halfords

Halfords Group plc
Annual Report and Accounts
for the period ended 31 March 2023

To *Inspire* and *Support* a *Lifetime* of motoring and cycling.

Contents

halfords

Welcome to our 2023 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...

We have evolved into a consumer and B2B services focused business, with a greater emphasis on motoring, on a journey towards generating higher and more sustainable financial returns.

Our unique market position and data-driven approach means we can offer customers products and services for all their motoring and cycling needs under the **Halfords** brand. We have proven that our strategic direction is right and with our highly skilled colleagues and strong culture, we are well positioned to deliver for all our stakeholders.

Online Annual Report
Read our Annual Report online, including a link to the full Remuneration Policy:
halfords.annualreport2023.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

Our Integrated Report
This is our ninth 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 focuses on value generation for our shareholders, it also demonstrates how we interact with all stakeholders.

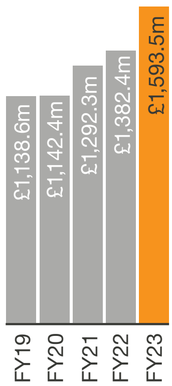
The Group has two reportable segments, Retail and Car Servicing, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different operational, technological and marketing strategies. The operations 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 Car Servicing reporting segment comprise car servicing and repair performed from garages and vans. These are the definitions which are used within the financial parts of our Annual Report. Elsewhere, this segment is referred to as Autocentres.

Group Highlights

Financial

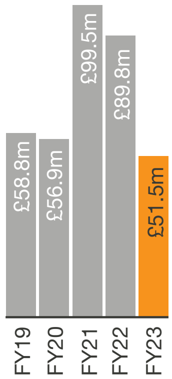
Revenue

+15.3%



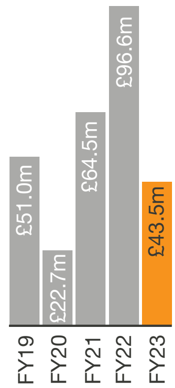
Underlying profit before tax

-42.7%



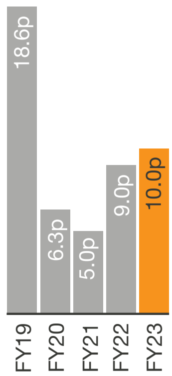
Profit before tax

-55.0%



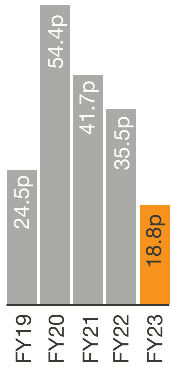
Dividend per ordinary share

+11.1%



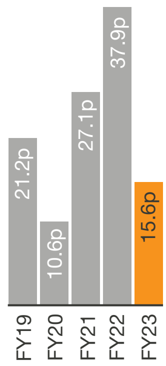
Underlying basic earnings per share

-49.3%



Basic earnings per share

-58.8%



Strategic

- In April 2023, we held a Capital Markets Day for analysts and institutional investors. Here we outlined the Group's plan to leverage the platform that has been built since 2018 and deliver improved revenue, profit and return on capital employed over the mid-term and mid-to-long term.
- In October 2022, we acquired Lodge Tyre, supporting our strategic aim of becoming a motoring services-focused business. The acquisition has resulted in **Halfords** becoming the UK's largest commercial tyre service provider and has given our commercial fleet services business much greater nationwide coverage.
- Avayler, our unique industry leading proprietary software business, has continued to develop rapidly, establishing an external international client base. The growth of Avayler supports our strategy to grow our B2B offering, with the opportunity to deliver more resilient revenue at a high operating margin.

Operational

- Following the success of our 'Fusion' towns in Colchester and Halifax, this year we rolled out the most capital efficient parts of this programme to 50 towns in our estate. In these towns we have upgraded the retail car park service provision. In addition, we have also empowered more of our colleagues with the tools to sell full solutions to our customers, every time.
- Since the launch of our Motoring Loyalty Club in March 2022, we have now signed up over 1.7 million members, significantly in excess of our initial target. This has driven new customers across the Group, as well as encouraging customers to cross shop across both our retail and garage businesses.

Sustainability

- Last year we invested in the Ecovadis platform to support the collection of accurate data from our suppliers. We have made significant progress this year in engaging with our top suppliers and capturing carbon data, a crucial first step on our journey to net zero. We have worked with suppliers and have managed to obtain primary carbon data for 79% of our spend with suppliers, giving us a much better insight into our Scope 3 emissions.
- The Bike Xchange programme, launched in late FY22, has seen customers trade-in over 11,000 bikes in exchange for **Halfords** vouchers. This scheme puts **Halfords** into the rapidly growing second-hand market for bicycles, promotes a circular economy and helps keep products in use for longer. The success of this scheme during the year has resulted in it being expanded to cover kids' bikes. In addition, Bike Xchange has shown the value of second-hand markets and this year we have also started selling refurbished E-bikes online, reducing the entry price point for customers to the E-bike market.

Our Purpose Framework

The successful implementation 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.

Our Purpose

Inspire and ***Support*** a ***Lifetime*** of motoring and cycling

Our Vision

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

Our Mission

Make motoring easier, safer and more enjoyable for everyone

Get people cycling, more frequently

Our Strategic Priorities

Inspire

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

Read more on pages 42 - 43.

Support

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

Read more on pages 44 - 45.

Lifetime

Enable a ***Lifetime*** **of motoring and cycling.**

Read more on pages 46 - 47.

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.

Our Values

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

Our Culture

Ethical foundation enabling better decisions every day

We are reliant on the culture of our business and the engagement of our colleagues to achieve our ambition. Last year, we introduced our new values relevant to our strategy across the Group. These new values are the fundamental beliefs that underpin everything we do and have been incorporated into Group training, review and reward mechanisms.

Living our Values

Following the introduction of the values, all colleagues across the Group attended leader-led workshops. These workshops were followed by the launch of a series of initiatives designed to both fully embed our values and to recognise and reward our values in action. A refreshed Group induction programme was launched in April 2022. This was designed to ensure all colleagues have a warm welcome to **Halfords** and can immediately see our values living and breathing in the culture across the business.

All new colleagues are introduced to our values as part of their induction, we also now review annual performance against the values, and colleagues are assessed against the behaviours that underpin each value. We also have a recognition programme, which recognises our "Colleague of the Quarter". We received nearly 700 nominations throughout the year, 46 colleagues were recognised as a "Colleague of the Quarter" and at the end of FY23, three colleagues were awarded "Colleague of the Year".

The importance of our people

Our colleagues are vital to our success and as such, we do everything we can to ensure their wellbeing – both physical and mental – remains healthy. Our "One **Halfords** Family" value is lived through all our colleagues and we all go the extra mile to help those around us. From financial help through our Wagestream app and 'Here to Help' fund to having over 100 fully-trained Mental Health First aiders across the Group, we offer colleagues a variety of ways to access help, should they need it. We let colleagues have the option to feedback about how they feel through regular listening groups and anonymously through the annual engagement survey. We also remain committed to providing best-in-class training to our colleagues to promote career progression. This includes field-based training, such as electric servicing, all the way to online training courses via our intranet to upskill colleagues who wish to progress their career.

Read more about how the Board monitors culture on pages 106 - 107.

Group at a Glance

We are a market-leading business, with unique and differentiated products and services.

Our unique mix of stores, garages, mobile vans and home delivery means we can offer customers unparalleled convenience in the motoring and cycling markets.

We know that our customers want us to be there for them, when they need us. That means our stores and garages are open early and late, we offer a services proposition which is mobile and comes to them wherever they are and we offer convenient product delivery options to meet their needs. This year we have made strong progress in further enhancing the journey our commercial customers go on with us with an even more convenient proposition with more garages – giving commercial customers less distance to drive to drop their vehicles off – and significantly more mobile vans (both customer and commercial). This means that more customers than ever can access our services without disrupting their busy lifestyles.

Our Market-leading Proposition

Recognising that convenience is important to our customers, our combination of assets means customers can access our wide range of products and services in a way that suits their needs, be that in a store, garage, at home via a mobile van or online via our integrated web platform. Our B2B platform means business customers can also take advantage of our unique combination of assets.

B2B
Offering products and services, across both motoring and cycling, to businesses around the UK and ROI, including our market-leading Cycle2Work scheme.

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

Avayler
Avayler empowers **Halfords** service technicians to deliver an unrivalled experience. Our platform is so robust we have made it available to other service businesses.

Garages
643 garages offering MOT, service, maintenance and repair services.

Integrated Web Platform
Bringing together **Halfords** products and services under one website.

Mobile Vans
264 mobile service vans, 479 Commercial vans and 5 Cycling vans, bringing services direct to customers.

Click and Collect
Enabling customers to pick up products at their local store.

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

Over 12,000 colleagues work in our shops, autocentres and mobile expert hubs, at over 1,750 fixed and mobile locations.

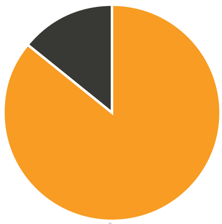
Our Business Today

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

Group Overview

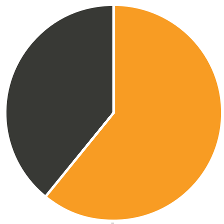
- Our ambition is for our customers, both consumer and commercial, to access any service or product they need or want for their motoring and cycling journey from one provider, whenever they want it.
- Our strong heritage has meant we have a well-established product business and have focused in recent years on growing our services business to match.
- Services businesses are inherently more resilient to external factors and now that nearly half of our revenue is service-related, **Halfords** is more capable than ever to thrive in a potentially uncertain economic climate. This also means our business has higher customer retention and a lower risk profile.
- Alongside this resilience, the evolution into a services-focused business is putting us on a journey towards generating higher and more sustainable financial returns.

2018 Revenue



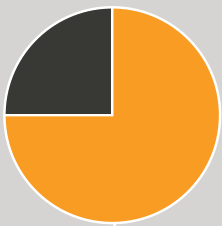
Retail 86%
Autocentres 14%

2023 Revenue



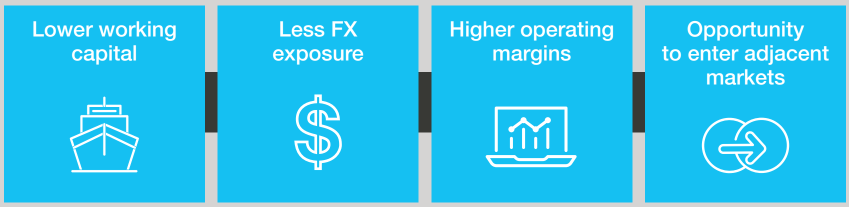
Retail 61%
Autocentres 39%

Motoring



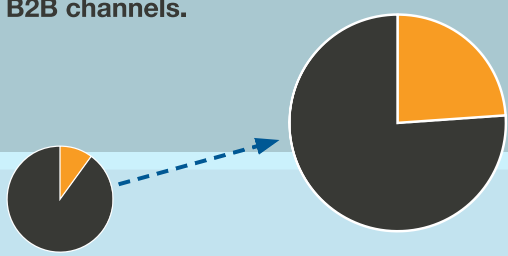
Revenue 75%

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



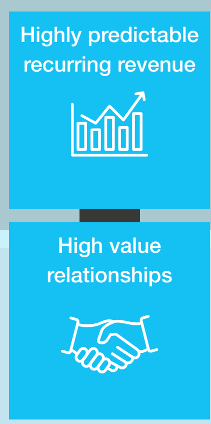
B2B

We've significantly grown revenue through B2B channels.

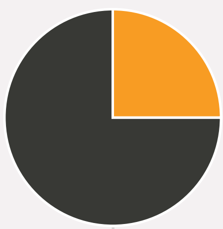


2018
B2B Revenue: 10%
B2C Revenue: 90%

2023
B2B Revenue: 24%
B2C Revenue: 76%



Cycling

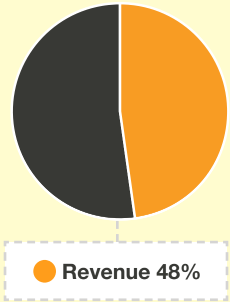


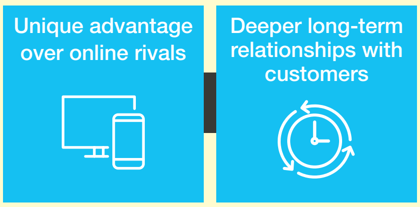
Revenue 25%

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

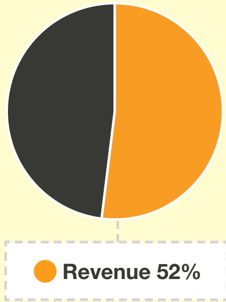
Services

- **Overview:** Giving **Halfords** a unique advantage over online rivals and helping us develop long-term relationships with our customers – our focus is helping to keep our customers (including commercial businesses) moving on their journeys.
- **Motoring:** Highly needs-based, with a fragmented market – from MOTs and services to fitting a car bulb in a car 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.

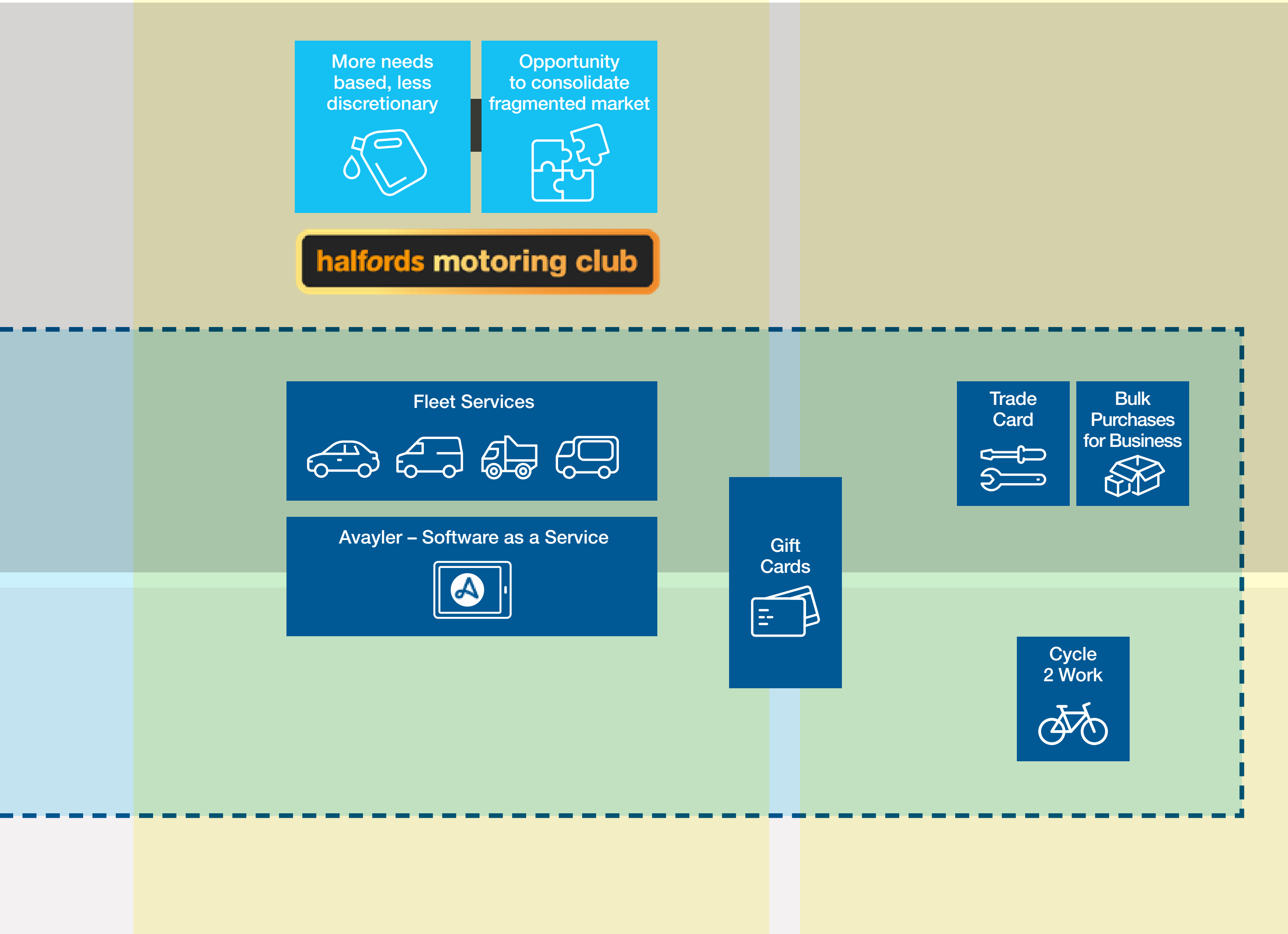




Products



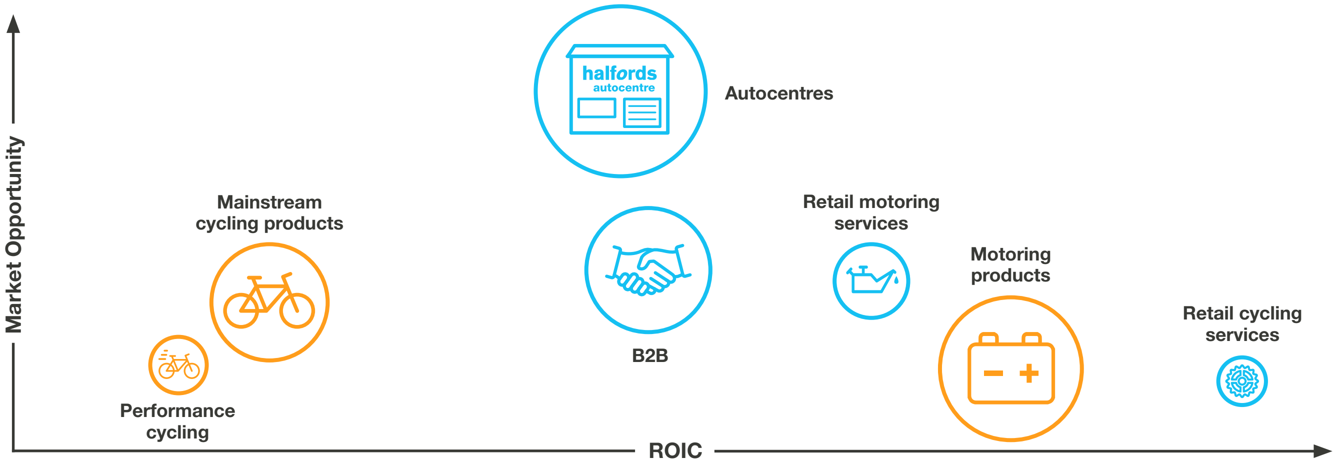
- **Overview:** An integral part of our business and what many customers still know us for – we are the super-specialists in motoring and cycling, giving customers all the motoring and cycling products they want and need.
- **Motoring:** Offering customers every product they might need for their vehicle 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.



Our Journey

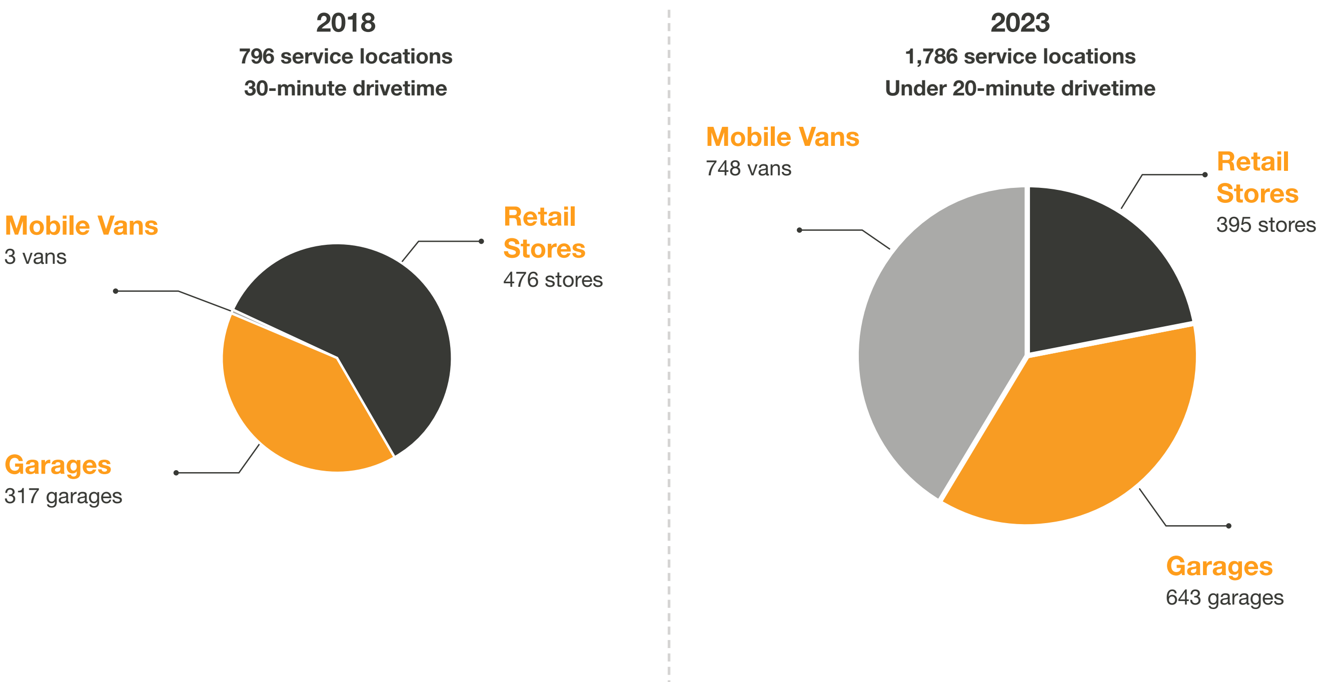
Our Progress

- Our 2018 strategy – to ***Inspire*** and ***Support*** a ***Lifetime*** of motoring and cycling – is still just as relevant today and remains our focus. We have invested consistently in this strategy and have built a platform which provides the opportunity for further growth.
- We are continuing to make strong progress in enhancing the journey our customers go on with us and have worked hard to offer an even greater level of convenience, something we know our customers highly value. This year, we continued our growth strategy adding Lodge Tyre Company ("Lodge Tyre") to the One **Halfords** Family. This acquisition, in addition to the acquisitions over the last few years, means that we have more than doubled the number of centres our consumer and commercial customers can access the **Halfords** proposition from. We are now working hard to integrate these acquisitions into the Group.
- In addition to increasing the number of fixed locations, we have grown our fleet of mobile vans (both consumer and commercial) bringing our services to customers' homes or places of work.
- Customers love what we're doing and are responding well with Net Promoter Scores showing that we are exceeding their expectations.



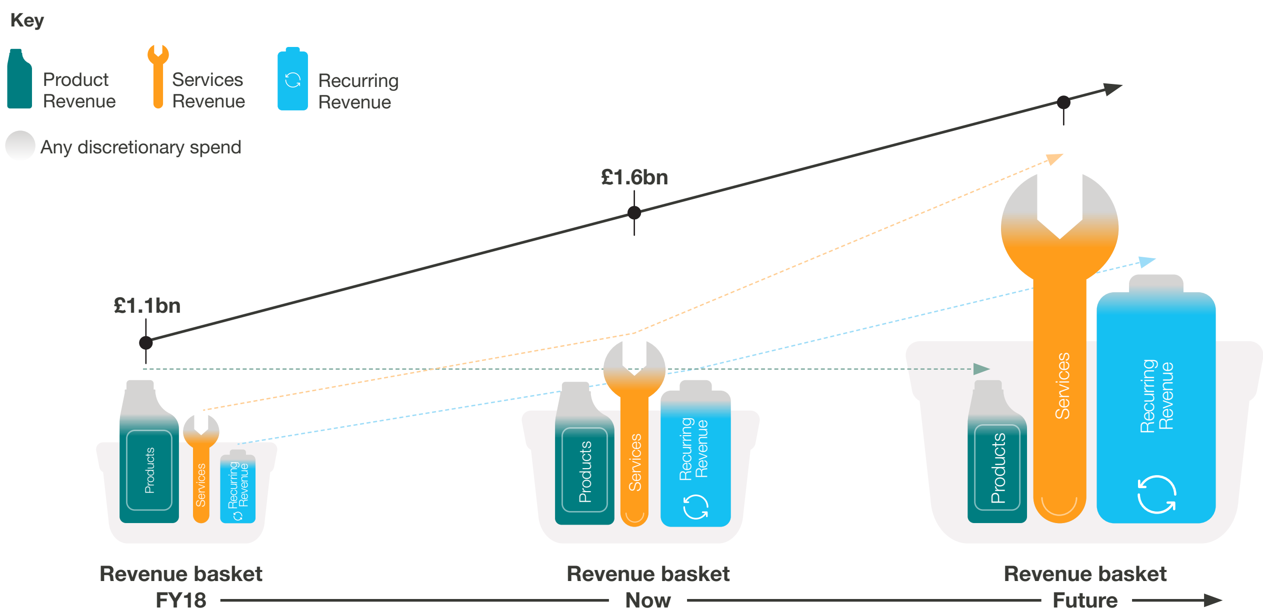
(As at 2019. Indicative only.)

We have doubled the number of service locations



Our Expansive Revenue Model

Our transformation has delivered growth in our areas of strategic importance, creating a super-specialist services business with more resilient, recurring revenue streams.



Achieved consistent inorganic growth through well-positioned acquisitions:

We have a clear vision on how we believe our recent acquisitions will create value.

Grow scale
Increasing our scale is expected to create buying and cost synergies.

National coverage-reduced drive time
Creating more convenience through more locations is expected to increase our share.

Leverage core Autocentres platform
Implementing our operating model and Avayler is expected to transform the performance of garage services.

Expand capabilities
Expanding our capabilities is expected to give us an improved offer and a bigger market to exploit our platform.

NOV 2019	DEC 2021	DEC 2021	MAR 2022	OCT 2022
McConechy's Tyre & Exhaust Centres (a halfords company)	Universal Commercial Fleet Services (a halfords company)	Iverson Tyres Ltd (a halfords company)	National Tyres and Autocare (a halfords company)	Lodge Tyre (a halfords company)
60 Centres 100 Vans	30 Centres 190 Vans	4 Centres	239 Centres 68 Vans 8 Warehouses	50 Centres 248 Vans 1 Warehouse

Our Attractive Investment Case Over the Short, Mid and Long Term

The platform we have created and will leverage going forwards:

Since the introduction of our corporate strategy in 2018, we have worked hard to establish a business that can maintain the strong retail heritage **Halfords** has gained over the last 130 years, whilst developing a business which is relevant today and in the future. From creating a huge customer database to establishing a trusted B2B proposition, we've always been thinking about how best we can serve our customers in the short, mid and long term and how we can continue to attract customers into the One **Halfords** Family. Significant investment and strategic planning has meant we are now the largest motoring and cycling services business in the UK and has given us a strong platform on which to build, offering customers even greater convenience, a wider range of services and solutions and even entry into the Software as a Service market with global clients.

Opportunities Over the Short/Mid Term

Market leading business with strong fundamentals

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

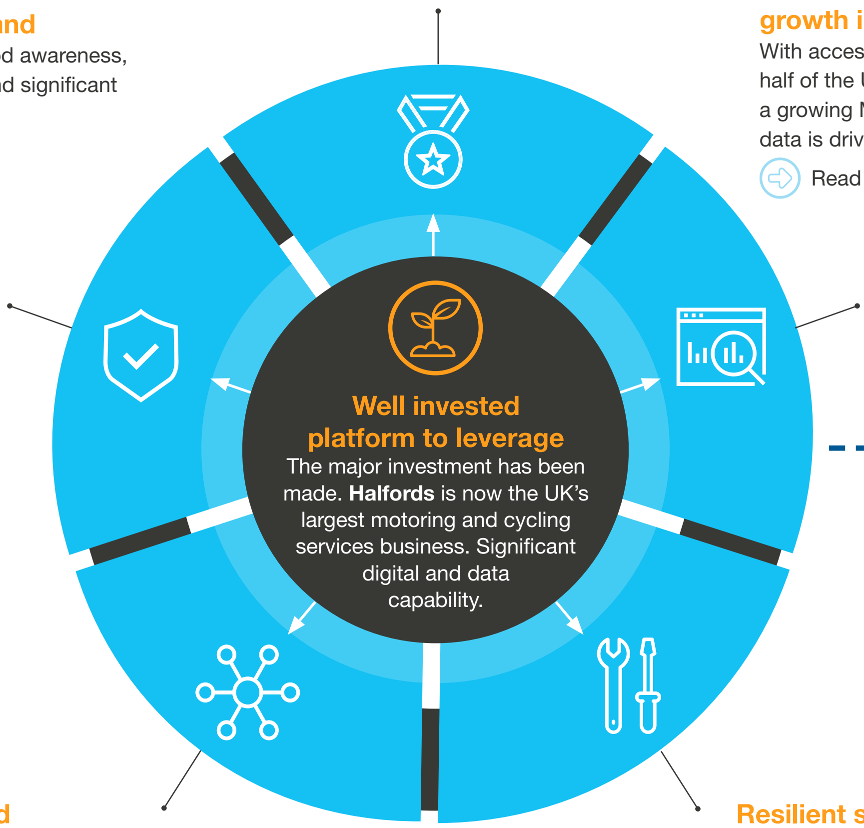
A trusted brand

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

Data driving growth in revenue

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

Read more on pages 12 - 13.



Differentiated operating model

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

Read more on pages 6 - 7.

Resilient services and commercial business

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

Read more on pages 14 - 15.

Read about our Capital Markets Day at:

www.halfordscompany.com

Additional Opportunities Over the Mid/Long Term

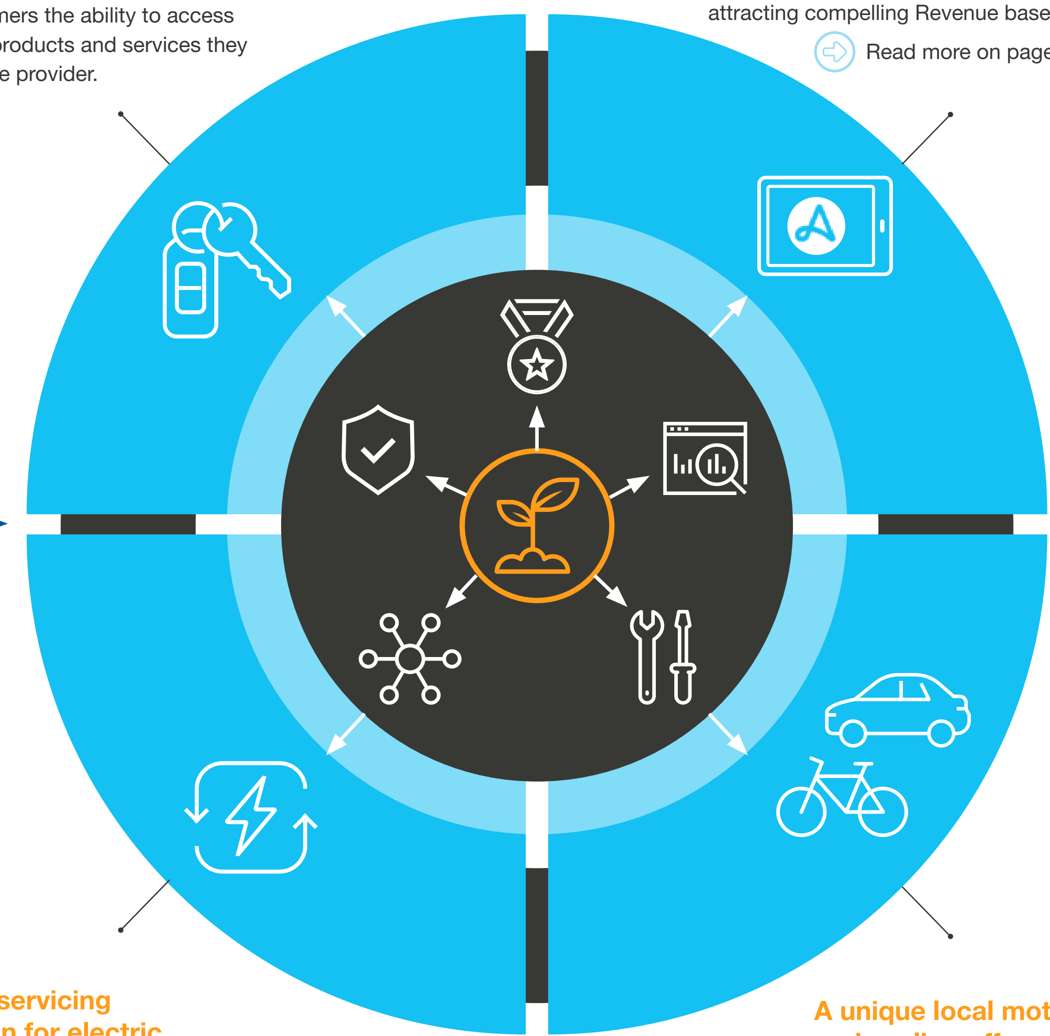
The UK's one-stop-shop for motoring ownership

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 business attracting compelling Revenue based multiples.

Read more on pages 16 - 17.



The UK's servicing destination for electric transport

Read more on page 50.

A unique local motoring and cycling offer

Read more on pages 6 - 7.

We've built an omnichannel business that connects with customers over their lifetime...

Investment in our data capabilities means we know our customers better than ever and are more able to predict future customer needs.

Overview

Halfords has built a unique data platform which enables us to know more about our customers and their vehicles whilst also helping us to predict future customer needs.

Across our channels, we capture a significant amount of data, which is collected through our investment in smart technology and our own "in-house" technology, Avayler.

Knowing our customers better enables us to improve our customer proposition.

We have high ambitions for future growth

Driving lifetime value remains in focus for our business in the future. Our successful Motoring Loyalty Club is just one way that will support us to continue to achieve this.

NOW

1.7m
Highly engaged members

7.4%
Premium subscription

MID-TERM

4–6m
Members

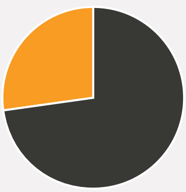
8–10%
Premium subscription

Case Study

MOTORING CLUB

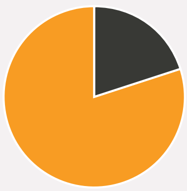
In its first year, Motoring club is delivering strong results.

Members new to Halfords Group



Existing customers 73%
New customers 27%

Members new to Garage Services



Existing customers 20%
New customers 80%

1.7m
Highly engaged members

7.4%
Paid subscription mix

Cross shop
15%
vs. c.4% non-members

+4pts
Record NPS scores

New
and younger customers

...which is being enhanced via sophisticated data collection from our customers and their vehicles.

How we collect our data is diverse and unique.

35m
Vehicle Records Checked

131m
Annual Web Visits

£317m
CRM Sales (vs. £60m in FY19, pre-CRM investment)

DATA COLLECTION

Cross channel data collection from customers and vehicles:

- In a garage
- Online
- On a van
- In a car park
- In store

ANALYSING DATA

Via our Single Customer view, CRM and Group Data Platform

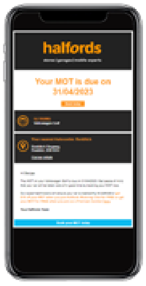
Key activities:

- Customer segmentation
- Propensity modelling
- Demand forecasting
- Frequently bought together modelling

CUSTOMER OUTPUTS

- Personalised emails
- Personalised web pages
- Personalised social posts

Powering intelligence and personalisation across our customer touch points.



MOT reminder email

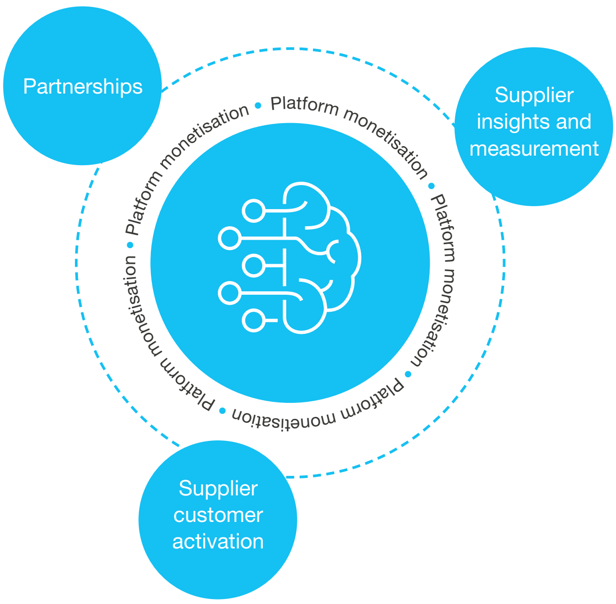
Cycling product recommender

Halfords mobile expert email

Tyre web personalisation

Weather personalisation email

Resulting in new monetisation from leveraging our unique data platform.



We have established B2B partnerships...

We've ensured our revenue is increasingly resilient through growing our presence in the more predictable and recurring B2B markets.

Overview

Our strategic ambition to evolve into a B2B-focused business is paying off with recent acquisitions and a strong focus on growing our commercial services proposition significantly increasing the percentage of Group revenue coming from B2B channels.

This increased revenue is more resilient to external pressures and is helping to create the groundwork for stronger and more sustainable long-term financial returns for our business.

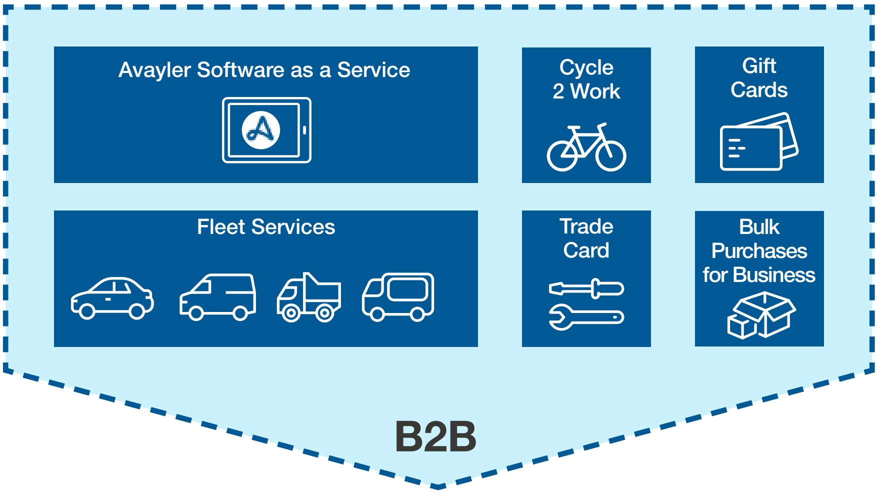
Key Highlights

+£266m

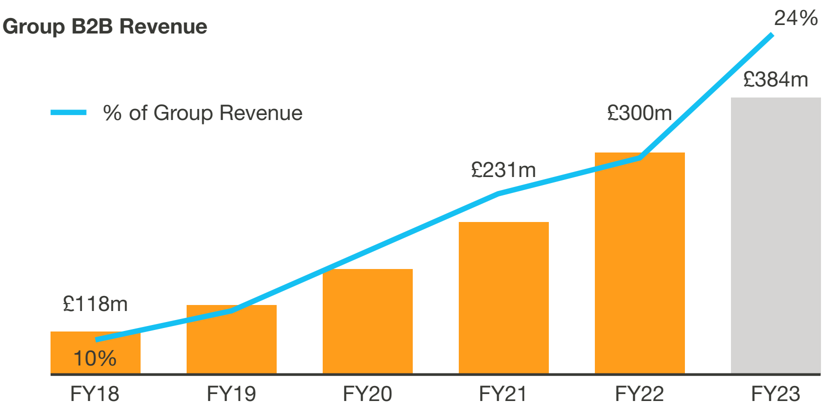
B2B Revenue Growth (FY18-FY23)

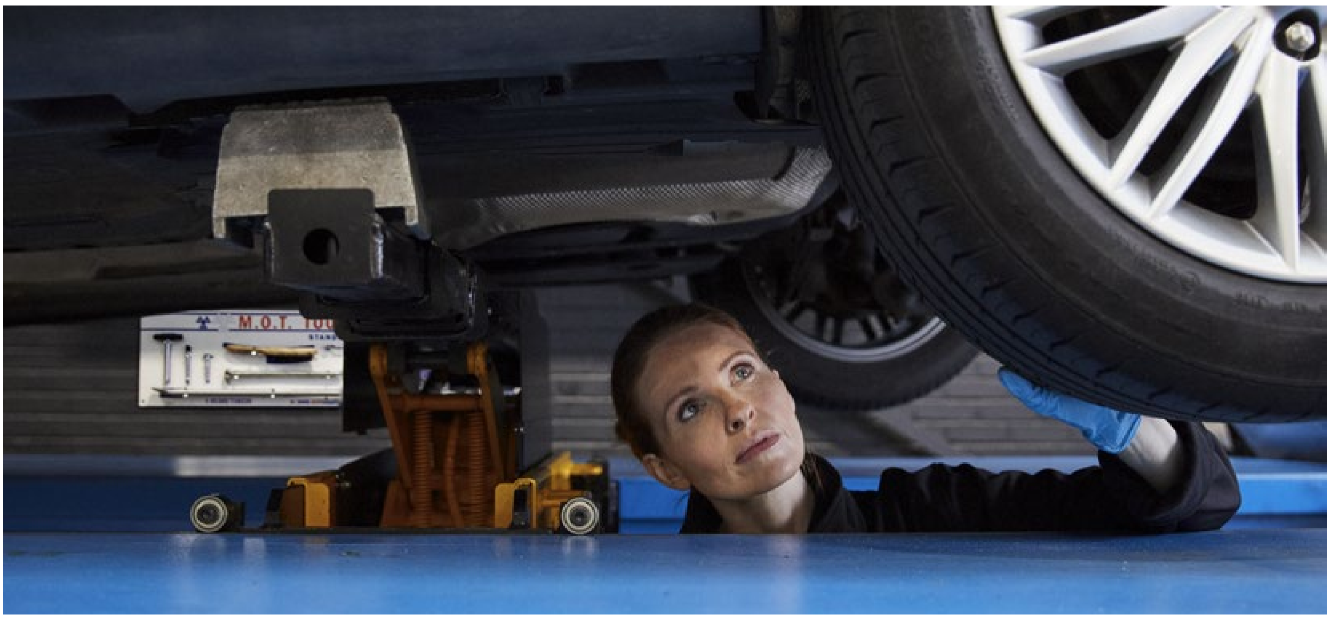
+27%

B2B Revenue Compound Annual Growth Rate (FY18-FY23)



Group B2B Revenue





...that provide stability and growth opportunities...

