiaries ("Lodge Tyre")[3]		✓
	6. The consolidation of the Group results and financial position[4]		✓
Materiality	*Group financial statements as a whole*		
	£5.1m (FY23: £3.3m) based on 0.3% of the Group's revenue.		
	(FY23: 5% of normalised profit before tax and non-underlying items)		

1 This key audit matter has been expanded in the current year to include new arrangements that the Group has entered into with this third party.

2 Supplier income is a material income stream for the Group and as a result of increasing complexity in the nature and timing of the income from suppliers, this has become a key audit matter.

3 The acquisition of Lodge Tyre was previously noted as a key audit matter as it was material to the group owing to the complexity and significant management estimates and judgements. As this acquisition was relating to the previous year, it is no longer considered a key audit matter.

4 The consolidation of the Group results and financial position was previously noted as a key audit matter as the group structure had grown significantly due to acquisitions, increasing the complexity of the Group consolidation process. In the current year, the consolidation process has been simplified, and it is no longer considered a key audit matter.

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

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

A full scope audit was completed in respect of four significant components. The remaining components were assessed as non-significant and subject to specified audit and analytical review procedures. BDO LLP, through either the Group audit team or component audit team completed the audits of the four significant components and specified audit and analytical review procedures for all non-significant components. All components are located in the UK.

Our involvement with component auditors

For the work performed by component auditors, the Group audit team determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- Issuing Group reporting instructions, detailing the significant areas to be covered by their audit (including applicable key audit matters as detailed below), materiality levels, and matters relating to irregularities and fraud. The instructions also set out the information required to be reported to the Group audit team;
- Regular communication with the component auditors throughout the planning, execution and completion phases of the audit;
- Attending a number of component management meetings relating to the key audit matter (Third Party Logistics Arrangement) and ongoing dialogue with the component audit partner relating to this throughout the audit; and
- Review of selected component audit working papers.

Climate change

Our work on the assessment of potential impacts of climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and
- Review of the minutes of Board, Audit and ESG Committee meetings and other papers related to climate change and performed a risk assessment as to how the impact, if any, of the Group's commitments as set out in the ESG Performance overview on page 56, may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in management's going concern assessment and viability assessment.

We also assessed the consistency of managements disclosures included as Statutory Other Information on page 69 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks and related commitments.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr>
<td>Goodwill impairment testing for the Retail and Autocentres Segments

(The accounting policies and critical judgements and estimates applied are disclosed within the Group's accounting policies. The goodwill balances of £403.6m are included in Note 12)</td>
<td>The goodwill balances on the Group balance sheet for the Retail and Autocentres segments are significant and subject to annual impairment testing.

In assessing the carrying value of goodwill the Group has to estimate the recoverable amount of its cash generating units in the Retail and Autocentres segments. This requires the forecasting and discounting of future cashflows for inclusion within a value in use model.

The value in use model includes a high degree of management judgement and estimation uncertainty, particularly owing to the impact of current macroeconomic trends and the impact that has on consumer demand. The goodwill impairment review has therefore been raised as a key audit matter.</td>
<td>Our audit procedures included:
• Assessing the judgements and methodology applied by the Group in the goodwill impairment testing model against the relevant accounting standards and considering the requirements of IAS36 (Impairment) and IFRS8 (Operating Segments).
• Challenging management's assessment of cash generating units (CGUs) and the level at which goodwill was tested for impairment.
• Assessing the reasonableness of the Group's budgets and forecasts by considering the historical accuracy of previous forecasts.
• Confirming that the cashflows modelled agreed to the Board approved budgets and cashflow forecasts used to support the Group's going concern and viability assessment.
• With the assistance of our internal valuation experts assessing the reasonableness of the Group's discount rate applied, by corroborating the relevant inputs into the calculation to external sources.
• Challenging management to understand the most significant assumptions in the cashflow forecasts and corroborating these to source documentation and information available externally.
• Considering the sensitivity analysis performed by the Group that included the assessment of reasonably possible adverse effects that could arise as a result of a decrease in revenue from weaker consumer demand as applied to the going concern considerations.
• We also performed our own sensitivity analysis applying different scenarios targeted at gross margins, discount rates, discretionary spend, cost mitigation actions and growth rates.
• Assessing whether the Group's disclosures provide sufficient details on the key judgements within the impairment model and sources of estimation uncertainty, including sensitivity disclosures.

Key observations:
Based on the procedures performed, we found the judgements and estimates made in the Group's conclusion that there is no impairment of the goodwill in the Retail and Autocentres segments to be appropriate.</td>
</tr>
</table>

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

Key audit matter		How the scope of our audit addressed the key audit matter
Carrying value of the parent Company's investment in subsidiaries of £817.6m (FY23: £813.8m) and intercompany receivables of £55.7m. (The accounting policy applied is disclosed within the parent Company and the Group accounting policies. The investment and intercompany balances are disclosed in Notes 4 and 5 to the parent Company Financial statements)	The Parent Company's investment in subsidiaries represents its investment in the underlying trading businesses of the Group. The intercompany receivables include amounts loaned to subsidiary undertakings. The recoverability of the investment and the intercompany receivables is dependent on the future cashflows of these subsidiaries and a material impairment to these balances could result in implications for future dividends. The directors have prepared a value in use assessment to support the carrying value and have determined that there is no impairment of the investment. However there has been a material impairment of the intercompany receivable. Due to the materiality of the investment and the receivable balances in the parent Company financial statements this together with the related disclosures was raised as a key audit matter for our parent Company audit.	Our audit procedures included: • Comparing the net assets of the Parent Company to the market capitalisation of the Group as at the year end date and post year end. • Comparing the carrying value of the investment and the receivables to the net present value of future cash flows. • Agreeing the terms of the intercompany loan balances to loan documents where appropriate. • Obtaining the directors' assessment of the carrying values and confirming whether this was in line with the value in use calculations performed for goodwill impairment testing for the Retail and Autocentres CGUs. • Assessing the cashflow models prepared to support the value in use calculation by testing the appropriateness of key inputs into the calculations. • Performing sensitivity analysis on the key assumptions. • Reviewing the disclosure notes in the Group and parent company financial statements to ensure that these covered any key estimates and judgements related to the carrying values as appropriate. **Key observations:** Based on the procedures performed, we found management's conclusions that there is no impairment of the investment and an impairment of the amounts due from subsidiaries in the Parent Company to be appropriate.

Key audit matter		How the scope of our audit addressed the key audit matter
Third Party Logistics Arrangement (The related accounting policies are disclosed within the accounting policies section of the financial statements on page 175 and 180. The Cashflows relating to the supplier financing element of the transactions are classified as cashflows from financing activities on the face of the Consolidated statement of cashflows and the supplier financing receivable is separately disclosed in note 16)	At the beginning of the financial year, the Group had an ongoing logistics arrangement with different types of transactions with a third party and during the year, the Group entered into a number of new transactions with this third party as disclosed on page 175 of the financial statements. Determining the accounting considerations and disclosures for the various transactions is complex as the transactions between the Group and the third party are material and involve a number of balance sheet accounts across entities in the Group and we therefore considered this to be a key audit matter.	Our audit procedures included: • Reviewing the underlying agreements and enquiry with the Group's commercial, purchasing and finance representatives to understand the nature of the arrangements and transactions. • Obtaining a confirmation from the third party to support the value of the transactions during the year and the balances outstanding at the year end date. • Assessing the accounting for the transactions against the requirements of the applicable accounting standards and agreeing a sample of transactions during the year to third party supporting documentation. • Reviewing the timing of the receipts and payments which resulted in a cashflow advantage to the Group and assessing the appropriateness of the conclusion that the cashflows in the arrangement were financing in nature, against the requirements of the applicable standards. We also assessed if the disclosures are in line with the applicable accounting standards. • Assessing the classification and disclosure of these transactions and the balances outstanding at the year end date against the requirements of IAS 1, IAS 7 and IFRS 7. • Obtaining the agreement for the new transactions and reviewing the terms to understand the nature and the financial reporting implication of these transactions. **Key observations:** Based on the procedures performed, we did not identify any matter to suggest that the accounting for these transactions is materially incorrect and the disclosures are inappropriate.

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

Key audit matter		How the scope of our audit addressed the key audit matter
Supplier Income (The accounting policies applied are disclosed within the accounting policies section of the financial statements.)	The Group has agreements with a number of suppliers related to rebates and other supplier income. This is a material transaction stream for the Group and arrangements tend to be complex and multi-faceted as there are a significant number of different agreements with different terms which impacts various financial statement areas. Therefore we considered the accounting of these transactions to be a key audit matter.	Our audit procedures included: • Obtaining an understanding of management's process and controls relating to the approval and recording of supplier income. • Testing the existence of rebates by agreeing a sample of supplier income received in the year to the underlying agreements. • Testing the validity and accuracy of a sample of supplier income earned in the year by obtaining the supporting calculations and agreeing the inputs in the calculation to the terms of the underlying agreements. • Checking if a sample of the rebates have been classified in the income statement in line with the Group's accounting policy. • Assessing the recoverability of the rebates receivable at the year end date by testing a sample to year end debit notes received or invoices raised and subsequent settlement. • Obtaining the calculation for a sample of one-off rebate amounts recognised in the year and rebates recognised near the year end date, and agreeing the inputs in the calculation to the underlying agreements. We also agreed the rebate to accrued income and inventory calculations. • Reviewing the related disclosures in the Group's financial statements against the requirement of the applicable standard. **Key observations:** Based on the procedures performed, we did not identify any matter to suggest that the accounting for these transactions is materially incorrect and the disclosures are inappropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2024	2023	**2024**	2023
Materiality	**£5.1m**	£3.3m	**£2.8m**	£1.8m
Basis for determining materiality	**0.3% of Group revenue.**	5% of normalised (3 year average) profit before tax and non-underlying items.	**Determined with reference to 80% of Group's performance materiality. (Capped at Group non-significant components materiality to reduce aggregation risk).**	Determined with reference to 1% of total assets (Capped at Group non-significant components materiality to reduce aggregation risk).
Rationale for the benchmark applied	**We consider revenue to be the most appropriate benchmark due to the significant growth the group has experienced in the past few years through various acquisitions.**		**We consider applying a component materiality equal to 80% of group performance materiality is sufficient to address the aggregation risk.**	
Performance materiality	**£3.57m**	£2.3m	**£1.96m**	£1.29m
Basis for determining performance materiality and the rationale for the percentage applied.	Performance materiality was set at 70% of materiality. In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements based on past experience.			

Component materiality

We set materiality for each significant component of the Group, based on a percentage of between 33% and 59% (2023: 48% and 95%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £1.7m to £3m (2023: £1.57m to £2.8m). In the audit of each component, we further applied performance materiality levels of 70% (2023: 70%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £153K (2023:£105K). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

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

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 90 and 91. • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 91.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 150 to 155. • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 83 to 89. • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 81 and 82. • The section describing the work of the Audit Committee set out on page 126 to 131.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

We gained an understanding of the legal and regulatory framework applicable to the Group, its components and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the Financial Conduct Authority regulations, including the UK Listing Rules, the principles of the UK Corporate Governance Code, UK adopted international accounting standards, UK GAAP for the parent company, and tax legislation covering corporation tax, employee taxes, VAT and duty.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, we considered the following:

- the nature of the industry, the Group's control environment and business performance including the design of the Group's remuneration policies;
- the results of our enquiries of management, the Audit Committee, Internal audit and legal counsel about their own identification of the risk of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures; and
- the matters discussed among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. We also discussed the potential for non-compliance with laws and regulations.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements. We also considered the susceptibility of the Group and Parent company financial statements to material misstatement as a result of fraud, and considered that the areas in which fraud might occur were related to revenue recognition relating to the judgements and estimates involved in the timing of revenue recognition, possible overstatement of revenue and management override of controls.

Our procedures in response to the above included:

- review of financial statement disclosures and agreeing to supporting documentation;
- identifying and testing journal entries through obtaining an understanding of the rationale of the journal and agreeing to supporting documentation, focusing on journal entries containing characteristics of audit interest, year end consolidation journals, journals processed by users with privileged IT access rights, journal entries posted to revenue, those with unusual account combinations and journals posted by unexpected users;
- enquiries with management, the Audit Committee and enquiries of internal legal counsel to identify any known or suspected non-compliance with laws and regulations or fraud;
- review of minutes of Board meetings throughout the year to identify any non compliance with laws and regulations, or fraud, not already disclosed by management;
- review of tax compliance and involvement of our tax specialists in the audit;
- with regards to the risk of fraud in existence and recoverability of supplier income, we have audited a sample of supplier income to 3rd party confirmations and we have challenged management on the recoverability of year end rebates through assessing post year end debit notes raised and/or cash receipts.
- with regards to the risk of fraud in revenue recognition we have challenged the assumptions and judgements made by management in the measurement of gift card, warranty and returns provisions and the assumptions made in revenue recognition for certain revenue streams and deferred revenue by agreeing assumptions to relevant supporting documentation.
- we have challenged significant accounting estimates and judgements made by management including:
  - the capitalisation policies for intangible software assets against the requirements of the applicable accounting standards; and
  - judgements made in accounting for third party logistics arrangements, provisions in relation to discontinued operations, in the assessment of goodwill impairment, and the carrying value of the Parent Company's investment in subsidiaries and intercompany receivables as set out in the Key Audit Matters section of the report.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and component team members who were all deemed to have appropriate competence and capabilities to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. We have also reviewed the relevant work performed by the component team members in this regard.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Diane Campbell
(Senior Statutory Auditor)

For and on behalf of BDO LLP,
Statutory Auditor
London

17 July 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT

		52 weeks to 29 March 2024			52 weeks to 31 March 2023		
For the period	Notes	**Before non-underlying items £m**	**Non-underlying items (note 5) £m**	**Total £m**	Before non-underlying items Restated* £m	Non-underlying items (note 5) £m	Total £m
Revenue		**1,696.5**	**–**	**1,696.5**	1,572.7	–	1,572.7
Cost of sales*		**(873.9)**	**–**	**(873.9)**	(804.0)	–	(804.0)
Gross profit		**822.6**	**–**	**822.6**	768.7	–	768.7
Operating expenses	2	**(766.4)**	**(4.3)**	**(770.7)**	(709.8)	(7.8)	(717.6)
Results from operating activities	3	**56.2**	**(4.3)**	**51.9**	58.9	(7.8)	51.1
Net finance expense	6	**(13.1)**	**–**	**(13.1)**	(12.1)	–	(12.1)
Profit before income tax		**43.1**	**(4.3)**	**38.8**	46.8	(7.8)	39.0
Income tax expense	7	**(10.3)**	**0.5**	**(9.8)**	(9.2)	1.1	(8.1)
Profit / (loss) after tax from continuing operations		**32.8**	**(3.8)**	**29.0**	37.6	(6.7)	30.9
Loss after tax from discontinued operations	10	**(5.2)**	**(6.9)**	**(12.1)**	(2.6)	(0.2)	(2.8)
Total profit for the year (continuing and discontinued)		**27.6**	**(10.7)**	**16.9**	35.0	(6.9)	28.1
Attributable to:							
Equity shareholders		**27.6**	**(10.7)**	**16.9**	35.0	(6.9)	28.1
Non-controlling interest		**–**	**–**	**–**	–	–	–
Earnings per share*							
Basic (continuing)	9	**15.1p**		**13.3p**	17.6p		13.0p
Diluted (continuing)	9	**14.5p**		**12.7p**	16.8p		12.4p
Basic (continuing and discontinued)	9	**12.7p**		**7.8p**	16.1p		12.9p
Diluted (continuing and discontinued)	9	**12.2p**		**7.4p**	15.4p		12.4p

* Please see note 30 for further details

The notes on pages 174 to 213 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**52 weeks to 29 March 2024 £m**	52 weeks to 31 March 2023 Restated* £m
Profit for the period from continuing operations		**29.0**	30.9
Other comprehensive income			
Cash flow hedges:			
Fair value changes in the period		**(1.3)**	2.7
Income tax on other comprehensive income	7	**(0.4)**	1.1
Other comprehensive (loss) / income for the period, net of income tax		**(1.7)**	3.8
Total comprehensive income from continuing operations		**27.3**	34.7
Loss for the period from discontinued operations		**(12.1)**	(2.8)
Total comprehensive income from discontinued operations		**(12.1)**	(2.8)
Total comprehensive income		**15.2**	31.9
Attributable to:			
Equity shareholders		**15.2**	31.9
Non-controlling interest		**–**	–

* Please see note 30 for further details

All items within Other Comprehensive Income are classified as items that are, or may be, recycled to the income statement.