Case Study

LODGE TYRE COMPANY ("LODGE TYRE")

The acquisition in October 2022 was perfectly aligned to our strategic growth areas.

Lodge Tyre is a highly respected business in the commercial tyre market, with over 90% of its revenue coming from B2B customers.

Employing over 400 highly skilled colleagues, it operates from 50 garages and 248 mobile tyre fitting vans, providing on-demand and emergency coverage across the Midlands, East Anglia, North Wales and the North West. These locations are highly complementary of **Halfords**' existing commercial tyre operations.

100%
Motoring

100%
Services

>90%
B2B

The combination of Lodge Tyre, Universal and McConechy's has made us the UK's largest commercial tyre service provider.

- Lodge Tyre has led to **Halfords** having a scaled UK coverage of commercial vehicle tyre and service market.
- Adds 248 Commercial Vans, taking **Halfords** total to 479.
- Adds 50 garages, taking **Halfords** total to 643.
- Significant synergies through consolidated procurement, and the ability to win National contracts.

The current trading environment reinforces the rationale for building ever-more resilient, needs-based revenue streams. The nature of the commercial tyre market means that it is non-discretionary and therefore extremely well insulated against macroeconomic uncertainty.

Our recent acquisitions help us deliver our objective of further evolving into a business more heavily weighted towards motoring services giving us more resilient revenue streams.

Halfords is already the UK's market leading Motoring Service provider to consumers, and this latest acquisition of Lodge Tyre means **Halfords** will also be the UK's largest commercial tyre service provider by revenue and national coverage.

...and built systems and technologies that will propel us further forwards...

Avayler – Halfords' proprietary SaaS business – offers customers a true omnichannel solution empowering Halfords value proposition.

Avayler offers **Halfords**' proprietary software to streamline service delivery for companies that operate in multiple locations; software that we continue to use to significantly improve our own productivity.

Its value drivers for our business

- Resilient, contracted B2B revenue.
- Higher operating margin through leveraging existing investments.
- Large market opportunity.
- Strengthens relationships with strategic customers.

What it delivers for our customers

Deliver fully digital customer journey	Increase transparency and visibility across business	Streamline process related to service delivery	Increase service margin and offset ops costs	Be an industry leader with greater market share

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

Omnichannel

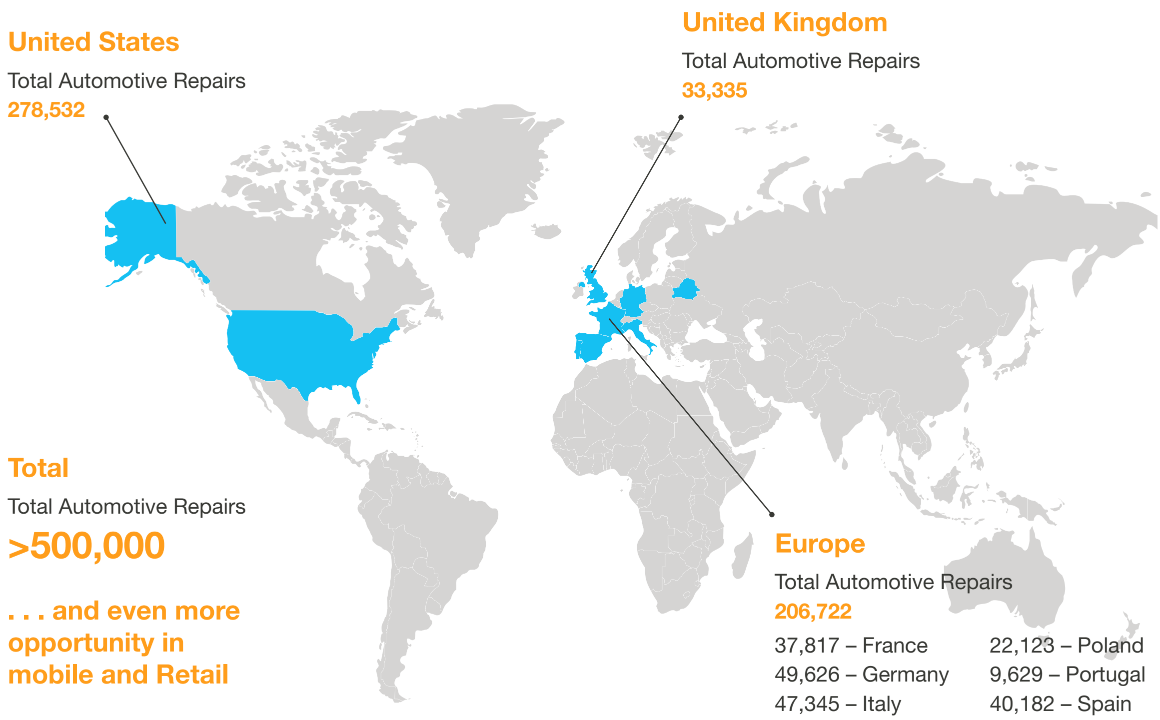
The only solution on the market that manages and optimises automotive services at any location – mobile, garages, retail store and fleet locations.

Built by Operators

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

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

Further expansion opportunities in other automotive territories



...and help drive utilisation across our business.

We are focused on local utilisation as a core driver of profit growth in both our acquired and existing garages.

Our aim is to drive utilisation in both acquired and existing garages, underpinning profitable market share and growth by growing our local demand and capacity to increase profit.

Converted demand	+	Supply of labour	=	Utilisation
Amount of time Spent on jobs completed in garages		**Technicians** Total hours available		**Increasing utilisation** Drives revenue through same cost base increasing profit £'s and %

Our new localised model gives us a unique ability to execute capacity and demand growth at a local level.

Creating Local Demand

- Local referrals from store to garage.
- Local dynamic price promotion.
- Local targeted fleet client growth.
- Predictable recurring Motoring Club customers.

Creating Local Capacity

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

1

Strategic Report

Contents

Chair's Statement

Keith Williams

"The Group delivered another year of strong strategic progress, with a robust financial performance against a challenging economic and consumer backdrop. As highlighted at the April 2023 Capital Markets Day, we believe the platform is now in place to deliver increasing shareholder returns in the mid-term."

Keith Williams
Chair

Profit Before Tax

£51.5m

Dividend Per Share (Full-Year)

10.00p

During FY23, we have seen record inflation, decade-high interest rates and historically low consumer confidence, a difficult period for any business to operate through with many reducing capital expenditure and investment. Despite the emerging economic environment, we have continued to strategically invest in areas that we believe will make a meaningful difference to business performance. As a result, we continued to integrate National Tyres, with our garage software Avayler rolling out across the estate, we have seen our Avayler Software as a Service platform launch in Europe through ATU, part of the Mobivia Group, the acquisition of Lodge Tyre complementing our existing commercial fleet service businesses of McConechy's Tyres and Universal Tyres, and the launch of our Motoring Loyalty Club to over 1.7m members giving loyal customers access to the UK's first dedicated Motoring Loyalty programme.

It has therefore been a year of significant change and transformation, with total capital spend including the consideration for Lodge Tyre of £90m. Group revenues grew +16.3% year-on-year to £1.6bn, service-related sales reached 48% of revenues and are expected to exceed 50% on a proforma basis with Lodge Tyre, and Underlying Profit before Tax was £51.5m. Although this has declined year-on-year, it was broadly flat with FY20, despite two of our four markets being significantly suppressed as a result of the cost of living crisis that emerged in the post-COVID era.

Looking ahead

We take confidence from external forecasts that the market conditions that have persisted through FY23, and look likely to impact much of FY24, will eventually subside. What is also probable, is that only the strongest and most relevant businesses will survive these periods of economic turbulence and we have great confidence in our own plans, and ability to trade through this difficult period. This is why I look forward with great optimism that **Halfords** has the strength and relevance to thrive.

As we set out in our Capital Markets Day in April 2023, we now have a more resilient, differentiated, customer and data-centric business, that is well positioned to deliver significant shareholder value over the mid-term driving improved return on capital employed.

Colleagues

Our colleagues have always been at the heart of our business and this has never been more apparent as the Group transitions to become a predominantly services business. It is their skill and passion that makes **Halfords** the first choice for the products and services we offer, keeping customers safe and moving on their journeys. The Group now employs over 12,000 colleagues across Retail stores, garages and our mobile fleet, and they are supported by dedicated central support teams, distribution centres and field colleagues; I would like to thank them all for their contribution in FY23.

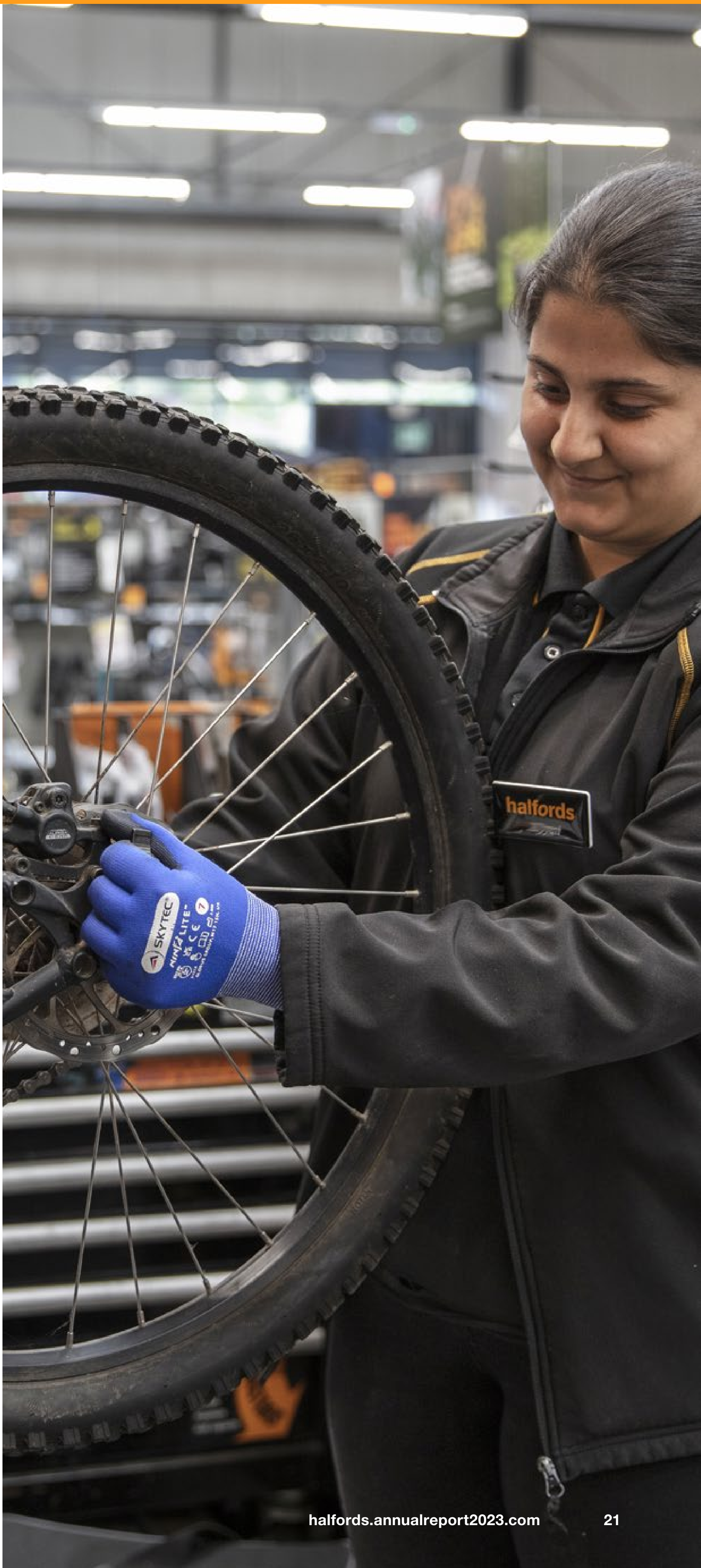
Dividend

Last year we paid a full year dividend of 9.00p per share and communicated an intention for this dividend to be progressive as we looked forward. Having paid an interim dividend of 3.00p per share earlier in FY23, I am pleased that the Board is proposing increasing the final dividend to 7.00p per share, payable in September 2023. This means the FY23 full year dividend will be 10.00p per share, an increase of +11% on the prior year. The Board is increasing this dividend due to the continued strength of the Group's balance sheet, its strong cash generation and the confidence in the mid-term plans laid out at the Capital Markets Day.

Looking forward, we intend to target dividend cover in the range of 1.5x–2.5x of Underlying Profit after Tax.

Keith Williams
Chair

21 June 2023



Chief Executive Officer's Statement

Graham Stapleton

"As we laid out our plans for the year ahead in June last year, we stated the importance of maintaining our investment in key strategic initiatives despite the emerging economic and cost of living crisis. One year on, I am proud of the strategic progress we have made during FY23."

Graham Stapleton
Chief Executive Officer

Total Group Revenue

£1,593.5m

Group Revenue from Services

£759.0m

As we laid out our plans for the year ahead in June last year, we stated the importance of maintaining our investment in key strategic initiatives despite the emerging economic challenges and cost of living crisis. One year on, I am proud of the strategic progress we have made during FY23. As detailed at our Capital Markets Day in April 2023, we have created a more resilient, differentiated, customer-focused and data-centric business – one which I believe will go on to deliver significantly higher shareholder returns over the mid-term as we leverage our unique platform.

Some of the key strategic highlights in the year included acquiring Lodge Tyre in October 2022, signing our third client onto our Avayler SaaS platform, the continued integration of National Tyres by implementing the same Avayler software across the estate, and the launch of our Motoring Loyalty Club to over 1.7m customers in its first year.

Alongside a very busy year of strategic change, we have seen the underlying strength of the Group demonstrated through a solid financial performance, which has been delivered against a backdrop of the most challenging operating conditions I have seen during my career in Retail. Total Group revenue reached £1.6bn, growing +39.5% vs FY20 (+15.3% vs FY22), with Service-related sales accounting for almost half of the Group's total revenue at 48%, and B2B revenue reaching 24%.

Underlying profit before tax was £51.5m, down -£38.3m vs FY22 and -£5.4m vs. FY20, despite £95m of year-on-year cost and market headwinds, investment in price to support customers, and continued investment in our transformation. It is this operational and financial strength that has enabled investment for future growth, as well as allowing us to increase our FY23 dividend by +11% to 10p for the full year – evidence of the confidence we have in the plan.

Group Revenue

Group revenues of £1.6bn were underpinned by LFL performance of +13.4% vs FY20 and +2.4% vs FY22. This is a particularly strong result considering the uncertain environment businesses and consumers have faced, and it demonstrates the relevance and resilience of our offer. As we have highlighted throughout this year, two of our core markets (Consumer Tyres and Cycling) are facing a very significant downturn, and in our Capital Markets Day we noted that the Consumer Tyre market remains -14% below FY20 and the cycling market -24% below the same period. To deliver sales growth despite these headwinds clearly demonstrates the underlying strength of the business and our ability to grow market share. As we look forward, the recovery of these markets, coupled with continued market share growth, will see us improve performance further.

Autocentres Revenue

Autocentres revenues continue to grow rapidly as we scale the business. Total revenues reached £614m growing +31.6% LFL vs FY20 and +15.4% vs FY22, and now representing 38% of Group revenues. Given the tyre market performance, this is a very strong result and is driven by our growing share within the tyre market which increased +0.4ppts year-on-year and the benefits of our Motoring Loyalty Club, which has introduced more new customers to our business. Indeed, the Motoring Club drove roughly a third of MOTs booked in the period.

During the year we have also seen growth in our non-LFL business, with National Tyres present in H1 for the first time and the newly acquired Lodge Tyre from October 2022. Lodge Tyre, which is centred around B2B commercial fleet tyre services, has shown a very resilient trading performance – one of the key principles in our strategic decision to grow our B2B business. National Tyres revenues have inevitably been impacted by the consumer tyre market depression. The combination of lower-than-average miles driven vs pre-COVID and the subsequent cost of living crisis has temporarily extended the life of tyres and forced consumers to delay replacing until critical. Neither factor will be permanent, and as the market recovers we anticipate continued revenue growth across the Autocentres Group.

Retail Motoring
Retail Motoring has enjoyed a strong year, as markets normalised post-Covid, and the less discretionary nature of the product and service offering has been demonstrated. There have inevitably been some more discretionary markets within the offer (e.g. Technology) that have suffered as consumers look to lower their outgoings, but we have worked hard to grow market share across our entire offer. The overall result therefore masks what we consider a very strong performance in more needs-based products. We have also improved the value of our offer, as well as the overall customer proposition. During H2, we entered the £1bn wider car parts market, providing customers with access to thousands of car parts, with next day delivery to home or store.

Retail Cycling
Whilst Cycling saw a fairly resilient performance during H1, the latter part of Q3 and Q4 saw a pronounced market deterioration due to the more discretionary nature of this category. Whilst we have grown our share of the market, it was not enough to offset the tough market conditions. As market leaders, Cycling continues to be an important part of the business, giving consumers a method of transport that is both environmentally friendly as well as beneficial for their fitness.

Whilst the more mainstream cyclist has generally reduced their spending, our market leading Cycle2Work scheme has enjoyed success, growing +16.7% year-on-year. We continue to develop our platform, making it easier for customers to gain access to exclusive and market leading own brand bikes through this government supported tax free cycling scheme.

"It has been more critical than ever that we have continued to support colleagues and customers during the cost of living crisis, improving efficiency across the Group, and identifying cost reductions where possible."

Graham Stapleton
Chief Executive Officer

CASE STUDY

MOTORING LOYALTY CLUB

Last year, we launched our brand-new Motoring Loyalty Club, a loyalty scheme offering customers great benefits, such as free MOTs, free next day delivery and discounts across the Group, to help with their motoring journeys.

The Motoring Club gives us an even better way to get to know our customers and communicate with them. We have built new technology to provide real-time, personalised expertise and rewards for members who access our services through any channel – whether a store, garage, van or online – and the response from our customers has been great.

Since launch we have seen 1.7 million members sign up and have attracted new customers to the Group, particularly in our Garage Services business with 80% of our Motoring Loyalty Club members being new to this part of the business.

The Motoring Loyalty Club has also driven an increase in cross-shop behaviours along with an increase in customer Net Promoter Score ("NPS") (vs. non-members).

Chief Executive Officer's Statement

Strategic Progress

Acquisition of Lodge Tyre

As noted at our interim results, Lodge Tyre was acquired shortly after the close of H1, in October 2022. Lodge is a commercial vehicle tyre and service specialist and complements our existing commercial fleet businesses of McConechy's and Universal Tyres. It significantly expands our UK coverage and makes **Halfords** the UK's commercial tyre services market leader. We now have a commercial fleet of 479 vans and 90 centres operating across the UK, allowing businesses to work with a single partner to support their fleets.

Lodge is perfectly aligned to our areas of strategic priority, operating wholly within the motoring services sector, and with over 90% of its revenues in B2B markets.

Whilst the integration of Lodge is not yet complete, it has joined the Group seamlessly and performed very well, with business performance in line with our business case expectations.

Avayler

Our Avayler platform is the software that underpins the **Halfords** motoring services operating model. At our Capital Markets Day in April, we detailed how this platform is central to the success of our business.

The SaaS version of our Avayler platform is already helping three of the biggest automotive businesses, (American Tire Distributors and TireBuyer in the US, and Mobivia in Europe) provide a truly customer centric service offering whilst streamlining their operations, increasing efficiencies, and reducing costs.

Motoring Loyalty Club

The launch of our Motoring Loyalty Club in March 2022 was a significant milestone for the Group. In June 2022 we set our year one targets for the club, which we have comfortably exceeded. This is a clear sign of the relevance and potential of the club, even at this early stage. With over 1.7m members against a target of 500k to 1m, and over 125k subscription members vs. a target of 50-100k, customers are already enjoying the benefits of the club. Equally as important for **Halfords**, it brings a rich dataset to the Group which allows us to understand our customer's needs better, and form more valuable lifetime customer relationships.

The club also offers more tangible benefits to the Group. In a year of very high inflation and low consumer confidence, the club has enabled the acquisition of customers to our Autocentres business from within the Group, leveraging our multi-million Retail and Digital customer bases. This has allowed us to reduce our marketing acquisition costs in channels like radio, outdoor advertising, and Google.

As a result of the club, roughly a third of Autocentres MOTs in FY23 were members of the club, with members cross-shopping more than 4x the rate of non-members. Most importantly however, is that NPS scores from members were +4 points higher than non-members.

National Tyres

As noted above, National Tyres is most exposed to the current downturn in the consumer tyre market. Despite this we have seen some excellent progress in the integration which, as the tyre market recovers, will ensure delivery of the acquisition business case. Synergies from the acquisition have delivered over £6.0m of profit in FY23, in line with the original business case.

A key activity in the year has been the implementation of our Avayler software across the estate, centralising and coordinating our buying approach. This has been achieved by leveraging our single integrated Group website, which means National garage slots are now available to book via the **Halfords** Group website. This provides the National garages with a bigger market, growing demand, capacity and efficiency, and supported the growth of our service, maintenance and repair business.

Fusion

Our Fusion programme is the transformation of the **Halfords** customer experience within a town. During FY23 our focus was to rollout the most capital efficient elements from the Halifax and Colchester trials.

As a result, we have upgraded the retail car park service provision in 50 towns alongside training nearly all our colleagues across Retail and managers in Autocentres in selling "solutions", empowering more colleagues with the tools to sell the full solution to every customer, every time.

Operating Review

FY23 proved to be another challenging operating environment. The Ukraine war acted as a catalyst to already increasing inflation, but our trading through H1 proved relatively resilient with the exception of the consumer tyre market which continued to suffer the after-effects of lower mileage driven post COVID-19 and the cost-of-living crisis. H2 trading began with a similar tone, but it was the volatile political and economic environment in the Autumn that brought about a rapid change in trading patterns in more discretionary, and typically high-ticket, products.

As a business we continued through H2 as we began in H1; a focus on cost and efficiency, delivering our most critical strategic investments, and trading with agility against difficult market conditions. Our cost and efficiency programme delivered over £20m of savings, beating the targets set out in June 2022. Highlights included lease negotiations in Retail, warehousing and distribution efficiencies, and negotiations of key freight contracts to ensure the Group rates were at or below spot rates. The Group also successfully hedged the US dollar and energy markets to deliver an average dollar exchange rate in cost of goods above $1.30 and mitigated the potential increase in energy rates in FY23.

This monumental effort was necessary to tackle the inflation in costs across the business. Although the cost of freight was successfully managed, it was still a significant headwind in FY23, as was inflation in cost of goods generally. Many of our international supply partners continued to operate below capacity and input prices remained significantly above pre-Covid levels. A 6.6% National Living Wage increase from April 2022 also drove inflation into labour costs, as did the significant skills shortage across the UK - particularly noticeable in Autocentre Technician markets.

We therefore consider the FY23 underlying profit before tax of £51.5m to be a solid result against such a difficult environment.

Capital Structure and Dividend

We understand the importance of the ordinary dividend to many of our investors and we have proposed a FY23 final dividend of 7p per share (FY22 6p) to be paid on 15 September 2023 with the corresponding ex-dividend date of 10 August 2023 and the record date of 11 August 2023. This represents a full year dividend of 10p per share, an increase of +11% on FY22, in line with our aspirations to make the dividend progressive.

At our Capital Markets Day in April 2023, we reconfirmed our capital allocation priorities, highlighting our dividend cover targets:

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

During the year the Group extended its £180m debt facility until December 2025.

Average capital expenditure is expected to be in the range of £50-60m p.a. in the mid-term, assuming no material acquisitions, which represents approximately 3% of revenues. We expect FY24 Capex to be at the lower end of this range.

Graham Stapleton
Chief Executive Officer, **Halfords** Group plc

21 June 2023

Our Marketplace

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

Market size, Share and Growth Dynamics

Retail Motoring

Size	Volume Share	Growth projection:
c.£4.0bn	c.42%	FLAT

Cycling

Size	Volume Share	Growth projection:
c.£1.2bn	c.37%	MODERATE

Consumer Tyres

Size	Volume Share	Growth projection:
c.£2.2bn	c.10%	MODERATE

Motoring Servicing

Size	Volume Share	Growth projection:
c.£9.0bn	c.4%	MODERATE

Our Key Macro Trends

1. Cost of Living

Description

- The whole country has felt the pressure on their finances over the course of the past year, with high levels of inflation, low wage growth, gas supply and demand issues, increasing interest rates and high fuel prices resulting in increasing cost of living for consumers.

Impact

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

Our Response

- Our longer-term plan for the business is as relevant as ever – a transition away from the traditional retail model into a services-focused business resulting in recurring revenue streams that are non-discretionary by nature.
- We have supported customers through price investment, consumer financing options, our Bike Xchange programme and our competitive pricing on fitted tyres.
- We continue to monitor the wellbeing of our colleagues with financial help available to all via Wagestream and regular pay reviews are held throughout the year.

Link to Principal Risks

- Colleague Engagement/Culture
- Value Proposition
- Brand Appeal and Market Share

2. Transition to Electric

Description

- The UK is transitioning towards lower-carbon forms of transportation driven by the increasing pressures to stop using fossil fuels and growing awareness of our individual impacts on the planet.
- 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

- Colleague training is an essential part of our ESG strategy and now this is even more important as customers are increasingly seeking help from our expert colleagues, whether just asking for advice or they need help with their E-bike, E-scooter or EV. We have invested heavily in this training.
- We also continue to explore ways to enhance our electric propositions, e.g. electric services, and, this year, we even introduced selling refurbished E-bikes online, lowering the entry price point for customers into the E-bike market.

Link to Principal Risks

- Climate Change and Electrification
- Skills Shortage

3. "Do It Yourself" to "Do It For Me"

Description

- Increasing complexity of vehicles, e.g. technological advancements including EVs, and 'Time Poor' customers mean that many consumers 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 rather than spending time on DIY solutions to their problems.

Impact

- Over time, the shift from "Do it Yourself" to "Do it For Me" ("DIFM") is continuing with an expectation for DIY solutions to be very minimal over the medium-term.

Our Response

- Focusing on growing the number of colleagues we have available for customers, particularly during busy periods.
- Investing in colleague training and equipment to ensure we can maintain pace with customer demand.
- Giving customers the ability to book 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

4. 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 want their product purchased or their problem fixed as quickly as possible, at a time and place that suits them.
- Ensuring convenient and quick delivery options to suit all customers' wants and needs is also essential for retailers.

Our Response

- Over the last few years, we have more than doubled the number of service locations, reducing the drive time from 30 minutes to 20 minutes.
- Our mobile van fleet has grown substantially over the past 12 months giving customers an unprecedented level of convenience, bringing services to their driveway with same-day service options in some instances.

Link to Principal Risks

- Service Quality
- Stakeholder Support and Confidence in Strategy
- Sustainable Business Model

Our Marketplace

Our Market Drivers and Growth Opportunities

The markets we operate in are constantly evolving but there are strong growth opportunities in all areas. Despite a challenging few years, the outlook is encouraging and we are well placed to capitalise on this.

Motoring

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.
- Increase in demand for electric servicing and electric products such as EV charging cables or home charging solutions.

Market Opportunity

- Provide customers with a 'one-stop-shop' in which they can access all products and services they need in one location.
- 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.

Cycling

Market Drivers

- Government investment in cycling infrastructure 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 get into cycling.
- The increase in ultra-low-emission zones in cities are meaning people want to avoid fees for driving their car in urban locations, opting for cycling as an alternative.
- The cost of living crisis has meant that many people are searching for cheaper (and low-carbon) alternatives to the car or public transport for commuting.

Market Opportunity

- E-mobility is rapidly growing in importance to customers and to the planet, offering a lower carbon mode of transport. Customer demand for E-bikes is continuing to grow with E-bikes now accounting for one in every five bikes sold. Sales of E-scooters remain strong showing continued demand for new innovative vehicles is at record levels and we expect both of these segments of the market to continue growing.
- The majority of customer journeys begin online and the selling of cycling equipment online continues to be a growing area in the market. However, the need to see a bike in a physical location, to get the correct size and fit, is still an essential part of the customer journey.

Our Response

- Look to provide customers with a "one-stop-shop" offering, something we know they want.
- 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.

Outlook

- The car parc is expected to continue ageing leading to more cars within the aftermarket segment and an expanding market for motoring products.
- The more-resilient motoring services market is expected to stay broadly flat as it has not seen a dip like other markets during the COVID-19 pandemic and cost of living crisis.

B2B

Market Opportunities

- Businesses are continually looking for help with their company fleets and with the pressures of an increase in the cost of living, they are looking for more affordable ways to keep their vehicles running for longer.

Our Response

- We pride ourselves on our B2B proposition in this market. We have developed a strong Fleet business over a number of years and recent acquisitions mean we have an ever-growing presence in the commercial tyre market.

Our Response

- Our strong heritage and over 130 years of experience selling bikes mean 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. In total, approximately 80% of our bikes are own-brand, covering both children and adults at a wide range of price points.
- 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 & Collect offer, placing orders online via our website and picking up from a designated store at a time that is convenient to them.

Outlook

- Despite demand dropping post-COVID-19 and the market feeling the pressures of the cost of living crisis, we expect things to pick up in the short-medium term as prices decrease and freight normalises driving recovery of demand volumes.

B2B

Market opportunities

- Electric 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 also are proud to have working relationships with large brands across the UK such as Haven Holiday Parks and Deliveroo to which we supply cycling accessories.

Our Business Model

How We Create Value

Fulfilling our vision to be the super-specialists in motoring and cycling, trusted by the nation.

Our evolving Business Model

Recognising the market opportunities, we have transitioned away from being just a retail business. Our services, our colleagues, our infrastructure and our culture have all evolved in line with what our customers are demanding. Our business model has also changed to reflect this customer demand and this evolution has meant we are in a strong position to capitalise on the opportunities in front of us but without compromising the foundations of our core business.

Our Resources and Key Strengths

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 trusted retailer for motorists and cyclists and a leading provider of motoring services. 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 Rigour

With a strong balance sheet and strong cash generation, we have continued to invest in appropriate systems, capabilities and people to help support and grow our business for the long term.

Our Sustainable Mindset

We have an established sustainability strategy with proven results, and have embedded this within all areas of the organisation, ensuring we are collectively focused on minimising the impact our operations have on the planet and people we work with.

Read more on our strategy on pages 40 - 47.

What we do

Products

Products are at the core of our business and have been for over 130 years, defining us as the UK's leading provider of motoring and cycling products. Whether in one of our physical locations 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.

Our Offering

- Motoring Products
- Mainstream Cycling Products
- Performance Cycling Products

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 fixed and mobile locations, **Halfords** has the national scale to offer services for our customers' cars or bicycles in a way and at a location which is convenient to them. Whether a customer wants their bike serviced, a new wiper blade fitted, a new set of tyres fitted or a full car service we are able to help them find the ideal solution to fit their busy lifestyle.

Our Offering

- Retail Motoring Services
- Retail Cycling Services
- Autocentres/ Mobile Expert

How We Do It Differently

Market Positioning
Halfords' unique position in the market makes us well-placed to provide customers with a "one-stop-shop" for their motoring needs, whereby they can access all the services and solutions they need in one place. The scaled, omnichannel platform we have created combined with our highly-skilled colleagues means that there are high barriers to entry for any competitors wishing to offer customers a similar service.

Our Unique Offering
Through our integrated Group website and our wide range of physical assets with over 1,750 service locations, we are able to offer customers a unique proposition. Our expert colleagues are always on hand to provide advice and knowledge for any motoring or cycling situation and this alone puts us at a significant advantage over our competition. Our mid-to-long term plan is to offer customers an even more holistic shopping experience, a "one-stop-shop", where they can access any service or product they might need for their motoring or cycling journey. Our Avayler platform has led to **Halfords** entering the Software as a Service market and our bespoke software has meant that we are able to offer other businesses a completely unique opportunity to incorporate our in-house software into their own operations to greatly improve their own customers' experiences and their productivity.

Omnichannel Customer Proposition
Our customers can shop in-store or online, choose whether they want their products fitted at a store or on their driveway at a time of their choosing and access a whole suite of services, all without leaving the **Halfords** brand. Our new Fusion stores mean the physical environment is also linked, giving customers an even more seamless shopping experience.

Data Capabilities
One of our main priority areas has been getting to know our customers better than ever before. This has meant creating an integrated and unique database where all of our systems can work together, building a digital picture of our customers today, but also predicting future customer needs. We have been using our growing data science and modelling capability to drive highly personalised, timely and helpful communications that both engage and support our customers, which, in turn, increases lifetime value for **Halfords**.

Varied Customer Base (B2B & B2C)
Traditional shopping is at the core of our business and we remain committed to our loyal customer base. In addition, however, our growing commercial business means that we are able to offer to businesses, what we offer to consumers; a convenient solution where they can have their fleet vehicles serviced, take advantage of our market-leading Cycle2Work scheme or simply access our B2B portal to purchase products for their employees. Our new Avayler platform has also enabled us to attract global customers as we license software developed in-house to businesses around the world, opening up a new and exciting opportunity for our business.

The Value We Create

Customers
Access to a market-leading shopping experience, both online and in stores, helping meet all of their motoring and cycling needs in a way convenient to them, with access to technical and expert advice through our colleagues.

Colleagues
Developing, rewarding and retaining our colleagues so that they are engaged to drive our growth ambitions.

Investors
Generating returns for our shareholders through effective management of our financial resources.

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

Read more in the Charity and Communities section on pages 58 - 60.

Environmental
Ensuring the resources our business utilise have a positive impact on the environment, both today and in the future.

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.
- Launched four Colleague Network Groups giving colleagues the chance to discuss diversity and inclusivity in the workplace.
- 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 Our Risks

- Stakeholder Support
- Regulatory and Compliance
- Service Quality
- Colleague engagement/Culture

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

- Relaxation of COVID-19 rules meant that our buying teams were able to travel to specific supplier sites in the Far East to work closer with our suppliers.
- Meetings with our top strategic suppliers to understand their sustainability journey.
- Increased narrative with top 100 suppliers via the Ecovadis platform resulting in obtaining better data to support our ESG strategy, e.g. primary carbon data.

Link to Our Risks

- Stakeholder Support
- Sustainable Business Model
- Critical physical infrastructure failure (including supply chain disruption)
- Climate Change and Electrification

Communities

Why It's Important to Engage

Engaging with the 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 and community initiatives.
- Media channels.
- Recycling initiatives.
- Net zero commitment.

Outcomes of Engagement

- We continue to support Mind along with their 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 amongst 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 Our Risks

- Stakeholder Support
- Brand Appeal and Market Share

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.
- 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.
- Held a Capital Markets Day in April 2023.

Link to Our 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.
- Loyalty Programmes.
- 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 Our 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 about how the Board considers stakeholders on pages 34 and 35.

Our Engagement with Stakeholders 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 100, this section describes how the Directors consider the matters set out in Section 172(1)(a) to (f) of the Companies Act 2016 (the "Act").

In July 2019, the UK Corporate Governance Code reinforced the importance of Section 172 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 factors and relevant information relating to them.
- Our Board continually engages with stakeholders.

Read more on pages 94 and 100.

Strategic Considerations

s.172 and the Company's Strategy

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

Read more on pages 94 and 100.

Board Decision Making

Outcomes of Considering Section 172

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

Automotive Sales Managers (“ASMs”)

FY23 saw the introduction of a new Group role launch across 50 locations across the country. This was completed following the successful trial of the role within the Fusion towns of Colchester and Halifax.

The role supports the ambition to continuously build our services and is designed to introduce our Retail customers to the services offered by our garages and mobile fitting vans.

Section 172 Consideration
Colleagues
This is an exciting role for colleagues, who are given the opportunity to work both within the Retail store and their local garages, supporting our customers with the ability to book garage and mobile services from within the Retail store. With the significant volume of fits performed in stores, there is a huge opportunity to identify additional services which the customer may need, such as new tyres or an MOT/Service and secure the booking and deposit, giving the customer an improved and simpler journey for all their services needs.

The role is also designed to drive our ambition to work more collaboratively, linked to our “One **Halfords** Team” value and brings together our colleagues within each of the towns, to ensure our customers get the very best level of service.

Customers
In the last few months of FY23, our ASMs have introduced around 10,000 Retail customers to our garages and mobile fitting service.

There are plans to deliver another 50 locations in FY24, creating more opportunities for our colleagues, and opening up career pathways to enable them to develop and learn across all Group assets.

Colleague Engagement

As part of our listening and engagement strategy, every year we invite all of our colleagues across the **Halfords** Group to complete a survey.

Section 172 Consideration
Colleagues
The survey gives our colleagues the opportunity to share how they are feeling about working at **Halfords** and gives us a measure of how engaged our colleagues are in all areas of the business.

The questions cover all aspects of life at **Halfords** including leadership, development, communication, benefits, collaboration, advocacy, wellbeing, and motivation. We also ask colleagues to tell us in their own words what would make **Halfords** a better place to work.

In the past few years, over 90% of colleagues have completed the survey enabling us to understand how colleagues are feeling and identify opportunities and focus areas for improvement across the Group. Managers are able to see the results and comments for their teams and take ownership for holding action planning sessions, locally, to address specific areas to improve engagement. Regular communication of action taken, and progress made is shared on our online communication platforms and in Teams huddle events hosted by our Senior Leadership Team.

Future Automotive Skills Training (“FAST”)

It is challenging to recruit talent and, therefore, over the last 12 months, we have widened our approach to developing future skills in our garages.

Section 172 Consideration
Community
We have been working with two automotive charities, First Step Trust (“FST”) and more recently with the Palmer Foundation. Both charities specialise in supporting people through various personal difficulties, who may not have had the opportunity to gain employment. In June 2022, our relationship with FST benefited one of their learners who went on to become a full-time fitter at our Woolwich Autocentre. The Palmer Foundation, led by former Aston Martin CEO and Nissan COO, Dr Andy Palmer, aims to offer apprenticeships to young people from disadvantaged backgrounds, by working with employers to ensure they get the support they need throughout their career.

In creating the FAST programme, we have brought these two charities together, along with London South East College group and the Institute of the Motor Industry, to provide a pathway to those who, ordinarily, would have been left out of worthwhile employment, and certainly with no hope of a meaningful career. Using cutting-edge learning platforms such as Virtual Reality, we are developing innovative new ways for people to engage in learning, who otherwise could not. The project aims to place between 10 and 20 young people in our Autocentres this year, with the aim of them becoming full-time **Halfords** colleagues. By developing this innovative way of recruiting new talent, we are creating opportunity for people from more diverse backgrounds, helping to develop more inclusive teams and ensuring that our garages represent the communities that they serve.

Key Performance Indicators

Shareholder KPIs

Note: Our key comparator is FY22. FY20 has been restated on a 52-week basis for better comparability.

Underlying Profit Before Tax

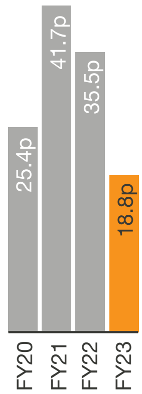
Definition
Profit before income tax and non-underlying items as shown in the Group Income Statement.

Commitment
The Board considers that this measurement of profitability provides stakeholders with information on trends and performance before the effect of non-underlying items.

FY23 Performance
FY23 underlying profit before tax was £51.5m, -£38.3m below FY22 driven by significant inflationary headwinds and low consumer confidence. Whilst the Group has mitigated a large portion of the inflationary headwinds, the subdued markets, particularly for discretionary products resulted in the profit decline.

Link to Remuneration
Bonus

Underlying Earnings Per Share



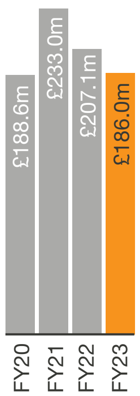
Definition
Profit after income tax and before non-underlying items as shown in the Group Income Statement, divided by the number of shares in issue.

Commitment
EPS is a measure of our investment thesis and as such we aim to manage revenues, margins and invest in long-term growth.

FY23 Performance
Underlying EPS of 18.8p was -47% below FY22 reflecting the lower year-on-year profit.

Link to Remuneration
Performance Share Plan

Underlying EBITDA

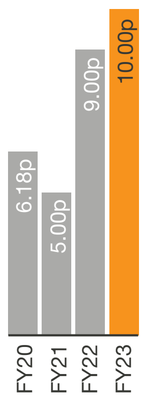


Definition
Underlying EBITDA adds back Depreciation and Amortisation to EBIT.

Commitment
The Board considers that these measurements of profitability are a viable alternative to underlying profit.

FY23 Performance
EBITDA of £186.0m was -10.2% below FY22 having declined less than underlying PBT. This reflects the strong cash generation of the business and the relatively higher deprecation charge to underlying PBT.

Dividend per Share



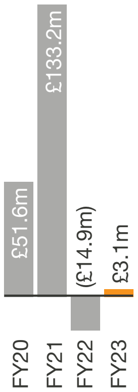
Definition
Cash returned to shareholders as a return on their investment in the Company.

Commitment
At the April 2023 Capital Markets Day we declared an intention for the dividend going forward, 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.

FY23 Performance
In line with the Group's previous intention for the dividend to be progressive, the final dividend for FY23 is proposed at 7p taking the full year to 10p, an +11% increase on FY22. This reflects the Board's confidence in the business going forward.

Shareholder KPIs

Free Cash Flow

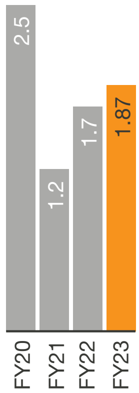


Definition
Adjusted Operating Cash Flow less capital expenditure, net finance costs, taxation, exchange movement, arrangement fees on loans, and lease payments.

Commitment
Our medium-term target remains to achieve strong levels of Free Cash Flow each year, but we recognise that external factors may impact our ability to do so.

FY23 Performance
The Group generated Free Cash Flow of £3.1m for FY23 against an outflow of -£14.9m in FY22.

Net Debt to Underlying EBITDA Ratio



Definition
Represented by the ratio of Net Debt to Underlying EBITDA (including lease debt).

Commitment
We are expecting to operate within a range of 1.8x to 2.3x, with the latter allowing for appropriate M&A. This ratio helps to compare the financial result for the year to debt levels.

FY23 Performance
Net Debt including lease debt stayed broadly flat year on year, with the movement in short-term debt broadly offset by reduced lease debt. Leverage increased given the movement in EBITDA year on year.

Like-for-Like Sales

Definition
Group revenue from 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 year) at constant foreign exchange rates.

Commitment
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.

FY23 Like-for-Like Sales Movement (1-year and 3-year comparisons)

	FY20	FY22
Halfords Group	13.4%	2.4%
Retail	9.9%	-1.8%
Motoring	14.5%	4.0%
Cycling	1.3%	-10.9%
Autocentres	31.6%	15.4%

FY23 Performance

Like-for-Like Sales were +13.4% vs. FY20 and +2.4% vs. FY22, a strong performance indicating the strength and relevance of the Groups offer, but also the growing brand awareness of the Service business.

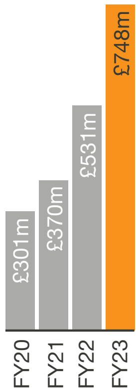
Glossary of Alternative Performance Measures

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 215. 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.

Key Performance Indicators

Operational KPIs

Service-related Group Sales Growth



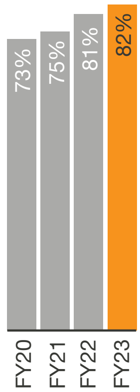
Definition
Service-related Group sales is the income derived from the fitting or repair services themselves along with the associated product sold within the same transaction.

Commitment
To grow service-related Group sales faster than total Group sales growth.

FY23 Performance
Service-related sales reached 48% of Group revenue, up from 42% in FY22 aided by both LFL Services revenue growth and the acquisitions of National Tyres and Lodge Tyre. This reflects the Group's strategy of becoming a services-focused business creating more sustainable financial returns.

Link to Remuneration
Bonus and Performance Share Plan

Group Colleague Engagement



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

Commitment
We aim to improve colleague engagement across the Group with specific focus on required areas identified by colleagues.

FY23 Performance
This year's survey, conducted in April 2023 had a response rate of 90% and an engagement index score of 82%, a slight increase from the previous year despite the challenging year and the disruption caused by the cost of living crisis and the challenging conditions the Retail industry is facing.

Link to Remuneration
Bonus

Customer Net Promoter Score ("NPS")

Definition
Measure the changes in NPS of our Retail stores and Autocentres.

	FY23	FY22	FY21	FY20
Retail	69.2	66.5	59.7	57.9
Autocentres	67.0	76.1	72.6	68.8

Commitment
We are committed to improving the score with our customers across the Group.

FY23 Performance
Our Retail NPS has been strong this year with a third successive year of significant improvements driven by investments in store experiences through Project Fusion and our continued focus on training colleagues to better serve our customers. FY23 Autocentres NPS has dropped compared to FY22 due to integration of National Tyres and capacity challenges faced by our Autocentres business.

Link to Remuneration
Bonus

ESG Performance Metrics can be found on page 61.


Thank you for shopping with us
Up to Cycling
Pay Here
Oils & Additives
Garage & Workshop
Body Repair

Our Strategy

"Despite challenging economic conditions, I am proud of the significant progress we have made during FY23 and am excited about FY24."

Graham Stapleton
Chief Executive Officer

Inspire

We inspire our customers with a differentiated and super-specialist offer.

Objectives for FY23

- Roll out capital-efficient Fusion investments across the estate including Parts Hubs, Fitting stations and Fusion selling practices and technology.
- Further our super-specialism by deepening our ranges within our core markets, such as on-demand tyre fittings as well as access to a broader range of car parts.

Progress Made

- Rolled out capital-efficient Fusion investment across 50 towns in our estate.
- Launched a new 'digital first' car parts proposition, providing our customers with access to over 100,000 products.
- Improved our digital platform, enabling customers to book same-day appointments.

Outlook for FY24

- Roll out capital-efficient Fusion investment to a further 50 towns.
- Investment in value through targeted incentives for **Halfords** Motoring Club, up-weighted promotions and our price promise.
- Drive market share growth in tyres, with targeted plans across key segments and channels.

Related Principal Risks

- Value Proposition
- Skills Shortage
- Brand Appeal and Market Share
- Climate Change and Electrification

Support

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

Objectives for FY23

- Integrate National Tyre to crystallise the next phase of performance synergies including re-branding sites, installing MOT equipment and implementing Avayler across the estate.
- Continue to make progress towards our medium-term target of 800+ garages, 300 **Halfords** Mobile Expert vans and 500 Commercial vans.
- Accelerate investment in Avayler to drive further opportunities with third-party service providers, focusing on the Automotive industry.

Progress Made

- We have continued to integrate National Tyre into our estate, and our synergy plan remains on track, though we have not yet re-branded sites.
- We have progressed towards our mid-term channel targets, with the acquisition of Lodge Tyre adding 50 garages, 248 mobile tyre fitting vans and a warehouse to our omni channel network.
- Our Avayler platform continues to grow, with expansion into Europe following the signing of a third international client ATU.

Outlook for FY24

- Driving utilisation across our National Tyre garages, with more Service, Maintenance and Repair work completed in garages and MOT lanes installed, delivering synergy benefits.
- Ongoing integration of Lodge Tyre, focusing on the delivery of our synergy business case.
- Continued pursuit of Avayler's pipeline of enterprise targets, with focus remaining on the Automotive industry.

Related Principal Risks

- Service Quality
- Skills Shortage
- Brand Appeal and Market Share
- Stakeholder Support

Lifetime

Enable a Lifetime of motoring and cycling.

Objectives for FY23

- Focus on driving Motoring Loyalty Club memberships and Vehicle Registration Number ("VRN") data capture, targeting more than one million customers by the end of FY23.
- Utilise our Group Data platform and Motoring Loyalty Club to engage with customers through the life of their car.
- Target 10% Premium mix for the Motoring Loyalty Club to test subscription style memberships.

Progress Made

- Signed up 1.7 million members to our Motoring Loyalty Club, significantly ahead of our target.
- Through the Motoring Loyalty Club, introduced new customers to our business, particularly in Garage Services.
- Driven an increase in cross-shop and the NPS score of our Motoring Loyalty Club customers (vs. non-members).

Outlook for FY24

- Continued focus on increasing memberships along with VRN capture.
- Progressing opportunities to widen the services offered to our Motoring Loyalty Club customers.
- Seeking appropriate opportunities to start monetising our data.

Related Principal Risks

- Stakeholder Support
- Service Quality
- Brand Appeal and Market Share

Our Strategy

Inspire

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

Objectives

Specialism
We will become a super-specialist by:

- Increasing our online ranges of motoring and cycling products.
- Investing in training with even greater focus on specialism.
- Reducing our non-core products.

Innovation
We will lead and differentiate our markets with customer-led innovation by:

- Utilising customer insight to develop products we know they want and need.
- Working with suppliers to jointly create, and bring to market, innovative products which are exclusive to **Halfords**.

Customer Experience
We will improve our customer shopping journey online and in-store by:

- Continuing to optimise the Group's web platform and the full omnichannel journey.
- Focusing 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.

Link to our KPIs
- Group Colleague Engagement
- Like-for-Like Sales
- Customer Net Promoter Score

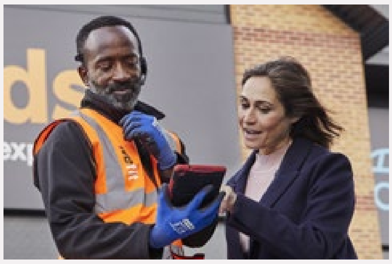
Link to our Risks
- Value Proposition
- Skills Shortage
- Brand Appeal and Market Share
- Climate Change and Electrification

Progress Made

- Rolled out the most capital-efficient parts of Fusion to 50 towns in our estate, upgrading the Retail car park service provision and introducing a referral model. In addition, we have trained 95% of our Retail colleagues and c.96% of our Autocentres Garage Managers in Fusion selling practices. We have also improved the digital delivery of our services across 100 of our stores.

- We have launched a new "digital first" car parts proposition. This provides our customers with access to over 100,000 products with breadth of choice. The launch of our new car parts range is underpinned by our "Never Beaten on Price" promise and is delivered to our customers conveniently (either via free next working day home delivery or delivery into store).
- Improved our digital platform in tyres, with customers now able to book same-day appointments. We have also developed our tyre supply chain infrastructure and our key relationships with external logistics providers.

Priorities For the Year Ahead
- In FY24, we will continue to make capital-efficient Fusion investments across 50 towns in our estate, taking the total number of towns with Fusion investment to 100.



- Against the backdrop of the ongoing cost of living crisis we are investing more in value with targeted incentives for our **Halfords** Motoring Loyalty Club, upweighted promotions, and our Never Beaten on price promise for key products and services.
- Further development of our relationships with significant B2B tyre partners. In addition, we will focus on driving market share growth, with targeted plans across key segments and channels.

Case Study

PROJECT FUSION

Project Fusion is our name for an initiative we launched last year to completely transform and improve the customer experience. Fusion is the customer experience seamlessly, consistently and conveniently executed across all of our assets in a town, making it even easier for customers to shop across the Group.

In our trial locations, we have invested in the in-store and in-garage experience, improved the layout and design of the stores and enhanced the ways in which our business operates in a town, such as fulfilling service jobs at the most cost-effective location for us.

During FY23, we have taken the most capital-efficient parts of our two trial fusion towns and rolled these out to 50 stores across the country with another 50 planned for FY24.

Towns receiving Fusion investment in FY23

50

Towns receiving Fusion investment in FY24 (proposed)

50

Our Strategy

Support

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

Objectives

Integrated

We will have a unified services identity across the Group through:

- One seamless website, combining **Halfords** Retail, **Halfords** Autocentres and **Halfords** Mobile Expert.
- Easy referral from Retail WeCheck findings to Autocentres booking.
- Integrating the Services booking experience to include nearest available location and timeslot.

Unique

- Offering customers access to our products and services via a unique combination of Retail stores, garages and mobile vans complemented by a strong online proposition.

Convenient

- Combining our physical estate with a consistent mobile services offer and increased availability.
- Full roll-out and expansion of **Halfords** Mobile Expert to give most of the UK population access to our mobile services.
- Future roll-out of garages to reduce average drive time from 30 minutes to 20 minutes.

Link to Our KPIs

- Group Colleague Engagement
- Like-for-Like Sales
- Customer Net Promoter Score

Link to Our Risks

- Service Quality
- Skills Shortage
- Brand Appeal and Market Share
- Stakeholder Support

Progress Made

- Whilst the delay in the tyre market recovery has impacted National's FY23 financial performance, we continue to make good progress integrating National into our estate and our synergy plan is on track. Our Group buying scale has now been leveraged, with an improvement in terms across key product lines. The core head office functions have been consolidated across the Group delivering cost savings. In addition, Avayler has now been embedded in every National garage across the estate.

- The acquisition of Lodge Tyre added 50 garages, 248 mobile tyre fitting vans and a warehouse to our omni channel network. Through the Lodge Tyre acquisition we are now the UK's market leading nationwide commercial tyre service provider. The acquisition has also brought us closer to our medium-term target of 800+ garages, 300 **Halfords** Mobile Expert vans and 500 Commercial vans.
- Continued investment and growth in Avayler. Expansion into Europe, following the signing of a third international client ATU, part of the Mobivia group. The Avayler technology is currently being rolled out in Germany to support ATU's new mobile automotive service business.

Priorities For The Year Ahead

- In addition to our synergy programme, we will be focusing on further activity to enhance the underlying performance of National. Whilst market recovery is key, in the year ahead we will look to drive utilisation across National garages. Furthermore, there will be more Service, Maintenance and Repair work completed in garages and MOT lanes installed. Costs will remain a key focus, with major tenders being run.
- Continue to integrate Lodge Tyre, focusing on the delivery of our synergy business case.
- Ongoing pursuit of Avayler's advanced pipeline of enterprise targets to enable further growth of the business, with a continued focus on the Automotive industry.

Case Study

GROWING OUR GROUP SERVICES THROUGH AVAYLER

In FY22, we entered the software market with the launch of Avayler, **Halfords**' purpose-built technology platform. Avayler was built in house to address a number of automotive industry challenges, support our services strategy, and help **Halfords** deliver automotive services more efficiently and profitably.

Within **Halfords**, Avayler gives customers the ability to purchase automotive services online and it connects them to their service on the day, whilst at the same time automating service delivery for garage technicians and retail associates. The software streamlines operations end to end, replacing manual tasks such as part procurement with fully automated processes, whilst collecting valuable data to be leveraged through the business. The platform enables Automotive service delivery to a customer's home, in garages and in our retail stores too.

Halfords now offers this technology externally to the Automotive market as an omni-channel product suite, built on a commercially ready, agile platform.

Since its launch, Avayler has been on a trajectory of growth, which has led to a doubling of its colleagues in FY23.

FY23 has also seen Avayler rolled-out at both TirePros (the subsidiary of America Tire Distributors, an 80,000 partner garage chain in the US) and ATU (part of Mobivia), a large international business with over 550 garages, with Avayler now contracted to three clients across EMEA and the US. Avayler also has a strong pipeline of clients to pursue in the year ahead.

Furthermore, during the year, Avayler has grown its product offering with the launch of two products: Avayler Mobile Pro and Avayler Hub. Avayler Mobile Pro enables mobile delivery end-to-end and also supports businesses with on-site operations looking to provide mobile services. Avayler Hub provides a range of garage management options for businesses from a light touch garage management solution through to a fully featured end-to-end platform.

Avayler's performance to date and business plan give us confidence that the business is well positioned to support its clients, whilst also providing significant long-term value to **Halfords**.

Read more on pages 16 and 17.

Our Strategy

Lifetime

Enable a ***Lifetime*** of motoring and cycling.

Objectives

Loyalty and Retention

We will more actively drive customer loyalty and retention by:

- Supercharging our CRM programme, providing compelling reasons for customers to return to our brand.
- Building cross-Group loyalty programmes to optimise lifetime value and advocacy.

Customer First

We have started to drive meaningful action from our insight, which has been used to:

- Define future range decisions.
- Change the labour operating model to better reflect customer needs.
- Obtain a greater understanding of customer pain points and moments that matter.
- Provide a Group-wide consumer financing offer.

Link to Our KPIs

- Customer Net Promoter Score

Link to Our Risks

- Stakeholder Support
- Service Quality
- Brand Appeal and Market Share

Progress Made

- Following the launch of our unique and market leading Motoring Loyalty Club at the end of FY22, we have now signed up 1.7 million members, with 7.4% signing up to the recurring revenue, subscription tier.
- Through the Motoring Loyalty Club, new customers have shopped with **Halfords** for the first time, particularly in our Garage Services business with 80% of our Motoring Loyalty Club members being new to this part of the business.
- The Motoring Loyalty Club has also driven an increase in cross-shop behaviours along with an increase in NPS score (vs. non-members).

halfords motoring club

Priorities For the Year Ahead

- In FY24, we will continue to focus on driving membership of our Motoring Loyalty Club along with Vehicle Registration Number capture.
- We will be progressing opportunities to bring a wider range of services to our Motoring Loyalty Club customers, across more areas of their car ownership.
- We will also focus on opportunities to start leveraging our customer and vehicle data in order to monetise this strategically with our supplier base.

Case Study

GETTING TO KNOW OUR CUSTOMERS

Halfords has built a unique data platform. The platform enables us to know more about our customers and their vehicles whilst also helping us to predict future customer needs.

Across our channels we capture a significant amount of data, which is collected through our investment in smart technology and our own “in-house” technology, Avayler.

From a customer perspective, data collected can include shopping and service history and a customer’s browsing behaviours. This is then enriched with demographic attributes which enables us to segment our customer groups for targeting.

From a vehicle perspective, we capture a significant amount of information about a car and its condition, with a Vehicle Registration Number being the critical data point to collect.

The volume of the data we have collected has seen phenomenal growth over the last five years and we now have almost 15 million customers who have opted to receive communications from us. We have been using our growing data science and modelling capability to drive highly personalised, timely and helpful communications that both engage and support our customers, which, in turn, increases lifetime value for **Halfords**.

Driving lifetime value remains in focus for our business in both the mid- and longer-term. Our successful Motoring Loyalty Club is just one way that will support us to continue to achieve this.

Customers opting into communications

15m

Motoring Loyalty Club members

1.7m

ESG Performance Overview

Overview

We are pleased with the strong progress that we have made this year. As the regulatory landscape continues to evolve in response to climate change, supply chain transparency and corporate due diligence, we remain committed to evolving our approach and ensuring we have a sustainable business that delivers for all 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.
- Investing in education and community engagement programmes to help and support consumers to make climate-smart choices.
- Providing industry-leading training to our colleagues to better support customers as they make the switch to electric.
- Broadening our ranges of electric services and solutions, e.g. E-bikes/E-scooters, making the transition to electric travel easier.
- Lobbying campaigns designed to accelerate the transition to electric vehicles.

Progress in FY23

- Investment in equipment and colleague training to increase EV-ready centres.
- New electric services added, e.g. E-scooter puncture repair.
- E-bike refurbished bikes launched online; reducing entry point for E-bikes.
- Continued lobbying of Government (e.g. E-scooter legislation, technicians into garages).
- Investment in energy saving schemes; over 60% of the Group now using LED lighting.

Priorities for the next 12 months

- Introducing EV servicing via **Halfords** Mobile Expert vans.
- Increasing the number of EV-ready centres.
- Increasing E-mobility sales as a percentage of total Group sales.
- Expanding ranges of E-mobility products and services.
- Continue working with peers in the industry and the Government to increase the number of E-mobility technicians in the industry.

Related UN SDGs

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

Net Zero Commitment

Our Focus

- Reduce our carbon emissions and make progress with our science-based targets ("SBTs"), as approved by the Science Based Targets Initiative ("SBTi"). 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" 25% by 2030 from 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 FY23

- Reduced our Scope 1 and 2 emissions by 27% from a FY20 baseline.
- Significant progress made with Ecovadis platform with 79% of spend now having carbon data attached, giving us a good baseline for Scope 3 data.

Responsible sourcing:

- Sustainability scorecards for 78% of spend, giving us a way of ranking our suppliers and understanding where we need to focus our efforts.

Priorities for the next 12 months

- Detail **Halfords** Net Zero plan; headline information on how we will transition to a lower carbon economy.
- Continue to make progress against our science-based targets.
- Continue to gather primary carbon data from our suppliers, focusing on our top 300 suppliers.
- Begin to incorporate captured primary data into existing calculations to develop a better understanding of our Scope 3 emissions.

Related UN SDGs

3 GOOD HEALTH AND WELL-BEING
13 CLIMATE ACTION

Diversity and Inclusion ("D&I")

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 at 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 FY23

- D&I masterclasses rolled out to Senior Leaders across the Group.
- Colleague Network Groups meeting regularly to help raise concerns from each group up to Executive level as needed.
- Developed three-year Group D&I strategy.
- Good progress made in improving the diversity in our apprenticeship schemes – 9% are female, above the industry average of 7%.

Priorities for the next 12 months

- Begin implementation of three-year Group D&I strategy including building awareness of this across the Group.
- Roll-out D&I training modules for all colleagues in the Group.
- Continue to support the industry to understand how the automotive sector can be more attractive for all individuals but specifically those currently under-represented in the workforce.

Related UN SDGs

Product, Packaging and 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 FY23

- Introduced wiper blade recycling into nearly 90% of our stores.
- Removed over 37% of virgin plastic in our own-brand packaging since FY20 baseline.
- Over 11,000 bikes returned via our Bike Xchange programme, extending the scheme now to cover kids bikes.
- Recycled 1,000s of items of office furniture in Support Centre revamp.

Priorities for the next 12 months

- Increase the amount of responsibly sourced own-label packaging.
- Further reduce virgin plastic use in our own-label packaging.
- Obtain component-level packaging data for own-label.
- Increase the number of products for which we offer recycling solutions.
- Develop the means to trace all of our waste streams.

Related UN SDGs

To see our materiality assessment: https://www.halfordscompany.com/environment-social-and-governance/our-approach/

ESG Progress in FY23

Electrification

Our Ambition

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

Overview

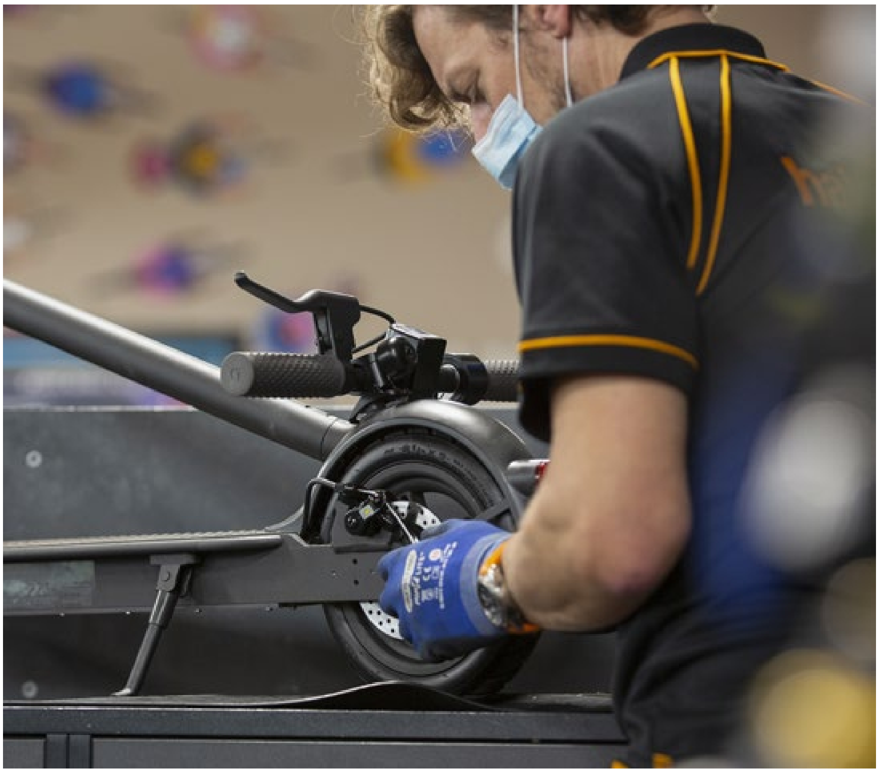
For **Halfords**, electrification means leading the way as the UK shifts towards electric modes of transport and supporting our customers as they make the switch. **Halfords** is uniquely positioned in the UK to offer electric services and solutions for both two and four-wheeled modes of transport and 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 electric 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 FY23

We have been working hard this year to focus on what our customers want – improved convenience, a broader choice of products and services across a wider range of price points, making E-mobility accessible to all. We've also invested in our centres, such as installing diagnostic equipment to make them better prepared for electric vehicles ("EVs"), and increasing training for our colleagues in garages across the country, increasing the number of EV-trained colleagues by 7% vs. FY22.

We have continued to enhance E-bike and E-scooter ranges in our stores with new products giving customers a greater breadth of products to choose from. This year also saw us add to our electric services proposition in-store with the introduction of E-scooter puncture repair following feedback received from our customers.



Following on from the success of our Bike Xchange and the sales of second-hand bikes, this year we introduced selling refurbished E-bikes on our website. So far this has proved popular with customers and is a great example of how we are helping our customers make the switch to lower-carbon forms of transport, by reducing the entry price point to E-bikes.

We continued our work to help the country transition to electric, increasing our voice through thought leadership and campaigns such as #Plugtheskillsgap where we called on the industry to train EV technicians to meet the needs of EV servicing. Our CEO, Graham Stapleton, also attended meetings at Downing Street to raise awareness of the skills shortage that the industry is facing. We continue to monitor legislation and contribute to discussions about the legalisation of private E-scooter usage in public areas.

We have continued to make progress with our own transition to electric/hybrid in our company car fleet and, by the end of the year, we exceeded our target, resulting in over 60% of our Retail company car fleet being powered by alternative fuels.

Performance Highlights

EV-trained colleagues

+7%
vs. FY22

Retail company cars powered by alternative fuel

60%

Case Study

E-MOBILITY SERVICING

With the transition to more sustainable forms of transport continuing to accelerate over the coming years, and all forms of electric mobility increasing, we are growing our e-mobility offering with a focus on becoming the UK's servicing destination for all electric cars, vans, bikes and scooters.

We already have the diagnostic software and equipment for the majority of our consumer garages, and equipment required to service and repair E-bikes and E-scooters in our retail stores.

Halfords has grown its automotive service offer by delivering electric vehicle qualifications to our colleagues through our Institute of Motor Industry approved Training Academies.

Across both our stores and garages, we have 2,000 trained technicians for e-servicing, maintenance and repair.

As the age of the UK's 'electric' car parc increases and other forms of e-mobility grows, **Halfords** will continue to invest in both our infrastructure and colleagues enabling us to support our customers with their e-mobility journeys.

ESG Progress in FY23

Net Zero Commitment

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.

Progress in FY23

- Investment in LED lighting made throughout the year – 60% of the Group sites now use LED lighting.
- Last year, our carbon reduction targets were approved by the Science Based Target Initiative ("SBTi"), a global organisation which is the leading accreditation body for carbon reduction targets. These 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" 25% by 2030 from a 2020 base year.

This year, we have continued to see progress in reducing our direct emissions via initiatives such as switching our stores and garages to LED lights and changing our fleet vehicles over to alternative fuels. These have helped contribute to reducing our Scope 1 and 2 emissions by 27% compared to our base year of 2020 (see more detail in the ESG Performance data section on page 61).

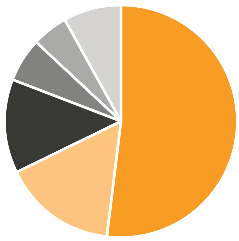
This year, however, we have been focusing on Scope 3 emissions and the challenges that the whole industry is facing on gaining accurate data. Recognising the importance of collaboration to deliver against our Scope 3 targets, last year we partnered with EcoVadis to support the collection of accurate carbon data. This year, we have made significant progress with the help of this platform in engaging with our suppliers and capturing data.

Through engagement with our top suppliers, we have obtained primary carbon data (verifiable carbon emissions by amount, time and place) for 79% of our spend with suppliers. This is a first step to better understand our Scope 3 emissions and we recognise that there is a lot more to do in this space. Over the next year, we plan to build on the success we have seen engaging with suppliers and understand how we can help them with their own carbon management. We are also planning to build a better awareness of other areas of Scope 3 emissions in the business (see diagram below).

Scope 3 Data

Our Scope 3 emissions categorisation is based primarily on estimates obtained through analysis of spend in each Scope 3 category. The chart below shows the breakdown of Scope 3 categories, highlighting our material focus on "Purchased Goods and Services", "Capital Goods" and "Upstream Transportation and Distribution".

Scope 3 Emissions



- Purchased goods and services = 52%
- Capital goods = 16%
- Upstream transport = 13%
- Employee commuting = 6%
- Downstream commuting = 5%
- Other = 8%

Case Study

ENGAGING OUR SUPPLIERS

An essential part of our journey to net zero is about increasing our communication and engagement more generally with our global supply base. Working together is the best way to achieve the ambitious targets that were set out at the Paris Agreement in 2015.

Not only is supplier engagement essential for net zero but also as part of our Responsible Sourcing programme, ensuring we are monitoring, auditing and reviewing our suppliers, particularly those at higher risk, is of vital importance.

The partnership with EcoVadis has been an important part of this process, however we have also made good progress through our buying teams by building on their knowledge. We've worked hard to train and support our teams to feel confident and comfortable in conversation on ESG topics and these stronger relationships will help our whole ESG programme over time.

Performance Highlights

Scope 1 and 2 reduction

27%

vs. FY20 baseline

Supplier Primary Carbon Data captured

79%

of spend

60%

of Group with LED lights

ESG Progress in FY23

Diversity and 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 or gender reassignment, pregnancy and maternity, race, religious beliefs, age, nationality or ethnic origin.

We are proud to promote diversity in the motoring and cycling industries through 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.

Progress in FY23

This year, we have split our focus into two areas on D&I. Firstly, tackling the challenges of today by listening to our colleagues, building awareness and striving to keep improving D&I within the workplace. Secondly, we have been enhancing what D&I means to us at **Halfords** and ensuring our longer-term strategy remains relevant and effective in order to achieve our ambition.

An important aspect of this strategy is better understanding the challenges that we face and being honest and truthful with ourselves about where we can do better. Our focus remains on two areas: improving diversity across the Group; and building awareness amongst our colleagues of career progression opportunities, such as promoting female technicians in garages. The areas we are going to focus on are:

- Increasing female representation across all levels within the Group, particularly in our Services businesses and our Leaders group.
- Grow the percentage of colleagues and leaders within the Group from an ethnic minority, developing talent from within the Group where possible.
- Develop an inclusive culture so all colleagues feel that they can be themselves at work and have equal opportunities and chances to succeed.

Following on from the success of D&I masterclasses run at the end of the previous financial year, we rolled these masterclasses out to the wider group of senior leaders across the company. The objectives were to bring together senior leaders to discuss D&I and give them the confidence to be proactive and make changes within their own teams. Ultimately, we want to build an awareness and understanding of D&I that is embedded throughout our business and support cultural change at all levels.

Last year, we launched a set of four Colleague Network Groups focusing on Women of **Halfords**, LGBTQIA+, Ability and Disability, and Race and Ethnicity. They are led by colleagues at all levels and receive suitable funding to grow awareness and build understanding for all colleagues across the Group. These groups have been meeting regularly and outputs and feedback from these groups has been feeding back into the central team to incorporate into the overarching D&I strategy as mentioned above.

We are a partner of the IMI D&I Taskforce and work with them to understand how the automotive sector can be more attractive to work in for all individuals, specifically focusing on those groups currently under-represented in the workforce. Data from this taskforce indicates that, on average, just 7% of employees are female. This is something we are passionate about changing and have seen great progress within our own apprenticeship scheme this year, where 9% of apprentices are female. We are working hard to increase this further over the coming year.

This year, we have pledged to be a part of the Bicycle Associations project for Diversity in Cycling demonstrating our commitment to making **Halfords** a truly inclusive workplace:

"We are committed to creating a diverse, equitable and inclusive workplace culture, with balanced representation at all levels. We will create an environment where everyone feels respected, supported, and empowered to build a sustainable, resilient, competitive cycling industry, unlocking more value for us all."

We are also in the early stages of forming a partnership with "Code First Girls", who are on a mission to transform the tech industry by providing the skills, space, and inspiration for women and non-binary individuals to thrive.

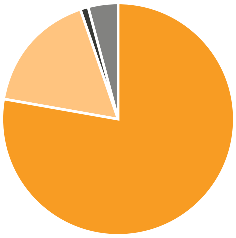
Gender Pay Gap

Achieving gender balance is really important to us and our values, and we are really pleased to have reduced the gender pay gap year on year and that our median pay gap of 5.03% is significantly below the national median of 15.4%. The mean gender pay gap is down to 0.07% from 2.07% last year.

Importantly, for our standard roles, we pay our hourly colleagues equally, regardless of gender and our reward and recognition policies are gender neutral. The majority of our colleagues are male within our store and Autocentre businesses, however we remain focused on improving the gender balance across the Group and increasing awareness of our career progression opportunities, both internally and externally.

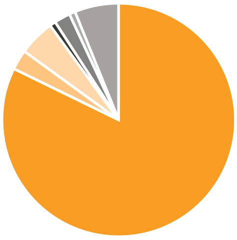
Diversity and Inclusion Data

Gender



- Male = 77%
- Female = 17%
- Other = 1%
- Prefer not to say = 4%

Ethnicity



- White/Caucasian/White other = 83%
- Black/Black African/Black Caribbean/Black Other = 3%
- Asian or Asian British = 5%
- Middle Eastern = 0.4%
- Mixed or Multiple Ethnic Heritage = 2%
- Other = 1%
- Prefer not to say = 6%

Mean Gender Pay Gap

0.07%

Female employees in our Apprenticeship scheme

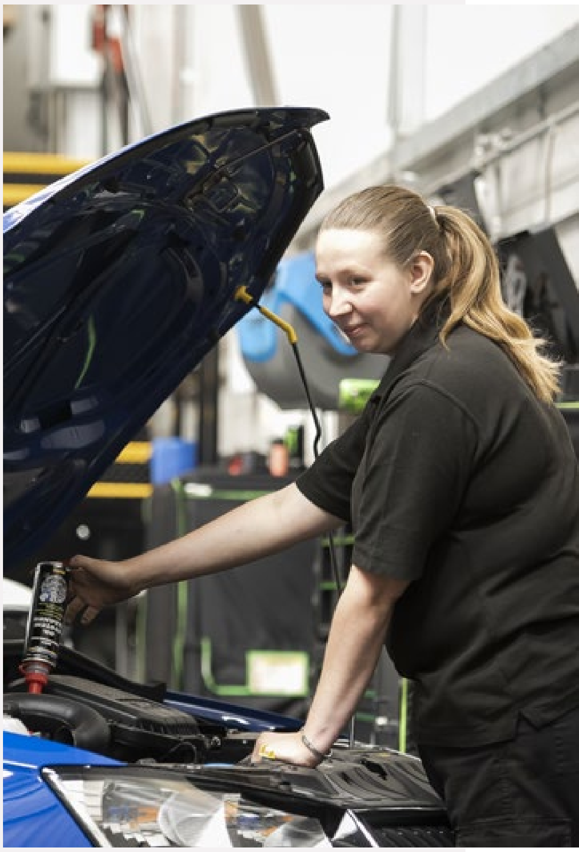
9%

Case Study

EQUAL OPPORTUNITIES FOR ALL

We have been working with two automotive charities, First Step Trust ("FST") and more recently with the Palmer Foundation. Both charities specialise in supporting people that through various personal difficulties may not have had the opportunity to gain employment. In June 2022, our relationship with FST benefited one of their learners who became a full-time Fitter at our Woolwich Autocentre. The Palmer Foundation, led by former Aston Martin CEO and Nissan COO, Dr Andy Palmer, aims to offer apprenticeships to young people from disadvantaged backgrounds, by working with employers to ensure they get the support the need throughout their career.

In creating the Future Automotive Skills Training (FAST) programme, we have brought these two charities together, along with London Southeast College group and the Institute of the Motor Industry, to provide a pathway to those who ordinarily, would have been left out of worthwhile employment, and certainly with no hope of a meaningful career. Using cutting edge learning platforms such as Virtual Reality, we are developing innovative new ways for people to engage in learning, who otherwise could not. The project aims to place between 10 and 20 young people in our Autocentres this year, with the aim of them becoming full time **Halfords** colleagues. By developing this innovative way of recruiting new talent, we are creating opportunity for people from more diverse backgrounds, helping to develop more inclusive teams and ensuring that our garages represent the communities that they serve.



ESG Progress in FY23

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 while promoting a circular economy. We will build on these strengths by offering this industry-leading service in the emerging electric mobility market, by reducing the impact of full-product replacements. We will achieve this by upskilling our store colleagues in service and repairs – leading to a better customer experience with a reduced environmental impact.

Progress in FY23

Product and Packaging

Our strategy focuses on the principles of Reduce, Reuse, Recycle and we have seen great success in establishing a strong recycling economy. We encourage customers to bring in a range of products such as car batteries and waste electrical and electronic equipment ("WEEE") and this year we've added wiper blade recycling into nearly 90% of our stores. We have also seen success with tyre recycling by improving our tyre waste processing in the waste hierarchy, reducing our recovery and increasing recycling rates.

Removing plastic from our supply chain is an important initiative for us. Since setting out our pledge to remove virgin plastic from our own-brand packaging, we've now removed over 37% of virgin plastic through initiatives such as lightweighting AdBlue containers, removing plastic wrap from bicycle inner tubes, introducing recycled content into key motoring liquid ranges (e.g. screenwash, battery top up water, engine oils) and converting our "Oddpack" range of 700 motoring products to 80% recycled material.

In February 2022, we launched our new Bike Xchange scheme in over 95% of our stores. This provides a financial incentive for consumers to return their **Halfords** branded bike for up to £250. Our expert technicians will assess and grade bikes which either be repaired and resold, or donated to our charity partners who will repair and donate to African communities or repurpose the parts before sending anything unusable to a recycling company – nothing ends up in landfill through this process.

This improves longevity of the product in circulation, reducing waste, and social value via our charity partners ran by volunteers who will ship products to Africa – whereby the bikes are used as a transport device for local communities.

The scheme has been extremely popular with customers this year with a total of over 11,000 bikes coming into our stores. Of these, any which are not resold to customers are donated to our charity partners Re-Cycle, Krisevac and Adsum Foundation. During the year, 8,543 bikes were donated to these charities.

The success of the scheme has meant that during the course of the year, we extended the scheme to also include kids' bikes, incentivising parents to trade-in old bikes and helping them with vouchers for new bikes during the cost of living crisis.

Other highlights:

- Recycled 1,000s of items of office furniture in Support Centre revamp (using our charity partner TooGoodToWaste).

Product Safety

We make product and consumer safety a priority. We operate a new product development and assessment process that incorporates all applicable safety and legal standards, as well as our own additional quality standards. Despite this, there may on occasion be the need to carry out a safety recall on a product. Product safety recall communications are managed according to our Incident Management Plan and industry best practice. Product Safety Recall Notices are published in the Help and Advice section of our website: www.halfords.com/help-and-advice/product-information/product-support/product-recalls/product-recalls.html.

Waste Management

Halfords takes its environmental responsibilities seriously and we aim to manage our operations in a way that is environmentally sustainable, economically feasible and socially responsible. We are 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 FY23, our total waste tonnage grew slightly to c.43,000 tonnes mainly due to the time it has taken to integrate acquisitions and bring them onto the Group's policies and procedures. Our updated waste portfolio is now 61% tyre-casings, automotive batteries (12%), cardboard 11% and general waste (5%).

Due to a reduction of general waste, an increase in Dry Mixed Recycling ("DMR"), and change in the supplier handling our tyre waste, we've seen our recycling rate drop from 63% to 56% YoY. This is due to the impact of the tyre volumes increasing and the UK infrastructure being linked to using tyres for energy recovery. We are, however, working with a major tyre processing business who has a leading role in the development of a pyrolysis solution – this should result in a significant increase in tyre recycling (and our overall recycling rates).

During the year, we identified an incumbent supplier to a recently acquired business who engaged with some landfill which we have moved away from, and our automotive battery recycler who has a very small % of landfill. We are working with all suppliers to increase reporting accuracy on this and have set ourselves the goal to be 0% to landfill by FY25.

Waste Data

- Recycling rate: 56%
- Landfill rate: 0.5%
- Recovered (without energy) 10%
- Recovered (with energy) 34%

Responsible Sourcing

We are committed to maintaining high ethical standards within the supply chain. During the year, we revised our Global Sourcing Code ("Code"), 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.

We take all reasonable and practical steps, including factory and site inspections and independent audits, as required, to ensure the principles detailed in our Code are being met by our suppliers and, in turn, by their own business partners. We only trade with those who comply fully with our Code and in the event of any failure to do so, we reserve the right to end the business relationship and cancel outstanding orders. We recognise that in the event of non-compliance, withdrawal of our business may cause severe hardship to those employed. Therefore, our preference is to work with our suppliers in partnership to achieve compliance and carefully review progress made before considering severing any relationship. We encourage a culture of 'speaking up' and expect our suppliers and their workers to do so in confidence and without fear of retaliation.

The EcoVadis platform we use for engaging with our suppliers on carbon data also offers suppliers a series of questions to establish a sustainability scorecard, giving us the ability to understand how advanced each supplier is in areas such as carbon management, climate change risk and also labour issues such as modern slavery. Through engaging with our top suppliers, we have sustainability scorecards for 78% of spend giving us a way of ranking our suppliers and understanding where we need to focus our efforts.

Due Diligence

During the year, we continued our partnership with EcoVadis, strengthening our due diligence process. We work with EcoVadis to enable our responsible sourcing programme and monitor compliance with our Code. We require suppliers to complete self-assessments through the EcoVadis platform, which helps to assess a supplier's performance in various areas, including: ethics; environmental management; 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. Our standard terms include conditions to explicitly reference our Global Sourcing Code, which all suppliers must sign up to.

In FY24, we will:

- Expand engagement to our top 300 suppliers via the EcoVadis platform.
- Engage with suppliers to encourage even more to sign up to our Global Sourcing Code.
- Monitor our risk management process for identifying supply chain risk.

ESG Progress in FY23

Our Colleagues

Colleague Engagement

Colleague engagement is vital to our success as a business. Each year, we conduct a colleague engagement survey, administered by a third party and providing actionable, anonymised reports at a team level. This year's survey, conducted in April 2023 had a response rate of 90% and an engagement index score of 82%, a slight increase from the previous year despite the challenging year and the disruption caused by the cost of living crisis and the challenging conditions the Retail industry is facing. 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, such as electric servicing, all the way to online training courses via our intranet to upskill colleagues who wish to progress their career. Some highlights from FY23 are:

- 687 nominations were received for 'Colleague of the Quarter', part of the Values Recognition Scheme we launched last year alongside our new **Halfords** Group Values. Colleagues are invited to nominate their peers who they think live our values on a daily basis. Of these 46, Colleagues of the Quarter were awarded, culminating in 3 awards for Colleague of the Year.
- 7,000 colleagues have completed training courses across our Retail stores this year.
- 18 apprenticeships were completed – reduced numbers due to no intake in 2020, however in FY23 we tripled our normal intake of apprentices to 100.
- 150 Colleagues completing their Hybrid Level 3 training.
- Highlighting the importance of our Corporate Charity partners, 101 colleagues qualified as Mental Health First Aiders.
- Our Aspire programme – training and promoting colleagues – has seen great success with 63 colleagues advancing from "Colleague" to "Specialist", and 95 advancing from "Specialist" to "Deputy".
- 376 colleagues from management positions across the Group attended a Solution Selling workshop and 646 attended a Service Solutions workshop, both of these focused on being better prepared for engaging with customers to offer services and solutions to their problems.