The notes on pages 174 to 213 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	29 March 2024 £m	31 March 2023 Restated* £m
Assets			
Non-current assets			
Intangible assets	12	**483.9**	482.0
Property, plant and equipment	13	**89.5**	97.8
Right-of-use assets	14	**278.3**	312.6
Trade and other receivables	16	**2.3**	–
Deferred tax asset	21	**5.1**	10.9
Total non-current assets		**859.1**	903.3
Current assets			
Inventories	15	**237.5**	256.2
Trade and other receivables	16	**161.0**	144.6
Derivative financial instruments	22	**0.2**	1.1
Current tax assets		**8.4**	–
Cash and cash equivalents	17	**13.3**	41.9
Total current assets		**420.4**	443.8
Total assets		**1,279.5**	1,347.1
Liabilities			
Current liabilities			
Borrowings	18	**(1.8)**	(9.7)
Lease liabilities	14	**(79.1)**	(77.6)
Derivative financial instruments	22	**(1.5)**	(3.7)
Trade and other payables	19	**(368.4)**	(362.3)
Current tax liabilities		**–**	(3.6)
Provisions	20	**(12.4)**	(11.2)
Total current liabilities		**(463.2)**	(468.1)
Net current liabilities		**(42.8)**	(24.3)
Non-current liabilities			
Borrowings	18	**(19.6)**	(34.0)
Lease liabilities	14	**(228.1)**	(269.3)
Derivative financial instruments	22	**(0.1)**	(0.5)
Trade and other payables	19	**(3.6)**	(3.5)
Provisions	20	**(11.1)**	(14.8)
Total non-current liabilities		**(262.5)**	(322.1)
Total liabilities		**(725.7)**	(790.2)
Net assets		**553.8**	556.9
Equity			
Share capital	23	**2.2**	2.2
Share premium	23	**212.4**	212.4
Investment in own shares	23	**(1.0)**	(1.9)
Other reserves	23	**–**	(1.1)
Retained earnings		**340.2**	345.3
Total equity attributable to equity holders of the Company		**553.8**	556.9
Non-controlling interest		**–**	–
Total equity		**553.8**	556.9

* Please see note 30 for further details

The notes on pages 174 to 213 form part of these consolidated financial statements.

The consolidated financial statements on pages 168 to 213 were approved by the Board of Directors on 17 July 2024 and were signed on its behalf by:

Jo Hartley
Chief Financial Officer

Company Number: 04457314

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Attributable to the equity holders of the Company								
					Other reserves					
	Note	Share capital £m	Share premium account £m	Investment in own shares £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	Total shareholders' equity £m	Non-controlling interests £m	Total equity £m
Closing balance at 1 April 2022		2.2	212.4	(11.6)	0.3	1.7	346.0	551.0	–	**551.0**
Restatement*		–	–	8.3	–	–	(8.3)	–	–	**–**
Closing balance at 1 April 2022 restated		2.2	212.4	(3.3)	0.3	1.7	337.7	551.0	–	**551.0**
Total comprehensive income for the period										
Profit for the period*		–	–	–	–	–	28.1	28.1	–	**28.1**
Other comprehensive income										
Cash flow hedges:										
Fair value changes in the period		–	–	–	–	2.7	–	2.7	–	**2.7**
Income tax on other comprehensive income		–	–	–	–	1.1	–	1.1	–	**1.1**
Total other comprehensive income for the period net of tax		–	–	–	–	3.8	–	3.8	–	**3.8**
Total comprehensive income for the period		–	–	–	–	3.8	28.1	31.9	–	**31.9**
Hedging gains and losses and costs of hedging transferred to the cost of inventory		–	–	–	–	(6.9)	–	(6.9)	–	**(6.9)**
Transactions with owners										
Purchase of own shares	23	–	–	(1.5)	–	–	–	(1.5)	–	**(1.5)**
Share options exercised restated*		–	–	2.9	–	–	(2.5)	0.4	–	**0.4**
Share-based payment transactions	24	–	–		–	–	2.4	2.4	–	**2.4**
Income tax on share-based payment transactions		–	–	–	–	–	(0.9)	(0.9)	–	**(0.9)**
Dividends to equity holders	8	–	–	–	–	–	(19.5)	(19.5)	–	**(19.5)**
Total transactions with owners		–	–	1.4	–	–	(20.5)	(19.1)	–	**(19.1)**
Closing balance at 31 March 2023*		2.2	212.4	(1.9)	0.3	(1.4)	345.3	556.9	–	**556.9**
Opening balance at 1 April 2023*		2.2	212.4	(1.9)	0.3	(1.4)	345.3	556.9	–	**556.9**
Total comprehensive income for the period										
Profit for the period		–	–	–	–	–	16.9	16.9	–	**16.9**
Other comprehensive income										
Cash flow hedges:										
Fair value changes in the period		–	–	–	–	(1.3)	–	(1.3)	–	**(1.3)**
Income tax on other comprehensive income		–	–	–	–	(0.4)	–	(0.4)	–	**(0.4)**
Total other comprehensive expense for the period net of tax		–	–	–	–	(1.7)	–	(1.7)	–	**(1.7)**
Total comprehensive income/(expense) for the period		–	–	–	–	(1.7)	16.9	15.2	–	**15.2**
Hedging gains and losses and costs of hedging transferred to the cost of inventory		–	–	–	–	2.8	–	2.8	–	**2.8**
Transactions with owners										
Purchase of own shares	23	–	–	(10.2)	–	–	–	(10.2)	–	**(10.2)**
Share options exercised	23	–	–	11.1	–	–	(6.9)	4.2		**4.2**
Share-based payment transactions	24	–	–	–	–	–	3.8	3.8		**3.8**
Income tax on share-based payment transactions		–	–	–	–	–	0.4	0.4	–	**0.4**
Sale of minority interest in subsidiary to Non-controlling interest		–	–	–	–	–	2.4	2.4	–	**2.4**
Dividends to equity holders	8	–	–	–	–	–	(21.7)	(21.7)	–	**(21.7)**
Total transactions with owners		–	–	0.9	–	–	(22.0)	(21.1)	–	**(21.1)**
Balance at 29 March 2024		2.2	212.4	(1.0)	0.3	(0.3)	340.2	553.8	–	**553.8**

* Please see note 30 for further details

The notes on pages 174 to 213 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	52 weeks to 29 March 2024 £m	52 weeks to 31 March 2023 Restated* £m
Cash flows from operating activities		
Profit after tax for the period from continuing operations, before non-underlying items	**32.8**	37.6
Non-underlying items	**(3.8)**	(6.7)
Profit after tax for the period	**29.0**	30.9
Depreciation of property, plant and equipment	**27.1**	28.2
Impairment of property, plant and equipment	**–**	1.2
Amortisation of right-of-use assets	**78.9**	77.5
Impairment / (reversal of impairment) of right-of-use assets	**2.8**	(2.3)
Amortisation of intangible assets	**21.2**	17.9
Net finance expense	**13.1**	12.1
Loss on disposal of property, plant and equipment	**0.8**	1.7
Gain on disposal of leases	**(2.2)**	(0.4)
Equity-settled share based payment transactions	**3.8**	2.4
Foreign exchange movement	**1.2**	(8.0)
Income tax expense	**9.8**	8.1
Decrease / (increase) in inventories	**12.7**	(15.9)
Increase in trade and other receivables	**(9.0)**	(31.4)
Increase in trade and other payables	**10.7**	34.5
Decrease in provisions	**(10.3)**	(1.2)
Income tax paid	**(11.7)**	(4.7)
Net cash from operating activities – continuing operations	**177.9**	150.6
Net cash (used in)/from operating activities – discontinued operations	**(10.5)**	4.2
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	**(0.6)**	(32.6)
Purchase of intangible assets	**(23.7)**	(25.4)
Purchase of property, plant and equipment	**(21.9)**	(29.1)
Net cash used in investing activities – continuing operations	**(46.2)**	(87.1)
Net cash (used in)/from investing activities – discontinued operations	**(0.3)**	0.1
Cash flows from financing activities		
Purchase of own shares	**(10.2)**	(1.5)
Proceeds from share options exercised	**4.2**	0.4
Finance costs paid	**(2.1)**	(2.6)
RCF drawdowns	**1,348.0**	337.0
RCF repayments	**(1,363.0)**	(302.0)
Proceeds from other borrowings	**1.5**	–
Repayment of other borrowings	**–**	(1.7)
RCF transaction costs	**(1.1)**	(1.8)
Interest paid on lease liabilities	**(9.0)**	(8.8)
Payment of capital element of leases	**(83.8)**	(80.5)
Payments relating to supplier financing	**(70.0)**	(23.5)
Receipts relating to supplier financing	**65.9**	22.7
Proceeds from sale of share in subsidiary to non-controlling Interest	**2.4**	–
Dividends paid	**(21.7)**	(19.5)
Net cash used in financing activities – continuing operations	**(138.9)**	(81.8)
Net cash (used in)/from financing activities – discontinued operations	**(0.9)**	0.1
Net decrease in cash and bank overdrafts	**(18.9)**	(13.9)
Cash and cash equivalents at the beginning of the period	**32.2**	46.1
Cash and cash equivalents at the end of the period	**13.3**	32.2

* Please see note 30 for further details

The notes on pages 174 to 213 form part of these consolidated financial statements.

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	At 31 March 2023 £m	Cash flow £m	Other non-cash changes £m	**At 29 March 2024 £m**
Cash and cash equivalents at bank and in hand	41.9	(28.6)	–	**13.3**
Bank overdrafts	(9.7)	9.7	–	**–**
Cash and cash equivalents at bank and in hand (Consolidated Statement of Cash Flows)	32.2	(18.9)	–	**13.3**
Debt due in less than one year	–	(1.4)	(0.4)	**(1.8)**
Debt due after one year	(34.0)	15.0	(0.6)	**(19.6)**
Total net debt excluding leases	(1.8)	(5.3)	(1.0)	**(8.1)**
Current lease liabilities	(77.6)	92.8	(94.3)	**(79.1)**
Non-current lease liabilities	(269.3)	–	41.2	**(228.1)**
Total leases	(346.9)	92.8	(53.1)	**(307.2)**
Total net debt	(348.7)	87.5	(54.1)	**(315.3)**

	At 1 April 2022 £m	Cash flow £m	Other non-cash changes £m	**At 31 March 2023 £m**
Cash and cash equivalents at bank and in hand	46.3	(4.4)	–	**41.9**
Bank overdrafts	(0.2)	(9.5)	–	**(9.7)**
Cash and cash equivalents at bank and in hand (Consolidated Statement of Cash Flows)	46.1	(13.9)	–	**32.2**
Debt due in less than one year	–			**–**
Debt due after one year	–	(34.0)	–	**(34.0)**
Total net debt excluding leases	46.1	(47.9)	–	**(1.8)**
Current lease liabilities	(74.5)	89.3	(92.4)	**(77.6)**
Non-current lease liabilities	(316.5)	–	47.2	**(269.3)**
Total leases	(391.0)	89.3	(45.2)	**(346.9)**
Total net debt	(344.9)	41.4	(45.2)	**(348.7)**

Other non-cash changes include additions of new leases, modifications to leases, amortisation of debt costs, foreign exchange movements, and changes in classifications between amounts due within and after one year.

Cash and cash equivalents at the period end consist of £13.3m (2023: £41.9m) of liquid assets offset by £nil (2023: £9.7m) bank overdrafts.

£0.9m (2023: £3.1m) of the Group's cash and cash equivalents balance is held in the **Halfords** Here to Help Fund and Employee Benefit Trust. These funds are not available to utilise within the Group on demand.

The movement in Inventories and Trade and other payables differ between the Consolidated Statement of Financial Position and Consolidated Statement of Cash flows. This difference is predominately as a result of foreign currency and the removal of balances relating to discontinued operations as noted in note 10.

ACCOUNTING POLICIES

General information

Halfords Group plc is a public limited company, which is listed on the London Stock Exchange, incorporated in England and Wales, and domiciled in the UK. The address of the registered office is Icknield Street Drive, Washford West, Redditch, Worcestershire B98 0DE.

The consolidated financial statements of the Company as at, and for, the period ended 29 March 2024, comprise the Company and its subsidiary undertakings.

Statement of compliance

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with UK-adopted international accounting standards.

Basis of preparation

The consolidated financial statements of **Halfords** Group plc and its subsidiary undertakings (together the "Group") are prepared on a going concern basis for the reasons set out below, and under the historical cost convention, except where adopted IFRSs require an alternative treatment. The principal variations relate to financial instruments (IFRS 9 "Financial instruments"), acquisition of business combinations (IFRS 3 "Business Combinations"), share-based payments (IFRS 2 "Share-based payment") and leases (IFRS 16 "Leases").

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

The accounts of the Group are prepared for the period up to the Friday closest to 31 March each year. Consequently, the financial statements for the current period cover the 52 weeks to 29 March 2024, whilst the comparative period covered the 52 weeks to 31 March 2023.

Going concern

In determining the appropriate basis of preparation of the financial statements for the period ended 29 March 2024, the Directors are required to consider whether the Group and Company can continue in operational existence for the foreseeable future. The Board has concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of financial forecasts, which included consideration of the current economic climate, and with specific consideration to the trading position of the Group. The financial forecasts have been stress tested and management believe the level at which sales would need to drop to trigger any concern with cash flow or banking covenants is highly unlikely.

The Group has a committed £180.0m revolving credit facility, of which £20.0m is designated as an overdraft facility, at the date of approval of these financial statements, expiring on 16 April 2028.

The Board has a reasonable expectation that the Group and the Company will be able to continue in operation and meet its liabilities as they fall due and will retain sufficient available cash and not breach any covenants under any drawn facilities over the remaining term of the current facilities. The Board does not consider there to be a material uncertainty around the Group's or the Company's ability to continue as a going concern.

Basis of consolidation

Subsidiary undertakings

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case an appropriate adjustment would be made.

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

The subsidiary undertakings of the Company at 29 March 2024 are detailed in Note 4 to the Company balance sheet on page 217.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised as expenses in the period in which the costs are incurred.

The identifiable assets, liabilities and contingent liabilities of the acquired entity that meet the conditions for recognition under IFRS 3 "Business combinations" are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and is, initially, measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of these elements exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

Revenue recognition

The Group recognises revenue when it has satisfied its performance obligations to external customers and the customer has obtained control of the goods or services being transferred.

The revenue recognised is measured at the transaction price received and is recognised net of value added tax, discounts, and commission charged by third parties for providing credit to customers.

The Group operations comprise the retailing of automotive, leisure and cycling products, vehicle servicing and repair operations and the provision of software as a service. The table below summarises the revenue recognition policies for different categories of products and services offered by the Group.

For most revenue streams, there is a low level of judgement applied in determining the transaction price or the timing of transfer of control.

Products and services	Nature, timing and satisfaction of performance obligations and significant payment terms
Automotive, leisure and cycling products, car servicing and repair operations	The majority (both value and volume) of the Group's sales are for stand-alone products and services made direct to customers at standard prices, either in store or online. In these cases, all performance obligations are satisfied, and revenue recognised, when the product or service is transferred to the customer. In the case of Cycle2Work, a letter of collection ("LOC") is issued when payment is received but the balance will be held on the Balance Sheet until the product or service has been transferred to the customer, at which point revenue is recognised. Deferred income of unredeemed vouchers is released based on historic redemption rates. A LOC can also be redeemed by customers through a network of independent bike dealers, who invoice the Group for the value of the LOC, at which point the revenue is recognised.
Service and repair plans	The Group offers various service and repair plans to customers. The Group recognises revenue on these on a straight-line basis over the period of the plan and any discounts at the point of sale. The performance obligation of the Group, being the level of service and repair offered with the plan, will be the period of the plan and, therefore, revenue should be recognised over this period. The product is paid for on commencement of the plan, and deferred income is held within trade and other payables.
Loyalty scheme	The Group launched its Loyalty Scheme in March 2022, with paid membership revenue being recognised when the individual benefits associated with club membership are expected to be incurred. The revenue associated with any unused benefits is recognised at the end of the membership period.
Product warranties	Certain products, principally motoring and cycling, have a warranty period attached, which is built into the price of the product rather than being sold separately as an incremental purchase. The warranty element has been identified as a separate performance obligation to the sale of the product, and, given it is not sold separately, a transaction price has been allocated for the warranty element based on the expected cost approach. This element of revenue is recognised on a straight-line basis over the period of the plan. The performance obligation of the Group, being the rectification of faults on products sold, will be the period over which the customer can exercise their rights under the warranty and, therefore, revenue should be recognised over this period. The full price of the product is paid for on commencement of the warranty, and deferred income is held within trade and other payables.
Software-as-a-Service (SaaS)	The Group operates a Software-as-a-Service business, which provides customers with access to a bespoke version of our mobile scheduling and operations software. The model employed consists of an upfront development fee, with ongoing licence fees depending on usage of the software by the customer, with minimum licence fee levels agreed over the term of the contract. The upfront development services cannot be unbundled from the ongoing hosting and service obligations under the contract and, therefore, the upfront development fee and minimum licence fee payable is recognised evenly over the life of the contract, with any licence fees receivable above the minimum level recognised in the period to which they relate.