Health and Safety

We are committed to delivering good health and safety ("H&S") management and practices, recognising that our people are our most important asset. Our priority is to run **Halfords** with the protection of the health, safety and welfare of all people that are affected by our activities being at the forefront of all our decisions. Our commitment is to have a reputation for health and safety that exceeds expectations within our industry and amongst our peers.

In order to live our philosophy of "each accountable, all responsible" everyone in **Halfords** has responsibility for ensuring the safety of colleagues, customers and others impacted by our business. Specific roles, responsibilities and reporting lines are made clear and detailed within our Health and Safety Policy. We have a formal Group Health and Safety Committee ("HSC"), which is a formal sub-committee of the Executive who are 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. The Group HSC meets four times a year to look at a wide range of topics including building fabric, safety training and fleet services. The Group committee is supported by additional sub committees that cover operational areas of the business.

The Board also receives reports on safety facilitated by the Group Head of Health and Safety.

Clear standards and procedures continue to be developed based on risk assessments that are reviewed on an ongoing basis, detailing safe ways of working to manage health and safety across the business, working 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.

This year, we have worked hard in fundraising events such as sponsored cycles and bake sales and have made corporate donations totalling £25,000 to our corporate charity, Mind. Last year, we pledged three years of support to Mind along with their sister charities SAMH (Scotland) and Inspire (Northern Ireland) as our national charity partner. Mind, Inspire and SAMH are mental health charities, with local presence across the UK and Northern Ireland. They champion for mental health to ensure no one has to face a mental health problem alone. This aligns with our wellbeing and D&I programmes, allowing us to continue supporting the wellbeing of colleagues and broader communities across the country.

In addition to our corporate charity partnership, we continue to work with other charities and communities that have a strong bond with **Halfords**. We have aligned our priority ESG focus areas with seven of the UN Sustainability Development Goals ("SDGs") (see ESG Performance Overview); however, through our business activities and charitable donations, we are able to positively contribute to additional SDGs, recognising the importance of all 17 SDGs.

Focus areas for FY24:

- Continued support of our charity partners.
- Support local charity initiatives.

Case Study

WELLBEING WEEK

In October, we ran our annual 'Wellbeing Week' to promote the importance of ensuring we continue to look after our own physical and mental wellbeing and the wellbeing of our customers and the communities in which we operate. During this week we ran activities such as free massage treatments and yoga sessions for our Support Centre colleagues and encouraged our store and centre colleagues to share their wellbeing videos and photos including nutritional dish of the day and top money saving tips.

On 10 October, World Mental Health Day, we encouraged fundraising in all our stores to raise awareness of the important work our charity partners do to support mental health. During the week, we raised c.£6,000 as well as participating in the stock drive to donate over £2,000 worth of clothing to the Mind stores.

Case Study

RE-CYCLE/KRISEVAC/ADSUM FOUNDATION

- We are proud to continue our work with our charity partners to help those in need in communities in Africa.
- **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 it is extremely important to us that we can support them as much as we can.

  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/
- Krisevac Project 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. Our charity is underpinned by Catholic social teaching and we work with and through Catholic communities to benefit people of all faith and none. Part of this is the "Cycle of Good" project which employs 33 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/
- Last year, we partnered with the Adsum Foundation in Northern Ireland. They work with the goal of supporting people and communities in the developing world and investing in their futures and have recently focused primarily on Madagascar. The donations we make are able to provide communities with basic transport and a better way of life. Read more here: https://adsumfoundation.org/about
- Across the last year, we have donated over 8,000 bikes to these charities and are proud to be partners with all of them.

ESG Progress in FY23

Case Study

HMP DRAKE HALL

- The **Halfords** Academy at HMP Drake Hall was launched a number of years ago and is a scheme to which we remain fully committed to. It offers female inmates 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 bikes that require reconditioning. The majority of the bikes are then donated to primary schools in disadvantaged areas to help children access cycling through the **Halfords** school bike donation scheme.

SDGs

Case Study

RIDE FOR FREEDOM

We continued to support the Freewheel programme by Ride for Freedom with bike accessories. Ride for Freedom aim to harness the universal appeal of cycling to raise awareness, educate and forge partnerships to end modern slavery and provide remedy to survivors.

- Freewheel is a remediation programme that empowers survivors of modern slavery – women, children and men – to cycle to support their physical and mental health and wellbeing, independence and mobility to aid their rehabilitation into society. The Barking and Dagenham hub, launched in March 2022, is the first of several hubs to be rolled out in cities and regions across the UK where the need and ongoing demand for the provision and service is identified.
- The hubs intend to enable survivors of modern slavery by providing them with a bike and bike accessories including helmets, locks and lights, alongside cycling proficiency and road awareness training through a national cycle training programme.

SDGs

Performance Data

Carbon Emissions and SECR report	Unit	FY20 (baseline)	FY22	FY23	Comments
Gas consumption (+acquisitions for rebaselining of FY20 emissions)	tonnes	11,749 (+95)	9,312	8,880	FY23 Retail usage: 5,503 FY23 Autocentres usage: 3,377 **Proportion of Group carbon emissions: 38%**
Gas consumption	kWh	63,902,230	50,648,378	48,649,459	FY23 Retail usage: 30,146,737 FY23 Autocentres usage: 18,502,722
Vehicles on Company business (+acquisitions for rebaselining of FY20 emissions)	tonnes	2,547 (+2,499)	3,469	6,315	**Proportion of Group carbon emissions: 27%.** The rapid expansion of our fleet of mobile vans is pushing up the emissions for miles travelled despite over 60% of Retail company cars being switched to alternative fuel sources.
Total Scope 1 (rebaselined FY20)	tonnes	16,890	12,781	14,233	15% reduction in Scope 1 vs. FY20 baseline. Rapid expansion of mobile van fleet is offsetting reduction in gas consumption.
Electricity consumption (+acquisitions for rebaselining of FY20 emissions)	tonnes	13,473 (+1,436)	8,107	8,095	FY23 Retail usage: 4,799 FY23 Autocentres usage: 3,295 **Proportion of Group carbon emissions: 35%**
Electricity consumption	kWh	52,712,652	38,583,748	41,858,265	FY23 Retail usage: 24,817,130 FY23 Autocentres usage: 17,041,136
Renewable energy (% of Group estate)	%	0	75	76	76% of our estate is now powered by electricity from renewable sources.
Total Scope 2	tonnes	14,909	8,107	8,095	46% reduction in Scope 2 vs. FY20 baseline.
Total Scope 1 and Scope 2	**tonnes**	**31,799**	**20,888**	**23,290**	27% reduction in total carbon emissions vs. FY20 baseline.
tCO_2e per £1m Group revenue	tonnes	27.84	15.26	14.6	Third successive year of reduction.

Note: Scope 2 emissions are calculated on a location-based approach. FY23 Scope 2 emissions calculated on a market-based approach are 3,478 tCO2e. Rebaselining calculations for Scope 1 and 2 was completed using intensity metrics in the absence of FY20 carbon emissions data for acquisitions.
Total Scope 3 (see page 52 for detailed breakdown).

	Unit	FY22	FY23	Comments
Water				
Water consumption	m^3	153,461	249,130	Water usage is relatively low across the estate and continues to hold at steady levels per site. The significant increase vs. FY22 is due to inclusion of the new sites the Group acquired in the last 2 years (no acquisitions included in FY22 data).
Waste*				
Total waste	tonnes	39,138	43,542	Total waste has increased slightly vs. FY22 due to time taken to integrate acquisitions into the Group's policies and procedures.
Waste recycled	tonnes	20,318	24,274	Cardboard and automotive batteries are key drivers within our recycled waste.
Waste incinerated with energy recovery	tonnes	18,220	14,707	Better segregation of our national waste has led to reduction in general waste.
Waste incinerated without energy recovery	tonnes	603	4,282	Tyre waste contributes to our waste incinerated without energy recovery, however we expect this to improve with technology advances in short-term.
Waste to landfill	tonnes	0	239	The small increase is driven by acquisitions made during the year prior to integration into the Group's policies and procedures.
Product				
Bikes returned through Bike Xchange	Number	2,078	11,047	FY22 data covers the period from the launch of the proposition in week 44 until the end of the financial year.
Bikes donated to charity partners	Number	No Data	8,543	
Packaging				
Reduction in consumer-facing virgin plastic (vs. FY20)	%	17	37.5	We continue to make progress in reducing our virgin plastic use in consumer-facing packaging.
Occupational Health and Safety				
Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ("RIDDOR")	Number	42	34	Data covers our Retail stores, Autocentres and warehouse operations but excludes recent acquisitions. We continue to review our health and safety management systems to ensure we remain effective in promoting a safe working environment for our colleagues.
Ethics Training				
All FCA training, including Conduct Rules, Treating Customers Fairly and Vulnerable Customers.	% Completion	80	76	Cultivating and maintaining strong responsible business practices is essential in driving responsible business. We have several training modules to support colleagues with awareness and understanding of moral and legal obligations. Colleagues across the Support Centre, Retail, Autocentre, Tredz, HGS, and McConechy's are expected to compete mandatory learning. Turnover of colleagues means this percentage has decreased slightly vs. FY22.
Anti-bribery	% Completion	73	70	We have several training modules to support colleagues with awareness and understanding of legal obligations. Colleagues across Support Centre, Logistics, and HGS are required to complete this mandatory learning. Turnover of colleagues means data has decreased slightly vs. FY22.
Competition Law	% Completion	66	64	
Modern Slavery	% Completion	35	88	Towards the end of FY22, we launched a new mandatory modern slavery e-learning module. This is important in supporting colleagues with understanding the signs and feeling confident in raising potential issues.

* Waste data includes our Retail Stores, Autocentres, Distribution Centres and Tredz business including National Tyres and Universal Tyres. FY22 data has been re-stated to include acquisitions. Newly acquired sites, such as Lodge Tyre, are currently excluded as we consolidate and validate data internally.

Task Force on Climate-related Financial Disclosures ("TCFD")

We recognise the importance of understanding and managing the climate-related risks and opportunities to our business and supply chain. Over the past few years, we have evolved our approach to assessing these risks and opportunities to be consistent with the recommendations set out by the Taskforce on Climate Related Financial Disclosure ("TCFD"). Last year was our first time reporting against the TCFD framework and we recognise the importance of continuous improvement as we work hard to mitigate climate-related risk and activate the various opportunities available to us for accelerating transition to a lower carbon economy. Our report continues to be compliant with TCFD disclosures and UK listing rules.

We are mindful of the impact we have on natural resources and are continually searching for ways to minimise this. We have good heritage when it comes to repair due to the nature of the work we do in our garages. In addition, we have been working hard over the last few years to increase our recycling capabilities, this year introducing wiper blade recycling into nearly 90% of our stores. The Bike Xchange programme we introduced last year has been extremely successful enabling customers to trade-in bikes that would have ended up in landfill or gathering dust in a garage. Our expert technicians will assess, repair and refurbish all second-hand bikes so they are ready for a new owner. For some of these bikes, this means that they will be shared with charity partners who give them a second life, for example by donating to African communities. This whole process is focused on extending the lifetime of products we sell which are already in circulation.

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, which comprises of Non-Executive Directors, and offers advice and guidance to the business based on a wealth of experience. The Executive Team are ultimately responsible for the day-to-day management of the ESG programme. Last year, recognising the importance of ESG, we chose to form an ESG Board comprised of Executive members giving a dedicated monthly session to focus on the strategic progress of our ESG programme including the setting and monitoring of ESG targets to help maintain momentum with our longer-term ESG strategy. Members of the Executive Team regularly attend ESG Committee meetings and keep the Committee up to date on progress with the ESG programme. Climate-related risks are monitored for potential material impact through our normal risk management processes and the Audit Committee has overall control over the approach. Financial, Operational and Brand impact are all considered when prioritising risks and opportunities.

Training for ESG and climate change has been conducted throughout the year for both Executive and Non-Executive Directors, with structured training slots run by external experts being supplemented by ad-hoc training provided by Executive and Senior Management colleagues. We acknowledge that this is an ongoing process and will keep running these training sessions to ensure all business leaders have the best information on which to base decisions.

Progress over the last 12 months

This year, we conducted Board training on climate change and the Board's due diligence requirements, including specialist training for those directly responsible for climate-related issues.

The Board has also contributed to discussions over necessary steps to mitigate risks identified through the scenario analysis and as such, helped inform part of the Capital Markets Day presentation where we announced our focus on e-mobility in the mid-long term, i.e. investing in equipment and training and growing our revenue from electric products and services. This forms an integral part of our 5-year financial modelling and, given the expected growth in the electric transportation market, will ensure the business has long-term sustainable growth. At this time, the Board do not believe other climate risks, such as extreme weather events, have a material impact on financial forecasts or is a key source of estimation uncertainty when compared to other risks the business faces.

In addition, during this financial year, Executive remuneration has been linked to our performance in the sales of Electric products and services and our progress with gathering accurate carbon data from our suppliers.

Priorities For The Next 12 months:

- Roll out climate change training modules to the wider business.
- Continue to monitor the evolving landscape and upskill Senior Leaders as needed.
- Identification of further opportunities around climate change and managing risks identified as a result of climate change.

2. Strategy

In response to climate change, the UK Government has set out a target of no new Internal Combustion Engine ("ICE") vehicles being sold in the UK from 2030 (https://www.gov.uk/government/news/government-takes-historic-step-towards-net-zero-with-end-of-sale-of-new-petrol-and-diesel-cars-by-2030). Electric Vehicles ("EVs") are therefore going to be crucial over the next decade as the country prepares for the shift away from conventional fuel sources. Both our Corporate and ESG strategies are closely focused on the growth of electric and we have set out our ambitions to help 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.

The acceleration of our strategy – to evolve into a consumer and B2B services-focused 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 demands of our key stakeholders, we commit, via our ESG Board, to regularly reviewing our strategy and ensuring that we evolve to do all that we can to mitigate the risks and explore the opportunities that we are presented with.

Risks and Opportunities

Last year, we engaged with PwC to perform an independent risk assessment, combining our strategy and future trends. The output is summarised below, showing 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).

Area	Timeframe	Risk/ Opportunity	Description
Transition			
Political and Legal	Medium–Long	Risk	UK Government's ban of no new petrol/diesel vehicles by 2030, meaning more servicing for EVs which are currently less time consuming (though we recognise this may change in the future).
Market	Short–Medium	Risk	Miss the opportunity of becoming leaders in e-mobility. This can be either because of very high or very low uptake of E-mobility.
Market	Short–Medium	Opportunity	Be at the forefront of E-mobility products and service offerings, helping customers to make the transition to E-mobility and capture increased market share.
Product and Services	Short–Medium	Opportunity	Introducing new products with smaller environmental footprints (e.g. low impact materials or recycled products).
Physical			
Acute and Chronic	Medium	Risk	Disruption of either supply chains, operations or customers due to infrastructure damage from extreme weather events.

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, e.g. monitor the impact climate change and regulation has on the valuation and suitability of physical assets such as garage equipment or PPE and make changes to these assets at a time when this impact becomes material. No such material impacts have yet been identified. Climate-related opportunities continue to be monitored and our strategy is altered to take advantage of the opportunity where necessary, e.g. at our Capital Markets Day in April 2023 we announced the mid-long term strategic focus on electric transport in response, in part, to the risks above.

Timeframe

Short term: 5 years	Medium term: 10 years	Long term: 20+ years

Task Force on Climate-related Financial Disclosures ("TCFD")

Scenario Analysis

PwC also helped us to carry 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 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. Jupiter Intelligence data was used to model physical risks to chosen **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 as this represents 75% of our revenue and hence has a more material impact to our business.

	Potential Impact on Business	Halfords' Response	Mitigations/Reinforcements
Transition			
Lower Product and Servicing Revenue **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 turnaround time or the potential need to increase prices due to the specialist skillset required for EV servicing. Despite only making up a fraction of overall revenue, we feel we're well positioned to manage this risk and associated opportunities. For a number of years, the Group's strategy has been to mix increasingly into services, thereby becoming a more resilient, needs-based business. Alongside the potential to sell EV related products, we're well positioned to manage this risk and realise this opportunity.	• 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 too. • 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. During the year, we increased the number of EV-trained colleagues by 10%. We also continued the #Plugtheskillsgap campaign, calling on the industry to train EV techs 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.

	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, a key area within our supply chain, 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 retail sites were deemed as being at high risk of flooding, we recognise the potential for supply disruption due to flooding and extreme weather. We are working with our suppliers to better understand their climate resilience and carbon reduction strategies (read more in the Responsible Sourcing section on page 57). 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 shifts.	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** through regular strategic reviews to ensure buying teams are kept up to date with projection of 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.

Progress Over The Last 12 Months

With our scenario analysis completed in Q4 FY22, we decided not to re-run this analysis over this financial year, choosing instead to focus on how we can make changes to the way we work in order to mitigate the risks the results showed. We have invested heavily in equipment and training for our colleagues to better prepare our business for electric servicing, with a focus on increasing the number of EV-ready garages. We recently held a Capital Markets Day, and stated our intention to focus on electric servicing as part of our core Group strategy and continue investing in electric services and equipment, in addition to our continued lobbying of the Government to address the skills shortages in this space.

Next Steps

Conduct the next, more detailed phase of scenario analysis, using **Halfords**-specific data to build on the foundations laid out above. This will include consideration to the implications of climate change on our financial planning and capital allocation and on our business strategy.

Task Force on Climate-related Financial Disclosures ("TCFD")

3. Risk Management

The climate crisis is already having a profound effect through extreme weather events – floods, drought and raising sea levels – all of which have the ability to disrupt our supply chains and impact our ability to operate our business effectively.

These risks have been assessed in detail and whilst flooding is likely to impact select **Halfords** stores and garages across the UK, our most material climate related risks and opportunities are in response to the evolving regulatory landscape; in particular, the ban on new internal combustion engine ("ICE") vehicles being sold in the UK from 2030 as part of the UK Government's net zero ambitions. More sustainable mobility options, including Electric Vehicles, E-Bikes and E-Scooters are therefore going to be crucial over the next decade as the country prepares for the shift away from conventional fuel sources and transition to a lower carbon economy. This transition will impact our motoring and cycling business in the short, medium and long term.

We include climate change as a Principal Risk 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 aligned with how we manage our other Principal Risks.

Our principal climate-related risks are:

- Failure to respond adequately to the demand for sustainable mobility options through our products and servicing offers, leading to a loss in confidence, market position and revenue.
- Our service proposition does not match customer demand for electrification solutions in motoring and cycling, leading to profound disruption in our core 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.

Read more in the Principal Risks and Uncertainties section on pages 74-81.

Progress Over The Last 12 Months

We recognise the need to engage with various stakeholder groups to manage these risks and have been working with suppliers on Scope 3 emissions reductions and the management of climate risk in the supply chain. During the year, we made significant progress with the Ecovadis platform and now have scorecards for 78% of supplier spend (giving an overview of climate risk management amongst other areas) and primary carbon data for 79% of supplier spend giving us good baseline for our Scope 3 targets (see Scope 3 target in the Metrics and Targets section). Increased engagement and communication with our suppliers means we are in a better position to challenge those that are not maintaining pace with our ambitious climate change strategy.

Next Steps

- Continue to monitor climate-related risks and opportunities on a regular basis via usual risk management processes.
- Begin to initiate conversations with suppliers on improving their own climate risk management.

4. Metrics and Targets

We recognise the value of regularly tracking progress and are committed to a transparent reporting process. Our targets are ambitious, though achievable, and will put our business in a better position to mitigate risks arising from climate change and take advantage of the opportunities we are presented with.

	Target	Progress
Scopes 1 & 2 Carbon Emissions	Commit to a 1.5ºC-aligned science-based target across our own operations (Scopes 1 and 2) by 2030, reducing our emissions by at least 42% in this time period (vs. FY20 baseline).	27% reduction vs. FY20 baseline. Read more on page 52.
Scope 3 Carbon 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 (vs. FY20 baseline).	Primary carbon data captured for 79% of supplier spend helping establish accurate baseline data. Read more on page 52.
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.	7% increase vs. FY22 Read more on page 50.
EV Service Locations	Grow the number of fixed and mobile Electric Mobility servicing locations.	No data available – first year of tracking.

Progress Over The Last 12 Months
This year, we realised the importance of having accurate data for setting sensible but ambitious targets. This was particularly important when considering our suppliers and their carbon emissions and how we help manage climate risk in our supply chain. We have made significant progress with the Ecovadis platform and now have primary carbon data for 79% of supplier spend, giving us good baseline for our Scope 3 targets. Without accurate baseline data, it is not yet possible to comment on reduction of our Scope 3 emissions targets.

Our Scope 1 and 2 science-based target was aligned with the more ambitious target set out in the Paris 2015 agreement; to limit global warming to 1.5ºC. We have continued to make good progress against this and have reduced our Scope 1 and 2 emissions by 27% compared to our FY20 baseline despite acquisitions and rapid growth of our mobile van fleet increasing our emissions in FY23.

We have invested heavily in equipment and training to make our Autocentres EV-ready. From a training point of view this has seen the number of colleagues EV-trained up by 7% vs. FY22.

Next Steps
- Work with the ESG Board and strategic and financial planning teams to enhance our climate-related targets to provide better short-term focus and better track progress made regarding climate-related risks and opportunities.
- Focus on integrating captured Scope 3 data from our suppliers into existing calculations to get a more accurate reading of total Scope 3 emissions.
- Detail **Halfords** net zero plan; headline information on how we will transition to a lower carbon economy.

Chief Financial Officer's Statement

Jo Hartley

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

Profit Before Tax

£51.5m

Dividend Per Share (Full-Year)

10.00p

Reportable Segments

Halfords Group operates through two reportable business segments:

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

All references to Retail represent the consolidation of the **Halfords** ("**Halfords** Retail") and Performance Cycling Limited (together, "Tredz and Wheelies") trading entities. All references to Autocentres represent the consolidation of the **Halfords** Autocentres, McConechy's, The Universal Tyre Company (Deptford) Limited ("Universal"), Axle Group Holdings Ltd ("National Tyre"), Avayler Trading Limited and LTC Trading Holdings ("Lodge Tyre") trading entities. All references to Group represent the consolidation of the Retail and Autocentres segments.

The "FY23" accounting period represents trading for the 52 weeks to 31 March 2023 ("the financial year"). To provide a better understanding of underlying performance, financial comparisons will also be made relative to FY20, that is, on a three-year basis. The disruption from COVID-19 to both FY21 and FY22 means that comparators against these years are more difficult to interpret. From FY24 we will revert to one-year comparators. All numbers shown are on a post-IFRS 16 basis and before non-underlying items, unless otherwise stated.

Group Financial Results

	FY23 (52 weeks) £m	FY22 (52 weeks) £m	FY20 (52 weeks) £m	FY23 vs FY22 change	FY23 vs FY20 change
Group Revenue	**1,593.5**	1,382.4	1,142.4	15.3%	39.5%
Group Gross Profit	**785.3**	721.7	584.0	8.8%	34.5%
Underlying EBIT	**63.6**	101.1	70.5	(37.1%)	(9.8%)
Underlying EBITDA	**186.0**	207.1	188.6	(10.2%)	(1.4%)
Net Finance Costs	**(12.1)**	(11.3)	(13.6)	7.1%	(11.0%)
Underlying Profit Before Tax	**51. 5**	89.8	56.9	(42.7%)	(9.5%)
Net Non-Underlying Items	**(8.0)**	6.8	(34.2)	(217.6%)	(76.6%)
Profit Before Tax	**43.5**	96.6	22.7	(55.0%)	91.6%
Underlying Basic Earnings per Share	**18.8p**	35.5p	25.4p		

Full year FY23 underlying profit before tax ("PBT") was £51.5m, -£5.4m (-9.5%) vs. FY20, and -£38.3m (-42.6%) vs FY22. High levels of economic uncertainty and ongoing consumer financial worries weakened the UK economy throughout FY23. The Group has seen over an estimated £68m of year-on-year inflation in FY23, and two of its core markets, Consumer Tyres and Cycling, have seen significant volume decline, of -14% and -24% respectively, vs. FY20. In the context of over £90m of headwinds, a PBT of -9.5% below FY20 demonstrates the underlying strength, cost discipline, and strategic progress the Group has made over the intervening years. We believe the strategic progress made in FY23 will deliver strong and growing returns in the mid-term.

In June 2022 we reiterated the importance of continuing to grow our Services-revenues, albeit focused on a few, key strategic investments that would make a meaningful impact to the Group's future performance. As a result, Lodge Tyre was acquired for total consideration of £37.5m in October 2022 (with £33.5m paid on completion after adjustments and £4.0m paid in FY25 subject to performance), the integration of National Tyres was advanced with Avayler implemented in all sites, and the SaaS version of the same Avayler software secured its 3rd client. Lastly, the launch of the UK's first, dedicated Motoring Loyalty club in March 2022 has been successful, with customers engaging with the club ahead of our expectations. As we set out at our Capital Markets Day in April 2023, the platform we have created will enable us to grow group Revenues to £1.9bn and PBT to between £90m -£110m in the mid-term.

Group revenue of £1,593.5m in FY23 reflected a like-for-like ("L4L") increase of +2.4% from FY22 and +13.4% from FY20. Total revenue increased 15.3% from FY22 and 39.5% from FY20. Total Revenue comprised Retail revenue of £979.6m and Autocentres revenue of £613.9m. Retail revenues grew +3.1% (+£29.0m) versus FY20, but declined -2.2% versus FY22, primarily due to a significantly softer than expected Cycling market. Autocentre revenue saw both strong LFL growth of 31.6% vs FY20 and also benefited from acquisitions, with total revenue growth of +220.1% vs FY20 and +61.2% vs FY22.

Group gross profit of £785.3m, +£63.6m vs FY22 (FY20: £584.0m) was 49.3% of Group revenue (FY22: 52.2%, FY20: 51.1%), comprising of Retail gross margin of 48.6%, up +40bps from FY20, despite material increases in the cost of goods sold and freight costs, offset by a decrease in the Autocentres gross margin of -500bps to 50.4%. This reduction in Autocentres is driven by the dilutive effect of our acquisitions, which are principally focussed on the lower gross margin % tyres market. Throughout the year, investment was made across the Group to support customers through the cost-of-living crisis.

Total underlying costs increased to £721.7m (FY22: £620.6m, FY20: £513.5m), of which Retail comprised £417.4m (FY22: £420.9m, FY20: £395.6m), Autocentres £299.0m (FY22: £196.6m, FY20: £115.8m) and unallocated costs £5.3m (FY22: £3.1m, FY20: £2.1m). Unallocated costs represent amortisation charges in respect of intangible assets acquired through business combinations.

The overall cost increase of 40.5% (+£208.2m) vs FY20 has been slightly ahead of revenue growth over the same period of +39.5%. Almost two thirds of the overall Group operating cost increase has been driven by acquisitions, either annualising a part year in FY20 or having been acquired during the period. A further increase in operating costs has also resulted from LFL revenue growth in both Autocentres and Retail, significant cost inflation across the Group, and investment in areas of strategic importance such as our Motoring Loyalty Club, our Avayler platform, digital, and colleague training.

When compared to FY22, operating costs have increased £101.1m (+16.3%), growing slightly ahead of revenue growth over the same period of +15.3% . Acquisitions have contributed approximately half of the cost increase, with National acquired in H2 FY22, and Lodge from H2 FY23. Additionally, the Group has been exposed to significant inflationary headwinds in both labour and general operating costs year on year, and has also seen Business Rates Relief fully normalised in FY23, with c.£11m of rates not levied in FY22. To mitigate these impacts we have continued with our focus on cost and efficiency, having saved approximately £20m of costs year-on-year, ahead of our initial target of £15m. These savings were delivered through initiatives including 26 store and garage closures in FY23 where more profitable trade transfer exists, lease renewals on 41 retail stores saving 21.7% on average, support centre headcount rationalisation and numerous other initiatives.

Group Underlying EBITDA decreased 10.2% vs FY22 and 1.4% vs FY20 to £186.0m, whilst net finance costs were £12.1m (FY22: £11.3m, FY20: £13.6m). Underlying Profit Before Tax for the year decreased 42.6% vs FY22 and 9.5% vs FY20 to £51.5m.

Non-underlying items totalled a £8.0m debit in the year, relating to restructuring costs, acquisition costs and the costs associated with property closures. FY22 non underlying items were a credit, primarily reflecting the release of property provisions taken as a result of a retail portfolio review, with the charge in FY20 largely relating to that same review. After non-underlying items, Group Profit Before Tax was £43.5m, (FY22: £96.6m, FY20: £22.7m).

Retail

	FY23 (52 weeks) £m	FY22 (52 weeks) £m	FY20 (52 weeks) £m	FY23 vs FY22 change	FY23 vs FY20 change
Revenue	**979.6**	1,001.6	950.6	(2.2%)	3.1%
Gross Profit	**476.0**	510.7	458.4	(6.8%)	3.8%
Gross Margin	**48.6%**	51.0%	48.2%	(240bps)	40bps
Operating Costs	**(417.4)**	(420.9)	(395.6)	(0.8%)	5.5%
Underlying EBIT	**58. 6**	89.8	62.8	(34.7%)	(6.7%)
Non-underlying items	**(0.7)**	8.9	(30.7)	(108.0%)	(97.7%)
EBIT	**57.9**	98.7	32.1	(41.3%)	80.4%
Underlying EBITDA	**142.0**	168.4	159.0	(15.7%)	(10.7%)

Chief Financial Officer's Statement

Revenue of £979.6m reflected a LFL sales increase of +9.9% vs FY20 and -1.8% vs FY22. Total revenue increased +3.1% vs FY20 after adjusting for the 53 stores that have closed, and declined -2.2% vs FY22. FY23 consumer confidence has been very volatile with the impacts of increasing interest rates, energy bills and general inflation severely impacting customers willingness to spend. This had a notable impact on more discretionary and higher-ticket product sales at **Halfords**. Whilst cycling started FY23 with some degree of resilience, the latter part of Q3 onwards saw a marked deterioration in performance aligned to the increased economic uncertainty arising from the Autumn mini budget. The British Cycling Association estimates the cycling market closed FY23 with sales volumes 24% below pre-COVID levels however significant market inflation partly offset the volume decline, resulting in a full year sales performance of -8.3% vs FY20 and -11.2% vs FY22 . Motoring fared better, with the needs-based categories performing strongly, more than offsetting discretionary, big-ticket items such as technology and touring. Full year Motoring sales closed FY23 +10.3% above FY20 and +3.6% vs FY22 . The above factors have resulted in Motoring increasing its mix of the Retail business by +3.6ppts vs FY20.

The Retail Operational Review in the Chief Executive's Statement contains further commentary on the trading performance in the year. Like-for-like revenues and total sales revenue mix for the Retail business are split by category below:

	FY23 LFL 1yr (%)	**FY23 LFL 3yr (%)**	**FY23 Total sales mix (%)**	FY22 Total sales mix (%)	FY20 Total sales mix (%)
Motoring	**+4.0%**	**+14.5%**	**62.0**	59.4	58.4
Cycling	**-10.9%**	**+1.3%**	**38.0**	40.6	41.6
Total	**-1.8%**	**+9.9%**	**100.0**	100.0	100.0

Gross profit for the Retail business, at £476.0m, -£34.7m vs FY22 (FY20: £458.4m) represented 48.6% of sales, a decrease of -240bps on FY22 and an increase of +40bps on FY20 (FY20: 48.2%). Versus FY20, the increase in Motoring mix has contributed +0.6ppts of accretion with the remaining movement a result of rate movements withing Motoring and Cycling. Whilst Cycling has seen strong underlying profitability improvements since FY20, as noted in our previous updates, during FY23 it has faced very significant inflationary pressures from both cost of goods and freight.

Retail operating costs before non-underlying items were £417.4m, a decrease of 0.8% on FY22 and an increase of 5.5% on FY20 (FY22: £420.9m and FY20: £395.6m). The decrease against FY22 has been driven by benefits associated with our cost transformation programme as well as a reduction in bonus accruals that were made as a result of lower overall Group performance. The prior year benefitted from £7m of non-recurring Business Rates Relief.

Underlying EBIT was £58.6m, -34.7% vs FY22 and -6.7% vs FY20 with cost and efficiency savings helping to mitigate a tough trading environment, in particular, our discretionary category sales and significant inflationary headwinds.

Autocentres

	FY23 (52 weeks) £m	FY22 (52 weeks) £m	FY20 (52 weeks) £m	FY23 vs FY22 change	FY23 vs FY20 change
Revenue	**613.9**	380.8	191.8	61.2%	220.1%
Gross Profit	**309.4**	211.0	125.6	46.6%	146.3%
Gross Margin	**50.4%**	55.4%	65.5%	(500bps)	(1510bps)
Operating Costs	**(299.0)**	(196.6)	(115.8)	52.1%	158.2%
Underlying EBIT	**10.4**	14.4	9.8	(27.8 %)	6.1%
Non-underlying items	**(7.3)**	(2.1)	(3.5)	247.6%	108.6%
EBIT	**3.1**	12.3	6.3	(74.8%)	(50.8%)
Underlying EBITDA	**49.5**	38.8	29.6	27.6%	(67.2%)

Autocentres generated total revenues of £613.9m, an increase of 220.1% on FY20 (LFL increase of 31.6%) and 61.2% on FY22 (LFL increase of 15.4%). Non-LFL revenues versus FY20 included either full or part year benefits from our six acquisitions: Tyres on the Drive and McConechy's acquired in October and November FY20 respectively, Universal in March FY21, Iverson Tyres in November FY22, National Tyre in December FY22 and Lodge Tyre in October FY23. Our acquisitions added over £250m of revenue versus FY20 and c.£170m versus FY22.

Gross profit of £309.4m (FY22: £211.0m, FY20: £125.6m) was 50.4% of sales; a decrease of 500bps on FY22 and 1510bps on FY20. The gross profit growth of nearly +150% was again a result of our acquisitions, with underlying profitability in our existing garages held despite an increase in more dilutive tyre sales. This has been a result of our Avayler operating system, that centralises buying and improves utilisation to deliver higher levels of sales for a given cost base.

The decrease in gross profit % as noted previously, has been as a result of our acquisitions, which are gross margin rate dilutive given their business model focus on tyres. Most notably, Universal, McConechy's and now Lodge Tyre, operate within the commercial B2B sector and as such has a different operating model of lower gross margin but strong margin per worked hour, and more resilient revenues. National Tyre operates primarily within the B2C sector, more aligned to our core Autocentres business, but also with a heavy tyre mix and lower gross margins. As detailed at the time of acquisition and at our CMD in April 2023, we are confident that significant synergies will be delivered through a combination of greater scale and leveraging our digital operating model which will result in stronger operating margins across the enlarged Autocentres group looking forward.

Operating costs were £299.0m, +£183.2m (+158.2%) above FY20 and +£102.4m (+52.1%) above FY22. As noted above, almost two thirds of this increase has been a result of acquisitions vs FY20 and the remaining amount driven by investment to support strong LFL sales growth in the core business and inflationary pressures, particularly in wage costs.

Autocentres underlying EBIT was £10.4m (FY22: £14.4m, FY20: £9.8m). FY22 benefited from one off COVID related rates relief, and profit on the sale and leaseback of certain Universal sites. In FY23 the performance of National Tyre (and to a lesser relative extent, the other Autocentres businesses) was adversely impacted by a weak tyre market, which has not recovered to pre-Covid levels as drivers continue to replace their tyres with less frequency and at lower price points, reflecting very low consumer confidence levels. This impact, together with the material cost inflation during the year, was partly offset by underlying trading performance and the synergy savings from acquisitions, which were in line with business case. Our intention had been to mitigate profit erosion driven by cost inflation through driving more higher margin servicing, maintenance and repair work, underpinned by growing capacity in our garages. As we communicated in our January trading update, recruiting skilled technicians during FY23 was more difficult that we'd anticipated and as a result we were unable to fully offset the cost inflation. Strong profit growth is anticipated in Autocentres in FY24 as the tyre market begins to recover, we see the full year benefit of Lodge ownership, a second year of synergy savings following the National acquisition and drive better garage utilisation.

Portfolio Management

In FY23 we continued to grow our Services business through the acquisition of Lodge Tyre.

The total number of fixed stores or garages within the Group stood at 1,036, with a further 269 vans across HME, National and Havebike and 479 Commercial vans as at 31 March 2023. The portfolio comprised 393 **Halfords** Retail stores (end of FY22: 400) and 643 Autocentres garages (end of FY22: 611).

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

	Stores	Garages	Vans
Relocations	–	–	–
Leases renegotiated	41	37	–
Refreshed	–	–	–
Openings/ Acquisitions	–	51	265
Closed	7	19	–

In Retail, seven stores closed during the year, three of them in the final quarter. 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 3.3 years.

Within Autocentres, no garages were opened organically, but 51 garages and 265 vans were acquired through the acquisition of Lodge Tyre in the year and 19 garages were closed, taking the total number of Autocentre garages to 643 as at 31 March 2023 (end of FY22: 611).

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.

Net Non-Underlying items

The following table outlines the components of the non-underlying items before tax recognised in the 52 weeks ended 31 March 2023:

	FY23 £m	FY22 £m
Organisational restructure costs (a)	**6.3**	1.1
Acquisition and investment-related fees (b)	**1.9**	2.8
One-off claims (c)	**–**	(2.2)
Closure costs (d)	**(0.2)**	(8.5)
Net non-underlying items	**8.0**	(6.8)

a. In the current and prior period, separate and unrelated organisational restructuring activities were undertaken. In FY22, a strategic redesign of the in-store operating model was undertaken to better meet our customers' expectations and deliver a consistent shopping experience across our estate. In FY23, the group have undertaken a restructure of the support centre.

Costs in relation to the organisational restructuring activities are made up of: redundancy costs of £3.1m (PY: £0.3m), £1.6m (PY: £0.8m) for the replacement of the WMS system, £0.4m (PY: £nil) relating to our master data management system and £1.2m for the new system and financial dual running costs incurred in the integration of National Tyre. These costs are not part of recurring business and therefore, have been deemed non-underlying expenses.

b. In the current and prior periods, costs were incurred in relation to the investments in National Tyre, Iverson, HaveBike, and Universal.

- £1.9m costs incurred in FY23 (PY: £2.5m) relating to professional fees in respect of acquisition of National Tyre and Lodge Tyre;
- In FY22 £0.2m related to the acquisition of trade and assets of both Iverson and HaveBike;
- In FY22 £0.1m related to the acquisition of Universal.

c. During the prior period the HMRC audit into National Minimum Wage was concluded and fully settled and paid, this led to a final release of the provision of £2.2m.

d. In the current year, £3.6m of closure costs were recognised representing the costs associated with the closure of a number of garages across Autocentres after a review of the garage portfolio post-acquisition of National Tyre. In FY22 closure costs were recognised relating to the closure of a number of stores and garages following a strategic review of the profitability of the physical estate. The provision related to the impairment of right-of-use assets and tangible assets and property costs as well as ongoing onerous commitments under the lease agreements and other costs associated with the property exits. We continue to utilise the provision in the current year but have also had a release of £3.8m (PY: £8.5m) as a result of a £2.3m impairment reversal and a £1.5m change in lease terms.

Chief Financial Officer's Statement

Finance Expense

The net finance expense (before non-underlying items) for the 52 weeks ended 31 March 2023 was £12.1m (FY22: £11.3m) reflecting increase in bank interest due to being drawn down on the Revolving Credit Facility (RCF), partially offset by a decrease in lease liability interest due to the aging of the lease portfolio.

Taxation

The taxation charge on profit for the 52 weeks ended 31 March 2023 was £9.5m (FY22: £18.9m), including a £1.1m credit (FY22: £1.7m charge) in respect of non-underlying items. The effective tax rate of 21.9% (FY22: 19.5%) differs from the UK corporation tax rate (19%) principally due to the impact of current and deferred tax on employee share options and non-deductible expenditure on business acquisitions.

Earnings Per Share ("EPS")

Underlying Basic EPS post IFRS 16 was 18.8 pence and after non-underlying items 15.6 pence (FY22: 35.5 pence and 37.9 pence after non-underlying items), a reduction of 47.0% or 58.8% after non underlying items, on the prior year. Basic weighted-average shares in issue during the year were 217.4m (FY22: 204.7m).

Dividend ("DPS")

Following the payment of an interim dividend of 3.0p per share on 20 January 2023, the Board are proposing a FY23 final dividend of 7.0p per share (FY22: 6.0p per share) which will absorb an estimated £15.3m (2022: £13m) of shareholders' funds. It will be paid on 15 September to shareholders who are on the register of members on 11 August 2023. This results in a total of 10.0p per share for the year (FY22: 9.0p per share).

Capital Expenditure

Capital investment, excluding right of use assets, in the 52 weeks ended 31 March 2023 totalled £48.1m (FY22: £49.2m) comprising £26.6m in Retail and £21.5m in Autocentres. Within Retail, £3.6m (FY22: £11.4m) was invested in stores and £15.7m 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 the replacement of garage equipment and further development of Avayler (PACE), our digital garage workflow system.

Inventories

Group inventory held as at the year-end was £256.2m (FY22: £222.1m). Retail inventory increased to £202.8m (FY22: £194.5m), driven by the impact of FX and freight on stock pricing. Retail stock volumes were lower year on year.

Autocentres' inventory was £53.4m (FY22: £27.6m). The increase in inventory primarily relates to the acquisition of Lodge Tyre, as well as increased focus on tyre sales and therefore stock holding.

Cashflow and Borrowings

Operating Cash Flow was £169.8m (FY22: £131.8m), reflecting a working capital outflow of £ 12.9m, as Retail inventory and associated creditors normalised after Covid and we invested in Tyres stock to support a growing area. After acquisitions, taxation, capital expenditure and net finance costs, Free Cash Flow of £3.1m (FY22: -£14.9m) was generated in the year. Group Debt was £348.7m (FY22: £344.9m).

Principal Risks and Uncertainties

The Board considers the assessment of principal risks and the identification of mitigating actions and internal control to be fundamental to achieving **Halfords**' strategic corporate objectives. In the Annual Report and Accounts, the Board sets out what it considers to be the principal commercial and financial risks to achieving the Group's objectives. The main areas of potential risk and uncertainty in the balance of the financial year are described in the Strategic Report of the 2023 Annual Report and Accounts. These include:

- Business Strategy
  - Capability and capacity to effect change
  - Stakeholder support and confidence in strategy
  - Value proposition
  - Brand appeal and market share
  - Climate Change & Electrification
- Financial
  - Sustainable business model
- Compliance
  - Regulatory and compliance
  - Service quality
  - Cyber security
- Operational
  - Colleague engagement/culture
  - Skills shortage
  - IT infrastructure failure
  - Disruption to end-to-end supply chain

Specific risks associated with performance include the success, or otherwise of peak trading periods (e.g., Christmas) as well as weather-sensitive sales, particularly within the Car Maintenance and Cycling categories in the Retail business.

Jo Hartley
Chief Financial Officer

21 June 2023


SA
SUPALIGN

Risk Management

Risk Management Framework

The Board has overall responsibility for the management of risk and the identification of principal risks that may affect the Group's strategic objectives. Specifically, the Board determines the nature and extent of risk exposure that the business is willing to take in pursuit of its strategy. The Audit Committee, on behalf of the Board, has responsibility for maintaining oversight of the Group's framework for risk management.

Our framework for risk management ensures a standardised approach from identification to the reporting of risks. Applying the Group's appetite for risk ensures a consistent approach can be applied to threats and opportunities throughout all our operations.

Changes to the risk profile of the business, alongside significant and emerging risks, are escalated to the Audit Committee, which routinely receives deep-dive analysis and regulatory updates on key risks. Please see pages 122 - 127 for details of Audit Committee activities during the year.

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. Operational risk registers are maintained to provide greater granularity, a "bottom-up" perspective and a further means to identify emerging risks.

Principal risk changes: There are thirteen principal risks, and these remain unchanged year on year.

As we look forward, the service quality risk is considered to be slightly elevated as a result of the rapid scaling of the Group, and enhanced training is being put in place. All other risks are considered to remain stable.

The broad macroeconomic and consumer environment remains challenging. The Group has identified and implemented a number of mitigating actions to manage the resultant risk, primarily through continuing to invest to support customers through a cost of living crisis, driving cost savings and efficiency savings, and through its evolution to become a consumer and B2B services focused business.

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.

Risk Appetite

During the year the Board asked the Executive Team to refresh the risk appetite statements. The Executive Team reflected on the requirement for a more dynamic approach to determining risk appetite and defined a new framework. Refreshed appetite statements align the tolerances to the strategic aims of the business.

Board and Audit Committee

Overall oversight of risk management and internal control framework:

- Full annual review of effectiveness of risk management and internal control systems, corporate risk register, and risk appetite undertaken by Audit Committee with assessment delivered to Board for approval.
- Update on changes to risk and internal control environment presented by Internal Audit to Audit Committee at each meeting.

Whistleblowing Process
Regular KPI Reporting

Regular Management Presentation to Board and Audit Committee

Internal Audit Reports
Corporate Risk Register

Shops, Garages, Distribution Centres and Customer-facing Businesses

First Line Assurance
Operating within agreed policies and procedures, for example:

- Delegated authorities ("How We Do Business").
- Quality standards.
- Retail guidelines ("Retail Basics").
- Health and Safety policies.
- Colleague handbooks.
- Regular oversights.
- Performance monitoring.
- Regular management presentation to Board and Audit Committee.

Corporate Functions

Second Line Assurance

- Identify developments in risk and internal control environment.
- Develop and implement strategy, policies, procedures and controls to manage risk.
- Risk and internal control analysis.
- Corporate Risk Register.

Internal Audit

Third Line Assurance

- Independently review quality of key internal controls and management assessment of risk.
- Challenge management to enhance control environment.
- Maintain Corporate Risk Register.

Internal Audits
Risk and Internal Control Analysis

Our Principal Risks and Uncertainties

1 Capability and Capacity to Effect Change

Failure to build sufficient capacity and capability (in terms of our people, processes, and systems) to successfully implement the transformation required across the business, may result in the expected benefits of our strategy not being delivered, thereby risking the future sustainability of the business.

Current Mitigation

- A dedicated Transformation and Change team lead by the Group Strategy Director and supported by experienced Programme and Project Managers has supported the successful delivery of change projects.
- The continued advancement of our change programme is managed through a Transformation Board, providing the necessary governance for delivery of the strategy. The Transformation Board ensures there is a robust approval process for each project, allocates resource and monitors progress. Programme and Project Managers are in place within the business to whom projects can be assigned and this has been supplemented by specialist resource to boost capability. In affecting change, **Halfords** is requiring all contributing colleagues to observe the principles of Responsible, Accountable, Consulted, and Informed (“RACI”).

Focus in 2024

- Continue to align our change plan with the key objectives of the corporate strategy.
- Further enhance tracking and monitoring of project progress and delivery through use of software.
- Enhance change capability more broadly across the wider business.

2 Stakeholder Support and Confidence in Strategy

Failure to secure and maintain our stakeholders’ (investors, suppliers, colleagues) support for our strategy, will mean they may lose confidence in the business and withdraw their resources.

Current Mitigation

- Throughout the year we have sought to engage internal and external stakeholders to ensure their understanding of our performance and strategy.
- The CMD in April 2023 provided further support and understanding of the long term prospects of the business.

Focus in 2024

- Maintain progress on the delivery of our strategic objectives.
- Continue to proactively engage with investors through scheduled events and transparent and regular communication, demonstrating progress against the targets laid out at our Capital Markets Day.
- Enhance understanding of colleague engagement through more regular surveys throughout the year and continuing our regular listening groups.

3 Value Proposition

If investment in our motoring product value proposition and group value perception is insufficient to retain existing customers and/or attract new ones, and/or we lose market share to online retailers and discounters, the impact could be a loss of sales volume. Pricing decisions will be important in the current environment. There is a risk that investing in price without a corresponding increase in volume leads to a diminution of financial returns and equally that increasing prices outside of market movements, could damage our value perception.

Current Mitigation

- 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 rolled out solution selling across the business to ensure that we were meeting customers needs.
- We also invested to support customers in a cost of living crisis, reducing thousands of prices across our motoring category and launching our “Never Beaten On Price” campaign on a number of fitted product categories, including tyres. In addition, we continued to improve our financial services offering, cycle to work proposition and pre-loved bike offer, making our products accessible to more customers.
- Our value proposition was further enhanced by the Motoring Loyalty Club, which grew to 1.7m members during the year. This provided members with access to a wide range of benefits and discounts.

Focus in 2024

- Maintaining an agile trading plan, flexing promotions to respond to a changing customer landscape.
- Enhancing our financial services proposition to offer more flexible payment options to customers.
- Growing and enhancing the Motoring Loyalty Club to help even more customers enjoy savings and benefits.
- Introducing dynamic pricing in garages to enable customers to make their own choices around price and convenience.

Key Risk increasing Risk decreasing No risk movement New risk

4 Brand Appeal and Market share

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.

Current Mitigation

- During the year we grew market share across our core categories of Motoring Product, Cycling and Tyres, supported by a strong customer proposition, investment in price, our Motoring for Less campaign, and a range of enhancements to our on line customer journey.
- The integration of National Tyres and the acquisition of Lodge Tyres during the year gave customers access to even more touch points at which to enjoy our products and services.
- The Motoring Loyalty Club bought hundreds of thousands of new customers to **Halfords**, increasing brand appeal through our free and premium propositions.

Focus in 2024

- Continuing to drive personalisation and relevance through effective use of data and CRM, as we begin to know more about customers vehicles than they do.
- Enhancing the cycle to work platform to make the proposition accessible to more companies, particularly SMEs.
- Extending ranges in categories such as car parts where market share is currently low.
- Continuing to grow the Motoring Loyalty Club and starting work to develop a Cycling Loyalty Club.

5 Climate Change and Electrification

The climate crisis is already having a profound effect through extreme weather events - floods, drought and raising sea levels - all of which have the ability to disrupt our supply chains and impact our ability to operate our business effectively. These risks have been assessed in detail and whilst flooding is likely to impact select **Halfords** stores and garages across the UK, our most material climate related risks and opportunities are in response to the evolving regulatory landscape; in particular, the ban on new internal combustion engine (ICE) vehicles being sold in the UK from 2030 as part of the UK Government's net zero ambitions. More sustainable mobility options, including Electric Vehicles, E-Bikes and E-Scooters are therefore going to be crucial over the next decade as the country prepares for the shift away from conventional fuel sources and transition to a lower carbon economy. This transition will impact our motoring and cycling business in the short, medium and long-term.

Failure to respond adequately to the demand for sustainable mobility options through our products and servicing offers could lead to a loss in confidence, market position and revenue.

Our service proposition does not match customer demand for electrification solutions in motoring and cycling, leading to profound disruption in our core 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.

Current Mitigation

- **Halfords** has an ESG Committee that meets regularly to monitor legislative changes, climate related due diligence and reporting requirements as well as monitoring of the regulatory environment for changes to policies around e.g., sale of ICE vehicles, tax breaks for e-mobility or infrastructure developments. Reporting and risk management follow a roadmap to support the requirements of the Taskforce on Climate Related Financial Disclosure (TCFD). Strong progress has been made and will continue in the collection of supply chain emissions, to measure, monitor and reduce our scope 3 emissions - which make up a significant proportion of our overall carbon footprint.
- A Robust Electrification strategy is in place, challenges, performance and successes are analysed, and strategy regularly adjusted as appropriate. There is regular landscape monitoring for electric vehicles (EVs) both from a manufacturing side and consumer uptake side so that we can appropriately respond to the rise of e-mobility.

Focus in 2024

- Our e mobility proposition continues to evolve to support sustainable choices, with new options like EV servicing on the drive through **Halfords** Mobile Experts.
- Our investment in training and equipment continues to ensure we lead as the No. 1 choice for electric mobility.
- Our climate strategy is on track with over delivery of our ambitious scope 1 and 2 targets and excellent progress against scope 3, exceeding our data capture target in FY23.

Our Principal Risks and Uncertainties

6 Sustainable Business Model

Alongside pre-existing changes in customer habits and expectations, the recent spike in UK supply chain and consumer inflation is creating challenging economic conditions. 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.

Current Mitigation

- Service related sales now account for 48% of the Group's Revenue, resulting in more stable revenue streams and reduced exposure to discretionary expenditure.
- Freight costs were well managed throughout the year to remain below spot prices, through successful negotiation.
- During the year, our cost and efficiency program delivered over £20m of savings, exceeding the FY23 target of £15m.
- Detailed price/elasticity analysis helped to optimise consumer pricing decisions.
- Longstanding supplier relationships were optimised to extract value from supplier contributions/support.
- US Dollar hedging programme helped to mitigate significant weakening of sterling, resulting in no adverse cost headwinds from FX in FY23.
- Energy cost increases in FY23 were fully mitigated through buying ahead at October 2021 pricing.
- Debt facilities extended.

Focus in 2024

- Cost Transformation programme to focus on short, medium and long-term cost reduction opportunities.
- Externally supported better buying program in place, supporting significant reduction in the cost of goods for resale.
- Fixed cost contracts entered into for inflationary cost categories – e.g. Freight and Utilities.
- Rental costs reduced through property renegotiations; underperforming stores/garages closed at lease renewal.
- Productivity analysis ongoing through digital technology.
- Group Data Platform identifying sales, cost and productivity opportunities.
- FX hedging programme in place.

7 Regulatory and Compliance

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.

Current Mitigation

- 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.
- Compliance training is provided to new colleagues as required with refresher courses thereafter. Regular horizon scanning is undertaken to capture new regulations and requirements. During the year, a Finance Risk Committee was established to focus on all aspects of financial risk and compliance.
- 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 managed by experts reporting to dedicated committees with representatives across the business to assess our regulatory rigour.
- An established Whistleblowing process enables colleagues to report suspected or actual wrongdoing in confidence.

Focus in 2024

- Continued monitoring of legal and regulatory developments for all regions where the Group operates.
- Improved Policy and procedures.
- Compliance Monitoring and Review.
- Focussed development of the H&S culture through improved KPI reporting, Investigations and training.
- Development of wellbeing standards.
- Regular training and information provided through user-friendly channels.

Key Risk increasing Risk decreasing No risk movement New risk

8 Service Quality

The services we provide fall below the quality standards to which we are committed, placing customers at risk of harm.

Current Mitigation

- All colleagues are provided with dedicated training and adhere to established quality control and safety procedures, with compliance audits by management. We also have a dedicated compliance team monitoring our regulated activities.
- 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 on 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 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.

Focus in 2024

- External Mystery Shop in place to monitor performance.
- An enhanced complaints programme with root cause analysis and learnings by garage.
- Additional training and support in place for National garages.
- Target quality and training in underperforming garages.

9 Cyber Security

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.

Current Mitigation

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 provider, TCS, provides real time analysis of threats and a heavy focus on incident management has ensured detection and response times are reduced.

Our security partner, TCS, provides first line assurance security operations capabilities including vulnerability management, email filtering, and website security.

- Within our Risk Management Framework our Information Security team provides the second line assurance role identifying and managing cyber-related risk, and developing and implementing our internal control framework.
- Third line assurance is provided by Internal Audit.
- 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.

Focus in 2024

- Moving to a tactical and operational security model by transitioning to alignment with ISO27001 and away from the NIST Framework to ensure focus remains on the security fundamentals required.
- Identity & Access Management enhancement.
- Incident Management and response simulation and training.
- Further enhancing website security.

Our Principal Risks and Uncertainties

10 Colleague Engagement/Culture

Our employment model may not be sufficiently attractive to recruit and retain the talent that we need. We do not maintain a sufficiently positive culture, failing to support a diverse and inclusive community.

Current Mitigation

- In FY23 we have launched our colleague strategy across the key stages of the colleague Lifecyle of 'Find Me, Train Me, Grow Me, Keep Me' with plans across each to drive attractiveness of our employee proposition.
- We are maintaining our position as an above National Minimum Wage employer in our retail business and maintained a skills related pay progression for our skilled colleagues across the group to ensure market competitiveness.

Focus in 2024

- Launch of our Diversity and Inclusion strategy, which will broaden our attraction to external talent and support internal talent development.
- Further developing our colleague engagement strategy to broaden our listening and better inform our actions.

11 Skills Shortage

We may be unable to recruit, retain and develop enough people to have the different mix of skills that we need at all levels across the business, in the near and longer term.

Current Mitigation

In FY23 we have started a review of our systems and processes to support recruitment and retention that has seen us reduce labour turn over by 7%, this has included:

- Investment in pay for key roles in our garages - MOT Testers and Management.
- Implementation of an enhanced referral scheme to our internal colleagues for referring external hires.
- Attraction and development of 100 garages apprentices, up from 26 in FY22.
- Development of 200 future retail managers through our Aspire programme and delivery of leadership development for our retail area managers.
- Evolving our recruitment operating model to a centralised support model that gives retail managers greater visibility and ownership of their recruitment at a local level.
- Implementation of our Hybrid working approach for Support Centre colleagues to create a balance of remote and face to face working.

Focus in 2024

In FY24, our focus will be across the Employee Value Proposition to drive greater retention and attraction and colleague development:

- Launching a technical career pathway through our Academy that will set out the development journey for every technical colleague - demonstrating a career and reward journey.
- Investing in a leadership development programme in our garage services business to develop our regional and centre managers to develop leadership capability.
- Launching 'The Academy' our digital learning system to step change our digital learning and development capability.
- Reviewing our careers website to refresh our applicant journey and employee brand.

Key Risk increasing Risk decreasing No risk movement New risk

12 IT Infrastructure Failure

Failure in our IT system(s) may cause significant disruption to, or prevention of, normal business-as-usual activities.

Current Mitigation

- Controls have been built out this year to maintain integrity of our infrastructure through a governance of vendors and technology.
- All changes related to infrastructure are presented under change control with specific approval. **Halfords** monitoring capability has been enhanced.
- A number of our critical applications have been migrated into cloud for enhanced availability. **Halfords** key trading systems not migrated to 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. We have modernised our portable computer service to Windows 11 with enhanced availability services and modern security tooling.

Focus in 2024

- Modernisation of some of our older technologies inherited through acquisition.
- Network Transformation to enhance resilience.
- Replacement of Warehouse Management System.
- Further roll out of PACE.
- Enhancement of Service Assurance model to strengthen governance over our vendors.

13 Disruption to End-to-end Supply Chain

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 DC network and via stores 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.

Current Mitigation

- 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 Distribution Centre (DC) sites.
- Our 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 and PWC provide external trading and compliance expertise.
- Our Transformation plans reduce risk through scheduled work on the replacement of our Warehouse Management System, a UK distribution centre physical network review, the replacement of our forecasting and replenishment tools and our Customs and Duty platform.

Focus in 2024

- Our AEO accreditation review with HMRC is scheduled for Sept 23 and the International Trade team will lead this review.
- We will maintain multiple, close and direct relationships with shipping lines.
- Our Warehouse Management System replacement is due to start going live through FY24 as well as our new Customs management system.

Going Concern and Viability Statement

In determining the appropriate basis of preparation of the financial statements for the year ended 31 March 2023, 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 30 June 2024.

Management has updated the assessment of going concern, which included reviewing financial forecasts and projections to 30 June 2024. Within these financial projections, management reviewed profit and net cash flow and tested financial covenants 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 22.3% annually before the first covenant condition is broken (interest payable to EBITDAR). The cost-of-living crisis 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 22.3% in the next 12 months. If sales were to reduce at this level, then further actions could be taken by management to prevent the breach. The key mitigating action would be to halt strategic investment in FY24.

Excluding acquisitions, the Group continues to be cash generative and has a revolving credit facility of £180m which expires on 4 December 2025, and has no other debt facilities. 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 are satisfied that it is appropriate to adopt a going concern basis in preparing the FY23 year-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 3 April 2026. 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 business. This period is consistent with the approach 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 72 to 81. 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 the cash outflows associated with acquisitions of subsidiaries), and profit each year, which was true throughout the year ended 31 March 2023 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 five year financial plan, 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 bank facilities. The testing indicated that the business could experience a sustained reduction in sales of 22%, 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£60m per annum, are removed. The downside scenario also incorporates a further, on average, c£80m 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 revolving credit facility was extended in December 2023, the new facility expires on 4 December 2025. The Group plans to renegotiate a new agreement that will cover a period past March 2026, in the upcoming financial year.

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.

2

Our Governance

Contents


carrera

Governance at a glance

Board Composition

Gender

- Female 50%
- Male 50%

Educational Attainment

- Level 7: Masters Degree 1
- Level 6: Bachelors Degree 3
- Level 5: Higher National Diploma 2

Gender Splits

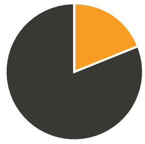
Board

- Female 50%
- Male 50%

Senior Management Team

- Female 29%
- Male 71%

Senior Management Team Direct Reports



- Female 19%
- Male 81%

Meeting Attendance

Board member	Board scheduled: 10	Audit Committee scheduled: 4	Remuneration Committee scheduled: 6	Nomination Committee scheduled: 2	ESG Committee scheduled: 2
Executive Directors					
Graham Stapleton	10 10	N/A	N/A	N/A	N/A
Jo Hartley (appointed 16 June 2022)	7 7	N/A	N/A	N/A	N/A
Loraine Woodhouse (stepped down 16 June 2022)	3 3	N/A	N/A	N/A	N/A
Non-Executive Directors					
Keith Williams	10 10	N/A	N/A	2 2	N/A
Helen Jones	10 10	4 4	6 6	2 2	2 2
Jill Caseberry	10 10	4 4	6 6	2 2	2 2
Tom Singer	10 10	4 4	6 6	2 2	2 2

● 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.

Promoting Long-Term Sustainable Success of the Company

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 30 to 31.

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. The Board reviewed the contents of the Capital Markets Day in detail before its publication, providing the appropriate level of input, challenge, guidance and support.

Governance at a glance

Board Training Sessions

July 2022	**Diversity and Inclusion** Employee voice update
September 2022	**Diversity and Inclusion** Employee voice update **Governance** Remuneration update from Deloitte
November 2022	**ESG** ESG horizon scanning update from PwC and climate risk training **Cyber/IT** IT security update
December 2022	**Diversity and Inclusion** Employee voice update
January 2023	**Diversity and Inclusion** Employee voice update
March 2023	**Diversity and Inclusion** Gender Pay Colleague Engagement

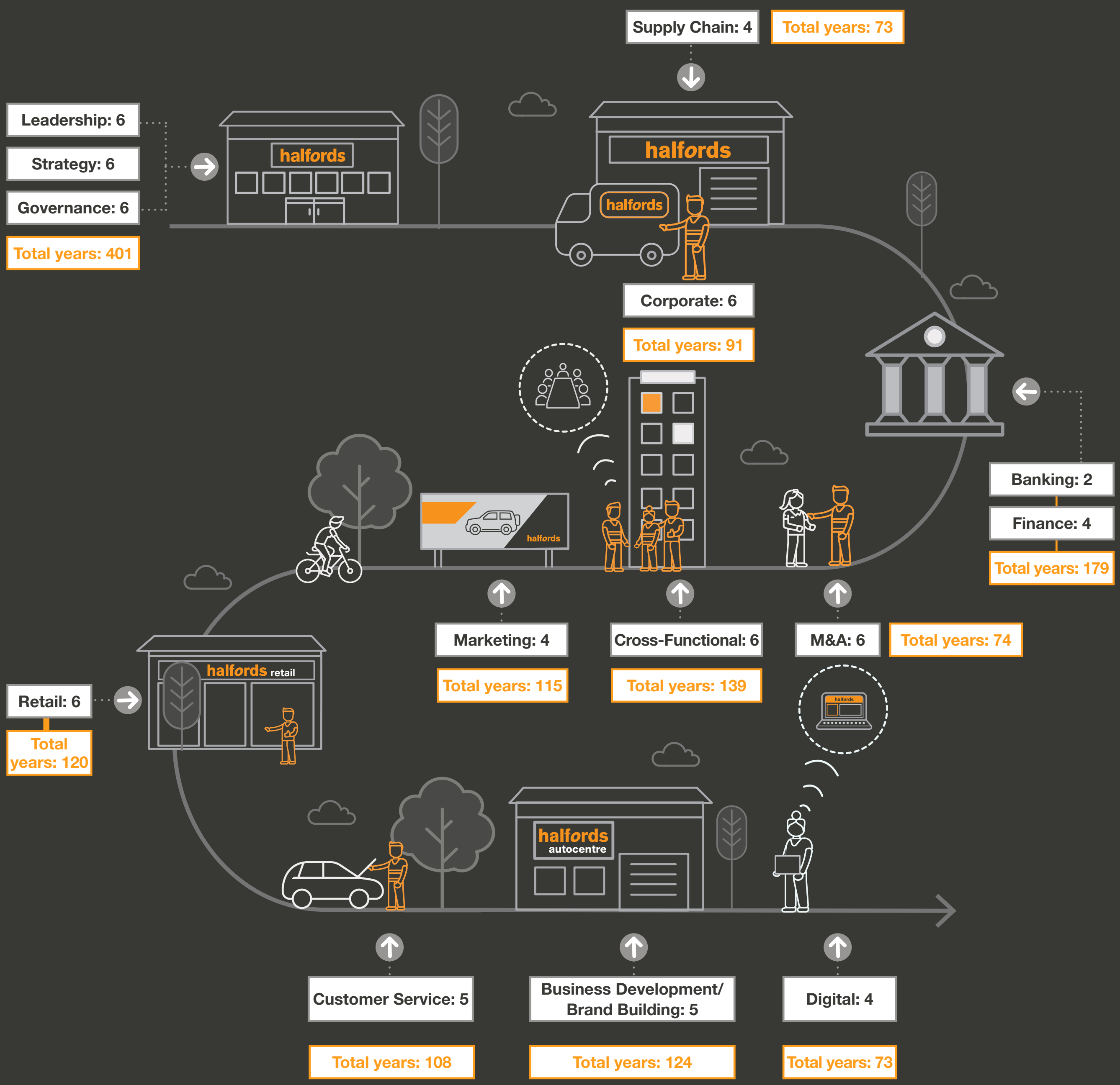
Diversity and Inclusion

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 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 Company 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, and we are committed to improving ethnic diversity at Board and senior management level with a target of improving ethnicity on the Board by December 2023, more information can be found in the Nomination Committee Report on pages 118 to 119. 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.

A Skilled and Experienced Board

The below graphic illustrates the number of Directors on the Board who have the relevant skills and experience alongside the years' worth of experience combined.



Board Training Sessions

2022

July September November December

2023

January March

Read more on page 88.

Board of Directors

Keith Williams (N)

Chair

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 Royal Mail Group (previously interim Executive Chair). 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 Chief Executive Officer ("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 & 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) Audit Committee (E) ESG Committee (EV) Employee Voice Director (N) Nomination Committee (R) Remuneration Committee

Helen Jones (A) (E) (N) (R) (EV)

Senior Independent Director

Current role
Non-Executive Director since 1 March 2014 and Senior Independent Director from 15 September 2020; Chair of the Environmental, Social and Governance ("ESG") Committee since 7 December 2015 and Employee Voice Director since 1 May 2019.

Additional roles held
Helen is a Non-Executive Director and Chair of the Remuneration Committee and a member of the Audit Committee of Fuller, Smith & Turner plc and Virgin Wines UK plc; a Non-Executive Director and Chair of the Remuneration Committee of Premier Foods plc; and a Director of Hamsard 3145 Limited. Helen is a Board member of the Toast Ale charity.

Past roles
Previously, Helen was a member of the Supervisory Board and the Audit Committee for Vapiano S.E. and a member of the Supervisory Board of Directors of Ben & Jerry's. Prior to that Helen was the CEO of the Zizzi Restaurants group and was also responsible for successfully launching the Ben & Jerry's brand in the UK and Europe. Helen previously held a senior executive role at Caffé Nero.

Key strengths
Helen brings valuable and relevant operations, marketing and branding experience in consumer-focused businesses.

Jill Caseberry (A) (N) (R) (E)

Independent Non-Executive Director

Current role
Non-Executive Director and Remuneration Committee Chair since 1 March 2019.

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

Past roles
Previously, Jill was Non-Executive Director, Remuneration Committee Chair and a member of the Audit and Nomination Committees of Northgate 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. She also was previously the Designated Workforce Engagement Non-Executive Director of Bakkavor Group plc.

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

Tom Singer (A) (N) (R) (E)

Independent Non-Executive Director

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 of Mukuru and a Non-Executive Director and Audit Committee Chair of 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 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.

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/

Neil Holden

Chief Information Officer

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

Rob Keates

Chief Operating Officer

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

See the Executive Teams biographies at www.halfordscompany.com/

CASE STUDY

BOARD IN ACTION – HERE TO HELP FUND ("HHF")

Our colleagues are our greatest asset, and a focus on their engagement and wellbeing is one of our key priorities. To ensure that we support our colleagues in times of financial hardship, we continue to offer our Here to Help hardship fund ("HHF") that was set up in 2020. Colleagues from across the Group can make an application to the HHF for financial support. The maximum grant available for a single or multiple claims is £2,000.

The HHF Committee receives applications from eligible current and former colleagues of the Company. Applications are vetted for validity, following which the HHF makes a recommendation to the Trustee to either approve or reject, depending on set criteria.

Examples of events qualifying for assistance:

- death of a family member;
- uninsured medical expenses caused by severe illness or accident;
- uninsured expenses for the care of a family member;
- loss of a family income – through death/redundancy;
- losses to primary residence (rental properties where the lessor is the applicant are excluded) caused by fire, crime, flood or other disasters; and
- insupportable indebtedness occurring for reasons beyond the individual's control.

To date, the HHF has supported 618 colleagues.

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 31 March 2023.

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 Company'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	96
Anti Bribery and Corruption	Audit Committee Report	127
Articles of Association	Directors' Report	98
Auditor	Directors' Report	99
Audit Committee Report	Audit Committee Report	122
Authority to issue or purchase shares	Directors' Report	98
Board of Directors	Directors' Report	90
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	112
Branches	Directors' Report	99
Charitable donations	Strategic Report: ESG Performance Overview	58
Colleague engagement	Corporate Governance Report Strategic Report: ESG Performance Overview	106 54
Colleagues' involvement; training, diversity and inclusion; and disability	Directors' Report Strategic Report: ESG Performance Overview	97 54
Community	Strategic Report: ESG Performance Overview	54
Compensation for loss of office	Directors' Report	98
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Culture	Corporate Governance Report	104
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Directors' interests	Directors' Remuneration Report	148
Directors' Remuneration Report and Remuneration Policy Summary	Directors' Remuneration Report	128
Directors' Responsibilities Statement	Directors' Responsibilities Statement	153
Diversity and Inclusion	Directors' Report, Corporate Governance Report and Nomination Committee Report	54 112 119
Energy and Carbon Emissions	Strategic Report: ESG Performance Overview	61
Financial instruments	Note 21 to the Group Financial Statements	197
Future developments of the business	Chief Executive Officer's Statement	22
Financial position of the Group, its cash flows, liquidity position and borrowing facilities	Chief Financial Officer's Statement	68
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Principal activities	Directors' Report	96
Re-election of Directors	Directors' Report	96
Restrictions on transfer of securities	Directors' Report	97
Section 172 statement	Strategic Report	34
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Subsidiary and associated undertakings	Note 4 to the Company Financial Statements	210
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Strategic Report	Strategic Report	20
Viability statement	Strategic Report	83
Voting rights	Directors' Report	97

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 15 to the Financial Statements	193
Long-term incentive schemes	Directors' Remuneration Report	128
Waiver of dividends	Director's Report	96

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 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
Risk Management: Task Force on Climate-related Financial Disclosures ("TCFD")	Strategic Report: Principle Risks and Uncertainties	76

No other disclosures under Listing Rule 9.8.6 are required.

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 year. It has been agreed that Helen Jones will stay in office until the end of the AGM on 6 September 2023. The Board recognises that as it has assessed that Helen will no longer be regarded as independent for the purpose of the Code, because of her extended tenure, this has created a technical breach of the Code's recommendation that the majority of the Board be independent Non-Executive Directors. However, the Board believes that this short-term situation is justified to ensure that the correct candidate is appointed to the Board in Helen's place.

The Corporate Governance report as set out from page 100 forms part of the Directors Report.

Principal Activities

The principal activities of the Group are: the retailing and provision of motoring and cycling products and services; auto 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, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

Profits and Dividends

The Group's results for the year are set out in the Consolidated Income Statement on page 166. The profit before tax was £43.5m (2022: £96.6m) and the profit after tax amounted to £34.0m (2022: £77.7m). The Board proposed that a final dividend of 7.0 pence per ordinary share be paid on 15 September 2023 to shareholders whose names are on the register of members at the close of business on 11 August 2023. An interim dividend payment of 3.0 pence per ordinary share was paid on 20 January 2023.

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 review of various aspects of the Group's operations. The Group considers that the KPIs listed on pages 36 to 38 are appropriate measures to assess the delivery of the Group's Strategy.

Directors

The following were Directors of the Company during the period ended 31 March 2023 and at the date of this report:

- Keith Williams
- Graham Stapleton
- Jo Hartley (appointed 16 June 2022)
- Helen Jones
- Jill Caseberry
- Tom Singer
- Loraine Woodhouse
  (resigned 16 June 2022)

On 20 June 2023, Tanvi Gokhale was appointed as a non-executive director.

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 31 March 2023 will retire and offer themselves for re-election at the 2023 Annual General Meeting ("AGM"), with the exception of Helen Jones. On 20 June 2023, it was announced that Helen will retire from her position at the AGM on 6 September 2023 and Tanvi Gokhale was appointed as a Non-Executive Director to join the Board, the Nomination, Audit, Remuneration and ESG Committees. Tanvi will stand for election for the first time at the AGM on 6 September 2023, if she is elected she will also succeed Helen as Chair of the ESG Committee and as the Employee Voice Director.

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 148 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 2022 Annual General Meeting ("AGM"), held on 7 September 2022, will expire on the date of the 2023 AGM.

Directors' Interests

The Directors' interests in, and options over, ordinary shares in the Company are shown in the Directors' Remuneration Report on pages 148 and 149.

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 his or her duty under company law. In line with the requirements of the Companies Act 2006, each Director has notified the Company of any situation in which he or she has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (a situational conflict). Directors have a continuing duty to update any changes to their conflicts of interest 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 34 to 35.

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

One of the Group's key strengths is engaging colleagues in great training.

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 48 to 63.

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 119.

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, in Retail, Autocentres (including National, McConechy's, Lodge Tyre and Universal) and Performance Cycling businesses. 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 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 FY22, we 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 year, the Whistleblowing Policy was reviewed and approved by the Audit Committee, and the Audit Committee receives regular summaries of whistleblowing contacts and resolutions.

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 22 on page 203. 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 31 March 2023, 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.

Directors' Report

Fund Manager	Shares	% at 28 March 2023
Fidelity International	21,342,904	9.75
BlackRock	15,961,591	7.46
Schroder Investment Management	15,542,037	7.10
Jupiter Asset Management	15,487,711	7.07
Janus Henderson Investors	12,055,855	5.51
Dimensional Fund Advisors	9,460,862	4.32
Columbia Threadneedle Investments	8,945,784	4.08
Vanguard Group	8,572,370	3.92
Lombard Odier Investment Managers	7,005,003	3.05
Gresham House Asset Management	6,000,042	2.74

Authority to Purchase Shares

At the 2022 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 7 July 2022, such authority expiring at the conclusion of the Annual General Meeting to be held in 2023 or, if earlier, on 30 September 2023.

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 year (FY22: 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 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 23 on pages 203 to 205.

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 is committed to ensuring due diligence processes remain robust, and, as such, during the year, the Global Sourcing Code was revised to further strengthen minimum expectations in relation to labour practices, including modern slavery and environmental management. The 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 has partnered with EcoVadis, a platform which rates the environmental, social and governance performance of suppliers. The output of this data will support due diligence process – 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. During the year, a new e-learning module was launched to support colleagues with their understanding and what they should do if they suspect modern slavery taking place.

The Company is proud to have supported the Freewheel remediation programme with cycle accessories. The programme seeks to empower survivors of modern slavery and human trafficking to cycle to support their physical and mental health, independence, mobility, and their reintegration into society. There are hubs in the West Midlands and in Barking and Dagenham and at each site, the intention is to support recovery for up to 20–30 survivors per year by giving them a bike and accessories, including helmets, locks and lights, providing them with cycling proficiency and road awareness training. Further information on the Freewheel programme can be found on their website https://rideforfreedom.org.uk/what-we-do/.

During the year, 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 7 September 2022.

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 31 March 2023 for the Group was 77 days (2022: 70 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 current Auditor is BDO LLP. A resolution proposing the reappointment of BDO LLP will be set out in the Notice of the 2023 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. 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 Wednesday 6 September 2023. 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

21 June 2023

Corporate Governance Report

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

Keith Williams
Chair

Strategy

Our Group strategy - "To ***Inspire*** and ***Support*** a ***Lifetime*** of motoring and cycling", remains our focus. We have invested considerably in this strategy and have built a platform which provides the opportunity for further growth. This year, we continued our growth strategy, acquiring Lodge Tyre Company ("Lodge Tyre") to the One **Halfords** family. More details of our strategy can be found on page 20 and on pages 40 to 47 in the Strategic Report.

Purpose, Culture and Engaging with the Workforce

During FY23, we continued to make strong progress on aligning the culture of our organisation with our business strategy. We know that we will only continue to be successful in wowing our customers if we engage the hearts and minds of our colleagues, and enable them to work together as One **Halfords** Family for the benefit of our customers.

Achieving this will help us to, continuously, develop our expertise to meet the needs of our customers.

We continued to embed our values through our Group induction programme and recognition scheme. We have created a one **Halfords** team approach, which aims to unite all parts of the business, including the acquisitions we make from time to time.

In FY23 we received over 680 nominations for our "Colleague of the Quarter programme, of which 46 were successful. Furthermore, we recognised three individuals as "Colleague of the Year", one winner and two runners-up.

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 99 and 117 of this report.

Board changes

Finally, as announced on 20 June 2023, Helen Jones will 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. Tanvi will stand for election for the first time at the AGM on 6 September 2023, if she is elected she will also succeed Helen as Chair of the ESG Committee and as the Employee Voice Director. These arrangements will allow for an orderly handover period which we regard as being very beneficial. I would like to thank Helen for all her considerable work and support over the period.

Keith Williams
Chair

21 June 2023

Corporate Governance Statement

The Board confirms that, throughout the year ended 31 March 2023 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"). It has been agreed that Helen Jones will stay in office until the end of the AGM on 6 September 2023. The Board recognises that, as it has assessed that Helen will no longer be regarded as independent for the purpose of the Code, because of her extended tenure, this created a technical breach of the Code's recommendation that the majority of the Board be independent Non-Executive Directors. However, we believe 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 can be undertaken.

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: 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.

The Board has established an effective governance and risk framework.

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:

Read more on our Strategy on pages 40 to 47.

Read more on our Culture on pages 104 to 107.

Read more on Risk Management on pages 74 to 81.

Ensuring a Clear Division of Responsibilities

Division of Responsibilities

Description: The Chair leads the Board, which includes an appropriate combination of Executive Directors and Non-Executive Directors.

The Non-Executive Directors provide constructive challenge, strategic guidance and advice and, have sufficient time to meet their Board responsibilities.

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:

Read more on Board Composition on pages 86 and 112.

Read more on Division of Responsibilities on pages 112 and 114 to 115.

Read more on Risk Management approach on pages 74 to 81.

Delivering Effectiveness Through a Balanced Board

Composition, Succession and Evaluation

Description: 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.

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:

Read more on Board Appointments and induction on pages 119.

Read more on Board Evaluation on pages 116 and 117.

Enabling Reporting Integrity and an Effective Controls Environment

Audit Risk and Internal Control

Description: 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.

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:

Read more on the Audit Committee on pages 122 to 127.

Read more on Risk Management and Internal Control on pages 74 to 81.

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

Remuneration

Description: 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:

Read more on Director Remuneration on pages 130 to 152.

Corporate Governance Report

Board Leadership and Company Purpose

Board Priorities for FY23: Main Areas:

Strategy

- Received updates on FY23 key strategic initiatives and operational highlights.
- Discussed and reviewed updates on the acquisition strategy and M&A activities.
- Discussed and approved the acquisition of Lodge Tyre Company.
- Received an update on Group Strategy, the Capital Markets Day, the five-year plan and Budget.

Link to Stakeholder

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 FY22 Annual Report.
- 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.
- Discussed and reviewed the Group's ESG targets and disclosures.
- Received regular corporate governance updates.

Link to Stakeholder

Link to Strategy

1 2 3

Board Matters

- Reviewed the succession plans for the Board and the restructure of the senior management team, including the appointment of a new Non-Executive Director.
- Reviewed the Board and Committees' programme and forthcoming meeting schedule.
- Received updates from the Nomination Committee on the progress of the search for a new Non-Executive Director.
- Discussed and agreed the scope of the internal FY23 Board evaluation.

Link to Stakeholder

Link to Strategy

1 2 3

Financial and Risk Management

- Reviewed monthly business and trading performance.
- Reviewed and approved the prelim, interim and 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 FY24 budget and forecast.

Link to Stakeholder

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

Link to Strategy

1 2 3

Shareholder and Stakeholder Relations

- Reviewed results of colleague engagement surveys and the launch of the new Company Values.
- 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 2022 Notice of the Annual General Meeting and the arrangements for the 2022 Annual General Meeting.
- Reviewed and approved the April 2023 Capital Markets Day content and materials.

Link to Stakeholder

Link to Strategy

1 2 3

Key to stakeholders:

Colleagues Investors Communities Media

Customers Suppliers Environment Government

Key to Strategy links:

1 *Inspire* 2 *Support* 3 *Lifetime*

Board Priorities for FY24: Main Areas:

Strategy

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

Link to Stakeholder

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 FY23 Annual Report.
- 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

Link to Strategy

1 2 3

Board Matters

- Review the nomination and appointment of a new Non-Executive Director.
- 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 FY23 external Board evaluation and agree the scope of the FY24 Board evaluation.
- Review the Board programme of visits.

Link to Stakeholder

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 FY24 updated forecast, the FY25 budget, banking arrangements, the financing arrangements and FX hedging strategy.

Link to Stakeholder

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

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 2023 Notice of the Annual General Meeting.

Link to Stakeholder

Link to Strategy

1 2 3

Corporate Governance Report

Board Leadership and Company Purpose

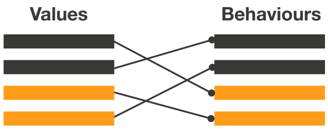
Our Board has made progress against monitoring culture in the past year, with focus on supporting colleagues through the cost of living crisis.

Culture and Values

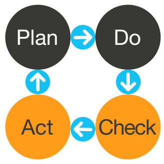
Goals

Create a "**One Halfords**" 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



Work with colleagues across all areas of the business, to define the appropriate values and behaviours for our Group as a whole, that will underpin our forward strategy, build on the language of our purpose and create beliefs that are active and give all our colleagues clear direction.



Create a leader-led roll-out plan that will introduce all colleagues across the Group to the refreshed values that will shape our culture and offer all colleagues clarity and a sense of belonging as part of the One **Halfords** Family.

Integrate our newly defined values into the performance management framework and appropriate elements of the colleague lifecycle.

Outcomes

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

- Will benefit from our financial commitments, through the generation of additional profitable sales and a reduction in costs.

Our Culture Journey

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. During 2021, a full cultural review was completed, which resulted in a refresh of our **Halfords** Group values, and several activities were undertaken to embed the values amongst colleagues. During FY23, we continued to embed our **Halfords** values and created the One **Halfords** team approach by uniting all parts of the business, including new acquisitions.