In the prior period the Group entered into a 3rd party logistics agreement for the storage and distribution of tyres to the Group's garages. The Group may from time to time sell tyres stored at the 3rd party to the 3rd party at an arm's length price, and revenue is recognised for these sales on the transfer of title of the tyres. The Group has also entered into a separate wholesale agreement with this 3rd party for the purchase of tyres when required.

ACCOUNTING POLICIES

Returns

A provision for estimated returns is made based on the value of goods sold during the period, that are expected to be returned and refunded after the period end based on past experience.

The sales value of the expected returns is recognised within provisions, with the cost value of goods expected to be returned recognised as a current asset within inventories.

Gift cards

Deferred income in relation to gift card redemptions is estimated based on historical returns and redemption rates.

Supplier income

As is common in the retail and automotive industries, the Group receives income from their suppliers based on specific agreements in place. These enable the Group to share the costs and benefits of promotional activity and volume growth, which are explained below. The supplier income received is recognised as a deduction from cost of sales based on the entitlement that has been earned up to the balance sheet date for each relevant supplier agreement. The Group receives other contributions that do not meet the definition of supplier income, including, but not limited to, marketing, advertising and promotion contributions that are offset against the costs included in administrative expenses to which they relate.

Supplier income arrangements are often not co-terminus with the Group's financial period end. Such income is only recognised when there is reasonable certainty that the conditions for recognition have been met by the Group and the income can be reliably measured based on the terms of the contract. The Group is sometimes required to estimate the amounts due from suppliers at period end. However, as most of the supplier income is confirmed before the period end, the level of estimation and judgement required is limited.

Supplier income is recognised on an accrual basis, based on the entitlement that has been earned up to the balance sheet date for each relevant supplier contract. The accrued supplier income is included in Accrued income within Trade and other receivables.

Supplier income comprises:

- Rebates – typically, these are based on the volume of purchases of goods for resale. These are earned based on purchase targets over set periods of time. In some cases, rebates will also be received to support promotional pricing.
- Fixed contributions – typically, these will be for cost-price discounts or for favourable positioning of products in store.

Supplier income recognised is recorded against cost of sales and inventory, which is adjusted to reflect the lower purchase cost for the goods on which the income has been earned. Depending on the agreement with the supplier, supplier income is either received in cash from the supplier or netted off payments made to suppliers.

Finance income

Finance income comprises interest income on funds invested. Income is recognised, as it accrues in profit or loss, using the effective interest rate method.

Non-underlying items

Non-underlying items are those items that are unusual because of their size, nature (one-off, non-trading costs) or incidence, or relate to significant strategic projects. The Group's management considers that these items should be separately identified within their relevant income statement category to enable a full understanding of the Group's results.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company, which excludes non-controlling interests, by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in pounds sterling, which is the Group's presentation currency, and are rounded to the nearest £0.1m. Items included in the financial statements of the Group's entities are measured in pounds sterling, which is the currency of the primary economic environment in which the entity operates (the functional currency).

Transactions and balances

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at the balance sheet date. Translation differences on monetary items are taken to the income statement with the exception of differences on transactions that are subject to effective cash flow hedges, which are recognised in other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on qualifying cash flow hedges, which are recognised in other comprehensive income.

The assets and liabilities of foreign operations are translated to sterling at the exchange rate at the reporting date. The income and expenses of foreign operations are translated to sterling at an average exchange rate. Foreign currency differences are recognised in other comprehensive income and a separate component of equity. When a foreign operation is disposed of, the relevant amount in equity is transferred to profit or loss.

Employee benefits

i) Pensions

The **Halfords** Pension Plan is a contract-based plan, where each member has their own individual pension policy, which they monitor independently. The Group pays fixed contributions and has no legal or constructive obligation to pay further amounts. The costs of contributions to the scheme are charged to the income statement in the period that they arise.

ii) Share-based payment transactions

The Group operates a number of equity-settled share-based compensation plans.

The fair value of the employee services received under such schemes is recognised as an expense in the income statement. Fair values are determined by use of an appropriate pricing model and incorporate an assessment of relevant market performance conditions.

The amount to be expensed over the vesting period is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

At each balance sheet date, the Group revises its estimates of the number of share incentives that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity.

Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted, at the reporting date, and any adjustment to tax payable in respect of previous years.

The tax base of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity when it recovers the carrying amount of the asset. If those economic benefits will not be taxable, the tax base of the asset is equal to its carrying amount.

The tax base of a liability is its carrying amount, less any amount that will be deductible for tax purposes in respect of that liability in future periods. In the case of revenue that is received in advance, the tax base of the resulting liability is its carrying amount, less any amount of the revenue that will not be taxable in future periods.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred taxation arises from initial recognition of an asset or liability in a transaction other than a business combination, which, at the time of the transaction, affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred taxation is calculated using rates that are expected to apply when the related deferred asset is realised, or the deferred taxation liability is settled.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Discontinued operations

Discontinued operations are reported when a component of the Group that represents a separate major line of business or geographical area of operation has been disposed of, or when a sale is highly probable; its operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group and is classified as held for sale or has been disposed of. The Group classifies a non-current asset or disposal group as held for sale if its carrying value will be recovered through a sales transaction or distribution to shareholders rather than continuing use. In the Consolidated Income Statement, discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations. Corresponding notes to the Consolidated Income Statement exclude amounts for discontinued operations, unless stated otherwise.

Dividends

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

ACCOUNTING POLICIES

Intangible assets

i) Goodwill

Goodwill is initially recognised as an asset at cost and is reviewed for impairment at least annually. Goodwill is subsequently measured at cost less any accumulated impairment losses. An impairment charge is recognised in profit or loss for any amount by which the carrying value of goodwill exceeds its recoverable amount.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

For acquisitions prior to 3 April 2010, costs directly attributable to business combinations formed part of the consideration payable when calculating goodwill. Adjustments to contingent consideration, and, therefore, the consideration payable and goodwill, are made at each reporting date until the consideration is finally determined.

Acquisitions after this date fall under the provisions of "Revised IFRS 3 Business Combinations (2008)". For these acquisitions, transaction costs, other than share and debt issue costs, will be expensed as incurred and subsequent adjustments to the fair value of contingent consideration payable will be recognised in profit or loss.

ii) Computer software

Costs that are directly associated with identifiable and unique software products controlled by the Group, and that will generate economic benefits beyond one year, are recognised as intangible assets. These intangible assets are stated at cost less accumulated amortisation and impairment losses. Software is amortised over three-to-five years, depending on the estimated useful economic life.

Where the Group controls software relating to Software as a Service ("SaaS") arrangements, configuration and customisation costs are capitalised as part of bringing the identified intangible asset into use. Where the Group does not have control of the software costs, these are expensed over the SaaS contract term if the related configuration and customisation costs are not distinct from access to the software.

In all other circumstances, configuration and customisation costs are recognised as an expense as incurred except in the limited instances where these costs result in a separately identifiable intangible asset.

iii) Acquired intangible assets

Intangible assets that are acquired as a result of a business combination are recorded at fair value at the acquisition date.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- Brand names and trademarks – 10 years;
- Supplier relationships – 5 to 15 years; and
- Customer relationships – 5 to 15 years.

Property, plant and equipment

Property, plant and equipment is held at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment is provided to write off the cost, less residual value, on a straight-line basis over their useful economic lives as follows:

- Freehold properties are depreciated over 50 years;
- Leasehold premises with lease terms of 50 years or less are depreciated over the remaining period of the lease;
- Leasehold improvements are depreciated over the period of the lease to a maximum of 25 years;
- Motor vehicles are depreciated over 3 years;
- Fixtures, fittings and equipment are depreciated over 4 to 10 years according to the estimated life of the asset;
- Computer equipment is depreciated over 3 years; and
- Land is not depreciated.

Depreciation is expensed to the income statement within operating expenses.

Residual values, remaining useful economic lives, and depreciation periods and methods are reviewed annually and adjusted if appropriate.

Impairment of assets

Tangible and intangible assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Property, plant and equipment relating to Retail stores or for Autocentres locations are grouped on an individual basis.

Leases

The Group initially applied IFRS 16 at 30 March 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in Retained Earnings at the date of initial application.

As lessee

The Group leases various offices, warehouses, retail stores, car servicing garages, equipment and vehicles. Rental contracts are typically made for fixed periods between 3 months and 25 years, but may have break clauses or extension options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and, instead, accounts for these as a single lease component.

At the commencement date of property leases, the Group determines the lease term to be the full term of the lease, assuming that any option to break or extend the lease is unlikely to be exercised. Leases are regularly reviewed on an individual basis and will be revalued if it becomes likely that a break clause or option to extend the lease is exercised.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group; and
- Makes adjustments specific to the lease, for example location, type of property.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

For leases acquired as part of a business combination, the lease liability is measured at the present value of the remaining lease payments. The right-of-use asset is measured at the same amount as the lease liability adjusted to reflect favourable or unfavourable terms of the lease when compared to market terms.

ACCOUNTING POLICIES

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease, or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term. The carrying value of lease liabilities is, similarly, revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying value of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

The right-of-use assets are considered for impairment at each reporting date; see Note 14.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- In all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets (<£5,000) are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise warehousing, IT and telephone equipment.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle and includes purchase costs, adjusted for rebates and other costs incurred in bringing them to their existing location.

Where inventory is held by third parties but for which **Halfords** exercises control over the inventory, **Halfords** recognises the value of that inventory on its balance sheet. Control is determined by **Halfords** retaining the title to the inventory and restricting its use by the third party.

Supplier financing

Where **Halfords** operates invoicing arrangements with third-party suppliers, whereby the timing of receipts from a supplier creates a cash flow timing advantage at periods during the year for **Halfords**, such arrangements are considered akin to a supplier financing arrangement. The cash flows paid and received under the arrangement are separately disclosed as supplier financing in the cash flow statement. The amount due to or from the supplier at the year-end date is shown in other payables or other receivables as appropriate.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Details of the provisions recognised can be seen in Note 20.

Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset when the reimbursement is certain.

A dilapidation provision is recognised when there is future obligation relating to the maintenance of leasehold properties. The provision is based on management's best estimate of the obligation, which forms part of the Group's unavoidable cost of meeting its obligations under the lease contracts. Key uncertainties are estimates of amounts due.

Provisions for employer and product liability claims are recognised when an incident occurs or when a claim made against the Group is received that could lead to there being an outflow of benefits from the Group. The provision is based on management's best estimate of the settlement assisted by an external third party. The main uncertainty is the likelihood of success of the claimant and hence the pay-out; however, a provision is only recognised when there is considered to be reasonable grounds for the claim.

Cash and cash equivalents

Cash and cash equivalents on the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with original maturities of less than 90 days, which are subject to an insignificant risk of changes in value. In the Consolidated Statement of Cash Flows, net cash and cash equivalents comprise cash and cash equivalents, as defined above, net of bank overdrafts.

Non-controlling interests

For business combinations the Group has the choice, on a transaction by transaction basis, to initially recognise any non-controlling interest in the acquiree that is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation at either acquisition date fair value or, at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests. Before this date, unfunded losses in such subsidiaries were attributed entirely to the Group. In accordance with the transitional requirements of IAS 27 (2008), the carrying value of non-controlling interests at the effective date of the amendment has not been restated.

Financial instruments

i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

On initial recognition, a financial asset is measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – equity instrument; or Fair Value through Profit or Loss (FVTPL). A financial liability is measured at either amortised costs or FVTPL.

ii) Classification and subsequent measurement

Financial assets

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity instrument that is not held for trading, the Group may, irrevocably, elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not measured at amortised cost or FVOCI, as described above, are measured at FVTPL. This includes all derivative financial assets (Note 22). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates, or significantly reduces, an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Group assesses the objective of the business model in which financial assets are held at a CGU level, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the business unit and the operation of those policies in practice. This includes whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate portfolio, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the business unit is evaluated and reported to Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business unit) and how those risks are managed; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed, and whose performance is evaluated on a fair value basis, are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets: Measurement and gains and losses

Financial assets at FVTPL	These assets are, subsequently, measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit and loss. However, see Note 22 for derivatives designated as hedging instruments.
Financial assets at amortised cost	These assets are, subsequently, measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are, subsequently, measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in OCI and never reclassified to profit or loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit and loss. All other financial liabilities are recognised, initially, at their fair value and are, subsequently, measured at amortised cost using the effective interest method.

iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which, substantially, all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains, substantially, all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv) Offsetting

Financial assets and financial liabilities are offset and the net position presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

v) Derivatives

Derivative financial instruments are used to manage risks arising from changes in foreign currency exchange rates relating to the purchase of overseas sourced products. The Group does not hold or issue derivative financial instruments for trading purposes. The Group uses the derivatives to hedge highly probable forecast transactions and, therefore, the instruments are largely designated as cash flow hedges.

Derivatives are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured at their fair value.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in the cash flows of the hedged item and hedging instrument are expected to offset each other.

The effective element of any gain or loss from remeasuring the derivative instrument is recognised in Other Comprehensive Income ("OCI") and accumulated in the hedging reserve. Any element of the remeasurement of the derivative instrument that does not meet the criteria for an effective hedge is recognised immediately in the Group Income Statement within finance income or cost of sales.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, such as inventory, the amount accumulated in the hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in OCI and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is recognised immediately in profit or loss.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months or, as a current asset or liability, if the remaining maturity of the hedged item is less than 12 months.

vi) Impairment

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables, contract assets and lease receivables measured at amortised cost. This includes the Parent Company receivables. These are always measured at an amount equal to lifetime ECL. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. There is limited exposure to ECLs due to the business model.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis, based on the Group's historical experience and informed credit assessment and forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when the financial asset is more than 90 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have the assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

ACCOUNTING POLICIES

Estimates and judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates.

Estimates are monetary amounts in the financial statements that are subject to measurement uncertainty and judgements are decisions taken by management on accounting measurements and recognition criteria.

Management considers that their use of estimates and judgements in the application of the Group's accounting policies are inherently linked and so are discussed together below. Significant sources of estimation uncertainty and judgement are identified separately.

The judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are detailed below:

Allowances against the carrying value of inventories

The Group reviews the market value of and demand for its inventories on a periodic basis to ensure that recorded inventory is stated at the lower of cost and net realisable value. In assessing the ultimate realisation of inventories, the Group is required to make estimates regarding future demand and to compare these with the current or committed inventory. Estimates have also been made relating to the timing and success of product ranges, which would impact estimated demand and selling prices. Details of provisions recognised against inventory is provide in note 15.

Lease terms and incremental borrowing rate

Under IFRS 16, the Group recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The lease liability is initially measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate, adjusted to take into account the risk associated with the length of the lease, which ranges between 1 and 25 years, and the location of the lease. The Group has, therefore, made an estimate in determining the incremental borrowing rate used. The weighted average incremental borrowing rate in FY24 was 2.76%. **Halfords** reviews the incremental borrowing rate against the property yields to ensure the rates move appropriately against the weighted average reference rate for UK properties and concluded the rates appear reasonable.

In determining lease terms, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of warehouses, retail stores, autocentres and equipment, the following factors are normally the most relevant:

- Review of profitability of each store and garage;
- If there are significant penalties to terminate (or not extend), the Group is, typically, reasonably certain to extend (or not terminate); and
- If any leasehold improvements are expected to have a significant remaining value, the Group is, typically, reasonably certain to extend (or not terminate).

Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. Most extension options in vehicle leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

Other key estimates and judgements

The following are other key estimates and judgements that do not have a significant risk of material impact on the following financial year but management still consider to be key estimates and judgements:

Impairment of assets within Retail and Autocentres

The impairment testing process requires management to make significant estimates regarding the future cash flows expected to be generated by CGUs to which goodwill has been allocated. In assessing value-in-use, net cash flow forecasts are extrapolated using long-term growth rates to determine the basis for an annuity-based terminal value. These net cash flow forecasts reflect assumptions relating to sales and cost growth in addition to other cash flow movements including income tax. Future cash flows, including the terminal value, are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money. The estimates of future cash flows exclude cash inflows or outflows attributable to financing activities. Management periodically evaluates and updates the estimates based on the conditions which influence these variables. The assumptions and conditions for determining impairments of goodwill reflect management's best assumptions and estimates, but these items involve inherent uncertainties described above. As a result, the accounting for such items could result in different estimates or amounts if management used different assumptions or if different conditions occur in future accounting periods. A detailed discussion of the impairment methodology applied, key assumptions used and related sensitivity analyses by the Group in the context of goodwill is provided in note 12.

Adoption of new and revised standards

The Group has applied the following interpretations and amendments for the first time in these financial statements:

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2;
- Definition of Accounting Estimates – Amendments to IAS 8; and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12.

The application of these new interpretations and amendments did not have a material impact on the financial statements.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not yet effective and have not been adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE FINANCIAL STATEMENTS

1. Operating segments

The Group has two reportable segments, Retail and Autocentres, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different operational, technological and marketing strategies.