We know that we will only be successful in wowing our customers through engaging the hearts and minds of our colleagues, compelling them to work together, as One **Halfords** Family, to continuously develop and deliver expertise to meet the customers' needs. The values and behaviour framework defines how we expect colleagues across the business to role model our values as they progress their careers with us – from joining as a colleague, to leading others, leading teams and, ultimately, leading the business.

Well-established technical skills training complements this framework by providing the technical knowledge to support the delivery of our market-leading services. During FY23, we invested in training to upskill over 1,000 managers in our garages and retail stores to effectively sell, teach and coach their teams and improve their selling skills.

We continued to embed our values through our Group induction programme and recognition scheme. In FY23, we continue to include values into our annual performance conversations, and colleagues are assessed against the behaviours that underpin each value. To further support embedding our values, we continued to run our recognition programme, which recognises our "Colleague of the Quarter". We received over 680 nominations throughout the year from across the **Halfords** Group, over 46 colleagues were recognised as a "Colleague of the Quarter" and, at the end of FY23, with two runners up and one overall winner of our prestigious "Colleague of the Year" award. Our winner was awarded £5,000, second place runner up £2,000 and third place runner up £1,000. All winners were also invited to a celebratory lunch with the Executive Team.

Through the cost-of-living crisis, we have focused on supporting colleagues with continuing investment in our **Halfords** “Here to Help” Fund, which was set up by the **Halfords** Group to provide grants to colleagues who suffer significant financial hardship or who find themselves at risk of significant financial hardship. Colleagues who are eligible can apply to the **Halfords** “Here to Help” fund for a grant to support them through their situation. We really care about the wellbeing of our colleagues and believe this intervention supports our wellbeing strategy. We have continued to offer Wagestream, which is a financial benefit app that gives our colleagues greater control over their pay and can help educate on better money management. The app gives colleagues visibility of earnt wages in real time and supports personal finance management; gives colleagues early access to earnt wages 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. Colleagues can choose to contribute a set amount each month, with no penalties for accessing or pausing contributions.

We also offer great discounts and cashback at thousands of retailers, provided free MOTs to colleagues in the UK and in ROI & NI a £25/€20 Winter Essentials voucher and extended our friends and family discount scheme to run for three weeks in October.

To help colleagues manage stress and support their mental wellbeing, we’ve continued to create awareness of all the benefits and resources available on the colleague intranet and through promotional material sent to all colleagues. We have continued to roll out our mental health awareness training to a further 100 managers across the Group and increased the number of qualified mental health first aiders. Our three-year partnership with mental health charities Mind, SAMH and Inspire has provided access to free mental health information and resources. In October, we held our Wellbeing Week, which focused on all aspects of our wellbeing.

In FY23, we started the design of our leadership capability programmes for all. These programmes are designed to ensure that all our managers and leaders are immersed immediately into an experience that clearly sets out “how to be a great **Halfords** manager and leader” 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.

FY22

H1

- Annual pay review for all hourly colleagues completed.
- Full annual colleague engagement survey conducted.
- Engagement targets set for Board and Executive Team.
- Three-year charity partnership launched with mental health charities Mind (England and Wales), SAMH (Scotland) and Inspire (ROI/NI).
- Celebrated Pride Month across the **Halfords** Group to raise awareness of LGBTQIA+ colleague network group and promote Diversity and Inclusion.

H2

- Supporting colleagues through cost of living crisis is positioned as one of our top three business priorities and discussed weekly in colleague huddles.
- Mental Health First Aider training and mental health awareness sessions for managers.
- All colleagues engaged in a Wellbeing Week across the **Halfords** Group to promote support and resources available to colleagues and charity fundraising in stores to support World Mental Health Day in October 2022.
- Pay review for all MOT Testers in **Halfords** Autocentres.
- 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 were invited to provide input into broader business initiatives, including ESG and reward practice, to gain an understanding of corporate governance and Executive remuneration.

To support colleague communications, our Group-wide intranet has a dedicated wellbeing hub with useful tools and links for colleagues to access. Colleagues also have access to mental health first aiders. We rolled out mental health training to managers to be better placed to support their colleagues. The intranet is a one stop shop for access to benefits and high street discounts, further supporting financial wellbeing. Over 3,500 colleagues are enrolled on the Wagestream app, allowing them to have early access to their earnings, to better control their finances and to tap into financial education information.

In addition to the above, 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 127. 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.

Helen Jones, the Senior Independent Director, with accountability for representing the voice of our colleagues in Board meetings, personally attends many of the listening groups held, alongside other Board and Executive colleagues and regularly reports back to the Board on the issues raised.

Survey and listening group outputs and associated actions are regularly reviewed by the Board and are incorporated into Executive Directors' and Executive Committee functional engagement plans. As in prior years, colleague engagement remains a bonusable objective for this 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 2022 confirmed that this remains the case today with our colleague engagement index at 81%, which means our engagement index remains in the upper quartile when compared with other 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.

Read more about How We Engage With Stakeholders on pages 32 and 35.

Board Listening Approach

	What This Channel Brings
Non-Executive Director Employee Voice	• 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 focused 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.

Section 172(1) Statement

The Chair leads the Board, which is collectively responsible for the long-term success of the Company. The Chair's role is to ensure that the Board contains the right balance of skills, diversity and experience, to set the strategy of the Company and oversee the successful execution of it by the business.

A key element of business success is having good corporate governance. **Halfords** has effective frameworks and practices to ensure that high standards of governance, as well as good values and behaviours, are consistently applied throughout the Group. The Board considers these as being critical factors for the integrity of the business and in helping to maintain the trust of all stakeholders in **Halfords**.

Read our Section 172(1) Statement on pages 34 to 35.

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 144 to 152.

In line with the requirement of the Companies Act 2006, each Director has notified the Company of any situation in which he or she has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (a situational conflict), 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 FY23

- Progress on our strategy, "To ***Inspire*** and ***Support*** a ***Lifetime*** of motoring and cycling", including our intention to accelerate investment in our Services and B2B businesses.
- The dynamics of the motoring and cycling markets, including our growth opportunities, short and longer-term trends given the significant disruption of the last two years, and relative financial returns from each segment.
- Risk and opportunities caused by macroeconomic trends or legislation such as Government spending on cycling infrastructure or the ban on combustion engines from 2030.
- 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.
- 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 (such as the investor perception study).

Investor Relations Programme

The Group has a comprehensive investor relations ("IR") programme through which the Chief Executive Officer, Chief Financial Officer and Corporate Finance Director 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 Corporate Finance Director following our trading and results updates, and our 2023 Capital Markets Day; and
- **Responding promptly** – the Group is committed to responding to any investor-related queries within a short time frame.


halfords
mobile expert

Corporate Governance Report

Board Leadership and Company Purpose

"We communicate on a regular basis through various channels. All key points captured through listening groups are shared in quarterly cascades across the business."

Helen Jones
Senior Independent Director

Colleague of the Year winners announced

3

Number of nominations received

680

Number of colleagues recognised as Colleague of the Quarter

46

Q&A

with our Employee Voice Director, Helen Jones

Q

Have there been any changes to the employee feedback process this year?

We continue to hold regular listening sessions across the Group. These are chaired by a Divisional Director, supported by a member of our People team with up to ten colleagues in attendance. My role is to encourage openness and honesty and to listen. We devote an hour to discussion on what's working well, what we should pay attention to and what we might learn from best practice in other businesses.

We try to involve as many colleagues as possible in these sessions throughout the year. Having an opportunity to express opinions is important and, although there are always common themes, solutions to specific issues often come from colleagues as they are dealing with our customers every day. This year, we invited colleagues from our Continuous Improvement team to join the sessions. As a result, they're able to capture new suggestions and update on initiatives that have already been introduced.

Every year, we conduct a Colleague Engagement survey and, in 2023, we achieved an index score of 82%, a slight increase on 2022. The annual survey provided valuable insight as to colleague sentiment across the Group and what we need to focus on to help make **Halfords** a better place to work. Overall, our colleagues are very positive and committed to **Halfords**. They feel trusted to do their jobs, are treated with respect and there's a great team spirit across both stores and garages. However, we were also told that we sometimes struggle to meet customer demand and this leads to increased workload, particularly for the most skilled and experienced colleagues. We've, subsequently, focussed on recruiting, inducting and training technicians across the Group to deliver the many services we offer.

We're also aware that increased workload can be very stressful, so we've continued to build awareness of all the resources available to colleagues to help support their wellbeing, as well as increasing the number of mental health first aiders. We've continued to offer great discounts and cashback at thousands of retailers, free access to Wagestream to support colleagues with flexible pay options, and our 'Here to Help Fund' provides for any colleague in a financial crisis, along with free MOTs and winter essentials vouchers.

Q

For you, what were the key highlights in FY23?

We introduced sessions this year to discuss the new Personal Development Review process. We need to ensure that all colleagues feel supported in advancing their careers with **Halfords** and that their aspirations to progress within the Group are known. Enabling colleagues to participate in this session, and how it might be adapted to best meet the needs of line managers and colleagues at all levels, was really helpful. Establishing a process, which helps colleagues understand how their particular role influences overall Group performance, is essential.

Another particular highlight for me, was a listening session in February with seven of our colleagues from our Retail stores. Their combined years of service to **Halfords** amounted to 130 years! A reminder of the tremendous loyalty shown by many colleagues across the Group and how we benefit both in expertise, but also culturally from this depth of experience.

Q

How do you share outcomes with the wider employee base?

We communicate on a regular basis through various channels. All key points captured through listening groups are shared in quarterly cascades across the business. Being heard is as important as listening so where we're able to address concerns, we do, and for those where a solution may not be immediately available, we explain why.

Q

What areas does the Board want to focus on in future?

Our colleagues represent the **Halfords** brand in every interaction across the Group. Ensuring we attract, retain and support all colleagues is always a priority. In the coming year, we will focus on the recruitment, induction and training for all specialist roles to ensure customer demand can be met and the best possible experience delivered every time. This applies not only to our long-serving colleagues, but also to those who have joined the Group through our acquisitions.

We're also very aware of the pressure being felt as a result of the cost-of-living crisis. The Remuneration Committee and the entire Board are mindful of the need to consider all our colleagues working tirelessly across the Group, when determining Executive pay arrangements.

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 96, and the biographies of each Director, including any other business commitments, are available on pages 90 to 92. 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 40 to 47.

Chair 1

Executive Directors 2

Non-Executive Directors 3

Board Changes

In April 2022 Jo Hartley joined the business and was appointed as Chief Financial Officer on 16 June 2022 to replace Loraine Woodhouse who stepped down from the Board on 16 June 2022 and retired from the business on 1 July 2022.

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 judgement. Following a review, the Board considers Jill Caseberry and Tom Singer to be independent in character and judgement. However, due to the length of Helen Jones' tenure, the Board has assessed that Helen is no longer regarded, as independent for the purposes of the Code. Helen has agreed to stay on until the AGM on 6 September 2023 to ensure continuity for the Board. Whilst this has created a technical breach of the Code's recommendation that the majority of the Board be independent Non-Executive Directors, the Board believes that this short-term situation has been justified. As explained on page 96 Tanvi Gokhale has now joined the Board and is independent on appointment.

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

Re-election and Election

In compliance with the Code and the Company's Articles of Association, as at 20 June 2023, the following Directors will seek re-election at the 2023 Annual General Meeting ("AGM") on 6 September 2023: Keith Williams, Jill Caseberry, Tom Singer, Graham Stapleton and Jo Hartley.

As has been announced, Helen Jones, will step down as a Non-Executive Director at the 2023 AGM and her replacement Tanvi Gokhale, who was appointed to the Board on 20 June 2023, will stand for election for the first time at the AGM.

Board Key Responsibilities

The Board is collectively 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 provides leadership and direction on the Company'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 40 to 47.

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. He 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.

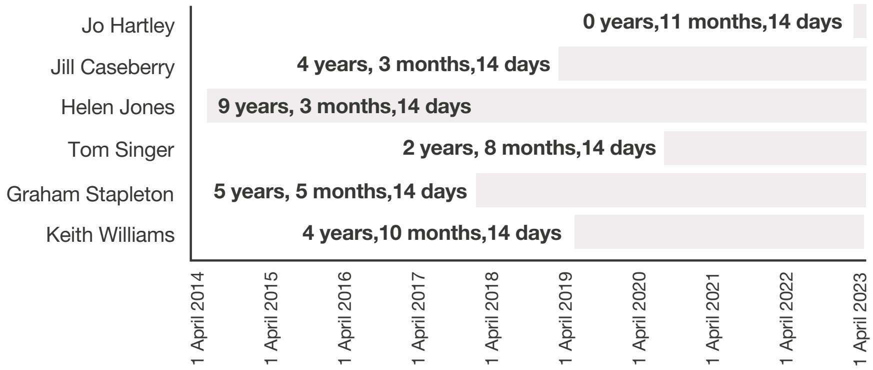
A formal schedule of matters reserved for the Board is in place and is annually reviewed as referred to above.

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 116. 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 FY23 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. Similarly, the treasury needs of the Group are managed by the Treasury Committee, 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. During the year, the Finance Risk Committee was established, the purpose of which is to progress governance over areas of financial crime exposure concerning HMRC and FCA, as well as anti-fraud measures and existing policy areas such as Anti Money Laundering.

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:
Keith Williams

Members:
Helen Jones
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
- Focusing on compliance with legal requirements, whistleblowing, accounting standards and the Listing Rules.

Chair:
Tom Singer

Members:
Helen Jones
Jill Caseberry

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:
Jill Caseberry

Members:
Helen Jones
Tom Singer

ESG Committee

Key Objectives

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

Main Responsibilities

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

Chair:
Helen Jones

Members:
Jill Caseberry
Tom Singer

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.

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.

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.

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.

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.

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.

FY22	FY23	FY24
Internal Evaluation	External Evaluation	Internal Evaluation

FY23 Evaluation Process

Step One	Step Two	Step Three	Step Four
Online surveys issues 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 FY22 internal review are as follows:

Topic	FY22 Outcomes	Progress Made in FY23
ESG	To develop an approach to ensure a sustainable business for stakeholders.	In FY23, we continued our virgin plastic reduction programme (started in FY22), and we have now reduced 37.5% of our virgin plastic, achieved through reduction of packaging weight, swapping to alternative materials, or using recycled content). Halfway through the year, we made a full switch over to Adblue pouches, a much lighter plastic type, saving 95 tonnes of plastic. This will prevent 175 tonnes of plastic being used in FY24, representing over a 10% reduction of the plastic packaging we used in FY22 (1,600 tonnes). We improved oil bottle packaging by using 35% recycled content, saving 40 tonnes of virgin plastic. We swapped the oddpack range (700 products) over to 80% recycled plastic, saving over 10 tonnes of virgin plastic.
Diversity within the Board	To maintain and improve diversity on the Board in line with the Parker Review.	With the appointment of Tanvi Gokhale, we consider this progresses our compliance with the Parker Review.
Transformation across the business	To continue to support the transformation journey as we develop an omni-channel business that is agile and able to respond fully to the ever-changing needs of our customers.	We significantly progressed our strategic transformation in FY23. As we outlined at our Capital Markets Day in April 2023, we have created an omni-channel network, which will act as a platform to allow future growth. We believe this truly differentiates us from our competitors.

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

Topic	FY23 Outcomes
Strategy	• To continue to focus on the delivery of the strategy creating value to shareholders. Continue the work on understanding **Halfords**' customers.
Board and Composition	• Successful recruitment of a new Non-Executive Director ("NED") to replace Helen Jones, being mindful of the importance of diversity and Parker Review requirements. • Review and develop the Board induction programme for the new NED. • Introduce a more formal training programme for Board members and to aide in the delivery of the Group strategy.
Company Culture	• Focus on Company culture to understand how this can be developed further to ensure delivery of the strategy is fully supported.

IR Calendar Dates

21 Jun 2023	**FY23 Preliminary Results**
6 Sept 2023	**FY24 20-week Trading Update**
6 Sept 2023	**AGM**
22 Nov 2023	**FY24 Interim Results**
18 Jan 2024	**FY24 Q3 Trading Statement**

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 uncertainties, and mitigating actions, are detailed in the Strategic Report on pages 76 to 81.

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 very much hope that we will, once again, be able to hold our 2023 AGM in person and look forward to seeing shareholders on 6 September 2023.

Tim O'Gorman
Company Secretary

21 June 2023

Nomination Committee Report

"The Committee monitors and develops Board and Executive succession plans."

Keith Williams
Chair of the Nomination Committee

Committee Composition
During the year, the Committee comprised:

Helen Jones

Jill Caseberry

Tom Singer

Nomination Committee meetings held:

2

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, the Committee successfully secured the appointment of Jo Hartley to succeed Loraine Woodhouse as Chief Financial Officer. Jo joined the business on 19 April 2022 and was appointed as Chief Financial Officer on 16 June 2022 when Loraine retired from the role. The Committee also undertook a search for a new Non-Executive Director to replace Helen Jones, who has reached her nine-year tenure and will, consequently, step down from the Board at the AGM on 6 September 2023. Following this search we have appointed Tanvi Gokhale (as announced on 20 June 2023), which maintains our compliance with the Parker Review. Finally, the Committee undertook an annual Board evaluation, conducted by Anne Whalley Consulting Limited. The details of this external evaluation can be found on page 117 in the Corporate Governance Report.

Looking ahead, the key priorities for the Committee are:

- Long-term succession planning at Board and Executive level;
- Ensuring the successful induction of the new Non-Executive Director, and
- Successful delivery of the actions arising from the external Board evaluation as referenced on page 117.

By order of the Board

Keith Williams
Chair of the Nomination Committee

21 June 2023

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

- Commenced the search for a new Non-Executive Director to replace Helen Jones.
- Continued with the progression of the succession and talent development plan, taking into account the recommendations of the Parker Review.
- Reviewed the internal FY22 Board evaluation action plan.
- Engaged Anne Whalley Consulting Limited to undertake an external FY23 Board 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.

FY23 Key Activities

- Commencement of the search for a new Non-Executive Director from a more diverse background.
- Progression of succession and talent development plans.

Areas of Focus in FY24

- Progression of succession plans for the Board and senior management team.
- Induction of the new Non-Executive Director.

Board Appointments

On 19 April 2022, Jo Hartley joined the business and, to ensure a smooth transition, Loraine Woodhouse remained with the business and in post as Chief Financial Officer until 16 June 2022, at which point Loraine stepped down from her role and passed her responsibilities to Jo.

Odgers was appointed as advisor to the Committee in the search for external candidates for this role and this process was led by Keith Williams as Chair, together with the Committee. Odgers does not have any other connection with the Company.

As announced on 20 June 2023 Tanvi Gokhale will join, with immediate effect, **Halfords** as the new Non-Executive Director to replace Helen Jones, who will step down from the Board at the AGM on 6 September 2023.

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; and
- Visit to Washford and Coventry distribution centres.

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, 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 Senior Management Team is female and 19% of their direct reports are women. The Board is committed to improving diversity at Board and senior management level. In 2021, we announced in our annual report that we had a target of improving ethnic diversity on the Board by 2023.

In this regard, during the year, the Board appointed the executive search consultancy Heidrick & Struggles to progress the appointment of a new Non-Executive Director to replace Helen Jones who will be retiring as a Director and Senior Independent Director at the AGM on 6 September 2023. Following this search Tanvi Gokhale was appointed on 20 June 2023.

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, as detailed above, we have an action plan to ensure compliance with the Parker review.

Looking Ahead

Looking ahead, long-term succession planning at Board and Executive level will remain a key priority of the Committee, together with creating a Board that has an appropriate level of gender diversity and ethnic diversity.

Keith Williams
Chair of the Nomination Committee

21 June 2023

ESG Committee Report

"Our ambition is to minimise our environmental impact and increase our transparency whilst continuing to pursue sustainability opportunities within our product portfolio."

Helen Jones
Chair of the ESG Committee

Committee Composition
During the year, the Committee comprised:

Helen Jones

Jill Caseberry

Tom Singer

ESG Committee meetings held:

2

Chair's Letter

During the year, the Committee's focus has been to ensure the ongoing delivery against targets set for the four priority areas: electrification; net zero; diversity and inclusion; and product, packaging and waste management. We are particularly pleased with the progress made with our suppliers as part of the Net Zero workstream; engaging with top strategic suppliers and gathering data to better inform our Scope 3 carbon emissions. In our response to the CDP Climate Change questionnaire, we were awarded a B for our work engaging our suppliers, giving us external verification for the great work we are doing.

Recognising the need for continued training at a senior level, the November 2022 ESG Committee meeting was extended to all Board members to undergo training on Director's Liability on Human Rights and Environmental Due Diligence, facilitated by an external agency.

As a Committee, we also approved the revised Environmental Policy outlining **Halfords**' commitment to reduce our impact on the environment through close monitoring of targets and effective governance.

The Company's Chair, Keith Williams, and Chief Executive Officer, Graham Stapleton, whilst not members of the Committee, attend the meetings upon the invitation of the Committee Chair. There were two Committee meetings held during the year and after each one, I reported to the Board on the key issues that we covered. 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.

Building on the strategy work that we undertook last year, we are pleased with the strong progress that we've made this year. As the regulatory landscape continues to evolve in response to climate change, supply chain transparency and corporate due diligence, we remain committed to evolving our approach and ensuring we have a sustainable business that delivers for all stakeholders.

Main Responsibilities of the Committee

- Oversight and continued development of our ESG strategy.
- Setting KPIs and targets and monitoring progress.
- Ensuring the Group continues to meet stakeholder expectations.
- Maintaining the highest possible standards of ethical practices in our supply chain.

Activities Undertaken

During the year:

- Monitored progress of the ESG strategy.
- Challenged ESG performance throughout the year.
- Signed off and acted on the findings and recommendations of the internal ESG audit.
- Participated in Board-level training on Director's Liability on Human Rights and Environmental Due Diligence.
- Reviewed and agreed upon a set of ESG targets and KPIs which were taken to the Remuneration Committee for approval.
- Approval of the Environmental Policy.

Further information on the Group's approach to managing ESG, performance against the priority areas and performance data can be found on pages 48 to 61 of the Strategic Report.

Looking Ahead

In FY24, our focus will be on maintaining momentum and continuing to deliver positively towards our ESG targets. Our preparations to make the company ready for electric mobility continues to be of paramount importance as we look to the future. The transition to lower-carbon forms of transport is clearly an essential part of achieving ambitious Net Zero goals - both for **Halfords** but also the UK. Our new three-year D&I strategy is a step-change in how we think about the colleagues in our business but also the communities and industries we work in. **Halfords** is committed to becoming a truly inclusive place to work and to be representative of the customers and communities it serves.

Finally, I would like to add that, as this is my last year as a Non-Executive Director for **Halfords**, I am extremely proud of the work that has been achieved by the business, creating a compelling ESG strategy and making significant progress in delivering it. I remain committed to the **Halfords** ESG plans and look forward to seeing the continued great work in the future.

Helen Jones
Chair of the ESG Committee

21 June 2023

FY23 Key Activities

- Invested in equipment and colleague training to ensure we remain market leaders in EV servicing.
- Excellent progress made with our science-based targets for carbon emissions, reducing Scope 1 and 2 by 27% vs. FY20 baseline.
- Rolled-out a third-party platform to support the collection of accurate Scope 3 carbon data.
- 75% of supplier spend attached, providing a reliable and verifiable baseline for Scope 3 emissions.
- Significant progress made to reduce packaging. Since 2021, we've eliminated 38% of virgin plastic from own-label products.
- Developed 3-year Group D&I strategy.
- Following the success of our Bike Xchange programme (over 11,000 bikes donated by customers) this was rolled out to include kids' bikes to promote the longevity of these products and to reduce waste. A significant number were also donated to our charity partners, including Re-Cycle.
- Continued support of our corporate charity, Mind, and other community-based initiatives such as the HMP Drake Hall initiative - where we offer bike technician training to female detainees, enabling them to pursue employment on their release.

Areas of Focus in FY24:

- Introduction of EV servicing into our mobile servicing proposition for both customer owned and commercial vehicles.
- Increasing the number of EV-ready centres.
- Continue to gather primary carbon data from our suppliers to better understand Scope 3 emissions.
- Begin implementation of our 3-year D&I strategy, including building awareness across the Group.
- Continue to support the industry to understand how the automotive sector can be more attractive for all individuals but specifically those currently under-represented in the workforce.
- Further reduce virgin plastic use in our own-label packaging.
- Actively pursue recycling solutions for all waste products.

Audit Committee Report

"The Committee has continued to play an important role in engaging with the management team to ensure the integrity of financial reporting, internal controls and risk management processes."

Tom Singer
Chair of the Audit Committee

Committee Composition
During the year, the Committee comprised:

Tom Singer: Chair

Helen Jones

Jill Caseberry

Audit Committee meetings held:

4

Chair's Letter

I am pleased to present the report of the Audit Committee for the 52 weeks ended 31 March 2023.

This report describes how the Committee has carried out its responsibilities during the year. 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 year, the Committee considered several key issues, most notably:

- the impact of the cost-of-living crisis, and specifically whether the business remained a Going Concern;
- the carrying value of investments, tangible and intangible assets;
- the BEIS proposals for Audit and Corporate Governance reform, considering the impact on our reporting and control environment;
- the relationship with a third party logistics provider and the related accounting treatment;
- the acceleration of our business and financial controls programme; and
- the review of the accounting treatment in regards to the acquisition of Lodge Tyre.

Tom Singer
Chair of the Audit Committee

21 June 2023

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 judgements.
- Maintain focus on the adequacy of the control environment and further development of the risk management framework, focus on complying with the outcome of the BEIS recommendations on audit and governance.
- Monitor FRC consultation and final standard on the Corporation Governance Code, to be published FY24.
- Carry out a formal assessment of BDO's performance in relation to the FY23 audit.
- Consider impact of new expectations in relation to consumer organisations (Customer Duty rules).

FY23 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 reviewing the external reporting to ensure it is fair, balanced and understandable.
- Reviewed the accounting treatment associated with the acquisitions made during the year.
- 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.
- 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 Information Security Management Policy.
- Review Cyber risk and associated strategy.
- Reviewed and approved the Internal Audit Charter.
- 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 plan for **Halfords** response to BEIS proposals.
- Reviewed the Corporate offence of failure to prevent tax evasion policy.
- Reviewed the approach to **Halfords** Identity access management project.
- Reviewed and strengthened controls over accounting for SaaS related spend in accordance with IAS38, with a particular focus on Avayler.
- Reviewed the policy and accounting for foreign exchange hedging transactions.
- 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.
- Carried out a formal assessment of BDO's performance in relation to the FY22 audit.
- Reviewed and ensured FCA compliance.
- Checked to ensure we have adequate distribution reserves to legally pay dividends.

The effects of the cost of living 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 FY23.

Halfords Group completed the acquisition of Lodge Tyre during the current financial year. The Audit Committee reviewed the accounting treatment of each transaction, ensuring that the judgements were appropriate.

Finally, the Committee reviewed the company's principal risks, ensuring that robust risk mitigation was in effect during the year 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 year.

Member	Role	Attendance
Tom Singer	Chair	4/4
Helen Jones	Member	4/4
Jill Caseberry	Member	4/4

Four scheduled Committee meetings were held during the year 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.

Audit Committee Report

Membership and Remit of the Audit Committee

During the year, the members of the Audit Committee were considered to be independent Non-Executive Directors. The Board recognises that Helen Jones is no longer regarded as independent because of her extended tenure. Whilst we recognise that this has created a technical breach of the UK Corporate Governance Code, we believe that this short-term situation is justified to ensure that the correct candidate is appointed to the Board in Helen's place. Please see page 96 for further information.

Tom Singer is a Non-Executive Director of Mukuru and a Non-Executive Director and Chair of the Audit Committee of Vue International Group and was, until recently, the 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 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 four such meetings in the period ended 31 March 2023 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, focusing 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 year and believes that both remain appropriate.

Copies of the full Terms of Reference are available on the Company's website or on request from the Company Secretary.

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 considers key judgements applied in the preparation of the consolidated financial statements, which are set out on pages 166 to 171.

The Committee has considered the following key accounting judgements during the year:

Impairment of Goodwill Associated with the Group's Retail and Car Servicing groups of Cash Generating Units (CGU):

- Following several business combinations across Retail and Car Servicing CGUs, the Group holds significant goodwill. There are a number of factors that could impact on the future profitability of the business (e.g. loss of key customers, 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 11 on page 187 to 190 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 goodwill of the Parent company has also been considered on the same basis. 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, 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 investments.

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 195 of the Financial Statements). Management has fully reviewed the inventory provision in the current year, 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.

Non-Underlying Items and Alternative Performance Measures

The Group recorded a net debit of £8.0m in Non-Underlying items in FY23, having recorded a larger credit in the previous year. This credit was driven by the release of a provision relating to an HMRC audit of National Minimum Wage practices, and the release of provisions relating to the closure of stores and garages in FY21. The debit in the current year was materially due to strategic redundancy costs due to the restructure of the support centre, acquisition costs in regards to Lodge Tyre, and closure costs of a number of garages due to the reorganisation of the business as a result of the acquisition of Axle Group. The Audit Committee has reviewed management's assessment of Non-Underlying items and are satisfied that the correct accounting treatment has been applied.

Management has continued to use Alternative Performance Measures ("APM") to provide the reader with a more insightful analysis of the Group's performance. In particular, management has chosen to place greater emphasis on comparing FY23 performance to FY20, alongside the prior year FY22. This was considered to be appropriate given that FY22 and FY21 were significantly disrupted by COVID-19 and the Government's response to it through, for example, providing business rates relief. The Audit Committee has reviewed the use of APM and are 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 proposed reforms are wide-ranging and, if introduced, are likely to impact **Halfords** in several material ways. 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.

Audit Committee Report

External Auditor

BDO UK LLP present their audit plan, risk assessment, and audit findings to the Committee, identifying their consideration of the key audit risks for the year, 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 year through, amongst other factors: assessment of the degree of the audit firm's challenge of key estimates and judgements made by the business; feedback from any external or internal quality reviews on the audit; and the wider quality of communication with the Committee.

In addition, at its meeting in March 2023, 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.

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 year ended 31 March 2023.

BDO UK LLP 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 UK LLP to re-tender for external audit work this year. The Audit Committee has recommended to the Board, for approval by shareholders at the Annual General Meeting on 6 September 2023, the reappointment of BDO UK LLP as external Auditor. The Audit Committee monitors, and will continue to comply with, best practice and external guidance in respect to the frequency of audit tenders.

Diane Campbell was appointed as the Lead Audit Partner since the 2019/20 audit and is therefore now in her fourth annual audit cycle. Diane will serve a maximum term of five annual audit cycles.

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 pages 184 to 185.

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 year, included Cyber Security, Data Governance, Supplier Management, Financial Controls and Health & Safety Framework.

The Head of Internal Audit reports to the Chief Financial Officer, 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. A newly formed Executive Risk Committee 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 year, 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 74 to 75.

Tom Singer
Chair of the Audit Committee

21 June 2023

Remuneration Committee Report

"The key focus for the Committee this year has been reviewing the Directors' Remuneration Report in advance of submitting a new Policy to shareholders at the AGM in September and considering how best to support our colleagues in the context of the cost of living challenges."

Jill Caseberry
Chair of the Remuneration Committee

Committee Composition
During the year, the Committee comprised:

Jill Caseberry Chair

Helen Jones

Tom Singer

Remuneration Committee meetings held:

6

Chair's Letter

Dear shareholder

On behalf of the Remuneration Committee, I am pleased to present the Remuneration Report for the financial period ended 31 March 2023.

The Report consists of four sections:

- This Chair's statement providing a summary of pay outcomes for FY23 and our approach for FY24;
- Remuneration at a glance;
- The 2023 Directors' Remuneration Policy – in accordance with the Directors' Remuneration Reporting Regulations, **Halfords** is bringing a revised Directors' Remuneration Policy to the Annual General Meeting ("AGM") in September 2023 for shareholder approval; and
- The annual Directors' Remuneration Report – this summarises the remuneration outcomes for FY23 and explains how we intend to apply the Remuneration Policy in FY24.

Supporting Colleagues Through the Cost of Living Crisis

To reflect the cost of living challenges faced by our colleagues and good performance in the year, we were pleased to be able to award average salary increases to our workforce higher than in previous years of 4%.

Our benefits package gives access to discounts on everyday essential spend such as supermarket shopping. Used well, the average colleague can save up to 1% of their annual salary. For colleagues who need short-term emergency support on unexpected spend such as home repairs, funeral costs and travel to work expenses, the **Halfords** Here to Help Fund ("HHF Fund") can support with up to £2,000 of one-off funding, and throughout last year, the Fund distributed payments to 258 colleagues in such cases. During FY24, we will continue to monitor the impact of rising inflation on our colleagues.

Performance in the Year

Our underlying profit before tax of £51.5m in FY23 was a resilient performance, given the macro-economic climate we operated in throughout the year. We estimate that we have experienced over £95m of headwinds in the year, driven by an unenviable combination of our core markets being depressed versus pre-COVID, coupled with some of the most extreme cost inflation our business has seen.

Our focus in the year was on impacting the things within our control, and as a result we delivered a very effective cost and efficiency programme which exceeded our targets. We also continued to strategically invest in the transformation programme that the business has been on since 2018, whilst also ensuring we support customers through the ongoing cost-of-living crisis.

As we look forward, FY24 will be another year where we face both cost and market pressures, but the strategic transformation in our business leaves us confident that **Halfords** still has a bright future ahead of it.

Remuneration Outcomes in Respect of the Year

The annual bonus for FY23 was based 80% on financial measures (Group profit before tax – 50%, Group revenue – 15%, Free Cash Flow – 15%) and 20% on strategic metrics (NPS, Employee Engagement, Group Services-Related Sales and ESG (electrification, D&I and collection of Scope 3 data), all equally weighted.

During the year, Group profit before tax was £51.5m, Group revenue was £1,591.6m and Free Cash Flow was £3.1m. Further detail on performance against strategic targets can be found on page 36. Performance against targets set resulted in an annual bonus outcome of 23.75% of maximum.

However, 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. In making this decision, the Committee took into account a number of factors including overall stakeholder experience and payouts for colleagues who received no bonus due to a PBT threshold being missed. The annual bonus for FY23 will therefore be 0%.

The FY21 Performance Share Plan ("PSP") was based on Underlying EPS (20% of the award), Group Services related sales (10% of award), Free Cash Flow (30% of award) and Relative TSR (40% of the award). Based on performance against the targets set the vesting outcome would have been 60.6%

The Committee is mindful of shareholder expectations that incentive outturns should be carefully considered to ensure that they reflect the underlying financial and non-financial performance of the Group, as well as the experience of our stakeholders and colleagues. Therefore, as is the case in prior years, the Committee evaluated performance in the round against a range of factors to assess whether the level of annual bonus and PSP pay-out was appropriate.

The Committee considered the outcome in the context of the shareholder and stakeholder experience. While the Committee considered that there has been strong progress over the three-year performance period, the Committee recognised the challenges in the most recent financial year and determined that it was appropriate to exercise downward discretion to reduce vesting to 50% of maximum. This was felt to be a better reflection of the overall experience for all stakeholders within the business.

The Committee was also aware of expectations around adjustments for windfall gains. However, as 2020 awards were made at a higher share price to those in 2019 (and the current share price is lower than for 2020 awards) it was determined that there was no windfall gain.

2022 PSP awards

PSP awards were granted in October 2022. The original intention was to grant an award of 200% of base salary to the CEO and an award of 150% of base salary to the CFO (a reduced award for the first year of her employment was agreed on joining). However, taking into account the share price prior to award and how this compared to the share price used to determine the 2021 awards, the Committee determined that it was appropriate to reduce the CEO's award to 175% of base salary to guard against windfall gains. The CFO's award remained at 150% of salary given that she was new to the business and a reduced award was already proposed.

Awards were based on Underlying EPS Growth (50%), Relative TSR (30%) 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 2022 PSP awards and these were not disclosed with the 2022 Remuneration Report. These targets were determined before award and are now set out on page 150.

Remuneration for FY24

The current Directors Remuneration Policy was last approved by shareholders in September 2020 and is, therefore, due for renewal at the 2023 AGM. As part of this process, the Remuneration Committee reviewed the current policy to assess whether it remained fit for purpose and continued to best support the business. It was decided that, given the high level of shareholder support received for the previous policy and the general view that the current structure remains appropriate to support the strategy, no major amendments would be made to the structure of pay, incentive opportunities or governance features.

The maximum incentive opportunities will remain at 150% of base salary for the annual bonus and 200% of base salary for the PSP.

For our new CFO, Jo Hartley, for the first year of appointment, her annual bonus and PSP awards were set at 125% and 150% of base salary, respectively, with the intention that, for FY24 onwards, her maximum opportunity would increase to 150% and 200% of base salary, subject to individual performance during the year. The Committee concluded that Jo has performed strongly since her appointment and that her incentive opportunities should be increased as planned.

After undertaking a thorough review of performance metrics in the year, the Committee determined that the majority of measures remained aligned to the ongoing focus and strategy of the business, minor changes have been made to the annual bonus measures and the PSP measures are unchanged (although the Committee is currently reviewing the relative weightings of the measures). The Annual Bonus for FY24 will continue to be based 80% on financial measures and 20% on strategic and ESG measures. Financial measures for the year will include underlying PBT, Group Revenue Growth, Free Cash Flow and Cost. Cost has been introduced for FY24 to reflect the importance of cost management over the next 12 months. Strategic and ESG measures will include customer NPS, market share, colleague engagement and colleague turnover. These are also considered to be key strategic objectives for the forthcoming year. The 2023 PSP will be based on relative TSR, EPS and Group services-related sales.

Salaries will be reviewed in the year with increases effective from 1 October 2023. The Committee's intentions are that increases will not exceed those for the wider workforce. Pension contributions for both Directors have been aligned with the maximum employer pension contribution available to the majority of the workforce (currently c.3%).

Concluding Remarks

The Committee is committed to an open dialogue with shareholders and institutional investor bodies on remuneration matters and considered shareholder perspectives in developing the Policy. 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 three-yearly renewal of the Remuneration Policy. 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 on both the 2023 Directors' Remuneration Policy and the FY23 Annual Directors' Remuneration Report at the Annual General Meeting.

Jill Caseberry
Chair of the Remuneration Committee

21 June 2023

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	✔	✔	✔	✔
Pension	✔	✔	✔	✔
Paid holiday	✔	✔	✔	✔
Share plans	✔	✔	✔	✔
Bonus/incentives	✔	✔	✔	✔
Death in service	✔	✔	✔	✔
Car allowance	Job need	Market dependent	✔	✔
Private medical	✘	✘	✔	✔

Reward at Halfords underpinned by our values

one halfords family

wow our customers

be better every day

pride in expertise

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 144 to 146):

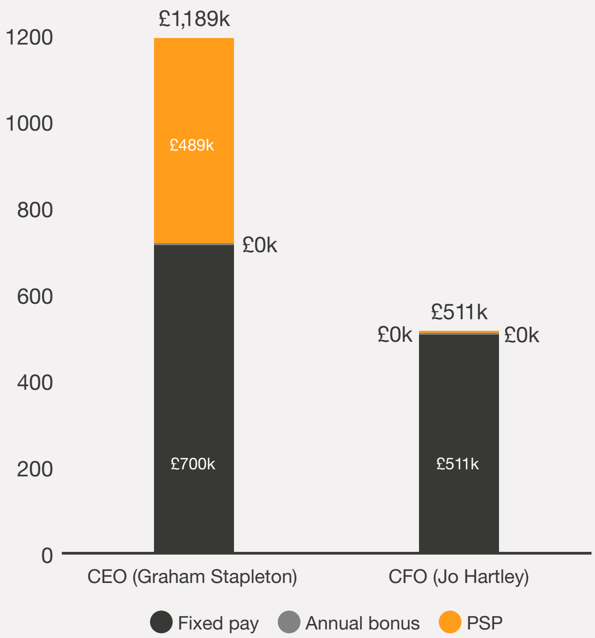
Annual Bonus	Targets are assessed over the financial year based on performance against financial and strategic measures (one-third of any payment is deferred into a Deferred Bonus Plan for three years after payment).
Performance Share Plan ("PSP")	Targets are assessed over three financial years. Vested awards are subject to a two-year holding period.

Executive Directors' Remuneration

Single Total Figure of Remuneration for Executive Directors

for the year ended 31 March 2023

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 seen on page 144.



Aligning Pay with Performance

Key Performance Indicator	Result
2022/23 Annual Bonus	
Underlying Group PBT	£51.5m
Group revenue	£1,591.6m
Free cash flow	£3.1m
Group NPS	64.8
Group services-related sales	£700.1m
Group Colleague Engagement	82%
ESG metric	18.75%
Electric sales	6.5%
Gender/Diversity	13.3%
Inclusivity engagement score	81%
Carbon emissions	78.7%
2020 PSP*	
Relative TSR	upper quartile
Free cash flow	£118.5m
Underlying basic EPS	-9.8%/17.8p
Services related revenue	37.9%

* Despite the cash flow and some of the strategic targets being met, in light of the overall PBT performance the Committee determined that no annual bonus would be paid. The Committee also exercised discretion to reduce the vesting for the 2020 PSP award to 50% of maximum.

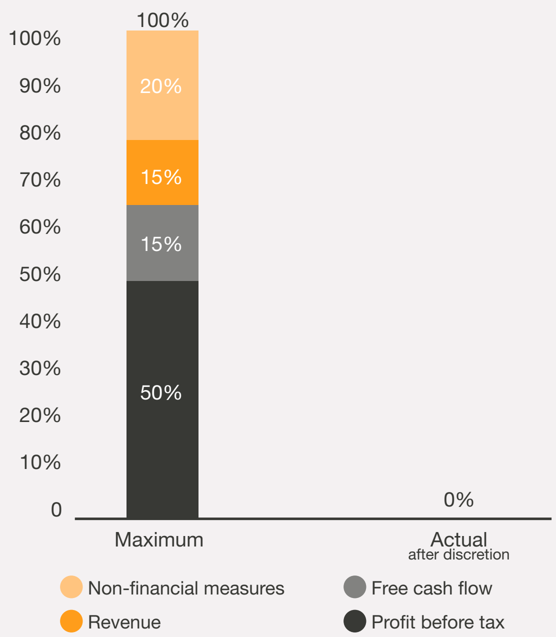
- Below threshold target
- Between threshold and stretch target
- At or above stretch target

Discretion applied to overall outcome, please see page 145 for further detail

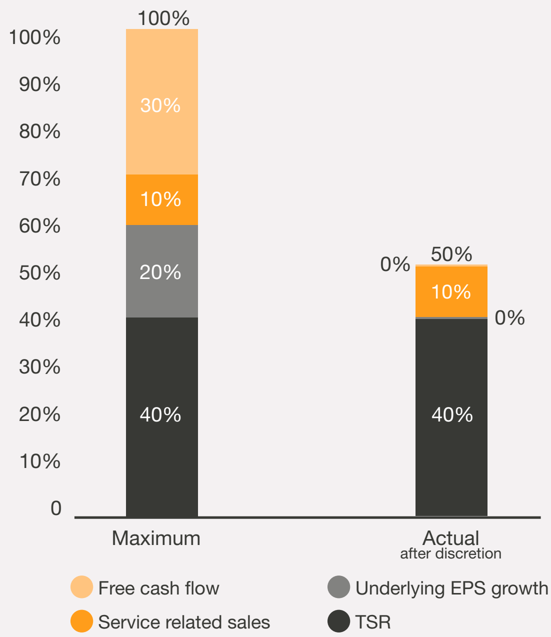
Annual Bonus and Long-Term Plan Incentives Outcomes

The charts below show the results of the performance targets for the annual bonus and PSP. Further information about the annual bonus is shown on page 144 and about the PSP on page 145.

2022/23 Annual Bonus



2020 PSP



Discretion applied to overall outcome, please see page 144 for detail

Remuneration Committee Report

Remuneration at a Glance

Aligning Our Performance Measures to Our Strategy

Over the past few years, our strategy has remained unchanged with motoring and cycling products remaining at the core of our proposition. However, as we continue to evolve into a consumer and B2B services-focused 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
Group Revenue	This remains a key indicator of the overall performance of a retail business as well as the effectiveness of the ongoing strategy to increase predictable and recurring revenue.	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	Cost management is a key focus for FY24, 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-focused, this measure focuses on our commitment to customer service both in Retail and Autocentres.	Customers, shareholder
Market share	Growing our market share across categories is a key objective to delivery growth and generate returns for shareholders.	Financial, shareholder
ESG and colleague engagement	We are committed to an ambitious ESG agenda and strategy. For FY24, measures within the annual bonus will focus on colleague engagement and colleague turnover. We believe these are key metrics to motivate the workforce, reduce cost and delivery shareholder value.	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-focused business with over half of our business in Services.	Financial, customer, shareholder

Remuneration Committee Report
Directors' Remuneration Policy

Directors' Remuneration Policy

Pages 133 to 143 of this report sets out the Directors' Remuneration Policy (the "Policy") that the Company intends to apply, subject to shareholder approval, from the date of the AGM on 6 September 2023. It is intended that this Policy will apply until the 2026 AGM, unless the Company seeks shareholder approval for a revised Policy which comes into force before this date. This Policy applies equally to any individual who is required to be treated as a director under the applicable regulations.

The Directors Remuneration Report addresses provision 40 of the UK Corporate Governance Code, which states that when determining Executive Director remuneration policy and practices, the Remuneration Committee should address the following:

- clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce;
- simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand;
- risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated;
- predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy;
- proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance; and
- alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy.

Base salary

Purpose and link to Strategy	Maximum Opportunity
Base salary is payable in cash. It is set at an appropriate level to attract and retain management of a high calibre with the necessary retail, customer-service, financial, digital and service-industry skills and credentials required to deliver a sustainable business model and drive shareholder returns.	While there is no maximum salary level, salary increases will generally be in line with or below increases awarded to other colleagues in the Group. However, larger increases may be made at the discretion of the Committee to take into account circumstances such as: • changes in an individual's role or responsibility; • to reflect an individual's progression and increase in experience in the role; • where a salary is significantly out of line with market practice; • a significant change in the size and/or scope of the business; or • any other exceptional circumstance.
Operation	**Performance Measures**
Base salaries are normally reviewed annually with increases effective from 1 October for Executive Directors but may be reviewed at other times if the Committee c onsiders this appropriate. In determining base salary levels and any salary increase, consideration is usually given to: • the individual's experience and the performance of the Group and the individual; • salary levels at other companies of a similar size and complexity and at other UK listed retailers; and • the pay levels and increases for other employees in the Group.	The payment of salary is not subject to performance conditions. However, when determining salary increases the performance of Executive Directors is taken into account.

Remuneration Committee Report

Directors' Remuneration Policy

Benefits

Purpose and link to Strategy	Maximum Opportunity
To provide Executive Directors with market-competitive benefits consistent with the role.	• The overall level of benefits will depend on the cost of providing individual items and the individual's circumstances. Therefore, there is no maximum level of benefit. • The maximum participation levels for all-employee share plans is the same as any maximum applicable to other employees (and consistent with any relevant HMRC limits).

Operation	Performance Measures
The Committee's Policy is to set benefits at an appropriate level, taking into account the individual's circumstances and market practice. Executive Directors can currently receive a car plus fuel or a cash allowance, private health insurance and life assurance as standard benefits. However, the Committee may determine that additional benefits may be provided based on individual circumstances when it is considered appropriate. In the event that an Executive Director is required to relocate to perform their role then additional one-off or ongoing benefits may be provided such as relocation expenses, a housing allowance and education expenses. The Company reimburses reasonable business expenses and may pay any tax incurred in relation to these. Executive Directors are also eligible to participate in any all-employee share plans operated by the Company on the same basis as other employees.	None.

Pension

Purpose and link to Strategy	Maximum opportunity
To enable the Company to offer market-competitive remuneration through the provision of additional retirement benefits.	Pension contributions/allowances for the Executive Directors in role are aligned with the maximum employer pension contribution available to the majority of the UK workforce (currently 3% of base salary).

Operation	Performance Measures
Executive Directors are eligible for defined employer contribution funding to the **Halfords** Pension Plan, payments into a personal fund and/or a cash allowance in lieu of pension or a combination of the above. The Committee may determine that alternative arrangements should apply (including for new hires). When determining such arrangements, the Committee will consider cost and market practice (subject to the overall limit set out in the maximum column).	None.

Annual Bonus

Purpose and link to Strategy	Maximum Opportunity
To incentivise Executive Directors to achieve annual financial targets and performance against key strategic objectives. Deferral of bonus under the Deferred Bonus Plan ("DBP") further incentivises Executive Directors to manage risk and align their long-term interests with those of shareholders.	The maximum annual bonus opportunity is 150% of base salary.

Operation	Performance Measures
The annual bonus is normally based on performance over one financial year. The Committee determines the extent to which targets have been met. The Committee may, in its discretion, adjust annual bonus payments, if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the Group over the relevant period, or that such payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When making this judgement the Committee may take into account such factors as the Committee considers relevant. Normally, up to two-thirds of the total bonus is paid in cash. The remaining one-third of the bonus is normally deferred as shares. In exceptional circumstances the Committee may determine that a different portion of the bonus will be paid in shares or that the bonus may be paid in cash. Deferred awards normally vest three years from award (or after such other period as the Committee determines) and have no additional performance conditions. Malus and clawback provisions apply, detailed on page 137. Bonuses are non-pensionable.	The annual bonus measures may be based on financial, strategic, operational or ESG measures. Measures are selected each year by the Committee to ensure continued focus on the Company's Strategy. At least 50% of the bonus will be based on financial measures. Performance measures are set annually to ensure they are appropriately stretching for the delivery of threshold, target and maximum performance. No bonus will be paid for below threshold performance, typically around 50% of the bonus will be paid for achieving 'target' levels of performance and 100% of bonus will be paid for achieving a stretching performance target. Performance targets are set by the Remuneration Committee with reference to prior year performance, the Group's business plan as well as external expectations of performance. Targets are considered to be commercially sensitive and will be disclosed retrospectively following completion of the relevant financial year.

Remuneration Committee Report

Directors' Remuneration Policy

Performance Share Plan ("PSP")

Purpose and link to Strategy	Maximum Opportunity
To attract and retain Executive Directors of a high calibre. To 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 award under the PSP is 200% of base salary.
Operation	**Performance Measures**
Annual awards of shares with vesting normally based on performance over a three-year period (or such other period as the Committee determines). The vesting of awards to Executive Directors is subject to the satisfaction of performance conditions. The Committee may, in its discretion, adjust PSP vesting outcomes, if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the Group over the relevant period, or that such payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When making this judgement the Committee may take into account such factors as the Committee considers relevant. A post-vesting retention period will apply to awards granted under the PSP. Shares that vest will not normally be released to Executive Directors (and nil-cost options will not normally become exercisable) for a further two-year period (unless the Committee determines otherwise) from the point at which the Committee determined that the performance conditions have been met. Malus and clawback provisions apply, as detailed on page 137.	PSP awards may be based on financial, operational/strategic, ESG or share price related performance measures. Normally up to 25% of the award may vest for entry-level performance. For future awards, the Committee may determine that different financial, operational/strategic or share price related performance measures may apply to awards or that a different weighting between performance measures may apply to ensure continued alignment with our evolving Strategy. Targets for the measures will normally be set ahead of each annual grant by reference to the latest strategic plan, long-term financial goals and market expectations.

Share ownership guidelines

Purpose and link to Strategy	Maximum opportunity
Align the interests of Executive Directors and shareholders and encourage long-term shareholding and commitment to the Company both in and post-employment.	n/a
Operation	**Performance Measures**
Executive Directors are expected to build and retain a shareholding with a value equal to at least 200% of their annual base salary. Executive Directors are normally expected to retain 75% of any post-tax shares that vest under any performance share incentive plans until this shareholding is reached. 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. The Committee retains discretion to waive this guideline if it is not considered to be appropriate in the specific circumstance.	n/a

Approved Payments

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments), notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before the Policy set out above came into effect, provided that the terms of the payment were consistent with any applicable shareholder- approved Directors' Remuneration Policy in force at the time they were agreed or where otherwise approved by shareholders; or (ii) at a time when the relevant individual was not a Director of the Company (or other persons to whom the Policy set out above applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company or such other person. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" no later than the time the award is granted. This Policy applies equally to any individual who is required to be treated as a director under the applicable regulations. This Policy will also inform the remuneration of colleagues below the executive level.

Information Supporting the Policy

Malus and Clawback

Malus and clawback provisions apply to the cash bonus payments and deferred share awards for a period of three years from award. Malus and clawback provisions apply to PSP awards for a period of two years following its vesting.

The circumstances in which malus and clawback provisions may apply include: a material misstatement of the Company's results; or misconduct by the Executive Director; or where there is a material failure of risk management; or corporate failure; or serious reputational damage; or if the Committee considers there are other circumstances which mean that the malus and/or clawback provisions should apply.

Share Plan Operation

Awards under the Company's DBP and PSP:

- may be granted as conditional share awards or nil-cost options or in such other form that the Committee determines has the same economic effect;
- may have any performance conditions applicable to them amended by the Committee if an event occurs which causes the Committee to consider that the existing performance condition should be amended to ensure that the objective criteria against which performance will be measured will be a fairer measure of such performance and that the amended performance condition will afford a more effective incentive to the Executive Director;
- when assessing the level of vesting under the PSP, the Committee will consider the underlying financial performance of the Company and the value generated for shareholders and may adjust the level of vesting if it considers that the outcome based on the assessment of performance against targets does not reflect this;
- may incorporate the right to receive additional shares to the value of dividends which would have been paid on the shares under an award that vests up to the time such shares are delivered. This amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis;
- may in respect of the PSP, be settled in cash or with the grant of a vested option at the Committee's discretion. For Executive Directors, this provision will only be used in exceptional circumstances such as where, for regulatory reasons, it is not possible to settle awards in shares; and
- may be adjusted in the event of any alteration of the Company's share capital by way of capitalisation or rights issue, sub-division, consolidation or reduction, the payment of a special dividend, a demerger or any other variation of the share capital of the Company.

Summary of Decision-Making Process and Changes to Policy

The previous Policy is considered to be fit for purpose and therefore no material changes are proposed. In determining the new Remuneration Policy, the Committee followed a robust process which included discussions on the content of the Policy at Remuneration Committee meetings during the year. The Committee considered the input from management and our independent advisors, and as well as considering best practice and shareholder guidance from major shareholders. The main change for the 2023 Policy compared to the 2020 Policy is that pension contributions / allowances for all Executive Directors in role will now be aligned with the maximum employer pension contribution available to the majority of the workforce (currently 3% of base salary) following the reduction in the pension allowance for the CEO from 1 April 2023. Other minor changes have been made to the wording of the Policy to aid operation and to increase clarity or flexibility.

Selection of Performance Measures

Annual Bonus:

The bonus is subject to a mix of financial and strategic measures. These measures are selected each year to provide an appropriate balance between financial and strategic objectives and to incentivise individual Executive Directors to meet corporate targets and drive individual performance.

Performance Share Plan ("PSP"):

The performance measures for FY24 awards are (1) EPS growth; (2) Group Services-Related Revenue; and (3) relative TSR.

EPS growth has been included to incentivise management to both grow revenue and manage cost in a balanced way. Group Services -Related Revenue has been included to reflect our strategic focus on increasing services-related revenue to generate a higher and more sustainable financial return for shareholders. Relative TSR is included to ensure vesting levels are aligned with relative returns to shareholders.

The Committee may determine that different performance measures will apply to future PSP awards.

Remuneration Committee Report

Directors' Remuneration Policy

Remuneration Arrangements elsewhere in the Group

Whilst our Remuneration Policy follows the same principles across the Group, remuneration packages for colleagues reflect their different roles and experiences, and market practice for similar roles.

The remuneration policy for senior executives in the Group is similar to the Policy for Executive Directors as set out in this report – a substantial proportion of remuneration is performance-related in order to encourage and reward superior business performance and shareholder returns and remuneration is linked to both individual and Company performance.

Basic salary is targeted at normal commercial rates for comparable roles and is benchmarked on a regular basis. Bonuses can be earned on a similar basis as the Executive Directors (there are some variations to take account of the specific role performed by the relevant senior executive). Senior executives below Board level also benefit from participation in the PSP.

Increases to executive managers' base salaries are considered at the same time as all other colleagues across the Group and increases are generally in line with all colleagues.

For the majority of our colleagues, overall, the Remuneration Policy for the Executive Directors is more heavily weighted towards variable pay. This ensures that there is a clear link between value created for shareholders and remuneration received by Executive Directors and it recognises that Executive Directors should have the greatest accountability and responsibility for increasing shareholder value.

All of the Group's c.12,000 colleagues are eligible to join the **Halfords** Sharesave Plan (also known as "SAYE") after they have served one complete month's service. Where appropriate, some groups of colleagues are eligible for a quarterly or full-year bonus, although the type, limits and performance conditions vary according to job level. Senior managers and other key management individuals are invited to join the Restricted Share Plan.

All newly appointed colleagues and other existing colleagues who had experienced a 'joining-trigger' event were automatically enrolled into the **Halfords** Pension Plan 2009. All eligible colleagues who have met the auto enrolment criteria have the option to choose to join the Pension Plan from their first day of employment. All members of the Pension Plan are required to make a minimum contribution of 5% and the Company also contributes a minimum of 3%, dependent on length of service and seniority.

During the year, the Company has met its obligations under the pensions auto enrolment legislation, auto enrolling all other colleagues as appropriate.

Remuneration Outcomes in Different Performance Scenarios

As outlined above, the Remuneration Policy is designed to ensure that a substantial proportion of the Executive Directors' remuneration is variable and performance-related.

By linking the remuneration of the individual Executive Director to the performance of the Company, the Committee seeks, as far as possible, to motivate that individual towards superior business performance and shareholder value creation, and to only pay rewards when these goals have been realised. Performance measures are aligned with strategic goals so that remuneration arrangements are transparent to Executive Directors, shareholders and other stakeholders.

The charts below illustrate remuneration arrangements in different performance scenarios. The assumptions for each scenario are outlined below:

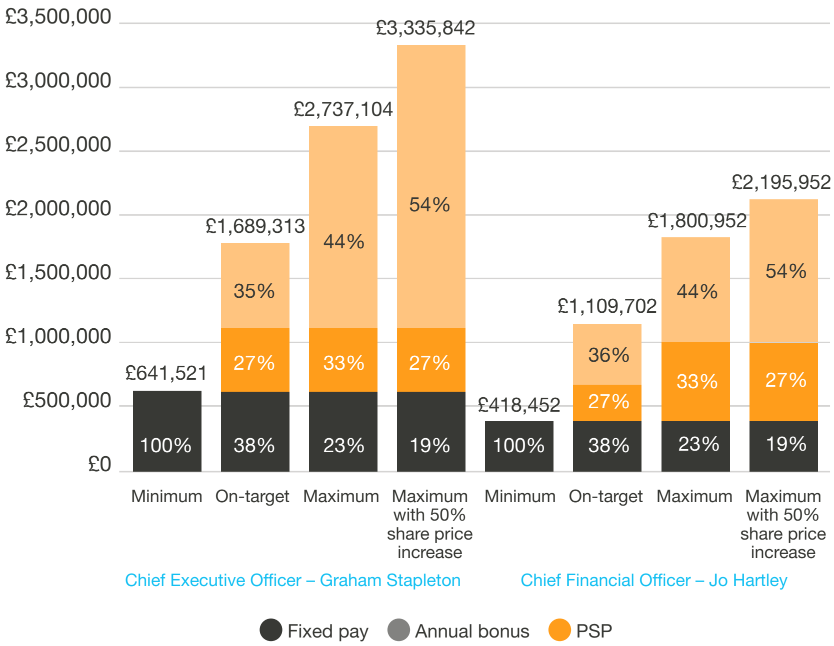
Below threshold performance	Fixed remuneration No annual bonus pay-out No vesting under the PSP
Mid-range performance	Fixed remuneration 50% annual bonus pay-out 50% vesting under the PSP
Maximum performance	Fixed remuneration 100% annual bonus pay-out 100% vesting under the PSP
Maximum performance plus 50% share price growth	Fixed remuneration 100% annual bonus pay-out 100% vesting under the PSP + 50% share price growth

Four performance scenarios have been illustrated for each Executive Director:

The charts have been prepared on the following basis:

- Base salary – the base salary in place at 31 March 2023.
- Benefits – based on the disclosed benefits value in the single figure for 2022/23.
- Pensions – based on a contribution of 3% of salary.
- Bonus – based on the maximum award of 150% of base salary.
- PSP – based on the maximum award of 200% of base salary.

No payment of dividend equivalents has been assumed. Potential benefits under all-employee plans have not been included. No share price growth has been assumed other than where stated.



Fixed pay has been calculated as follows:

	Base salary	Benefits	Pension	Total Fixed Pay
CEO	£598,738	£24,821	£17,962	£641,521
CFO	£395,000	£11,602	£11,850	£418,452

Remuneration Policy for Newly Appointed Directors

When determining the remuneration package for a newly appointed Executive Director, the Committee would seek to apply the following principles:

- The package should be market competitive to facilitate the recruitment of individuals of sufficient calibre to lead the business. At the same time, the Committee would intend to pay no more than it believes is necessary to secure the required talent.
- New Executive Directors will normally receive a base salary, benefits and pension contributions in line with the Policy described on pages 133 to 143 and would also be eligible to join the bonus and share incentive plans up to the limits set out in the Policy.
- In addition, the Committee has discretion to include any other remuneration component or award which it feels is appropriate, taking into account the specific circumstances of the recruitment, subject to the limit on variable remuneration set out below. The key terms and rationale for any such component would be disclosed as appropriate in the Remuneration Report for the relevant year.
- Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate, taking into account all relevant factors, including the form of awards, expected value and vesting timeframe of forfeited opportunities.
- When determining any such "buy-out", the guiding principle would be that awards would generally be on a "like-for-like" basis unless this is considered by the Committee not to be practical or appropriate.
- The maximum level of variable remuneration which may be awarded (excluding any "buy-out" awards referred to above) in respect of recruitment is 350% of salary, which is in line with the current maximum limit under the annual bonus and PSP.
- Where an Executive Director is required to relocate from their home location to take up their role, the Committee may provide assistance with relocation (either via one-off or ongoing payments or benefits).
- In the event that an internal candidate is promoted to the Board, legacy terms and conditions would normally be honoured, including any accrued pension entitlements and any outstanding incentive awards.

To facilitate any buy-out awards outlined above, in the event of recruitment, the Committee may grant awards to a new Executive Director relying on the exemption in the Listing Rules which allows for the grant of awards, to facilitate, in unusual circumstances, the recruitment of an Executive Director, without seeking prior shareholder approval or under any other appropriate Company incentive plan. The remuneration package for a newly appointed Non-Executive Director would normally be in line with the structure set out in the policy table for Non-Executive Directors on page 141.

Executive Directors' Service Agreements

Term and Notice Periods

The Company's policy in relation to contractual terms on termination, and any payments made, is that they should be fair to the individual, the Company and shareholders. Failure should not be rewarded and the departing Executive Director's duty to mitigate any loss he or she suffers should be recognised. The notice period for the current Executive Directors is six months on either side. The Committee policy is that the notice period for new Executive Directors will be no more than 12 months. The Committee will continue to review this policy, to ensure that it remains in line with the Company's overall Remuneration Policy.

Remuneration Committee Report
Directors' Remuneration Policy

	Date of service agreement	Notice period
Graham Stapleton	8 September 2017	6 months
Jo Hartley	19 April 2022	6 months

Termination of Contract
No compensation would be payable if a service contract were to be terminated by notice from an Executive Director or for lawful termination by the Company (other than as set out below). The Company may terminate service agreements in accordance with the appropriate notice periods. In the event of termination for any reason (other than for a reason justifying summary termination in accordance with the terms of the service agreement) the Company may (but is not obliged to) pay to the Executive Director, in lieu of notice, a sum equal to the Executive Director's then salary, benefits and pension contributions, which he or she would have received during the contractual notice period, the sum of which shall normally be payable in monthly instalments (but may be paid in a fixed amount at the discretion of the Committee).

Executive Directors who are considered to be good leavers may, if the Committee determines, receive a bonus for the financial year in which they leave employment. Such bonus will normally be calculated on a pro rata basis by reference to their period of service in the financial period in which their employment is terminated and performance against targets.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. In addition, the Committee reserves the right, acting in good faith, to pay fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his or her cessation of office or employment.

Mitigation on Termination
Where a contract has been terminated early, and the Executive Director is engaged to provide services (under a service agreement, consultancy, or any other arrangement or understanding), with effect from the date upon which these services are provided each subsequent instalment of pay in lieu shall be reduced by an amount equal to any basic salary, fees, remuneration or other financial benefits received during the monthly interval prior to the payment of each instalment.

In good leaver circumstances, the Executive Director might be offered a lump sum termination payment paid at the time they cease employment.

Change of Control
The service agreements of Executive Directors do not provide for any enhanced payments in the event of a change of control of the Company.

Inspection of Contracts
The Executive Directors' services contracts are available for inspection by shareholders at the Company's registered office.

Share Plans – Leaver Treatment
The treatment of outstanding share awards in the event that an Executive Director ceases to hold office or employment with the Group of the Company's associated companies is governed by the relevant share plan rules.

The following table summarises leaver provisions under the executive share plans:

'Good leavers' as determined by the Committee	Leavers in other circumstances (other than gross misconduct)
Performance Share Plan ("PSP")	
Awards will normally vest at the end of the performance period and be released at the end of the retention period. The Committee will determine the level of vesting, having due regard to the extent to which the performance conditions have been met and, unless the Committee determines otherwise, the proportion of the performance period that had elapsed at leaving. The Executive Director has 12 months from the end of the retention period to exercise options if awards are structured as nil-cost options. Alternatively, the Committee may determine that awards should vest and be released at the time of leaving on the basis set out above. In these circumstances the Executive Director has 12 months from his or her date of leaving to exercise options if awards are structured as nil-cost options.	Unvested awards lapse on leaving. Awards for which the performance condition has been met at the time of leaving but which were subject to a retention period will continue to be released at the end of the retention period. The Executive Director has 12 months from either leaving, or, if later, the end of the retention period to exercise vested but unexercised options (if applicable) unless the Committee determines otherwise.
Deferred Bonus Plan ("DBP")	**Performance Measures**
Outstanding awards vest on leaving. The Executive Director has six months from leaving to exercise options (12 months in the case of death).	Awards will lapse on leaving.

‘Good leavers’ include death, injury, ill-health, disability, redundancy, retirement, sale of the individual’s employing business or company out of the Group or to a company which is not associated with the Company or in any other circumstances the Committee determines.

Change of Control

In the event of a change of control of the Company, PSP awards may vest and be released (pro-rated for time elapsed in the performance period unless the Committee determines otherwise) to the extent that the Committee determines the performance condition should be deemed satisfied having regarding to the Company’s progress towards that condition. The Committee may allow awards to vest on the same basis in the event of a voluntary winding up or reconstruction of the Company or a demerger except that in the event of a demerger the Committee may determine the extent to which awards shall be time pro-rated.

DBP awards may vest on a change of control, reconstruction, winding up or demerger of the Company.

Alternatively, awards may be rolled over into equivalent awards in a different company.

Remuneration Policy table for Non-Executive Directors

Purpose and Link to Strategy	Operation	Maximum value
To attract and retain high-calibre individuals to serve as Non-Executive Directors.	Fee levels are set to reflect the time, commitment and experience of the Chair of the Company and the Non-Executive Directors, taking into account fee levels at other companies of a similar size and complexity and at other UK listed retailers. The fees of Non-Executive Directors shall be reviewed at appropriate intervals to ensure that they are in line with market conditions and any changes to fees will be approved by the Board as a whole following a recommendation from the Chief Executive Officer. Fees for the Chair of the Company shall be reviewed at appropriate intervals to ensure that they are in line with market conditions and any changes to said fees will be approved by the Board as a whole. The fees are normally paid in cash quarterly but may be paid in shares if this is considered appropriate. The Company Chair is paid a single fee which includes the chairmanship of the Nomination Committee. The Non-Executive Directors are paid a base fee plus additional fees for the chairing of a Board Committee. An additional fee is also paid to the Senior Independent Director. Further additional fees may be paid to reflect additional time, commitments, or Committee or Board responsibilities if this is considered appropriate. The Company reimburses reasonable business expenses and may settle any tax incurred in relation to these. The Company Chair and Non-Executive Directors are not entitled to participate in any of the Group’s incentive plans or pension plans. The Company Chair and Non-Executive Directors do not currently receive other benefits, but reasonable benefits may be provided in the future if appropriate.	Overall fees paid to Directors will remain within the limit stated in the Company’s Articles of Association, currently £600,000. Non-Executive Directors and the Chair are not entitled to participate in any cash or share incentive schemes.

Remuneration Committee Report

Directors' Remuneration Policy

Appointment

None of the Non-Executive Directors has an employment contract with the Company. However, each has 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.

The remuneration package for a newly appointed Non-Executive Director would normally be in line with the structure set out in the policy table for Non-Executive Directors above.

The appointment period for each Non-Executive Director is set out below:

Director	Date of current appointment	Expiry date	Unexpired term at the date of report
Keith Williams	24 July 2021	23 July 2024	13 months
Helen Jones	1 March 2023	6 September 2023	3 months
Jill Caseberry	1 March 2022	28 February 2025	20 months
Tom Singer	16 September 2020	15 September 2023	3 months

Terms and Conditions for the Chair of the Company and Non-Executive Directors

The Company Chair and Non-Executive Directors serve the Company on the basis of renewable letters of appointment which can be terminated by written notice by either party. The Company Chair's appointment is subject to three months' notice and the other Non-Executive Directors are also subject to three months' notice. No compensation is awarded on termination. Letters of appointment are available for inspection at the AGM and the Company's registered office.

Their appointments are subject to the provisions of the Companies Act 1985 and 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 by the Company Chair. The Company Chair is evaluated by the Senior Independent Director.

Inspection of Contracts

The Non-Executive Directors' letters of appointment are available for inspection by shareholders at the Company's registered offices.

Termination of Non-Executive Directors' Letters of Appointment

No compensation would be payable to a Non-Executive Director if his or her engagement were terminated as a result of him or her retiring by rotation at an Annual General Meeting, not being elected or re-elected at an Annual General Meeting or otherwise ceasing to hold office under the provisions of the Articles of Association of the Company. There are no provisions for compensation being payable upon early termination of the appointment of a Non-Executive Director.

Dialogue with Shareholders

The views of our shareholders are very important to the Committee and it is our policy to consult with our largest shareholders in advance of making any material changes to the executive remuneration arrangements.

The Remuneration Committee considered the guidelines issued by bodies representing institutional shareholders and feedback from shareholders on the Group's remuneration policies and practices.

Details of votes cast for and against the resolution to approve the prior year's remuneration report and any matters discussed with shareholders during the year are referred to in the Annual Report on Remuneration which can be viewed on page 143.

Dialogue with Colleagues

The Committee generally considers pay and employment conditions elsewhere in the Group when considering pay for Executive Directors and senior management. When considering base salary increases, the Committee reviews overall levels of base pay increases offered to other colleagues in the Group.

The Committee does not consult directly with colleagues regarding Executive Directors' remuneration. However, at regular intervals, the Company conducts a survey of the views of colleagues in respect of their experience of working at **Halfords**, including their own reward. The Company also conducts regular listening groups across the Group; these are chaired by senior executives or Director-level colleagues and cover a wide range of subjects, including communication, pay, benefits and ESG issues.

The Committee is also mindful of any changes to the pay and benefit conditions for employees more generally when considering the policy for Directors' pay. When determining incentive outcomes for Directors, including if discretion should be applied, the committee will also consider workforce pay and broader incentive outcomes.

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 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 156 to 165, as specified by the UK Listing Authority and the Regulations.

Committee Composition

During the year, the Committee consisted of:

Jill Caseberry (Chair)
Helen Jones
Tom Singer

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 FY22 Annual Report and Accounts.
- Developed, discussed and reviewed the Remuneration Policy for shareholder approval at 2023 AGM.
- Discussed and approved incentive outcomes for FY23.
- Reviewed and approved the organisational design changes.
- Approved grants under the Company's share schemes.
- Considered the approach to implementing remuneration policy for FY23, including setting Executive Director and Non-Executive Director salaries from 1 October 2022.
- Reviewed considering and setting the approach to performance measures for the FY23 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 the Company's share plan rules to ensure compliance with UK GDPR.
- 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.
- 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 People Officer, the Head of Reward 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 and legal support during the year. Total fees paid to Deloitte in respect of remuneration advice were £47,900 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.

WTW also provided the Committee with executive salary market data. WTW is also a signatory of the Remuneration Consultants Group Code of Conduct. Fees paid to WTW for this advice were £4,445 charged on a time and materials basis. WTW also provide insurance broking services and employee benefits services to the Group.

Shareholder Dialogue

The voting outcome from the 2022 AGM showed strong support for our FY22 Directors' Remuneration Report. The following table sets out the votes cast at the 2022 AGM in respect of the FY22 Directors' Remuneration Report.

	% of votes For	% of votes Against
FY22 Directors' Remuneration Report*	90.75%	9.25%
FY20 Remuneration Policy**	97.58%	2.42%

* 45,248 votes (0.03% of votes) were withheld in relation to this resolution
** 40,378 votes (0.03% 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 FY23 – Executive Directors

Single Remuneration Figure (Audited)

2022/23	Base Salary (£)	Benefits (£)	Pension (£)	Other (£)	Total Fixed (£)	Bonus[3] (£)	PSP (£)	Total Variable (£)	Total "Single Figure" (£)
Graham Stapleton	**587,224**	**24,821**	**88,084**	**–**	**700,129**	**–**	**489,255[1]**	**489,255**	**1,189,384**
Jo Hartley[4]	**376,190**	**11,602**	**11,286**	**112,017**	**511,095**	**–**	**–**	**–**	**511,095**
Loraine Woodhouse[5]	**93,778**	**3,096**	**13,996**	**–**	**110,870**	**–**	**222,912[1]**	**222,912**	**333,782**
2021/22									
Graham Stapleton	570,619	22,767	85,593	–	678,979	679,352	1,394,160[2]	2,073,513	2,752,491
Loraine Woodhouse	365,985	12,510	54,898	–	433,393	435,723	846,938[2]	1,282,661	1,716,054

1 For 2022/23, the 2020/21 PSP has been valued based on the average share price during the three-month period to 31 March 2023 of £1.97 and a vesting outcome of 50% as referenced on page 145. The share price used to determine the level of award was £2.425; therefore, no portion of the value disclosed is attributable to share price appreciation over the performance period. No discretion has been exercised in relation to share price changes.
2 For 2021/22, the 2019/20 PSP value had been restated to reflect the share price at the date of vesting of £2.20 compared to the average three month share price of £2.98 used in the FY22 Remuneration Report. The values disclosed in FY22 was £1,787,713 for Graham Stapleton and £1,146,601 for Loraine Woodhouse. No discretion was applied in relation to share price changes.
3 One-third of the annual bonus is deferred into shares for three years.
4 Jo Hartley recieved 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.
5 Loraine Woodhouse has retired. The single figure sums relate to her work during the transitory period until June 2022.

Benefits

Benefits include payments made in relation to a car plus fuel or a cash allowance, private health insurance and life assurance. For Graham Stapleton, the car plus fuel allowance came to £22,026, for Jo Hartley £10,640 and Loraine Woodhouse £2,830.

Pension

Pension payments represent contributions made either to defined contribution pension schemes or as a cash allowance. Graham Stapleton received a contribution of 15% of base salary until 1 April 2023 when Graham's contribution reduced to 3% of base salary to ensure alignment with the maximum employer pension contribution available to the majority of the workforce. As a new joiner during the year, Jo Hartley received a contribution of 3% of base salary in line with the majority of the workforce.

FY23 Annual Bonus

The annual bonuses for FY23 for the Executive Directors were based as follows:

	Threshold	Target	Maximum	FY23 Achievement	FY23 Outturn before discretion	FY23 Outturn post discretion
Underlying PBT (£m)	£60	£70	£90	£53	0%	0%
Group Revenue (£m)	£1,556.9	£1,585	£1,641.1	£1,591.6	0%	0%
Free Cash Flow (£m)[1]	£(25.9)	£(17.8)	£(1.6)	£3.1	100%	0%

Strategic Measures (50% of award)	Target	Stretch	FY23 Achievement	FY23 Outturn before discretion	FY23 Outturn post discretion
Group Colleague Engagement	80-82%	83%	82%	50%	0%
Group NPS (FY23 score)	65.3	65.8	64.8	0%	0%
Group Services Related Sales (£m)	£697.9m	£716.7m	£700.1m	50%	0%
ESG[2]	• Increase electric sales as a % of total group sales – from 5.9% to 6.2%	Diversity and Inclusion • Improve gender/diversity within our management positions in our retail stores and Autocentres from 13% to 15.8% • Maintain the better than average engagement score on inclusivity – 84% • Collect carbon emissions data from our supply base for 70% of our total group spend (scope 3)	Electric: 6.5% Gender: 13.3% D&I: 81% Scope 3: 78.7%	Electric: 100% Gender: 0% D&I: 0% Scope 3: 100%	Total vesting: 0%

1 Cash flow here is defined as EBITDA plus the movement in average working capital in FY23 compared to the prior year.
2 For the ESG KPI, the stretch element of the target will be split evenly between the scope 3 (50%) and D&I targets (25% for gender diversity and 25% for engagement).

Based on the performance of targets set, the aggregate outcome would have been 23.75%, however, 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. In making this decision, the committee took into account a number of factors including overall stakeholder experience and payouts for employees who received no bonus due to a PBT threshold being missed. The annual bonus outcome for FY23 was therefore 0%.

Performance Outcomes for 2020 PSP Awards

Metric	Weighting	Threshold targets (25% vesting)	Maximum targets (100% vesting)	Performance	Estimated % total award vesting before discretion	Estimated % total award vesting post discretion
Group services-related sales (total of sales for FY21 to FY23)	10%	30%	35%	37.9%	100%	
Underlying EPS growth – CAGR	20%	2.5%	8%	(-9.8%)	0%	
Free Cash Flow (aggregate FY21 to FY23)	30%	£117m	£128m	£118.5m	35.23%	
Relative TSR	40%	Market median	Upper quartile	Above upper quartile	100%	
Total					60.6%	50%

The Committee considered the outcome in the context of the shareholder and stakeholder experience. While the Committee considered that there has been strong progress over the three-year performance period, the Committee recognised the challenges in the most recent financial year and determined that it was appropriate to exercise downward discretion to reduce vesting to 50% of maximum. This was felt to be a better reflection of the overall experience for all stakeholders within the business.

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[3]	Threshold vesting (% of award)	Performance period
Graham Stapleton	21 October 2022	Nil cost option (0p exercise price)	627,045[1]	£1,047,792	25%	2 April 2022 to 28 March 2025
Jo Hartley	21 October 2022	Nil cost option (0p exercise price)	354,578[2]	£592,500	25%	2 April 2022 to 28 March 2025

1 The original intention was to grant an award of 200% of salary to the CEO and an award of 150% of base salary to the CFO (a reduced award for the first year of her employment was agreed on joining). However, taking into account the share price prior to award and how this compared to the share price used to determine the 2021 awards, the Committee determined that it was appropriate to reduce the CEO's award to 175% of base salary to guard against windfall gains. The CFO's award remained at 150% of salary given that she was new to the business and a reduced award was already proposed.

2 This award was based on 150% of salary as it was agreed that the CFO would receive a reduced award for the first year in role.

3 Based on the average mid-market price on three preceding days of the awards of £1.671 on 21 October 2022.

Performance Conditions

The performance conditions and targets for PSP awards granted during FY23 are as follows:

		Underlying EPS growth – CAGR (50% of the award)	Relative TSR (30% of the award)	Group services -related sales (total of sales for FY23 to FY25) (20% of the award)
	100% vesting	34.5 pence or higher	Upper quartile	Above £934.0m
Award (175% for the CEO and 150% of salary for the CFO)	Straight-line vesting	Between 24.7 pence and 34.5 pence	Between market median and upper quartile	Between £840.6m and £934.0m
	25% vesting	24.7 pence	Market median	£840.6m
	0% vesting	Below 24.7 pence	Below market median	Below £840.6m

The award shares that vest will become exercisable in 2025. The shares that vest will be subject to a two-year holding period.

Deferred Bonus Plan

During the period, the following awards were granted to the Executive Directors under the Deferred Bonus Plan ("DBP") as follows

	Date of award	Number of shares[1]	Maximum face value of award[2]	Vesting
Graham Stapleton	30 June 2022	158,467	£226,449	30 June 2025–30 June 2026
Loraine Woodhouse	30 June 2022[3]	101,638	£145,241	30 June 2025–30 June 2026

1 One third of the FY22 bonus was deferred into shares for a period of three years. These awards are not subject to further performance conditions.
2 Based on the average mid-market price on the date of the award of £1.429 on 30 June 2022.
3 Loraine left the business on 1 July 2022 and, as a good leaver, she exercised her award on 11 August 2022.

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Outstanding Share Awards (Audited)

Performance Share Plan ("PSP")

The following summarises outstanding awards under the PSP:

	Award date	Grant price[8] (£)	Awards held 2 April 2022	Awarded during the period	Dividend reinvest-ment[9]	Forfeited during the period	Lapsed during the period	Exercised during the period	Awards held 31 Mar 2023	Perform-ance period years to	Holding period to
Graham Stapleton	5 Oct 2018[3]	3.1970	331,575	–	18,496	–	–	–	350,071	2 Apr 2021	2 Apr 2023
	20 Sept 2019[4]	1.696	600,226	–	33,483	–	–	–	633,709	1 Apr 2022	1 Apr 2024
	16 Oct 2020[5]	2.425	469,596	–	26,195	–	–	–	495,791	31 Mar 2023	31 Mar 2025
	7 Oct 2021[6]	2.921	390,592	–	21,788	–	–	–	412,380	29 Mar 2024	3 Apr 2026
	21 Oct 2022[7]	1.671	–	627,045	10,374	–	–	–	637,419	28 Mar 2025	28 Mar 2027
Jo Hartley[1]	21 Oct 2022[7]	1.671	–	354,578	5,866	–	–	–	360,444	28 Mar 2025	28 Mar 2027
Loraine Woodhouse[2]	9 Nov 2018[2]	3.079	225,232	–	–	–	–	–	225,232	2 Apr 2021	2 Apr 2023
	20 Sept 2019[4]	1.696	384,972	–	–	–	–	–	384,972	1 Apr 2022	1 Apr 2024
	16 Oct 2020[5]	2.425	301,188	–	–	75,297	–	–	225,891	31 Mar 2023	31 Mar 2025
	7 Oct 2021[6]	2.921	250,518	–	–	146,136	–	–	104,383	29 Mar 2024	3 Apr 2026

1 Jo Hartley was appointed CFO on 16 June 2022.

2 Loraine Woodhouse left the business due to retirement on 1 July 2022. The award granted on 9 November 2018 vested prior to Loraine's departure, therefore Loraine was entitled to retain the entire award until vesting. The unvested awards granted on 16 October 2020 and 7 October 2021 have been pro-rated accordingly. Loraine did not receive a PSP award in 2022.

3 The FY19 award granted in 2018 vested at 84.9% in April 2021, 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 2023). The award continues to attract dividend reinvestment shares during the deferral period.

4 The FY20 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.

5 The FY21 award granted on 16 October 2020 is subject to 40% Relative TSR (25% vesting achieving below market median. 100% vesting achieving upper quartile), 30% to Free Cash Flow (25% vesting for £117m, 100% vesting for £128m), 20% to underlying EPS growth (25% vesting for 2.5% p.a. growth. 100% vesting for 8% p.a. growth), and 10% to Group Services Related Sales (25% vesting for 30% p.a. growth, 100% vesting for 35% p.a. growth). In addition, any vesting of the PSP will be subject to a net debt underpin.

6 The FY22 award granted on 7 October 2021 is 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).

7 The FY23 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 £943.0m).

8 The grant price is calculated by taking the mid-market average across the three preceding days prior to the grant date.