The operations of the Retail reporting segment comprise the retailing of automotive, leisure and cycling products and services through retail stores and online. The operations of the Autocentres reporting segment comprise vehicle servicing and repair performed from garages and vans, along with the operations of Avayler Software-as-a-Service products to both internal and external customers.

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

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

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

Income statement – continuing operations	Retail £m	Autocentres £m	52 weeks to 29 March 2024 Total £m
Revenue	**997.1**	**699.4**	**1,696.5**
Segment result before non-underlying items	**41.1**	**20.8**	**61.9**
Non-underlying items	**(1.5)**	**(2.8)**	**(4.3)**
Segment result	**39.6**	**18.0**	**57.6**
Unallocated expenses[1]			**(5.7)**
Operating profit			**51.9**
Finance costs			**(13.1)**
Profit before tax			**38.8**
Taxation			**(9.8)**
Profit after tax from continuing operations			**29.0**
Products and services transferred at a point in time	**926.40**	**689.8**	**1,616.2**
Products and services transferred over time	**70.7**	**9.6**	**80.3**
Revenue	**997.1**	**699.4**	**1,696.5**

Income statement – continuing operations	Retail £m	Autocentres £m	52 weeks to 29 March 2023 Total £m
Revenue	977.9	594.8	1,572.7
Segment result before non-underlying items	58.6	5.7	64.3
Non-underlying items	(0.7)	(7.1)	(7.8)
Segment result	57.9	(1.4)	56.5
Unallocated expenses[1]			(5.4)
Operating profit			51.1
Finance costs			(12.1)
Profit before tax			39.0
Taxation			(8.1)
Profit after tax from continuing operations			30.9
Products and services transferred at a point in time	914.0	560.3	1,474.3
Products and services transferred over time	63.9	34.5	98.4
Revenue	977.9	594.8	1,572.7

1 Unallocated expenses have been disclosed to reflect the format of the internal management reports reviewed by the Chief Operating Decision Maker and include an amortisation charge of £5.7m in respect of assets acquired through business combinations (2023: £5.4m).

1. Operating segments continued

Other segment items:	Retail £m	Autocentres £m	52 weeks to 29 March 2024 Total £m
Capital expenditure	**22.8**	**20.9**	**43.7**
Depreciation and impairment charge	**14.4**	**12.0**	**26.4**
Impairment of right-of-use asset	**(0.6)**	**3.4**	**2.8**
Amortisation of right-of-use asset	**54.1**	**23.6**	**77.7**
Amortisation expense	**13.6**	**3.8**	**17.4**

Other segment items:	Retail £m	Autocentres £m	52 weeks to 31 March 2023 Total £m
Capital expenditure	26.6	21.5	48.1
Depreciation and impairment expense	17.2	11.3	28.5
Impairment of right-of-use asset	(2.3)	–	(2.3)
Amortisation of right-of-use asset	53.0	22.5	75.5
Amortisation expense	11.8	2.4	14.2

There have been no significant transactions between segments in the 52 weeks ended 29 March 2024 (2023: £nil).

2. Operating expenses

For the period from continuing operations	52 weeks to 29 March 2024 £m	52 weeks to 31 March 2023 £m
Selling and distribution costs	**615.9**	578.7
Administrative expenses, before non-underlying items	**150.5**	131.1
Non-underlying administrative expenses (See note 5)	**4.3**	7.8
Administrative expenses	**154.8**	138.9
Operating expenses	**770.7**	717.6

NOTES TO THE FINANCIAL STATEMENTS

3. Operating profit

For the period	52 weeks to 29 March 2024 £m	52 weeks to 31 March 2023 Restated* £m
Operating profit is arrived at after charging/(crediting) the following:		
Expenses relating to leases of low-value assets, excluding short-term lease of low-value assets	**0.3**	2.0
Expenses relating to short term leases	**6.4**	4.8
Landlord surrender premiums	**–**	(1.0)
Loss on disposal of property, plant and equipment, and intangibles	**0.8**	1.7
Amortisation of intangible assets	**21.2**	17.9
Amortisation of right-of-use assets	**79.7**	77.5
Depreciation of owned property, plant and equipment	**27.2**	28.1
Impairment of:		
– owned property, plant and equipment	**0.5**	1.2
– right-of-use assets	**2.8**	(2.3)
Trade receivables impairment	**(0.1)**	(0.3)
Staff costs (see note 4)	**387.5**	351.7
Cost of inventories consumed in cost of sales	**648.5**	662.9

The total fees payable by the Group to BDO LLP and their associates during the period was £2.0m (2023: £1.7m), in respect of the services detailed below:

For the period	52 weeks to 29 March 2024 £'000	52 weeks to 31 March 2023 £'000
Fees payable to BDO LLP and their associates for the audit of the Company's accounts	**70.0**	65.0
Fees payable to BDO LLP and their associates for other services:		
The audit of the Company's subsidiary undertakings, pursuant to legislation	**1,680.0**	1,398.0
Audit-related assurance services	**230.0**	235.0
Other	**6.0**	–
	1,986.0	1,698.0

4. Staff costs

For the period, from continuing operations	52 weeks to 29 March 2024 £m	52 weeks to 31 March 2023 £m
The aggregated remuneration of all employees including Directors comprised:		
Wages and salaries	**351.6**	319.5
Redundancies included in non-underlying items	**1.8**	1.9
Social security costs	**31.0**	25.2
Equity settled share-based payment transactions (note 24)	**3.8**	2.4
Contributions to defined contribution plans (note 26)	**6.8**	10.0
	395.0	359.0

Staff costs recognised within intangible asset additions in the period totalled £5.7m (2023: £5.4m).

	Number	Number
Average number of persons employed by the Group, including Directors, during the period relating to continuing operations:		
Stores/Autocentres	**10,692**	10,471
Central warehousing	**678**	794
Support Centre	**1,184**	1,433
	12,554	12,698

4. Staff costs continued

Key management compensation

For the period from continuing operations	**52 weeks to 29 March 2024 £m**	52 weeks to 31 March 2023 £m
Salaries and short-term benefits	**2.2**	3.2
Social security costs	**0.4**	0.6
Pensions	**0.1**	0.2
Share based payment charge	**0.9**	2.4
	3.6	6.4

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

Full details of Directors' remuneration and interests are set out in the audited tables in the Remuneration Committee Report on pages 132 to 149, which form part of these financial statements.

5. Non-underlying items

For the period	**52 weeks to 29 March 2024 £m**	52 weeks to 31 March 2023 £m
Non-underlying operating expenses relating to continuing operations		
Organisational restructure costs (a)	**7.7**	6.1
Acquisition and investment related fees (b)	**1.0**	1.9
Closure costs (c)	**(4.4)**	(0.2)
Non-underlying items before tax relating to continuing operations	**4.3**	7.8
Tax on non-underlying items (d)	**(0.5)**	(1.1)
Non-underlying items after tax relating to continuing operations	**3.8**	6.7
Non-underlying items after tax relating to discontinued operations (Note 10)	**6.9**	0.2
Total Non-underlying items	**10.7**	6.9

a. During the period, organisational restructure costs of £7.7m were incurred. Costs in relation to these activities comprise:

- £2.0m (2023: £1.6m) linked to the ongoing warehouse management system replacement programme. This project and associated costs are expected to conclude in FY25;
- £1.9m (2023: £2.9m) of redundancy costs primarily within the support centre;
- £1.9m relating to professional fees incurred on a one off strategic review of procurement and related activities undertaken to drive future cost efficiency. The strategic review is now complete and no further costs will be incurred;
- £1.1m of professional fees incurred in relation to restructuring the Avayler operation. The restructuring is now complete and no further costs are anticipated;
- £0.5m (2023: £1.2m) due to the new system and financial dual running costs incurred in relation to the integration of National Tyres; and
- £0.3m (2023: £0.4m) relating to master data management systems upgrade. This project and associated costs are expected to conclude in FY25.

b. Acquisition and investment related costs of £1.0m (2023: £1.9m) incurred in the period primarily comprise professional fees and acquisition costs in relation to the acquisitions of National Tyres and the Lodge Tyre Company, where no further costs will be incurred in relation to these acquisitions.

c. During periods ending 3 April 2020 and 2 April 2021 the Group completed a strategic review of the profitability of its physical estate and subsequently closed a number of stores and garages. Assets were impaired and costs associated with ongoing onerous commitments under lease agreements and other costs associated with the property exits were provided for. In the current period, £4.4m (2023: £0.2m) was credited to the income statement within non-underlying items following lease disposals and subsequent review of provisions required. In future periods, further lease disposals may be negotiated. This may result in further amounts being released to the income statement due to the significant estimation uncertainty over the timing of exits and the final negotiated settlements.

d. The tax credit of £0.5m represents a tax rate of 11.6% applied to non-underlying items. The prior period represents a tax credit at 13.8% applied to non-underlying items. The effective tax rate is lower than the UK corporation tax rate principally due to the impact of credits disallowable for tax.

6. Net finance expense

Recognised in profit or loss for the period	**52 weeks to 29 March 2024 £m**	52 weeks to 31 March 2023 £m
Finance costs:		
Bank borrowings	**(2.2)**	(1.4)
Amortisation of issue costs on loans	**(0.8)**	(0.8)
Commitment and guarantee fees	**(1.1)**	(1.1)
Interest payable on lease liabilities	**(9.0)**	(8.8)
Finance costs	**(13.1)**	(12.1)

7. Taxation

Amounts recognised through Income Statement

For the period	**52 weeks to 29 March 2024 £m**	52 weeks to 31 March 2023 £m
Current taxation		
UK corporation tax charge for the period	**5.6**	6.9
Adjustment in respect of prior periods	**(5.5)**	1.0
	0.1	7.9
Deferred taxation		
Origination and reversal of temporary differences	**0.9**	1.2
Effect of changes in tax rates	**–**	0.3
Adjustment in respect of prior periods	**4.5**	(1.3)
	5.4	0.2
Total tax charge for the period	**5.5**	8.1

Income tax is attributable to:		
Profit from continuing operations per income statement	**9.8**	8.1
Loss from discontinuing operations per note 10	**(4.3)**	–
	5.5	8.1

Amounts recognised through Other Comprehensive Income

For the period	**52 weeks to 29 March 2024 £m**	52 weeks to 31 March 2023 £m
Deferred taxation		
Origination and reversal of temporary differences in Other Comprehensive Income	**0.4**	(1.1)
Total tax charge / (credit) to Other Comprehensive Income for the period	**0.4**	(1.1)

Amounts recognised directly in Equity

For the period	**52 weeks to 29 March 2024 £m**	52 weeks to 31 March 2023 £m
Current taxation		
UK corporation tax credit for the period	**(0.4)**	–
	(0.4)	–
Deferred taxation		
Origination and reversal of temporary differences in equity	**–**	0.9
	–	0.9
Total tax (credit)/charge to equity for the period	**(0.4)**	0.9

7. Taxation continued

Reconciliation of effective tax rate

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

For the period	**52 weeks to 29 March 2024 £m**	52 weeks to 31 March 2023 £m
Profit before tax from continuing operations	**38.8**	39.0
Loss before tax on discontinued operations including gain on disposal (Note 10)	**(16.4)**	(2.8)
Profit before tax	**22.4**	36.2
UK corporation tax at standard rate of 25% (2023: 19%)	**5.6**	6.9
Factors affecting the charge for the period:		
Depreciation on expenditure not eligible for tax relief	**0.7**	0.6
Impact of super deduction capital allowances uplift	**–**	(0.7)
Employee share options	**0.4**	0.8
Other disallowable expenses	**0.6**	0.8
Adjustment in respect of prior periods	**(1.1)**	(0.3)
Deferred tax not recognised	**(0.2)**	–
Impact of overseas tax rates	**(0.5)**	(0.3)
Impact of change in tax rate on deferred tax balance	**–**	0.3
Total tax charge for the period	**5.5**	8.1

An increase to the main rate of corporation tax to 25% was substantively enacted on 24 May 2021 and took effect from 1 April 2023. This has increased the Company's current tax charge accordingly in comparison to the prior year rate of 19%. The opening and closing deferred tax asset at 29 March 2024 has been calculated based on the rate of 25%.

The effective tax rate of 24.6% (2023: 20.7%) is lower than the UK corporation tax rate principally due to the impact of prior period adjustments arising from a review which led to a Research & Development expenditure claim (RDEC) and Super Deduction claims on the Group's software expenditure for the periods ending 1 April 2022 and 31 March 2023, offset by non-deductible depreciation in the period.

The tax charge for the period was £5.5m (2023: £8.1m), including a £3.0m credit (2023: £1.1m credit) in respect of tax on non-underlying items.

In this period, the Group's contribution to the UK Exchequer from both taxes paid and collected exceeded £273.0m (2023: £261m) with the main taxes including corporation tax £11.0m (2023: £4.9m), net VAT £126.3m (2023: £114.8m), employment taxes of £89.0m (2023: £94.2m) and business rates £37.0m (2023: £39.2m).

Impact of future tax changes

Pillar Two legislation, which introduced a global minimum effective tax rate of 15%, has been enacted or substantively enacted in certain jurisdictions where the Group operates. The legislation will be effective for the Group's financial period beginning 30 March 2024. The Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief may not apply and the Pillar Two effective tax rate is close to 15%. The Group does not expect a material exposure to Pillar Two income taxes in those jurisdictions.

8. Dividends

For the period	**52 weeks to 29 March 2024 £m**	52 weeks to 31 March 2023 £m
Equity – ordinary shares		
Final for the 52 weeks to 31 March 2023 – paid 7.0p per share (52 weeks to 1 April 2022: 6.0p)	**15.2**	13.0
Interim for the 52 weeks to 29 March 2024 – paid 3.0p per share (52 weeks to 31 March 2023: 3.0p)	**6.5**	6.5
	21.7	19.5

In addition, the Directors are proposing a final dividend in respect of the financial period ended 29 March 2024 of 5.0p per share (2023: 7.0p per share), which will absorb an estimated £11.0m (2023: £15.3m) of shareholders' funds. It will be paid on 13 September 2024 to shareholders who are on the register of members on 9 August 2024.

9. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares excludes shares held by an Employee Benefit Trust (see note 23) and has been adjusted for the issue/purchase of shares during the period.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the 52 weeks to 29 March 2024.

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

For the period	**52 weeks to 29 March 2024 Number of shares m**	52 weeks to 31 March 2023 Number of shares m
Weighted average number of shares in issue	**218.9**	218.9
Less: shares held by the Employee Benefit Trust (weighted average)	**(1.5)**	(1.5)
Weighted average number of shares for calculating basic earnings per share	**217.4**	217.4
Weighted average number of dilutive shares	**8.5**	10.0
Total number of shares for calculating diluted earnings per share	**225.9**	227.4

For the period	**52 weeks to 29 March 2024 £m**	52 weeks to 31 March 2023 £m Restated*
Earnings from continuing operations	**29.0**	30.9
Non-underlying items after tax relating to continuing operations (Note 5)	**3.8**	6.7
Earnings from continuing operations before non-underlying items	**32.8**	**37.6**
Loss from discontinued operations	**(12.1)**	(2.8)
Non-underlying items after tax relating to discontinued operations (Note 10)	**6.9**	0.2
Loss from discontinued operations before non-underlying items	**(5.2)**	**(2.6)**
Total earnings	**16.9**	28.1
Total non-underlying items after tax	**10.7**	6.9
Total earnings before non-underlying items	**27.6**	**35.0**

For the period	**52 weeks to 29 March 2024**	52 weeks to 31 March 2023 Restated*
Basic earnings per ordinary share from continuing operations	**13.3p**	13.0p
Diluted earnings per ordinary share from continuing operations	**12.7p**	12.4p
Basic earnings per ordinary share from continuing operations before non-underlying items	**15.1p**	17.6p
Diluted earnings per ordinary share from continuing operations before non-underlying items	**14.5p**	16.8p
Basic earnings per ordinary share	**7.8p**	12.9p
Diluted earnings per ordinary share	**7.4p**	12.4p
Basic earnings per ordinary share before non-underlying items	**12.7p**	16.1p
Diluted earnings per ordinary share before non-underlying items	**12.2p**	15.4p

* Please see note 30 for further details.

10. Discontinued operations

On 25 January 2024 the Group announced its intention to enter into a strategic partnership with specialist tyre distributor Bond International and to close its existing tyre operation. As a consequence, on 22 February 2024, the Group sold Birkenshaw Distributors Limited ("BDL") and the wholesale customers of Stepgrades Motor Accessories Ltd ("Viking") to R & R C Bond (Holdings) Limited ("Bond"). On 22 March 2024, the remaining principal operations of Viking ceased.

The events noted above result in Viking and BDL being treated as a discontinued operation in the period. The results of the business have been shown separately from the continuing business for all periods and presented on the face of the income statement as a discontinued operation. This is also reflected in the statement of comprehensive income. Earnings per share (EPS) has been split between continuing and discontinued operations. The cash flows of the discontinued operation have also been disclosed in the Consolidated Statement of Cash Flows.

The summary income statement for the businesses treated as a discontinued operation for the periods up to 29 March 2024 and 31 March 2023 are as follows:

	52 Weeks to 29 March 2024			52 weeks to 31 March 2023		
Discontinued operations	**Before non-underlying items £m**	**Non-underlying items £m**	**Total £m**	Before non-underlying items £m	Non-underlying items £m	Total £m
Revenue	**16.3**	**–**	**16.3**	19.1	–	19.1
Cost of sales	**(13.6)**	**–**	**(13.6)**	(12.6)	–	(12.6)
Gross profit	**2.7**	**–**	**2.7**	6.5	–	6.5
Operating expenses	**(9.7)**	**(11.9)**	**(21.6)**	(9.1)	(0.2)	(9.3)
Loss from operating activities	**(7.0)**	**(11.9)**	**(18.9)**	(2.6)	(0.2)	(2.8)
Net finance expense	**–**	**–**	**–**	–	–	–
Loss before income tax	**(7.0)**	**(11.9)**	**(18.9)**	(2.6)	(0.2)	(2.8)
Income tax credit	**1.8**	**2.5**	**4.3**	–	–	–
Loss after tax	**(5.2)**	**(9.4)**	**(14.6)**	(2.6)	(0.2)	(2.8)
Gain on disposal	**–**	**2.5**	**2.5**	–	–	–
Loss after tax from discontinued operations	**(5.2)**	**(6.9)**	**(12.1)**	(2.6)	(0.2)	(2.8)

The events noted for Viking and BDL are a major re-organisation of a key line of business. The costs and gains on disposal of various Viking and BDL assets associated with these events meet the definition of non-underlying items as per Group accounting policy. The breakdown of these are as follows:

	52 Weeks to 29 March 2024 £m	52 weeks to 31 March 2023 £m
Non-underlying operating expenses:		
Organisational restructure costs (a)	**11.9**	0.2
Gain on disposal of assets (b)	**(2.5)**	–
Non-underlying items before tax	**9.4**	0.2
Tax credit on non-underlying items	**(2.5)**	–
Non-underlying items after tax	**6.9**	0.2

a. Organisational restructuring costs of £11.9m were incurred relating to the disposals of the share capital of BDL and the wholesale customers of Viking, and the subsequent closure of the remaining Viking operation. Costs in relation to these activities comprise: redundancy costs £2.6m, property related restructuring provisions £3.9m, right-of-use and other asset impairment £4.1m, Viking dual running costs £0.5m and legal fees to support the transaction of £0.8m. In the prior period, £0.2m relates to financial dual running costs incurred in the integration of National Tyre.

b. Deferred consideration of £2.9m, of which £0.6m is to be receivable in the next period, was recognised on the contract date for the disposal of £0.4m of assets, giving rise to a £2.5m gain on disposal.

There are no other items of comprehensive income relating to discontinued operations for the period ending 29 March 2024 (2023: £nil).

11. Acquisition of Subsidiary

On 26 January 2024 the Group acquired 100% of the issued share capital of Capital Tyres (Northallerton) Limited for a total consideration of £0.6m (excluding transaction costs).

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows (fair value is used apart from leases, contingent liabilities and income taxes);

Capital Tyres (Northallerton) Limited net assets at acquisition date	Book value £m	Fair value adjustment £m	Final fair value £m
Tangible assets	0.1	–	0.1
Inventories	0.1	–	0.1
Trade and other receivables	0.3	–	0.3
Cash	–	–	–
Trade and other payables	(0.4)	–	(0.4)
Provisions	–	(0.1)	(0.1)
Total	**0.1**	**(0.1)**	**–**

Goodwill

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

	£m
Consideration (cash)	0.6
Less fair value of identifiable (assets)/liabilities	–
Goodwill	**0.6**

12. Intangible assets

	Brand names and trademarks £m	Customer relationships £m	Supplier relationships £m	Computer software £m	Goodwill £m	Total £m
Cost						
At 1 April 2022	12.3	23.1	9.4	108.3	406.0	559.1
Additions	–	–	–	25.0	–	25.0
Additions from acquisitions	1.8	12.1	–	–	18.7	32.6
Disposals	–	–	–	(0.5)	–	(0.5)
At 31 March 2023	14.1	35.2	9.4	132.8	424.7	616.2
Additions	–	–	–	23.6	–	23.6
Additions from acquisitions (Note 11)	–	–	–	–	0.6	0.6
Disposals	(0.4)	(0.3)	–	(0.6)	–	(1.3)
At 29 March 2024	**13.7**	**34.9**	**9.4**	**155.8**	**425.3**	**639.1**
Amortisation						
At 1 April 2022	5.9	13.6	3.1	72.4	21.7	116.7
Charge for the period	1.0	1.7	0.7	14.5	–	17.9
Disposals	–	–	–	(0.3)	–	(0.3)
At 31 March 2023	6.9	15.3	3.8	86.6	21.7	134.3
Charge for the period	1.0	2.2	0.6	17.4	–	21.2
Disposals	(0.1)	–	–	(0.3)	–	(0.4)
At 29 March 2024	**7.8**	**17.5**	**4.4**	**103.7**	**21.7**	**155.1**
Net book value at 29 March 2024	**5.9**	**17.4**	**5.0**	**52.1**	**403.6**	**484.0**
Net book value at 31 March 2023	7.2	19.9	5.6	46.2	403.0	481.9

Assets under construction relating to computer software total £7.2m (2023: £nil).

1) Retail

The table below shows the split of goodwill in the Retail CGU:

Company goodwill related to	Amount	Acquired
Halfords Holdings Limited	253.1	31 August 2002
Boardman Bikes Limited and Boardman International Limited	10.7	4 June 2014
Tredz Limited and Wheelies Direct Limited	9.5	23 May 2016
Total for Retail CGU	**273.3**	

2) Autocentres

The table below shows the split of goodwill in the Autocentres CGU, which relates to a portfolio of garages and fleet vans across the United Kingdom.

Company goodwill related to	Amount	Acquired
Capital Tyres (Northallerton) Limited	0.6	26 January 2024
LTC Trading Holding	18.1	4 October 2022
APT Tyre Distributers Limited	0.3	11 May 2022
Axle Group	31.3	9 December 2021
Iverson Tyres Limited	0.6	1 December 2021
The Universal Tyre Company (Deptford) Limited	2.1	15 April 2021
McConechy's	6.9	5 November 2019
Victor Holdings Limited (Tyres on the Drive)	0.7	14 October 2019
Nationwide Autocentres	69.7	17 February 2010
Total for Autocentres CGU	**130.3**	

12. Intangible assets continued

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount of goodwill is determined based on value-in-use calculations for each of the two groups of CGUs, being Retail and Autocentres. This is the lowest level within the Group to which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments as reported in Note 1.

This requires estimation of the present value of future cash flows expected to arise from the continuing operations of each group of CGUs. Cash flow projections are based on financial business plans prepared by management covering a five-year period, which are reviewed and approved by the Board. Plans are based on both past performance and expectations for future market development, linked to the strategy of the Group as set out in the Strategic Report section in these financial statements.

These estimates require assumptions over future sales performance, future costs, and long-term growth rates, as well as the application of an appropriate discount rate. Management have used the 5-year projections going out to FY28, as approved by the Board, for the basis of the impairment reviews. This was based on small like-for-like growth within Retail and Autocentres. Cash outflows required to replace leased assets, which are essential to the ongoing operation of each CGU group, were also considered and the estimates were informed by the Group's recent lease negotiations.

The growth rates used to extrapolate cash flows beyond the plan period, as set out in the table below, do not exceed long-term industry averages and reflect the revenue growth and ongoing efficiency initiatives, and the relative maturity of the two groups of CGUs. The growth rates for both the Retail and Autcoentres groups of CGUs have been reviewed and updated as required to reflect the current strategy.

The discount rate is a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the cash- generating units. The pre-tax discount rates used to calculate value in use are derived from the Group's post-tax weighted average cost of capital, incorporating the impact of IFRS 16, and adjusted for the specific risks relating to each cash-generating unit. The discount rates used are shown below:

	Notes	**2024**	2023
Discount rate	1	**11.9%**	10.9%
Growth rate – Retail	2	**1.7%**	1.0%
Growth rate – HAC	2	**2.7%**	1.0%

Notes:

1 Pre-tax discount rate applied to the cash flow projections.

2 Growth rate used to extrapolate cash flows beyond the five-year budget period.

Sensitivity analysis on the key assumptions in the value-in-use calculations has been undertaken, this found that there is more than adequate amount of headroom before an impairment would be triggered.

Modelling included looking at the effect of a 1% decrease in terminal growth rate and a 1% increase in discount rate. Both separately and combined, these showed adequate headroom when sensitised individually but a significant reduction in headroom when combined as set out in the table below. Results of this sensitivity analysis are shown below:

	Retail 2024 £m	**Autocentres 2024 £m**
Original headroom	**113.6**	**88.1**
Headroom using a discount rate increased by 1%	**43.9**	**37.7**
Headroom using a terminal growth rate decreased by 1%	**56.4**	**46.7**
Headroom using a combined 1% decrease in terminal growth rate and 1% increase in discount rate	**0.2**	**7.2**

In addition to the sensitivity testing performed, management have performed a stress test which shows that EBIT year on year would have to decrease by 22.9% within Retail and 23.4% within Autocentres before an impairment issue would be triggered. This is deemed unlikely.

13. Property, Plant and Equipment

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
Cost			
At 1 April 2022	83.7	298.7	382.4
Restated	6.4	(6.4)	–
At 1 April 2022 restated	90.1	292.3	382.4
Additions	6.7	16.4	23.1
Additions from acquisitions	0.4	3.4	3.8
Disposals	(2.8)	(8.1)	(10.9)
At 31 March 2023	94.4	304.0	398.4
Additions	5.4	14.7	20.1
Disposals	(1.6)	(6.5)	(8.1)
At 29 March 2024	**98.2**	**312.2**	**410.4**
Depreciation			
At 1 April 2022	55.8	224.9	280.7
Restated	2.2	(2.2)	–
At 1 April 2022 restated	58.0	222.7	280.7
Depreciation for the period	5.4	22.7	28.1
Impairment charge	0.4	0.8	1.2
Disposals	(2.3)	(7.1)	(9.4)
At 31 March 2023	61.5	239.1	300.6
Depreciation for the period	5.5	21.7	27.2
Impairment charge	–	0.5	0.5
Disposals	(1.3)	(6.1)	(7.4)
At 29 March 2024	**65.7**	**255.2**	**320.9**
Net book value at 29 March 2024	**32.5**	**57.0**	**89.5**
Net book value at 31 March 2023 restated	32.9	64.9	97.8

Restatement relates to reclassification of assets to Land and Buildings that were incorrectly mapped to Fixtures, Fittings and equipment in previous periods.

Assets under construction relating to fixtures, fittings and equipment at 29 March 2024 total £2.7m (2023: £nil).

No fixed assets are held as security for external borrowings.

No interest or other borrowing costs have been recognised within additions for the period (2023: Nil).

14. Leases

All leases where the Group is a lessee are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

The Group's leases relate to the store and garage premises from which the Group operates with typical lease terms of 5-10 years. Lease rentals are typically fixed for 3-5 years with negotiated rent reviews.

i) Amounts recognised in Consolidated Statement of Financial Position

Right-of-Use Assets

	Land and buildings £m	Equipment £m	Total £m
At 1 April 2022	345.6	4.6	350.2
Additions on acquisition of subsidiary	5.8	0.5	6.3
Additions to right-of-use assets	23.6	7.4	31.0
Amortisation charge for the year	(72.8)	(4.7)	(77.5)
Effect of modification of lease	1.0	–	1.0
Derecognition of right-of-use assets	(0.7)	–	(0.7)
Impairment reversal	2.3	–	2.3
At 31 March 2023	304.8	7.8	312.6
Additions on acquisition of subsidiary	–	–	–
Additions to right-of-use assets	31.7	11.6	43.3
Amortisation charge for the year	(74.0)	(5.7)	(79.7)
Effect of modification of lease	10.5	–	10.5
Derecognition of right-of-use assets	(5.6)	–	(5.6)
Impairment charge	(2.8)	–	(2.8)
At 29 March 2024	**264.6**	**13.7**	**278.3**

The impairment charge of £2.8m primarily relates to leases held as part of the Viking and BDL disposals and so are included in discontinued operations.

Lease Liabilities

	Land and buildings £m	Equipment £m	Total £m
At 1 April 2022	385.1	5.9	391.0
Additions on acquisition of subsidiary	5.8	0.5	6.3
Additions to lease liabilities	22.3	7.4	29.7
Interest expense	8.5	0.3	8.8
Effect of modification to lease	1.0	–	1.0
Lease payments	(84.6)	(4.7)	(89.3)
Disposals to lease liabilities	(1.1)	–	(1.1)
Foreign exchange movements	0.5	–	0.5
At 31 March 2023	337.5	9.4	346.9
Additions on acquisition of subsidiary	–	–	–
Additions to lease liabilities	31.8	10.5	42.3
Interest expense	8.5	0.5	9.0
Effect of modification to lease	11.1	(0.5)	10.6
Lease payments	(87.7)	(5.9)	(93.6)
Disposals to lease liabilities	(7.8)	–	(7.8)
Foreign exchange movements	(0.2)	–	(0.2)
At 29 March 2024	**293.2**	**14.0**	**307.2**

The derecognition of right of use assets and disposals of lease liabilities relates to ongoing store and garage closure programmes where Leases have been exited before their original exit date.

Modification of leases relate to renegotiations of leases following discussions with landlords.

14. Leases continued

Carrying value of lease liabilities included in the statement of financial position	29 March 2024 £m	31 March 2023 £m
Current liabilities	**79.1**	77.6
Non-current liabilities	**228.1**	269.3

Lease liabilities	29 March 2024 £m	31 March 2023 £m
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**87.5**	85.0
Between one and two years	**78.8**	80.9
Between two and three years	**56.8**	67.1
Between three and four years	**40.7**	45.2
Between four and five years	**27.3**	30.3
Between five and six years	**16.9**	20.3
Between six and seven years	**13.7**	14.0
Between seven and eight years	**10.7**	11.8
Between eight and nine years	**6.9**	9.3
Between nine and ten years	**1.2**	6.0
After ten years	**2.8**	3.6
Total contractual cash flows	**343.4**	373.5

ii) Amounts recognised in Consolidated Income Statement

	Land and buildings £m	Equipment £m	Total £m
52 weeks ended 29 March 2024			
Amortisation charge on right-of-use assets	**74.0**	**5.7**	**79.7**
Interest on lease liabilities	**8.5**	**0.5**	**9.0**
Expenses relating to short-term leases	**5.1**	**1.3**	**6.4**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**–**	**0.3**	**0.3**
52 weeks ended 31 March 2023			
Amortisation charge on right-of-use assets	72.8	4.7	77.5
Interest on lease liabilities	8.5	0.3	8.8
Expenses relating to short-term leases	4.8	–	4.8
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	–	2.0	2.0

iii) Amounts recognised in Consolidated Statement of Cash Flows

The total cash outflow for leases in the period ended 29 March 2024 was £93.6m (2023:£ 89.3m)

15. Inventories

	29 March 2024 £m	31 March 2023 £m
Finished goods for resale	**237.5**	256.2

Finished goods inventories include £12.2m (2023: £13.4m) of provisions to carry inventories at net realisable value where such value is lower than cost. During the period a £1.2m release (2023: £3.4m release) of provisions for inventory including returned goods provisions was recognised.

Goods bought for resale recognised as a cost of sale amounted to £648.5m (2023: £662.9m).

NOTES TO THE FINANCIAL STATEMENTS

16. Trade and other receivables

	29 March 2024 £m	31 March 2023 £m
Falling due within one year:		
Trade receivables	**64.1**	64.1
Less: provision for impairment of receivables	**(0.4)**	(0.5)
Trade receivables–net	**63.7**	63.6
Other receivables	**37.5**	31.1
Accrued income	**51.3**	33.2
Prepayments	**8.5**	16.7
	161.0	144.6
Falling due after one year:		
Other receivables	**2.3**	–
	2.3	–

Information about the Group's exposure to credit and market risks and impairment losses for trade and other receivables is included in Note 22.

Accrued income at 29 March 2024 includes £38.3m (2023: £29.7m) relating to supplier income.

Other receivables at 29 March 2024 includes £5.2m (2023: £0.8m) relating to a supplier financing arrangement.

17. Cash and cash equivalents

	29 March 2024 £m	31 March 2023 £m
Cash at bank and in hand	**13.3**	41.9

The Group's banking arrangements are subject to a netting facility whereby credit balances may be offset against the indebtedness of certain other Group companies. £0.9m (2023: £3.1m) of the Group's cash and cash equivalents included in the balance sheet and cash flow statments is restricted and not available to utilise within the Group on demand. This comprises £0.3m (2023: £2.4m) held by the trustee of the Groups Employment Benefit Trust in relation to the share scheme for employees and £0.6m (2023: £0.7m) in relation to the 'Here to Help' fund.

18. Borrowings

Current	29 March 2024 £m	31 March 2023 £m
Unsecured bank overdraft	**–**	9.7
Other borrowings	**1.8**	–
Lease liabilities	**79.1**	77.6
	80.9	87.3
Non-current		
Drawdown on RCF	**19.6**	34.0
Lease liabilities	**228.1**	269.3
	247.7	303.3

The Group's borrowing facility is a committed £180m revolving credit facility, which began on 4 December 2020, of which £20.0m is designated as an overdraft facility. On 16 April 2024 the facility was extended for a further 4 years to 16 April 2028 with a 1 year extension option. The facility carries an interest rate of SONIA plus a margin, which is variable based on the gearing measures as set out in the facility covenant certificate and which is currently 200 basis points. Both utilisation and non-utilisation fees are also applicable, being charged when utilisation rises above a set percentage with non-utilisation based on a set percentage of the applicable margin. These charges are based on market rates as are the commitment fees.

18. Borrowings continued

The Group had the following committed borrowing facilities available at each balance sheet date in respect of which all conditions precedent had been met:

	29 March 2024 £m	31 March 2023 £m
Expiring between 2 and 5 years	**180.0**	180.0
	180.0	180.0

The committed facility of £180.0m (2023: £180.0m) relates to the Group's revolving credit facility, of which £20.0m is designated as an overdraft facility. This facility incurred commitment fees at market rates.

19. Trade and other payables

	29 March 2024 £m	31 March 2023* £m
Current liabilities		
Trade payables	**242.8**	232.7
Other taxation and social security payable	**38.0**	34.1
Other payables	**0.9**	16.2
Accruals and deferred income	**86.7**	79.3
	368.4	362.3
Non-current liabilities		
Accruals and other deferred income	**3.6**	3.5
	3.6	3.5

* Prior period restated please see note 30 for further details.

Accruals and deferred income at 29 March 2024 includes £8.3m (2023: £7.8m) of deferred income in relation to product warranties and service and repair plans, of which £4.8m (2023: 4.3m) is within current liabilities and £3.6m (2023: £3.5m) is within non-current liabilities. The deferred income balance also includes £12.0m (2023: £19.1m) of payments made in advance of goods and services being provided to customers.

Items included in deferred income at 31 March 2023 that have been recognised within Revenue in the current period total £24.4m (2023: £21.5m).

Accruals and deferred income at 29 March 2024 includes deferred consideration of £4.0m (2023: £3.2m) relating to the acquisition of Lodge Tyre on 4 October 2022, which is payable in July 2024.

20. Provisions

	Property related £m	**Other trading £m**	**Total £m**
At 31 March 2023	20.4	5.7	26.1
Charged during the period	7.6	0.2	7.8
Acquired during the period	–	0.1	0.1
Utilised during the period	(5.7)	(0.4)	(6.1)
Released during the period	(4.4)	–	(4.4)
At 29 March 2024	**17.9**	**5.6**	**23.5**
Analysed as:			
Current liabilities	**7.3**	**5.1**	**12.4**
Non-current liabilities	**10.6**	**0.5**	**11.1**

Property related provisions consist of costs of associated wear and tear incurred on leasehold properties, other ongoing onerous commitments associated with property leases (excluding rent), and costs related to the exit of closed stores and garages. Of the £7.8m charged in the period, £1.7m is within non-underlying items, with £4.6m relating to discontinued operations, see note 10. The property-related provisions will be utilised over the average remaining lease term of 1.9 years.

Other trading provisions comprise a sales returns provision and an employer/product liability provision (of which £0.5m is non-current).

21. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon in the current and prior reporting periods.

	Property related items £m	Short term temporary differences £m	Share-based payments £m	Intangible assets £m	Tax losses £m	Total £m
At 1 April 2022	9.4	0.5	4.1	(6.2)	6.9	14.7
(Charge)/credit to the income statement	–	0.4	(0.7)	1.1	(1.0)	(0.2)
Credit to other comprehensive income	–	1.1	–	–	–	1.1
Acquisition of subsidiary	(0.3)	–	–	(3.5)	–	(3.8)
Charge to equity	–	–	(0.9)	–	–	(0.9)
At 31 March 2023	9.1	2.0	2.5	(8.6)	5.9	10.9
(Charge)/credit to the income statement	(6.4)	0.2	(0.7)	1.0	0.5	(5.4)
Charge to other comprehensive income	–	(0.4)	–	–	–	(0.4)
Acquisition of subsidiary	–	–	–	–	–	–
Charge to equity	–	–	–	–	–	–
At 29 March 2024	**2.7**	**1.8**	**1.8**	**(7.6)**	**6.4**	**5.1**

Deferred income tax assets and liabilities are offset when the group has a legally enforceable right to do so and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	29 March 2024 £m	31 March 2023 £m
Deferred tax assets	**17.7**	23.0
Deferred tax liabilities	**(12.6)**	(12.1)
	5.1	10.9

No deferred tax asset has been recognised in respect of £32.5m (2023: £35.3m) relating to unused tax losses as it is not considered probable that there will be future taxable profits available for offset. The net impact of this balance is an unrecognised deferred tax asset of £8.1m. These losses may be carried forward indefinitely.

22. Financial instruments and related disclosures

a) Treasury policy

The Group's treasury department's main responsibilities are to:

- Ensure adequate funding and liquidity for the Group;
- Manage the interest risk of the Group's debt;
- Invest surplus cash;
- Manage the clearing bank operations of the Group; and
- Manage the foreign exchange risk on its non-sterling cash flows.

Treasury activities are delegated by the Board to the Chief Financial Officer ("CFO"). The CFO controls policy and performance through the line management structure to the Group Treasurer and by reference to the Treasury Committee. The Treasury Committee meets regularly to monitor the performance of the Treasury function.

Policies for managing financial risks are governed by Board approved policies and procedures, which are reviewed on an annual basis.

The Group's debt management policy is to provide an appropriate level of funding to finance the Business Plan over the medium term at a competitive cost and ensure flexibility to meet the changing needs of the Group. Details of the Group's current borrowing facilities are contained in Note 18.

22. Financial instruments and related disclosures continued

b. Accounting classifications and fair value

29 March 2024	Note	Carrying amount Fair value – hedging instruments £m	Amortised cost £m	Other financial liabilities £m	Total carrying amount £m
Financial assets measured at fair value					
Forward exchange contracts used for hedging		**0.2**	**–**	**–**	**0.2**
		0.2	**–**	**–**	**0.2**
Financial assets not measured at fair value					
Trade and other receivables*	16	**–**	**103.5**	**–**	**103.5**
Cash and cash equivalents	17	**–**	**13.3**	**–**	**13.3**
		–	**116.8**	**–**	**116.8**
Financial liabilities measured at fair value					
Forward exchange contracts used for hedging		**(1.6)**	**–**	**–**	**(1.6)**
		(1.6)	**–**	**–**	**(1.6)**
Financial liabilities not measured at fair value					
Borrowings	18	**–**	**–**	**(21.4)**	**(21.4)**
Lease liabilities	18	**–**	**–**	**(307.2)**	**(307.2)**
Trade and other payables**	19	**–**	**–**	**(242.8)**	**(242.8)**
		–	**–**	**(571.4)**	**(571.4)**

* Prepayments of £8.5m and accrued income of £51.3m are not included as a financial asset.

** Other taxation and social security payables of £38.0m, deferred income and accruals of £86.7m and other payables of £0.9m are not included as a financial liability.

31 March 2023	Note	Carrying amount restated Fair value – hedging instruments £m	Amortised cost £m	Other financial liabilities £m	Total carrying amount £m
Financial assets measured at fair value					
Forward exchange contracts used for hedging		1.1	–	–	1.1
		1.1	–	–	1.1
Financial assets not measured at fair value					
Trade and other receivables*	16	–	94.7	–	94.7
Cash and cash equivalents	17	–	41.9	–	41.9
		–	136.6	–	136.6
Financial liabilities measured at fair value					
Forward exchange contracts used for hedging		(4.2)	–	–	(4.2)
		(4.2)	–	–	(4.2)
Financial liabilities not measured at fair value					
Borrowings	18	–	–	(43.7)	(43.7)
Lease liabilities	18	–	–	(346.9)	(346.9)
Trade and other payables**	19	–	–	(232.7)	(232.7)
		–	–	(623.3)	(623.3)

* Prepayments of £16.7m and accrued income of £33.2m are not included as a financial asset.

** Other taxation and social security payables of £34.1m, deferred income and accruals of £79.3m and other payables of £16.2m are not included as a financial liability.

The fair values of each class of financial assets and liabilities is the carrying amount, based on the following assumptions:

Trade receivables, trade payables, short-term deposits and borrowings	The fair value approximates to the carrying amount predominantly because of the short maturity of these instruments.
Long-term borrowings	The fair value of bank loans and other loans approximates to the carrying value reported in the balance sheet as the majority are floating rate where payments are reset to market rates at intervals of less than one year.
Forward currency contracts	The fair value is determined using the mark to market rates at the reporting date and the outright contract rate.

22. Financial instruments and related disclosures continued

Fair value hierarchy

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

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

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

c. Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

i) Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors is responsible for establishing the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was £117.9m (2023: £158.7m).

Impairment losses on financial assets recognised in profit or loss were as follows:

£m	**52 weeks to 29 March 2024**	52 weeks to 31 March 2023
Impairment loss on trade and other receivables	**(0.1)**	(0.3)
	(0.1)	(0.3)

Trade receivables

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

The majority of the Group's sales are paid in cash at point of sale which further limits the Group's exposure. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Board of Directors has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment terms and conditions are offered. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one month for customers. There are no material trade receivable balances with customers based outside of the UK.

The Group has taken into account the historic credit losses incurred on trade receivables and adjusted it for forward-looking estimates. The movement in the allowance for impairment in respect of trade receivables during the year was £0.1m decrease.

22. Financial instruments and related disclosures continued

Cash and cash equivalents

The Group held cash and cash equivalents of £13.3m at 29 March 2024 (2023: £41.9m). The cash and cash equivalents are held with banks and financial institutions which are designated "A" by Standard & Poor and Fitch, and "A1" by Moody's. The Group does not consider there to be any impairment loss in respect of these balances (2023: £nil).

Derivatives

The derivatives are entered into with banks and financial institutions counterparties which are designated at least "BBB-" by Standard & Poor and Fitch, and "A3" by Moody's.

iii) Market risk

The Group's exposure to market risk predominantly relates to interest, currency and commodity risk. These are discussed further below. Commodity risk is due to the Group's products being manufactured from metals and other raw materials, subject to price fluctuation. The Group mitigates this risk through negotiating fixed purchase costs or maintaining flexibility over the specification of finished products produced by its supply chain to meet fluctuations.

Foreign currency risk

The Group has a significant transaction exposure as a result as direct-sourced purchases from its suppliers in the Far East & Europe, with most of the trade being in US dollars. The Group's policy is to manage the foreign exchange transaction exposures of the business to ensure the actual costs do not exceed the budget costs by more than 10% (excluding increases in the base cost of the product).

The Group does not hedge either economic exposure or the translation exposure arising from the profits, assets and liabilities of non-sterling businesses whilst they remain immaterial.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be, and has been, effective in offsetting changes in cash flows of the hedging item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- The effect of the counterparty and Group's own credit risk on the fair value of the forward exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- Changes in the timing of the hedged item.

During the 52 weeks to 29 March 2024, the foreign exchange management policy was to hedge via forward contract purchase between 75% and 100% of the material foreign exchange transaction exposures on a rolling 18-month basis. Hedging is performed through the use of foreign currency bank accounts and forward foreign exchange contracts.

At 29 March 2024 the Group held the following instruments to hedge exposures to changes in foreign currency:

	Maturity		
Forward exchange contracts	**1–6 months**	**6–12 months**	**More than one year**
Net exposure (in £m)	**64.4**	**33.4**	**9.5**
Average GBP:USD forward contract rate	**1.2421**	**1.2590**	**1.2615**

At 31 March 2023 the Group held the following instruments to hedge exposures to changes in foreign currency:

	Maturity		
Forward exchange contracts	1–6 months	6–12 months	More than one year
Net exposure (in £m)	40.0	33.5	12.4
Average GBP:USD forward contract rate	1.2310	1.1962	1.1932

22. Financial instruments and related disclosures continued

The amounts at the reporting date relating to items designated as hedged items were as follows:

Forward currency risk	Cash flow hedge reserve (excluding tax) £m	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied £m
At 29 March 2024		
Inventory purchases	(0.6)	–
At 31 March 2023		
Inventory purchases	(2.1)	–

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

	29 March 2024	
	USD £m	Other £m
Cash and cash equivalents	**0.6**	**0.6**
Trade and other receivables	**1.1**	**–**
Trade and other payables	**(27.6)**	**(2.0)**
	(25.9)	**(1.4)**

The table below shows the Group's sensitivity to foreign exchange rates on its US dollar financial instruments, the major currency in which the Group's derivatives are denominated.

	2024 Increase/ (decrease) in equity £m
10% appreciation of Sterling against the US dollar	**13.1**
10% depreciation of Sterling against the US dollar	**(10.7)**

A strengthening/weakening of Sterling, as indicated, against the USD at 29 March 2024 would have increased / (decreased) equity and profit or loss by the amounts shown above. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

The movements in equity relate to the fair value movements on the Group's forward contracts that are used to hedge future stock purchases.

Interest rate risk

The Group's policy aims to manage the interest cost of the Group within the constraints of the Business Plan and its financial covenants. The Group's borrowings are currently subject to floating rate interest rates and the Group will continue to monitor movements in the swap market.

If interest rates on floating rate borrowings (i.e. cash and cash equivalents and bank borrowings which attract interest at floating rates) were to change by + or – 1%, the impact on the results in the Income Statement and equity would be a decrease/increase of £0.4m (2023: £0.2m).

Interest rate movements on deposits, obligations under finance leases, trade payables, trade receivables, and other financial instruments do not present a material exposure to the Group's statement of financial position.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group manages capital by operating within a debt ratio, which is calculated as the ratio of net debt to underlying EBITDA. The Group was in a net debt position as at 29 March 2024 (2023: net debt).

22. Financial instruments and related disclosures continued

Pension liability risk

The Group has no association with any defined benefit pension scheme and therefore carries no deferred, current or future liabilities in respect of such a scheme. The Group operates a number of Group Personal Pension Plans for colleagues.

Liquidity risk

The Group ensures that it has sufficient cash or loan facilities to meet all its commitments when they fall due by ensuring that there is sufficient cash or working capital facilities to meet the cash requirements of the Group for the current Business Plan.

For providers of debt, the Group ensured that such counterparties used for credit transactions held at least an investment grade credit rating at the time of the refinancing (December 2020) and in April 2024 when the Group's borrowing facility was extended to April 2028. At the period end the banks within the banking group maintained a credit rating of BBB- or above, in line with Treasury policy. The counterparty credit risk is reviewed by the Chief Financial Officer regularly as part of the Treasury Committee process. In addition, the credit exposure is monitored on a daily basis.

The risk is measured through regular review of forecast liquidity by the Head of Treasury to determine whether there are sufficient credit facilities to meet forecast requirements, and through monitoring covenants on a regular basis to ensure there are no breaches, which would lead to an "Event of Default". Calculations are submitted biannually to the Group banking agent. There have been no breaches of covenants during the reported periods.

The contractual maturities of leases liabilities are disclosed in Note 14. All trade and other payables are due within one year.

The following table provides an analysis of the anticipated contractual cash flows for the Group's forward currency contracts. Cash flows receivable in foreign currencies are translated using spot rates as at 29 March 2024 (Prior year: 31 March 2023).

	2024	
	Receivables £m	**Payables £m**
Due less than one year	**30.6**	**73.1**
Due between 1 and 2 years	**4.2**	**5.9**
Contractual cash flows	**34.8**	**79.0**
Fair value of derivatives	**0.2**	**(1.6)**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

23. Capital and reserves

	2024		2023	
Ordinary shares of 1p each:	**Number of shares**	**2024 £'000**	Number of shares	2023 £'000
Allotted, called up and fully paid	**218,928,736**	**2,189**	218,928,736	2,189

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

In total the Company received proceeds of £4.2m (2023: £0.4m) from the exercise of share options. During the period the Company purchased £10.2m (2023: £1.5m) of its own shares.

Investment in own shares

At 29 March 2024 the Company held in Trust 502,138 (2023: 973,212) of its own shares with a nominal value of £5,021 (2023: £9,732). The Trust has waived any entitlement to the receipt of dividends in respect of its holding of the Company's ordinary shares. The market value of these shares at 29 March 2024 was £0.8m (2023: £1.7m). In the current period 5,176,875 (2023: 1,000,000) were repurchased and transferred into the Trust, with 5,647,949 (2023: 1,478,490) reissued on exercise of share options.

23. Capital and reserves continued

Other reserves

Capital Redemption Reserve

The capital redemption reserve has arisen following the purchase by the Company of its own shares and comprises the amount by which the distributable profits were reduced on these transactions in accordance with the Companies Act 2006.

Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Non-controlling interest

A non-controlling interest arose following the sale of a minority interest in Avayler Trading Limited during the period. The non-controlling interest balance is measured by the proportion of net assets at the date of the initial sale, with the closing balance also including the total profit attributable to the third party since the date of the share disposal.

24. Share based payments

The Group has five share award plans, all of which are equity-settled schemes. The Group Income Statement charge recognised in respect of share-based payments for the current period is £3.8m (2023: £2.4m).

1. Halfords Company Share Option Scheme (CSOS)

The CSOS was introduced in June 2004 and the Company made annual grants up to and including 2016. Options were granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is ten years.

Options granted before August 2013 became exercisable on the third anniversary of the date of grant, subject to the achievement of a three-year performance condition. For grants up to 150% of basic salary the options could only be exercised if the increase in earnings per share ("EPS") over the performance period is not less than the increase in the Retail Price Index ("RPI") plus 3.5% per period. In the case of grants in excess of 150% of basic salary, the excess could only be exercised in full if the increase is not less than RPI plus 10% per period. Exercise of an option is subject to continued employment.

The expected volatility is based on historical volatility of a peer group of companies since the IPO in June 2004. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds.

Options were valued using the Black-Scholes option-pricing models. No performance conditions were included in the fair value calculations.

2. Management Share Plan ("MSP")

The CSOS has been replaced by the MSP. Nil cost options have been granted which can be exercised on or after the third anniversary of the date on which they are granted. The option cannot be exercised later than ten years from the date on which it was granted. Exercise of an option is subject to continued employment.

The expected volatility is based on historical volatility of a peer group of companies. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds.

Options were valued using the Black-Scholes option-pricing models. No performance conditions were included in the fair value calculations.

3. Halfords Sharesave Scheme ("SAYE")

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

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

24. Share based payments continued

4. Performance Share Plan ("PSP")

The introduction of the PSP was approved at the Annual General Meeting in August 2005 awarding the Executive Directors and certain senior management conditional rights to receive shares. Annual schemes have been approved for each year from 2005.

For 2009 awards onwards, the Committee has recommended the reinvestment of dividends earned on award shares, such shares to be awarded in proportion to the vesting of the original award shares. The grants awarded under the PSP in 2019, 2020, 2021 and 2022 were awarded final dividends of 7.0p per share and were reinvested at a cost of £1.9867 per share. PSP grants awarded in 2019, 2020, 2021, 2022 and 2023 earned interim dividends of 3.0p per share and were reinvested at a cost of £1.771 per share.

The performance criteria for the 2018 PSP award and the 2019 PSP award was weighted 50% towards Group EPS growth, 25% towards Group revenue growth and 25% towards Group Free Cash Flow. The 2020 PSP award performance criteria was weighted 20% towards Group EPS growth, 30% towards Group Free Cash Flow, 10% towards Group services-related sales and 40% towards total shareholder return. The performance criteria for the 2021, 2022 and 2023 awards are weighted 50% towards Group EPS growth, 20% towards Group services-related sales and 30% towards total shareholder return.

For the 2019 PSP scheme other senior participants conditions were based on the performance of the individual business units. The awards are weighted 37.5% towards Group EPS growth targets, 12.5% weighted towards Group revenue growth targets and 50% weighted toward EBIT of the individual business unit.

Options were valued using the Black–Scholes option-pricing models. For 2020 onwards scheme options relating to the total shareholder return tranche were valued using the Monte Carlo option-pricing model.

5. Deferred Bonus Plan ("DBP")

Under the Deferred Bonus Plan ("DBP") one third of the Executive's annual bonus is deferred as shares for three years.

The following tables reconcile the number of share options outstanding and the weighted average exercise price (WAEP) for all share award plans.

24. Share based payments continued

For the period ended 29 March 2024

	CSOS		MSP		SAYE		PSP	
	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)
Outstanding at start of period	240	3.71	2,297	2.05	8,267	1.28	8,160	–
Granted	–	–	1,310	1.93	3,383	1.51	2,216	–
Shares representing dividends reinvested	–	–	–	–	–	–	317	–
Forfeited	–	–	–	–	–	–	(1,097)	–
Exercised	–	–	(390)	1.99	(3,944)	1.34	(1,139)	–
Lapsed	(240)	3.71	(284)	1.99	(1,319)	1.28	–	–
Outstanding at end of period	–	3.71	2,933	2.01	6,387	1.36	8,457	–
Exercisable at end of period	–	–	295	–	264	–	–	–
Exercise price range (£)	–	–	–	–	–	1.16–1.79	–	–
Weighted average remaining contractual life (years)	–	–	–	8.2	–	2.5	–	5.4

For the period ended 31 March 2023

	CSOS		MSP		SAYE		PSP	
	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)
Outstanding at start of period	382	3.71	1,747	2.28	6,479	1.44	6,306	–
Granted	–	–	1,054	1.67	3,515	1.16	2,548	–
Shares representing dividends reinvested	–	–	–	–	–	–	284	–
Forfeited	–	–	–	–	–	–	(580)	–
Exercised	(3)	3.71	(312)	1.35	(247)	1.56	(398)	–
Lapsed	(139)	3.71	(192)	2.36	(1,480)	1.65	–	–
Outstanding at end of period	240	3.71	2,297	2.05	8,267	1.28	8,160	–
Exercisable at end of period	–	–	–	–	–	–	–	–
Exercise price range (£)	–	3.71	–	–	–	1.16–1.79	–	–
Weighted average remaining contractual life (years)	–	0.3	–	8.4	–	1.7	–	7.9

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

	52 weeks to 29 March 2024			52 weeks to 31 March 2023		
Grant date	**MSP**	**SAYE**	**PSP**	MSP	SAYE	PSP
Share price at grant date (£)	1.93	1.98	1.93	1.67	1.71	1.67
Exercise price (£)	–	1.51	–	–	1.16	–
Expected volatility	50.16%	52.93%	53.26%	67.61%	62.69%	55.03%
Option life (years)	10	3	3	10	3	3
Expected life (years)	2.75	3.5	3	2.75	3.5	3
Risk free rate	–	3.6%	–	–	0.2%	–
Expected dividend yield	5.06%	4.95%	–	5.65%	5.28%	–
Probability of forfeiture	33%	44%	–	33%	44%	–
Weighted average fair value of options granted	1.66	0.75	1.68	1.41	0.73	1.67

As the MSP & PSP awards have a nil exercise price, the risk free rate of return does not have any effect on the estimated fair value and therefore is excluded from the above table. Expected volatility used is based on historic volatility rates, as historic share price movements over the expected lives are broadly in line with the longer term. The average share price during the period was £1.95 (2023: £1.87).

25. Commitments

	2024 £m	2023 £m
Capital expenditure: Contracted but not provided	–	0.3

26. Pensions

Employees are offered membership of the **Halfords** Pension, which is a contract-based plan, where each member has their own individual pension policy, which they monitor independently. The costs of contributions to the scheme are charged to the income statement in the period that they arise. The contributions to the scheme for the period amounted to £6.8m (2023: £10.1m).

In accordance with Government initiatives, **Halfords** operates an automatic enrolment process with regards to its pension arrangements. Employees who are aged between 22 and state pension age, earn more than £10,000 a year, and work in the UK, are automatically enrolled into the Group pension arrangement. Employees retain the right to withdraw from this pension arrangement; however, election of this choice must be made.

27. Contingent liabilities

The Group's banking arrangements include the facility for the bank to provide a number of guarantees in respect of liabilities owed by the Group during the course of its trading. In the event of any amount being immediately payable under the guarantee, the bank has the right to recover the sum, in full, from the Group. The total amount of guarantees in place at 29 March 2024 amounted to £nil (2023: £0.4m).

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

28. Related party transactions

The Group's ultimate parent company is **Halfords** Group plc. A listing of all related undertakings is shown within the financial statements of the Company on pages 214 to 220.

Transactions with key management personnel

The key management personnel of the Group comprise the Executive and Non-Executive Directors and the **Halfords** Limited and **Halfords** Autocentres management boards. The details of the remuneration, long-term incentive plans, shareholdings and share option entitlements of individual Directors are included in the Directors' Remuneration Report on pages 140 to 149. Key management compensation is disclosed in Note 4.

Directors of the Company control 0.50% of the ordinary shares of the Company.

29. Off balance sheet arrangements

The Group has no off balance sheet arrangements to disclose as required by S410A of the Companies Act 2006.

30. Prior period adjustment

Supplier arrangements and period end cut-off

On 1 April 2022, **Halfords** entered into a new arrangement with a third-party logistics provider for wholesale tyre purchasing and distribution services. This arrangement, together with the scale of growth in the Autocentres business and increased intercompany transactions between the enlarged Group, created significant reconciliation complexity during the period ended 31 March 2023. As a result of this increased complexity, errors were identified in the GRNI reconciliations at 31 March 2023. **Halfords** has performed a full investigation and as a result, under-accruals to GRNI have been identified.

To correct for the error to the Consolidated Statement of Financial Position as at 31 March 2023, Trade and other payables have been increased by £7.3m, with a corresponding increase in Cost of sales. The Tax charge for the period ended 31 March 2023 has been reduced by a total of £1.4m as a result of this adjustment.

Classification of Merchant and Consumer Finance Fees

During the preparation of the FY24 interim results, inconsistencies were identified in the classification of merchant fees across the group within the FY23 Financial Statements. As a result, merchant fees of £2.8m were incorrectly included within Operating expenses instead of Cost of sales.

In addition, further inconsistencies were identified in the measurement of revenue when financing companies provide consumer credit to **Halfords**' customers. Revenue and Cost of sales were overstated by £1.7m within the FY23 Financial Statements, being the difference between retail selling prices and the amounts received from the financing companies.

To correct for these errors in the Consolidated Income Statement for the 52 weeks to 31 March 2023, Revenue has been reduced by £1.7m, Cost of Sales has been increased by £1.1m and Operating expenses have been reduced by £2.8m. There has been no impact on profit after tax or net assets.

30. Prior Period Adjustment continued

The total impact of the above prior period adjustment on the results for the 52 weeks to 31 March 2023 is as follows:

Consolidated Income Statement	52 weeks to 31 March 2023 Originally reported £m	Supplier arrangements £m	Merchant and consumer finance fees £m	Discontinued operations (note 10) £m	52 weeks to 31 March 2023 Restated £m
Revenue	1,593.5	–	(1.7)	(19.1)	1,572.7
Cost of sales	(808.2)	(7.3)	(1.1)	12.6	(804.0)
Gross profit	785.3	(7.3)	(2.8)	(6.5)	768.7
Operating expenses	(729.7)	–	2.8	9.3	(717.6)
Results from operating activities	55.6	(7.3)	–	2.8	51.1
Net finance expense	(12.1)	–	–	–	(12.1)
Profit before income tax	43.5	(7.3)	–	2.8	39.0
Income tax expense	(9.5)	1.4	–	–	(8.1)
Profit / (loss) after tax from continuing operations	34.0	(5.9)	–	2.8	30.9
Loss after tax from discontinued operations	–	–	–	(2.8)	(2.8)
Profit for the period attributable to equity shareholders	**34.0**	**(5.9)**	**–**	**–**	**28.1**

Consolidated Statement of Financial Position	52 weeks to 31 March 2023 Originally reported £m	Supplier arrangements £m	52 weeks to 31 March 2023 Restated £m
Trade and other payables	(355.0)	(7.3)	(362.3)
Current tax liabilities	(5.0)	1.4	(3.6)
Total current liabilities	(462.2)	(5.9)	(468.1)
Net current liabilities	(18.4)	(5.9)	(24.3)
Total liabilities	(784.3)	(5.9)	(790.2)
Net assets	562.8	(5.9)	556.9
Retained earnings	362.0	(5.9)	356.1
Total equity	**562.8**	**(5.9)**	**556.9**

Consolidated Statement of Cash Flows	52 weeks to 31 March 2023 Originally reported £m	Supplier arrangements £m	52 weeks to 31 March 2023 Restated £m
Profit after tax for the period	34.0	(5.9)	28.1
Income tax expense	9.5	(1.4)	8.1
Increase in trade and other payables	32.0	7.3	39.3
Net cash from operating activities	**154.8**	**–**	**154.8**

Earnings Per Share	52 weeks to 31 March 2023 Originally reported	52 weeks to 31 March 2023 Restated
Basic earnings per ordinary share	15.6p	12.9p
Diluted earnings per ordinary share	15.0p	12.4p
Basic earnings per ordinary share before non-underlying items	18.8p	16.1p
Diluted earnings per ordinary share before non-underlying items	18.0p	15.4p

30. Prior Period Adjustment continued

Investment in own shares

During the preparation of the financial statements for the 52 week period ended 29 March 2024 the Group identified an error relating to the transfer of the cost of shares in excess of their exercise price on the exercise of share options by employees under the Group's share based payment arrangements (see Note 24 for further details).

To correct for this error in these financial statements the following adjustments have been made:

- The cumulative impact on periods ending on or before 1 April 2022 has been recognised within the opening balances in the consolidated statement of changes in equity as at 1 April 2022, resulting in a decrease in Investment in own shares of £8.3m with a corresponding decreased in Retained earnings.
- Share options exercised within the consolidated statement of changes in equity for the 52 week period ending 31 March 2023 have been restated resulting in a £2.5m decrease in the amount attributable to investment in own shares and a corresponding increase in Retained earnings.

As a result of the above adjustments the closing balances as at 31 March 2023 in the consolidated statement of changes in equity and consolidated statement of financial position have been restated resulting in a £10.8m decrease in Investment in own shares and a corresponding decrease in Retained earnings.

COMPANY BALANCE SHEET

	Notes	29 March 2024 £m	31 March 2023 £m
Fixed assets			
Investments	4	**817.6**	813.8
Current assets			
Debtors falling due after than one year	5	**55.7**	127.2
Debtors falling due within one year	5	**–**	4.8
Cash at bank and in hand	6	**1.2**	2.6
		56.9	134.6
Creditors: amounts falling due within one year	7	**(402.1)**	(405.4)
Net current liabilities		**(345.2)**	(270.8)
Creditors: amounts falling due after more than one year	7	**(19.6)**	(33.8)
Net assets		**452.8**	509.2
Capital and reserves			
Called up share capital	9	**2.2**	2.2
Share premium account	9	**212.4**	212.4
Investment in own shares	9	**(1.0)**	(1.9)
Capital redemption reserve	9	**0.3**	0.3
Profit and loss account	9	**238.9**	296.2
Total shareholders' funds		**452.8**	509.2

The notes on pages 216 to 220 form part of the Company's financial statements.

The Company has elected to prepare its financial statements under FRS 101 and the accounting policies are outlined on page 216.

The Company made a loss before dividends paid for the period of £32.5m (52 week period to March 2023: £1.2m loss). The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and have not presented a profit and loss account for the Company alone.

The financial statements on pages 214 to 220 were approved by the Board of Directors on 17 July 2024 and were signed on its behalf by:

Jo Hartley
Chief Financial Officer

Company number: 04457314

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital £m	Share premium £m	Investment in own shares £m	Capital redemption £m	Retained earnings £m	Total £m
At 1 April 2022	2.2	212.4	(11.6)	0.3	325.3	**528.6**
Restatement*	–	–	8.3	–	(8.3)	**–**
At 1 April 2022 restated	2.2	212.4	(3.3)	0.3	317.0	**528.6**
Loss for the period	–	–	–	–	(1.2)	**(1.2)**
Purchase of own shares	–	–	(1.5)	–	–	**(1.5)**
Share options exercised – restated*	–	–	2.9	–	(2.5)	**0.4**
Share based payments	–	–	–	–	2.4	**2.4**
Dividends paid	–	–	–	–	(19.5)	**(19.5)**
At 31 March 2023	2.2	212.4	(1.9)	0.3	296.2	**509.2**
Loss for the period	–	–	–	–	(32.5)	**(32.5)**
Purchase of own shares	–	–	(10.2)	–	–	**(10.2)**
Share options exercised	–	–	11.1	–	(6.9)	**4.2**
Share based payments	–	–	–	–	3.8	**3.8**
Dividends paid	–	–	–	–	(21.7)	**(21.7)**
At 29 March 2024	2.2	212.4	(1.0)	0.3	238.9	**452.8**

* See note 30 to the Group financial statements for further details.

ACCOUNTING POLICIES

Accounting convention

The accounts of the Company are prepared for the period up to the Friday closest to 31 March each year. Consequently, the financial statements for the current period cover the 52 weeks to 29 March 2024, whilst the comparative period covered the 52 weeks to 31 March 2023. The accounts are prepared under the historical cost convention, except where Financial Reporting Standards require an alternative treatment in accordance with applicable UK accounting standards and, specifically, in accordance with the accounting policies set out below. The principal variation to the historical cost convention relates to share-based payments.

Basis of preparation

The Company financial statements of **Halfords** Group plc are prepared on a going concern basis for the reasons set out in the Going Concern and Viability Statement on pages 90 and 91, and under the historical cost convention.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100). The Company financial statements have been prepared in accordance with FRS 101 "Reduced Disclosure Framework" and has ceased to apply all UK Accounting Standards issued prior to FRS 100. Therefore, the recognition and measurement requirements of the international accounting standards have been applied, with amendments, where necessary, in order to comply with Companies Act 2006.

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

As permitted by Section 408 of the Companies Act 2006, no profit or loss account is presented for this Company. Additionally, no cash flow statement is presented as permitted by FRS 101.8 (h). The loss for the year is disclosed in Note 1 to the financial statements.

Employee Benefit Trusts ("EBTs") are consolidated on the basis that the parent has control, thus the assets and liabilities of the EBT are included on the Company balance sheet and shares held by the EBT in the Company are presented as a deduction from equity.

In the current period, the terminology used to describe cash holdings in the Company Balance Sheet has been updated to ensure full compliance with the Companies Act. The balance previously reported as 'Cash and cash equivalents' has been revised to 'Cash at bank and in hand'. This is a change in presentation only and there has been no impact on the previously reported figures in the Company balance sheet as at 31 March 2023.

Share-based payments

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

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

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

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

Investments

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

The investments have been tested for impairment using the present value of the expected future cash flows arising from the underlying subsidiaries and the carrying value of the investments. The forecast cash flows and the key assumptions used in the value in use calculations are subject to inherent estimation uncertainty. Details of key assumptions and sensitivities are set out in note 12 to the Group's financial statements.

Dividends

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

NOTES TO THE FINANCIAL STATEMENTS

1. Profit and loss account

The Company made a loss before dividends paid for the 52 week period to 29 March 2024 of £32.5m (52 week period to 31 March 2023: £1.2m loss) including a £35.0m expense relating to the recognition of a provision for expected credit losses on an intercompany loan (Note 5). The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the Company alone.

2. Fees payable to the auditors

Fees payable by the Group to BDO LLP and their associates during the current and prior period are detailed in note 3 to the Group financial statements.

3. Staff costs

The Company has no employees other than the Directors. Full details of the Directors remuneration and interests, including those details required by Schedule 5, are set out in the Remuneration Report on pages 140 to 149, which forms part of the audited information.

4. Investments

	£m
Shares in Group undertaking	
Cost	
As at 31 March 2023	813.8
Additions – share based payments	3.8
At 29 March 2024	**817.6**

The investments represent shares in the Company's subsidiary undertaking as at 29 March 2024 and the fair value of share-based compensation plans that are awarded to employees of the Company's subsidiary undertakings.

The Company's investments are subject to an impairment review when there are indicators of impairment. In the current period the Company has identified indicators of impairment and an impairment assessment has been performed. The impairment assessment is based on value-in-use calculations prepared for the annual impairment assessments for Goodwill allocated to the Retail and Autocentres CGU groups, see note 12 to the Group financial statements for more details. The impairment assessment showed the value-in-use of the Company's investments was in excess of their carrying value.

The related undertakings of the Company at 29 March 2024 are as follows:

	Incorporated in	Ordinary shares percentage owned %	Principal activities
Halfords Group Holdings Limited*	United Kingdom	100	Intermediate holding company

* Registered in England and Wales. Registered office: Icknield Street Drive, Washford West, Redditch, Worcestershire, B98 0DE

Subsidiary undertaking	Principal activity	% Ownership of ordinary equity shares
Subsidiaries registered in England & Wales, with a registered address of: Icknield Street Drive, Washford West, Redditch, Worcestershire, B98 0DE		
Avayler Holdings Limited*	Intermediate holding company	100
Avayler Trading Limited*	Business and domestic software development	95
Axle Group Limited*	Intermediate holding company	100
Boardman Bikes Limited*	Non-trading	100
Boardman International Limited*	Non-trading	100
Capital Tyres (Northallerton) Limited*	Non-trading	100
Fit4Fleet Holdings Limited*	Intermediate holding company	100
Fit4Fleet Limited*	Car servicing	100
Giant (Wales) Limited*	Non-trading	100
Halfords Autocentres Developments Limited*	Dormant	100
Halfords Autocentres Limited*	Car servicing	100
Halfords IP Management Limited*	Dormant	100
Halfords Limited*	Retailing of auto parts, accessories, cycles and cycle accessories	100
Halfords Vehicle Management Limited*	Dormant	100

NOTES TO THE FINANCIAL STATEMENTS

4. Investments continued

Subsidiary undertaking	Principal activity	% Ownership of ordinary equity shares
Lodge Tyre Company Limited*	Car servicing	100
LTC Trading Holdings Limited*	Intermediate holding company	100
National Tyre and Autofit Limited*	Dormant	100
National Tyre Service Limited*	Car servicing	100
NW Autocentres Limited*	Dormant	100
Performance Cycling Holdings Limited*	Intermediate holding company	100
Performance Cycling Limited*	Retailing of cycles and cycle accessories	100
Stop n Steer Limited*	Dormant	100
The Marsham Tyre Company Limited*	Dormant	100
Tredz Limited*	Non-Trading	100
Tyre and Autofit Limited*	Dormant	100
Universal Tyre Company (Deptford) Limited*	Car servicing	100
W.Briggs & Company Limited*	Dormant	100
Wheelies Direct Limited*	Dormant	100
Subsidiary registered in Scotland, with a registered address of: The Ca'D'Oro, 45 Gordon Street, Glasgow, Scotland, G1 3PE		
Acorn (Paisley) Limited*	Dormant	100
Axle Group Holdings Limited*	Intermediate holding company	100
Birkenshaw Tyre Company Limited*	Dormant	100
Constant Price Monitor Limited*	Car servicing	100
McConechy's Tyre Service Limited *	Car servicing	100
McConechy's Tyres Services Holdings Limited*	Intermediate holding company	100
Stepgrades Motor Accessories Limited*	Non-Trading	100
Strathclyde Tyre Services Limited *	Dormant	100
ULM Service Limited*	Car servicing	100
Viking International Limited*	Dormant	100
Subsidiary registered in the Republic of Ireland, with a registered address of: c/o Ogier Leman LLP, Ground Floor, Investment House, 8_24 Percy Place, Dublin, Dublin 4, D04 P5K3, Ireland		
Halfords (Ireland) Limited*	Dormant	100
Subsidiary registered in Delaware USA, with a registered address of: c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808		
Halfords Software Services Division LLC	Software as a Service provider	100
Other equity investment, registered in Northern Ireland, with a registered address of: 22 Derryall Road, Portadown, Craigavon, Northern Ireland BT62 1PL		
Hamilton Internet Services Limited*	E–Commerce	0.06

The only subsidiaries to trade during the year were **Halfords** Limited, **Halfords** Autocentres Limited, Performance Cycling Limited, McConnechy's Tyre Services Limited, The Universal Tyre Company (Deptford) Limited, National Tyre Service Limited, Stepgrade Motor Accessories Limited, Avayler Trading Limited, **Halfords** Software Services Division LLC, Constant Price Monitor Limited, Lodge Tyre Company Limited, Capital Tyres (Northallerton) Limited and ULM Services Limited.

* Shares held indirectly through subsidiary undertakings

During the period Birkenshaw Distributors Limited was sold, see details of this disposal in note 10 to the Group financial statements.

During the period Capital Tyres (Northallerton) Limited was acquired, see details of the acquisition in note 11 to the Group financial statements.

FINANCIAL STATEMENTS

5. Debtors

	2024 £m	2023 £m
Falling due within one year:		
Other Debtors	–	4.8
Falling due after more than one year:		
Amounts owed by Group undertakings	55.7	127.2
	55.7	132.0

Amounts owed by Group undertakings are repayable according to the terms of an intercompany loan agreement. The loans mature on 4 December 2025 and bear interest at market rates based on SONIA plus a margin of 2%. Amounts owed by Group undertakings have been assessed in line with IFRS 9 and as at 29 March 2024 a provision for expect credit losses of £35.0m has been recognised (2023: Nil).

6. Cash at bank and in hand

	2024 £m	2023 £m
Falling due within one year:		
Cash at bank and in hand	1.2	2.6
	1.2	2.6

£0.3m (2023: £2.4m) of the Company's cash at bank and in hand included in the balance sheet is held by the trustee of the Company's Employee Benefit Trust in relation to the share scheme for employees. Therefore, these funds are restricted and are not available to be circulated on demand.

7. Creditors

	2024 £m	2023 £m
Falling due within one year:		
Amounts owed to Group undertakings	401.8	405.3
Accruals and deferred income	0.3	0.1
	402.1	405.4
Falling due after more than one year:		
RCF drawdown (Note 8)	19.6	33.8
	19.6	33.8

Amounts owed to Group undertakings are repayable on demand and have, therefore, been classified as due within one year, although it is not expected that all of this amount will be repaid within 12 months of the balance sheet date.

8. Borrowings

	2024 £m	2023 £m
Drawdown on RCF	19.6	33.8
	19.6	33.8

The above borrowings are stated net of unamortised issue costs of £0.4m (2023: £1.2m).

The Company's borrowing facilities are detailed in note 18 of the Group's financial statements.

9. Equity share capital

Ordinary shares of 1p each:	**2024 Number of shares**	**2024 £000**	2023 Number of shares	2023 £000
Allotted, called up and fully paid	**218,928,736**	**2,189**	218,928,736	2,189

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

In total the Company received proceeds of £4.2m (2023: £0.4m) from the exercise of share options. During the period the Company purchased £10.2m (2023: £1.5m) of its own shares.

Potential issue of ordinary shares

The Company has a number of employee share option schemes. Further information regarding these schemes can be found in Note 24 of the Group's financial statements.

Investment in own shares

At 29 March 2024 the Company held in Trust 502,138 (2023: 973,212) of its own shares with a nominal value of £5,021 (2023: £9,732).
The Trust has waived any entitlement to the receipt of dividends in respect of its holding of the Company's ordinary shares. The market value of these shares at 29 March 2024 was £0.8m (2023: £1.7m). In the current period 5,176,875 (2023: 1,000,000) were repurchased and transferred into the Trust, with 5,647,949 (2023: 1,478,490) reissued on exercise of share options.

10. Share-based payments

Share based payments during the period were £3.8m (2023: £2.4m) bringing the balance at 29 March 2024 to £43.5m (2023: £38.9m).

11. Profits available for distribution

Distributable reserves	£m
As at 31 March 2023	268.6
Restatement*	(10.8)
As at 31 March 2023 restated	257.8
Loss for the period	(32.5)
Share options exercised	(6.9)
Dividends paid	(21.7)
At 29 March 2024	**196.7**

* See Note 30 to the Group financial statements for more details.

The loss for the period includes a £35.0m expense relating to the recognition of a provision for expected credit losses on an intercompany loan (Note 5).

12. Reserves

The Company settled dividends of £21.7m (2023: £19.5m) in the period, as detailed in note 8 to the Group's financial statements.

13. Related party disclosures

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

14. Contingent liabilities

The Group's banking arrangements include the facility for the bank to provide a number of guarantees in respect of liabilities owed by the Group during the course of its trading. In the event of any amount being immediately payable under the guarantee, the bank has the right to recover the sum in full from the Group. The total amount of guarantees in place at 29 March 2024 amounted to £nil (2023: £0.4m).

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

15. Off Balance sheet arrangements

The Company has no off balance sheet arrangements to disclose as required by S410A of the Companies Act 2006.


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SHAREHOLDER INFORMATION

CONTENTS

FIVE-YEAR RECORD

	52 weeks to 27 March 2020* £m	52 weeks to 2 April 2021 (audited) £m	52 weeks to 1 April 2022 (audited) £m	52 weeks to 31 March 2023 Restated** (audited) £m	**52 weeks to 29 March 2024 (audited) £m**
Revenue	1,142.4	1,292.3	1,382.4	1,574.4	**1,696.5**
Cost of sales	(558.4)	(636.0)	(660.7)	(802.9)	**(873.9)**
Gross profit	584.0	656.3	721.7	771.5	**822.6**
Operating expenses	(513.5)	(541.8)	(620.6)	(712.6)	**(766.4)**
Operating profit before non-underlying items	70.5	114.5	101.1	58.9	**56.2**
Non-underlying operating expenses	(34.2)	(35.0)	6.8	(7.8)	**(4.3)**
Operating profit	36.3	79.5	107.9	51.1	**51.9**
Net finance costs	(13.6)	(15.0)	(11.3)	(12.1)	**(13.1)**
Underlying Profit Before Tax **	56.9	99.5	89.8	46.8	**43.1**
Non-recurring operating expenses	(34.2)	(35.0)	6.8	(7.8)	**(4.3)**
Non-recurring finance costs	–	–	–	–	**–**
Profit before tax	22.7	64.5	96.6	39.0	**38.8**
Taxation	(6.9)	(17.4)	(17.2)	(9.2)	**(10.3)**
Taxation on non-underlying items	5.0	6.1	(1.7)	1.1	**0.5**
Profit from continuing operations	20.8	53.2	77.7	30.9	**29.0**
Loss after tax from discontinued operations	–	–	–	(2.8)	**(12.1)**
Profit attributable to equity shareholders	20.8	53.2	77.7	28.1	**16.9**
Basic earnings per share	10.6p	27.1p	37.9p	12.9p	**7.8p**
Basic earnings per share before non-underlying items	25.4p	41.7p	35.5p	16.1p	**12.7p**
Weighted average number of shares	197.0m	197.1m	204.7m	217.4m	**217.4m**

* The statutory 53-week period to 3 April 2020 comprises results that are not comparable to the 52 weeks periods reported in other years. To provide a more meaningful comparison, the above tables include the unaudited pro forma 52 weeks to 27 March 2020.

** Please see note 30 for further details.

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 170. 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 management 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 period (but excluding prior year sales of stores and centres closed during the period) at constant foreign exchange rates.
2. Underlying EBIT are results from operating activities from continuing operations before non-underlying items. Underlying EBITDA further removes Depreciation and Amortisation.

	FY24 £m	FY23 Restated* £m
Underlying EBIT*	**56.2**	58.9
Depreciation & amortisation	**127.2**	123.6
Underlying EBITDA*	**183.4**	182.5

* Please see note 30 for further details.

3. Underlying Profit Before Tax is Profit before income tax and non-underlying items from continuing operations as shown in the Group Consolidated Income Statement.

	FY24 £m	FY23 £m
Underlying profit before tax from continuing operations	**43.1**	46.8
Underlying loss before tax from discontinued operations	**(7.0)**	(2.6)
Underlying profit before tax	**36.1**	44.2

* Please see note 30 for further details.

4. Underlying Earnings Per Share is Profit after income tax before non-underlying items as shown in the Group Consolidated Income Statement, divided by the number of shares in issue.
5. Net Debt is current and non-current borrowings, including lease debt, less cash and cash equivalents, both in-hand and at bank, as shown in the Consolidated Statement of Financial Position.

	FY24 £m	FY23 £m
Cash & cash equivalents	**13.3**	32.2
Borrowings – current	**(80.9)**	(77.6)
Borrowings – non-current	**(247.7)**	(303.3)
Net cash/(debt)	**(315.3)**	(348.7)

* Please see note 30 for further details.

6. Net Debt to Underlying EBITDA ratio is represented by the ratio of Net Debt to Underlying EBITDA (both of which are defined above).
7. Adjusted Operating Cash Flow is defined as net cash from operating activities, plus impairment of plant, property and equipment and right of use assets, foreign exchange movements and income tax; as reconciled below.

	FY24 £m	FY23 Restated* £m
Net cash from operating activities – continuing operations	**177.9**	150.6
Add back:		
Impairment of property, plant and equipment and right of use asset	**(2.8)**	1.1
Foreign exchange movement	**(1.2)**	8.0
Income tax paid	**11.7**	4.7
Adjusted Operating Cash Flow*	**185.6**	164.4

* Please see note 30 for further details.

8. Free Cash Flow is defined as Adjusted Operating Cash Flow (as defined above) less capital expenditure, net finance costs, taxation, exchange movement, lease payments, and arrangement fees on loans; as reconciled below.

	FY24 £m	FY23 Restated* £m
Adjusted Operating Cash Flow	**185.6**	164.4
Capital expenditure	**(45.6)**	(54.5)
Net finance costs	**(3.2)**	(4.4)
Taxation	**(11.7)**	(4.7)
Supplier financing	**(4.1)**	(0.8)
Exchange movement	**1.2**	(8.0)
Lease Payments	**(92.8)**	(89.3)
Free Cash Flow*	**29.4**	2.7

* Please see note 30 for further details.

COMPANY INFORMATION

Financial Calendar

Friday 9 August 2024	Final Dividend Record Date
Friday 6 September 2024	Annual General Meeting
Friday 13 September 2024	Final Dividend Payment Date

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