9 The interim and final dividends have been reinvested in shares at prices between £1.5544 and £1.813199.

Deferred Bonus Plan ("DPB")

	Award date	Grant price[1] (£)	Awards held 2 Apr 2022	Awarded during the period	Dividend reinvest-ment[2]	Forfeited during the period	Lapsed during the period	Exercised during the period	Awards held 31 Mar 2023	Vesting
Graham Stapleton	31 May 2018	3.3760	13,835	–	–	–	–	13,835[3]	–	N/A
	30 June 2021	4.312	61,620	–	3,436	–	–	–	65,056	30 June 2024-30 June 2025
	30 June 2022	1.429	–	158,467	8,839	–	–	–	167,306	30 June 2025-30 June 2026
Loraine Woodhouse[4]	30 June 2021	4.312	39,521	–	–	–	–	39,521	–	N/A
	30 June 2022	1.429	–	101,638	–	–	–	101,638	–	N/A

1 The grant price is calculated by using the mid-market quotation on the date of grant.

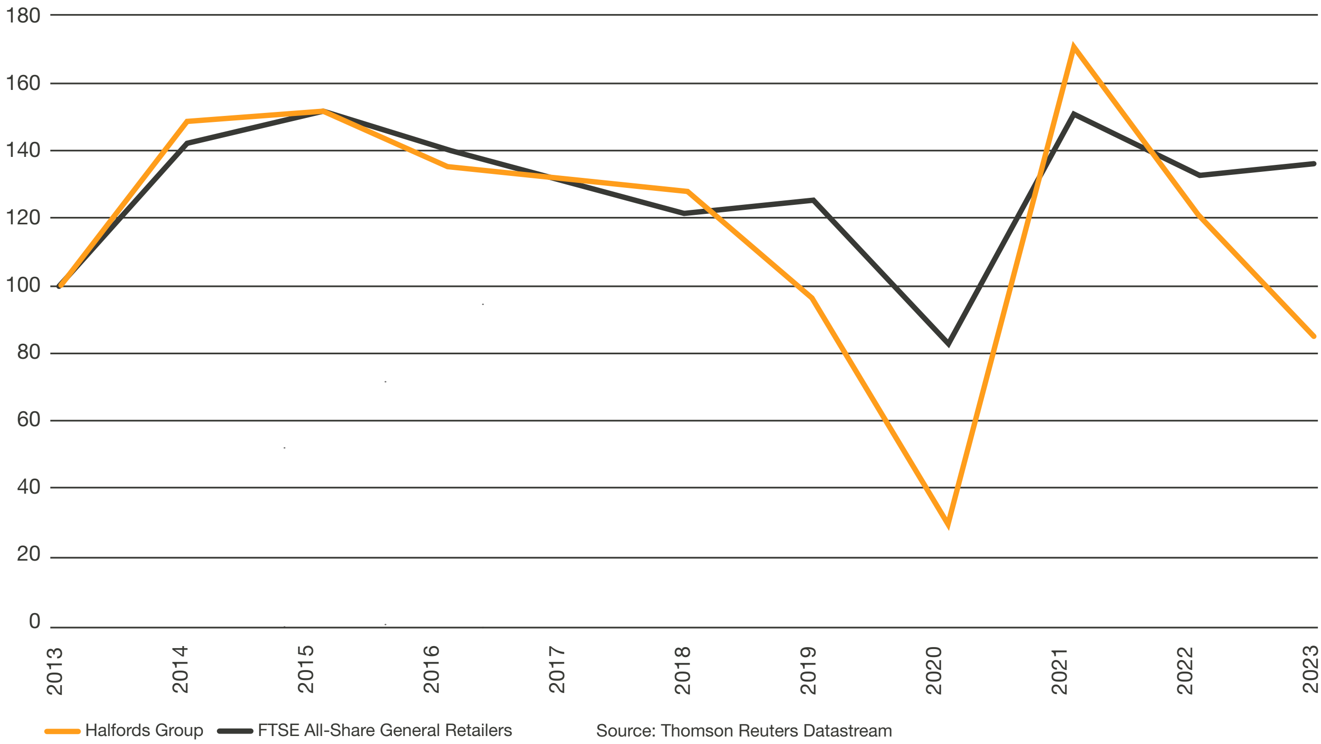
2 The interim and final dividends have been reinvested in shares at prices between £1.554 and £1.813199.

3 Graham exercised the award on 13 April 2022.

4 Loraine left the business as a good leaver on 1 July 2022 and exercised her awards on 11 August 2022.

CEO Pay Compared to Performance

The following graph shows the TSR performance of the Company since April 2013, 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).



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.

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	**FY23**
CEO Single Figure (£000)										
Graham Stapleton[1]	–	–	–	–	1,818	670	678	2,699	2,752	**1,189**
Jonny Mason[2]	–	–	–	–	236	–	–	–	–	–
Jill McDonald[3]	–	–	851	741	295	–	–	–	–	–
Matt Davies[4]	1,372	645	54	–	–	–	–	–	–	–
Annual Bonus (% of maximum)										
Graham Stapleton[1]	–	–	–	–	70%	–	–	92.5%	79.37%	**0%**
Jonny Mason[2]	–	–	–	–	42.3%	–	–	–	–	–
Jill McDonald[3]	–	–	23.5%	–	–	–	–	–	–	–
Matt Davies[4]	97.5%	–	–	–	–	–	–	–	–	–
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.

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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[1]	Loraine Woodhouse[3]
Shareholding guideline	200%	200%	200%
Shareholding as at 31 March 2023	683,946[2]	-	412,299[2]
Current value (based on share price on 31 March 2023)	£1,195,538	£-	N/A
Current % of salary	199.68%	-%	N/A

1 Jo Hartley was appointed as CFO on 16 June 2022.

2 The shareholding figure include the vested shares from the 2018 and 2019 Performance Share Plan awards (on a net of tax basis) which are currently being held in a two-year deferral period in the 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).

3 Loraine Woodhouse left the business due to retirement in 2022. The figures shown are as of 1 July 2022 being her date of departure.

These figures include those of their spouse or civil partner and infant children, or stepchildren, as required by Section 822 of the Companies Act 2006. There was no change in the beneficial interest of Graham Stapleton and Jo Hartley between 31 March 2023 and 20 June 2023.

In light of the Code and evolving market practice, in FY20, the Committee introduced a post-employment shareholding guideline to support the alignment of interests between Executive Directors and shareholders following an Executive's departure from the Board. Under this 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.

Appointment Terms for Jo Hartley

Jo Hartley joined **Halfords** on 19 April 2022 and assumed the role of Chief Financial Officer on 16 June 2022 upon Loraine Woodhouse's departure.

Jo was appointed on a base salary of £395,000 per annum. Her benefits package is in line with our Remuneration Policy, with a pension contribution of 3% of base salary in line with the wider workforce. The Committee recognised that Jo's base salary is set at a level above the previous CFO's salary but the Committee considers this appropriate, taking into account the level of Jo's fixed pay in her previous role, which was at a similar level to that which she will receive at **Halfords**.

For the first year of appointment, her annual bonus and PSP awards were set at 125% and 150% of base salary, respectively. This is below the maximum opportunities under our Policy and below the incentive opportunities of her predecessor. As outlined in last years report, the intention was subject to satisfactory individual performance, to increase Jo's annual bonus and PSP award opportunities in line with the incentive opportunities for the previous CFO. The Committee is of the view that Jo has performed strongly during the year and therefore Jo's annual bonus and PSP opportunity will be increased to 150% and 200% of base salary respectively.

On joining, she received a gross payment of £112,000 to replace a cash bonus she was required to repay on cessation of employment from her previous employer. The value of this payment directly mirrored the amount repaid to the previous employer. The award was subject to malus and clawback provisions for a period of six months.

Leaving Arrangements for Loraine Woodhouse (Audited)

As announced in October 2021, Loraine Woodhouse retired from the Board on 1 July 2022 following four years as Chief Financial Officer.

In line with the Remuneration Policy, the Remuneration Committee approved good leaver status for Loraine in relation to her outstanding share awards. The awards were pro-rated for the portion of the performance period elapsed on departure and will vest on the 'normal' date subject to the assessment of performance conditions. In line with plan rules, the deferred bonus awards vested on cessation of employment.

Loraine will be required to hold her actual shareholding for two years post-cessation. Shareholding during this period will be monitored by the Company, and shares may only be sold with the prior consent of the Chair or by compulsory purchase.

The Committee determined that Loraine was eligible to participate in the FY23 annual bonus on a pro-rated basis given that she was employed for part of the year. As noted above, there was no bonus payout in FY23. Loraine did not receive a PSP award in 2022.

Her salary, benefits and pension were paid up until her departure date and there was no payment in lieu of notice.

Loss of Office Payments (Audited)

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

Payments to Former Directors (Audited)

No payments were made to former Directors during the year.

How the Remuneration Policy was Implemented in FY23 – Non-Executive Directors

Non-Executive Director single figure comparison (Audited)

Director	Role	Board fees (£)	Senior Independent Director fee (£)	Committee Chair/ Employee Voice Director fees (£)	Taxable benefits[1] (£)	Total "Single Figure"[2] 2023 (£)	Total "Single Figure" 2022 (£)
Keith Williams[3]	Company Chair	199,787	–	–	–	**199,787**	194,135
Helen Jones	Senior Independent Director, ESG Committee Chair and Employee Voice Director	53,999	10,000	10,000	213	**74,212**	72,563
Jill Caseberry	Remuneration Committee Chair	53,999	–	10,000	438	**64,437**	62,600
Tom Singer	Audit Committee Chair	53,999	–	10,000	346	**64,345**	62,470

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 did not claim any taxable benefits during the year.

Non-Executive Director Shareholding

Director	2023	2022
Keith Williams	**150,000**	150,000
Helen Jones	**8,000**	8,000
Jill Caseberry	**3,125**	3,125
Tom Singer	**30,000**	30,000

These figures include those of their spouses, civil partners and infant children, or stepchildren, as required by Section 822 of the Companies Act 2006. There was no change in these beneficial interests between 31 March 2023 and 21 June 2023.

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	20 months
Helen Jones[1]	01-Mar-14	01-Mar-23	06-Sep-23[1]	3 months
Tom Singer	16-Sep-20	16-Sep-20	15-Sep-23	3 months
Keith Williams	24-Jul-18	24-Jul-21	23-Jul-24	13 months

1 Helen Jones has reached her nine-year tenure and will step down from the Board at the AGM on 6 September 2023.

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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.

How the Remuneration Policy will be Implemented for FY24 – Executive Directors

Salary

The salary for the CEO, Graham Stapleton, was increased by 4% with effect from 1 October 2022 in line with the increase received across the wider workforce. As Jo Hartley had joined the business after 1 April 2022, she was not eligible for the pay review on 1 October 2022.

The salaries for the current Executive Directors are as follows:

CEO – Graham Stapleton	£598,738
CFO – Jo Hartley	£395,000

Salaries will next be reviewed with effect from 1 October 2023.

Pension

In line with the Remuneration Policy, 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.

Annual Bonus

The normal maximum annual bonus for Executive Directors is 150% of base salary with 2/3 paid in cash and 1/3 paid in **Halfords**' shares deferred for three years.

For the incoming CFO, it was agreed that her annual bonus opportunity would be 125% of base salary for the first year of her appointment. As previously disclosed it was intended that subject to satisfactory individual performance, from FY24 the bonus opportunity would to 150% of base salary in line with the Remuneration Policy and the opportunity level of her predecessor. The Committee is of the view that Jo has performed strongly since her appointment and the bonus opportunity will, therefore, be 150% of salary.

For FY24, following a review of the performance measures, the Committee agreed the overall annual bonus measures work well and support the strategy and only minor changes are proposed. A cost measure will be introduced alongside the existing financial measures reflecting the importance of cost management over the next 12 months. The strategic and ESG measures for FY24 will be linked to colleague engagement, customer NPS, market share and colleague turnover.

Performance measures for FY24 annual bonus

Financial Measures • Underlying PBT (£m) - 50% • Group Revenue (£m) - 10% • Free Cash Flow (£m) - 10% • Cost (£m) - 10%	80%
Strategic Measures • Engagement - 5% • NPS - 5% • Market Share - 5% • Colleague Turnover - 5%	20%

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.

For Jo Hartley, it was agreed that her PSP opportunity would be 150% of base salary for the first year of her appointment. As with the annual bonus, it was agreed that for FY24 onwards her maximum opportunity would increase to 200% of base salary, subject to individual performance during the year. The Committee is of the view that Jo has performed strongly since her appointment and therefore her PSP opportunity will be increased to 200% of base salary for FY24.

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, which is higher than the price used to determine the 2022 awards, the committee is off 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.

FY24 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, on EPS performance for FY26, and on Group Services Related Revenue for FY26. The Committee is currently reviewing the relative weighting of these measures. 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 FY24 – 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 2022, where a 4% 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 2023.

Current fees for Non-Executive Directors are as follows:

	FY23	FY22
Chair	**£203,705**	£198,870
Base fee	**£55,058**	£52,000
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 Director and that of all colleagues in FY23 compared with the prior year.

	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
Executive Directors									
Graham Stapleton	**4.00%**	**-13.00%**	**–**	1.80%	100.00%	–	1.80%	–	–
Jo Hartley[1]	**N/A**	**N/A**					1.80%	–	–
Loraine Woodhouse[2]	**N/A**	**-13.00%**	**–**	1.80%	100.00%	–			
Non-Executive Directors									
Keith Williams	**4.00%**	**–**	**–**	1.80%		–	0.00%	–	–
Helen Jones	**4.00%**	**–**	**–**	1.80%		–	9.50%	–	–
Jill Caseberry	**4.00%**	**–**	**–**	1.80%		–	0.00%	–	–
Tom Singer	**4.00%**	**–**	**–**	1.80%		–	N/A	–	–
Average pay of all colleagues in the Group	**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.

Remuneration Committee Report

Annual Report on Remuneration

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
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

In addition to the ratio of the CEO's pay to the 25th, median and 75th percentile of UK employees, companies are also required to disclose:

- an explanation of the methodology used, including an explanation of the reason where any components of total remuneration have been omitted and a brief explanation of any assumptions used to determine full-time equivalent remuneration;
- the total remuneration and salary value (the £ value) for the 25th, median and 75th percentile employees used in the pay ratio calculation;
- an explanation for changes to the ratio year on year (not applicable for first year disclosures); and
- whether the Company considers the median pay ratio consistent with the Company's wider policies on employee pay, reward and progression. Of the three options set out in the new legislation for calculating the CEO pay ratio, we have used 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 2022. 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. There is a decrease in the CEO pay ratio in 2023 compared to 2022. As is appropriate, the remuneration arrangements for the Executive Directors are more closely linked to performance, and this is reflected in the year on year change.

Component	P25	P50	P75
Base Salary	£19,364.15	£20,533.50	£33,748.00
Total Remuneration	£19,405.70	£21,136.04	£35,245.55

Workforce Engagement in Remuneration

As referenced on pages 106 and 107, **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.

Gender Pay Gap Report

Details of the Group's Gender Pay Gap Report for 5 April 2022 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, payments made to tax authorities and expenditure on payroll.

	2023	2022
EBITDA (underlying)	**£186.0m**	£207.1m
PBT (underlying)	**£51.5m**	£89.8m
Payments to employees:		
Wages and salaries	**£321.0m**	£283.4m
Executive Directors[1]	**£2.0m**	£4.5m
Dividend paid to shareholders and share buybacks	**£19.5m**	£16.5m

1 Based on the single figure calculation, not all of which is included within wages and salary costs.

Directors’ Responsibilities

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 law 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

21 June 2023

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Our Financials

Contents

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 31 March 2023 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 31 March 2023 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 the 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 four years, covering the years ended 3 April 2020 to 31 March 2023. 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 30 June 2024 including the impact of strategic initiatives as well as the ongoing and uncertain impact of current macro-economic factors including consumer spending, rising energy prices and interest rates. This involved evaluation of the budgeted figures compared to FY23, consideration of inflationary impacts and other adjustments applied by the Directors reflecting pricing communications with certain suppliers and external data used to support assumptions.
- **Financing:** confirmed the Group has 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 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.
- **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	89% (2022: 94%) of Group profit before tax and non-underlying items. 90% (2022: 86%) of Group revenue 92% (2022: 84%) of Group total assets

Key audit matters

	FY23	FY22
1. Acquisition of LTC Trading Holdings Limited and subsidiaries (“Lodge Tyre”) (PY acquisition of Axle Group)	✓	✓
2. Goodwill impairment testing for the Retail and Car Servicing Segments	✓	
3. Third Party Logistics Arrangement	✓	
4. Carrying value of the Parent Company’s Investment in subsidiaries and intercompany receivables[1]	✓	✓
5. The consolidation of the Group results and financial position	✓	
6. Accounting treatment of capitalised software costs[2]		✓

1 This key audit matter has been expanded in the current year to include intercompany receivables due to a significant increase in this balance during the year.

2 The accounting treatment of capitalised software costs was previously noted as a key audit matter owing to the first-year implementation of complex new accounting guidance on the capitalisation of software development costs. While this remains an audit risk area it is no longer considered a key audit matter.

Materiality	Group financial statements as a whole £3.3m (FY22: £4m) 5% of normalised profit before tax and non-underlying items (FY22: 5% of normalised before tax and non-underlying items).

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 three 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 a component audit team completed the audits of the three significant components and specified audit and analytical review procedures for all non-significant components, apart from one. For one non-significant component the specified audit procedures were completed by a non-BDO member firm. 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 on 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 48, 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, if applicable, have been reflected, where appropriate, in the Directors’ going concern assessment and viability assessment.

We also assessed the consistency of management’s disclosures included as Statutory Other Information on page 62 with the financial statements and with our knowledge obtained from the audit.

Independent Auditor's Report to the Members of Halfords Group plc

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.

Key audit matter		How the scope of our audit addressed the key audit matter
Acquisition of LTC Trading Holdings Limited and subsidiaries ("Lodge Tyre") **(The accounting policies and critical judgements and estimates applied are disclosed within the Group's accounting policies.** **The acquisition balances are disclosed in Note 10)**	On 4 October 2022 the Group completed the acquisition of 100% of the share capital of Lodge Tyre for an initial cash consideration of £33.5m (excluding transaction costs). The accounting for the acquisition balance sheet at 4 October 2022 and the subsequent Purchase Price allocation ('PPA') assessment, involved the alignment of material accounting policies, the fair value of consideration, identification and valuation of intangible assets at acquisition date and the subsequent goodwill. Management engaged an external expert to undertake the PPA assessment. This was a material, non routine transaction for the Group, the accounting considerations and disclosures are complex and include significant management estimates and judgements. We have therefore raised this as a key audit matter.	Our audit procedures included: • Review of the Sale and Purchase Agreement to understand the structure of the transaction and to confirm the consideration paid • Engaging with our own internal valuation experts to review and challenge the PPA, including the identification of amounts related to customer relationships, and other intangibles. • Evaluating the capabilities, competence and objectivity of the external valuation experts engaged by management for the PPA assessment. • Evaluating and concluding on the appropriateness of the external valuation expert's conclusions by comparing them to our knowledge of the industry. • Checking the cashflow forecasts including inputs and assumptions used to assess the fair value of the intangible assets acquired. We assessed the reasonableness of the underlying information used in the forecasts by comparing to actual and historical results. • Assessing the suitability of the valuation methods applied against industry norms and considering the appropriateness of the discount rate used to determine the fair values with reference to relevant supporting information. • Performing audit procedures, on a sample basis, to confirm the completeness, accuracy and carrying value of the amounts included on the acquisition balance sheet. • Checking the alignment to Group accounting policies with specific reference to IFRS 16 Leases. • Checking the calculation of the fair value of contingent consideration payable in March 2024 of £3.2m to the terms contained in the Sale and Purchase Agreement. • Confirming the acquisition accounting entries in the Group financial statements and reperforming the calculation of goodwill. • Reviewing the adequacy of the disclosure notes in the financial statements in relation to the acquisition to ensure it complied with the requirements of IFRS 3 Business Combinations. **Key observations:** Based on the procedures performed, we consider that the methodology and assumptions used in the accounting for the acquisition of Lodge Tyre and the related disclosures in the Group financial statements are appropriate.

Goodwill impairment testing for the Retail and Car Servicing Segments **(The accounting policies and critical judgements and estimates applied are disclosed within the Group's accounting policies.** **The goodwill balances of £403m are included in Note 11)**	The goodwill balances on the Group balance sheet for the Retail and Car Servicing 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 Car Servicing segments which 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 macro-economic trends and the impact that has on consumer demand. The goodwill impairment review has therefore been raised as a key audit matter.	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 discretionary spend, cost mitigation actions and inflation. • 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 Group's conclusion that there is no impairment of the goodwill in the Retail and Car Servicing segments to be appropriate.

Independent Auditor's Report to the Members of Halfords Group plc

Third Party Logistics Arrangement **(The accounting policies and critical judgements and estimates applied are disclosed within the Group's accounting policies.** **The Cashflows are classified as cashflows from financing activites on the face of the Cashflow statement. The supplier financing receivable is separately disclosed in Note 15.**	During the year, the Group entered into an arrangement with a third party to assist in the storage of tyres and distribution to its garages when required. The transactions are material and involve a number of balance sheet accounts across entities in the Group and determining the accounting considerations and disclosures is complex and includes management judgement and estimates. We therefore considered this together with the related disclosures to be a key audit matter.	Our audit procedures included: • Reviewing the underlying agreement and enquiry with the Group's commercial, purchasing and finance representatives to understand the nature of the arrangement. • 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 appropriateness of the accounting for the transactions during the year against the accounting standards and agreeing a sample of transactions to supporting documentation. • Challenging management on the timing of the receipts and payments which resulted in a cash advantage to the Group and assessing the appropriateness of the conclusion that the cashflows in the arrangement were financing in nature and therefore the required disclosures are in line with the 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 and considering the upcoming amendments to IAS 7 and IFRS 7. **Key observations:** Based on the procedures performed, the accounting for the transaction is materially correct and the disclosures are considered sufficient to enable the users to understand the nature of the arrangement and the impact on the Group's cash flows.
Carrying value of the parent Company's investment in subsidiaries of £813.8m (FY22: £811.4m) and intercompany receivables of £127.2m. **(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. The directors have prepared a value in use assessment to support the carrying value and have determined that there is no impairment. Due to the materiality of the investment and the receivables balances in the context of 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 carrying value of the investment to the market capitalisation of the Group as at the period end date and post period end. • Comparing the carrying value of the investment and the receivables to the net asset value of the subsidiaries. • 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 Car Servicing 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 managements conclusion that there is no impairment of investment in and amounts due from subsidiaries in the Parent Company to be appropriate.

The consolidation of the Group results and financial position	The **Halfords** Group structure has grown significantly in recent years through acquisitions, mainly in the Car Servicing segment, and organically through the development of new services and products across the Group. This has increased the complexity of the Group consolidation process and the audit effort that is required to complete our work. The consolidation of the Group results and financial position has therefore been raised as a key audit matter.	Our audit procedures included: • Understanding the controls and processes that the Group had put in place over the compilation of the consolidation and challenging management to make amendments where we considered necessary. • Testing intercompany eliminations to ensure that these were materially complete and accurate and in line with our understanding of the cross-company transactions within the Group. • Testing consolidation entries to ensure that they had been correctly reflected and were appropriate. This included reviewing historic consolidation entries to ensure that they were still required and that any changes were appropriate. • Testing the arithmetical accuracy of the consolidation, the inclusion of all group entities and agreeing balances back to the underlying trial balances. • Testing the acquisition accounting entries in the consolidation for Lodge Tyre that was acquired during the year as set out in the key audit matter above. • Agreeing the finalised consolidation of the Group's results and financial information to the financial statements to ensure that these had been mapped to the correct financial statement lines. • Performing detailed analytical review procedures on the final Group numbers to identify any material mis-postings, mapping errors and other anomalies. **Key observations:** Based on the procedures performed, we found the Group consolidation to be materially complete and accurately prepared.

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.

Independent Auditor's Report to the Members of Halfords Group plc

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	
	2023	**2022**	**2023**	**2022**
Materiality	£3.3m	£4m	£1.8m	£2m
Basis for determining materiality	5% of normalised (3 year average) profit before tax and non-underlying items.	5% of normalised (3 year average) profit before tax and non-underlying items.	Determined with reference to 1% of total assets (Capped at Group non-significant components materiality to reduce aggregation risk).	Determined with reference to 1% of total assets (Capped at 50% of Group materiality to reduce aggregation risk).
Rationale for the benchmark applied	We consider profit before tax and non-underlying items to be the most appropriate benchmark as it provides a more stable measure year on year than Group profit before tax in a single year, due to the volatility caused by external factors over the past three years.	We consider profit before tax and non-underlying items to be the most appropriate benchmark as it provides a more stable measure year on year than Group profit before tax in a single year, due to the volatility caused by external factors over the past three years.	We consider an asset based measure to best reflect the nature of the Parent Company which acts as a holding company for the Group's investments in subsidiary undertakings. Materiality has been capped at a percentage of Group materiality given the assessment of the components aggregation risk.	We consider an asset based measure to best reflect the nature of the Parent Company which acts as a holding company for the Group's investments in subsidiary undertakings. Materiality has been capped at a percentage of Group materiality given the assessment of the components aggregation risk.
Performance materiality	£2.3m	£2.6m	£1.29m	£1.1m
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 48% and 85% (FY22: 49% 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 £1.57m to £2.8m (FY22: £1.95m to £3.8m). In the audit of each component, we further applied performance materiality levels of 70% (FY22: 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 £105K (FY22: £80K). 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.

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 82 - 83. • 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 83.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on pages 94 - 99. • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 76 - 81. • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 74 - 75. • The section describing the work of the audit committee set out on pages 122 - 127.

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.

Independent Auditor's Report to the Members of Halfords Group plc

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 the existence and recoverability of supplier rebates, revenue recognition relating to the judgements and estimates involved in the timing of revenue recognition and 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 rebates, we have audited a sample of supplier rebates 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 new 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;
  - estimates and judgements made by the Directors in their going concern assumption as set out in the Conclusions relating to going concern section of the report; and
  - estimates and judgements made in accounting for new third party logistics arrangements and acquisitions and in the assessment of goodwill impairment and 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

21 June 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Consolidated Income Statement

For the period	Notes	52 weeks to 31 March 2023 Before Non-underlying Items £m	Non-underlying items (Note 5) £m	Total £m	52 weeks to 1 April 2022 Before Non-underlying Items* £m	Non-underlying items (Note 5) £m	Total £m
Revenue		**1,593.5**	**–**	**1,593.5**	1,382.4	–	1,382.4
Cost of sales		**(808.2)**	**–**	**(808.2)**	(660.7)	–	(660.7)
Gross profit		**785.3**	**–**	**785.3**	721.7	–	721.7
Operating expenses	2	**(721.7)**	**(8.0)**	**(729.7)**	(620.6)	6.8	(613.8)
Results from operating activities	3	**63.6**	**(8.0)**	**55.6**	101.1	6.8	107.9
Finance costs	6	**(12.1)**	**–**	**(12.1)**	(11.3)	–	(11.3)
Net finance expense		**(12.1)**	**–**	**(12.1)**	(11.3)	–	(11.3)
Profit before income tax		**51.5**	**(8.0)**	**43.5**	89.8	6.8	96.6
Income tax expense	7	**(10.6)**	**1.1**	**(9.5)**	(17.2)	(1.7)	(18.9)
Profit for the financial period attributable to equity shareholders		**40.9**	**(6.9)**	**34.0**	72.6	5.1	77.7
Earnings per share							
Basic	9	**18.8p**		**15.6p**	35.5p		37.9p
Diluted	9	**18.0p**		**15.0p**	34.0p		36.4p

All results relate to continuing operations of the Group.

The notes on pages 172 to 206 are an integral part of these consolidated financial statements.

* Prior period restated – see Note 29 for further details.

Consolidated Statement of Comprehensive Income

	Notes	52 weeks to 31 March 2023 £m	52 weeks to 1 April 2022 £m
Profit for the period		**34.0**	77.7
Other comprehensive income			
Cash flow hedges:			
Fair value changes in the period		**2.7**	6.5
Income tax on other comprehensive income	7	**1.1**	(1.3)
Other comprehensive income for the period, net of income tax		**3.8**	5.2
Total comprehensive income for the period attributable to equity shareholders		**37.8**	82.9

All items within the Other Comprehensive Income are classified as items that are, or may be, recycled to the income statement.

The notes on pages 172 to 206 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Notes	31 March 2023 £m	1 April 2022 £m
Assets			
Non-current assets			
Intangible assets	11	**482.0**	442.4
Property, plant and equipment	12	**97.8**	101.7
Right-of-use assets	13	**312.6**	350.2
Deferred tax asset	20	**10.9**	14.7
Total non-current assets		**903.3**	909.0
Current assets			
Inventories	14	**256.2**	222.1
Trade and other receivables	15	**144.6**	92.6
Derivative financial instruments	21	**1.1**	4.2
Current tax assets		**–**	3.9
Cash and cash equivalents	16	**41.9**	46.3
Total current assets		**443.8**	369.1
Liabilities			
Current liabilities			
Borrowings	17	**(9.7)**	(0.2)
Lease liabilities	17	**(77.6)**	(74.5)
Derivative financial instruments	21	**(3.7)**	(0.5)
Trade and other payables	18	**(355.0)**	(299.6)
Current tax liabilities		**(5.0)**	(4.0)
Provisions	19	**(11.2)**	(20.5)
Total current liabilities		**(462.2)**	(399.3)
Net current liabilities		**(18.4)**	(30.2)
Non-current liabilities			
Borrowings	17	**(34.0)**	–
Lease liabilities	17	**(269.3)**	(316.5)
Derivative financial instruments	21	**(0.5)**	–
Trade and other payables	18	**(3.5)**	(4.9)
Provisions	19	**(14.8)**	(6.4)
Total non-current liabilities		**(322.1)**	(327.8)
Total liabilities		**(784.3)**	(727.1)
Net assets		**562.8**	551.0
Shareholders' equity			
Share capital	22	**2.2**	2.2
Share premium	22	**212.4**	212.4
Investment in own shares	22	**(12.7)**	(11.6)
Other reserves	22	**(1.1)**	2.0
Retained earnings		**362.0**	346.0
Total equity attributable to equity holders of the Company		**562.8**	551.0

The notes on pages 172 to 206 are an integral part of these consolidated financial statements.

The financial statements on pages 166 to 206 were approved by the Board of Directors on 21 June 2023 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 equity £m**
Closing balance at 2 April 2021		2.0	151.0	(10.0)	0.3	(2.1)	276.6	**417.8**
Total comprehensive income for the period								
Profit for the period		–	–	–	–	–	77.7	**77.7**
Other comprehensive income								
Cash flow hedges:								
Fair value changes in the period		–	–	–	–	6.4	–	**6.4**
Income tax on other comprehensive income		–	–	–	–	(1.3)	–	**(1.3)**
Total other comprehensive income for the period net of tax		–	–	–	–	5.1	–	**5.1**
Total comprehensive income for the period		–	–	–	–	5.1	77.7	**82.8**
Hedging gains and losses and costs of hedging transferred to the cost of inventory		–	–	–	–	(1.3)	–	**(1.3)**
Transactions with owners								
Shares issued	22	0.2	61.4	–	–	–	–	**61.6**
Acquisition of Treasury shares	22	–	–	(3.0)	–	–	–	**(3.0)**
Share options exercised		–	–	1.4	–	–	–	**1.4**
Share-based payment transactions	23	–	–	–	–	–	7.8	**7.8**
Income tax on share-based payment transactions		–	–	–	–	–	0.4	**0.4**
Dividends to equity holders	8	–	–	–	–	–	(16.5)	**(16.5)**
Total transactions with owners		0.2	61.4	(1.6)	–	–	(8.3)	**51.7**
Closing balance at 1 April 2022		2.2	212.4	(11.6)	0.3	1.7	346.0	**551.0**
Total comprehensive income for the period								
Profit for the period		–	–	–	–	–	34.0	**34.0**
Other comprehensive income								
Cash flow hedges:								
Fair value changes in the period		–	–	–	–	2.7	–	**2.7**
Income tax on other comprehensive income		–	–	–	–	1.1	–	**1.1**
Total other comprehensive income for the period net of tax		–	–	–	–	3.8	–	**3.8**
Total comprehensive income for the period		–	–	–	–	3.8	34.0	**37.8**
Hedging gains and losses and costs of hedging transferred to the cost of inventory		–	–	–	–	(6.9)	–	**(6.9)**
Transactions with owners								
Shares issued	22	–	–	–	–	–	–	**–**
Acquisition of Treasury shares	22	–	–	(1.5)	–	–	–	**(1.5)**
Share options exercised		–	–	0.4	–	–	–	**0.4**
Share-based payment transactions	23	–	–	–	–	–	2.4	**2.4**
Income tax on share-based payment transactions		–	–	–	–	–	(0.9)	**(0.9)**
Dividends to equity holders	8	–	–	–	–	–	(19.5)	**(19.5)**
Total transactions with owners		–	–	(1.1)	–	–	(18.0)	**(19.1)**
Balance at 31 March 2023		2.2	212.4	(12.7)	0.3	(1.4)	362.0	**562.8**

The notes on pages 172 to 206 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Notes	52 weeks to 31 March 2023 £m	52 weeks to 1 April 2022 £m
Cash flows from operating activities			
Profit after tax for the period, before non-underlying items		**40.9**	72.6
Non-underlying items		**(6.9)**	5.1
Profit after tax for the period		**34.0**	77.7
Depreciation of property, plant and equipment	12	**28.1**	20.6
Impairment/(Reversal) of property, plant and equipment	12	**1.2**	(0.3)
Amortisation of right-of-use assets	13	**77.5**	69.9
Impairment of right-of-use assets	13	**(2.3)**	–
Amortisation of intangible assets	11	**17.9**	15.8
Finance costs payable	6	**12.1**	11.3
Loss on disposal of property, plant and equipment	3	**1.7**	1.8
Gain on sale and leaseback of assets held for sale	13	**–**	(0.4)
Gain on disposal of leases		**(0.4)**	(6.6)
Equity-settled share based payment transactions		**2.4**	7.8
Exchange movement		**(8.0)**	0.9
Income tax expense		**9.5**	18.9
(Increase) in inventories		**(12.7)**	(66.7)
(Increase)/Decrease in trade and other receivables		**(32.2)**	1.3
Increase/(Decrease) in trade and other payables		**32.0**	(4.6)
(Decrease) in provisions		**(1.3)**	(14.7)
Income tax paid		**(4.7)**	(12.2)
Net cash from operating activities		**154.8**	120.5
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	10	**(32.6)**	(58.5)
Proceeds from sale of assets held for sale		**–**	7.5
Purchase of intangible assets		**(25.4)**	(22.0)
Purchase of property, plant and equipment		**(29.0)**	(25.3)
Net cash used in investing activities		**(87.0)**	(98.3)
Cash flows from financing activities			
Proceeds from issue of share capital		**–**	61.6
Repurchase of treasury shares		**(1.5)**	(3.0)
Proceeds from share options exercised		**0.4**	1.4
Finance costs paid		**(2.5)**	(1.6)
RCF transaction costs		**(1.8)**	–
RCF draw downs		**337.0**	–
RCF repayments		**(302.0)**	–
Repayment of loan		**(1.7)**	–
Interest paid on lease liabilities		**(8.8)**	(9.0)
Payment of capital element of leases		**(80.5)**	(76.0)
Payments relating to supplier financing		**(23.5)**	–
Receipts relating to supplier financing		**22.7**	–
Dividends paid		**(19.5)**	(16.5)
Net cash used in financing activities		**(81.7)**	(43.1)
Net (decrease) in cash and bank overdrafts		**(13.9)**	(20.9)
Cash and cash equivalents at the beginning of the period		**46.1**	67.0
Cash and cash equivalents at the end of the period		**32.2**	46.1

The notes on pages 172 to 206 are an integral part of these consolidated financial statements.

Notes to the Consolidated Statement of Cash Flows

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

	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)**
Net Cash and cash equivalents at bank and in hand	**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 lease liabilities	**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 lease liabilities	(391.0)	89.3	(45.2)	**(346.9)**
Total net debt	**(344.9)**	**41.4**	**(45.2)**	**(348.7)**

	At 2 April 2021 £m	Cash Flow £m	Other non–cash changes £m	**At 1 April 2022 £m**
Cash and cash equivalents at bank and in hand	67.2	(20.9)	–	**46.3**
Bank Overdrafts	(0.2)	–	–	**(0.2)**
Net Cash and cash equivalents at bank and in hand	**67.0**	**(20.9)**	**–**	**46.1**
Debt due after one year	–	–	–	**–**
Total net debt excluding lease liabilities	**67.0**	**(20.9)**	**–**	**46.1**
Current lease liabilities	(63.4)	85.0	(96.1)	**(74.5)**
Non-current lease liabilities	(280.9)	–	(35.6)	**(316.5)**
Total lease liabilities	(344.3)	85.0	(131.7)	**(391.0)**
Total net debt	**(277.3)**	**64.1**	**(131.7)**	**(344.9)**

Non-cash changes include additions of new leases, modifications to leases, 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 £41.9m (FY22: £46.3) of liquid assets offset by £9.7m (FY22: £0.2m) of bank overdrafts. Some of this cash is restricted due to the **Halfords** Here to Help Fund and the Employee Benefit Trust, see Note 16 for further information.

Accounting Policies

General Information

Halfords Group plc is a company domiciled in the United Kingdom. The consolidated financial statements of the Company as at, and for, the period ended 31 March 2023, 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 UK pounds, rounded to the nearest £0.1m.

The accounts of the Group are prepared for the period up to the Friday closest to 31 March each year. Consequently, the financial statements for the current period cover the 52 weeks to 31 March 2023, whilst the comparative period covered the 52 weeks to 1 April 2022.

Going Concern

In determining the appropriate basis of preparation of the financial statements for the year ended 31 March 2023, 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 affects of the Ukrainian war and 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 to happen.

The Group has a revolving credit facility of £160.0m plus an overdraft of £20.0m at the date of approval of these financial statements, expiring on 4 December 2025. The Group has no other debt or facilities. Significant headroom exists on both financial covenants contained within the banking agreement. The Group's financial covenants are calculated on a pre-IFRS 16 basis.

Covenant	**FY23**	FY22
Interest payable to EBITDAR>1.5	**2.2**	2.7
Net Borrowings to EBITDA<3.0	**0.1**	(0.3)

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.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, 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 31 March 2023 are detailed in Note 4 to the Company balance sheet on page 210.

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 and received from third parties for providing credit to customers.

The Group operations comprise the retailing of automotive, leisure and cycling products, car 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 standalone 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 Cycle to Work, 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. An 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 revenue being recognised when the individual benefits associated to club membership are expected to be incurred. Any breakages are 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. This is currently operating within North America. The model employed consists of an up front 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.

Returns

A provision for estimated returns is made based on the value of goods sold during the year, which are expected to be returned and refunded after the year 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.

Accounting Policies

Supplier Income
As is common in the retail industry, 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 year end. However, as most of the supplier income is confirmed before the year 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 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 triggers 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.

Accrued income relates to supplier income recognised on an accruals basis, based on the expected entitlement that has been earned up to the balance sheet date for each relevant supplier contract.

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 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 hundred thousand. 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.

Dividends

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

Intangible Assets

i) Goodwill

Goodwill is initially recognised as an asset at cost and is reviewed for impairment at least annually. Goodwill is subsequently measured at cost less any accumulated impairment losses. An impairment charge is recognised in profit or loss for any amount by which the carrying value of goodwill exceeds its recoverable amount.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

For acquisitions prior to 3 April 2010, costs directly attributable to business combinations formed part of the consideration payable when calculating goodwill. Adjustments to contingent consideration, and, therefore, the consideration payable and goodwill, are made at each reporting date until the consideration is finally determined.

Acquisitions after this date fall under the provisions of "Revised IFRS 3 Business Combinations (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.

Accounting Policies

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, provided they are identifiable and capable of reliable measurement.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- Brand names and trademarks – 10 years;
- Supplier relationships – 5 to 15 years;
- 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 Car Servicing garages are grouped on an individual store or garage basis.

Assets held for sale
Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered, primarily, through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets or deferred tax assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

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.

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, which are discounted at the same discount rate that applied on lease commencement. 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 13.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

Accounting Policies

- 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 renegotiated 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 financing in the cash flow statement. The amount due to or from the supplier at the year-end date is shown in other creditors or other debtors 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, and the estimates and judgements, can be seen in Note 19.

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.

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 21). 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;
- 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).

Accounting Policies

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 21 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 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 other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is recognised immediately in profit or loss.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 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.

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 statement that are subject to measurement uncertainty and judgements are decisions taken by management on accounting measurements and recognition criteria.

The judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are detailed below:

Impairment of Assets within Retail and Car Servicing
Goodwill and other assets are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable value may be less than their carrying value. Recoverable amount is based on a calculation of expected future cash flows, which includes management assumptions and estimates of future performance. Details of the assumptions used in the impairment review of goodwill and other assets are explained in Note 11.

The carrying amount of these assets and liabilities can be seen in the notes to the financial statements on pages 191 to 192. Sensitivity analysis on the key assumption in the value-in-use calculations has been undertaken on the two groups of cash-generating units (Retail and Car Servicing) independently of one another, which found that there is a more than adequate amount of headroom before an impairment could be triggered. For further information see Note 11.

Halfords have also considered the carrying value of the intercompany balances in the Parent Company accounts. The same future cash flows that were used in the goodwill sensitivity modelling were used for this impairment assessment, no issues were found.

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 levels. Assumptions have been made relating to the timing and success of product ranges, which would impact estimated demand and selling prices.

A sensitivity analysis has been carried out on the carrying value of inventory. This showed a 10% change in provisions applied to clearance stock would impact the net realisable value of inventories by £0.3m. A 10% change in the current selling price of products would impact the net realisable value of inventories by £1.8m.

Hedging Stock Turn

The group uses average inventory days to identify the effective fair value gains and losses on foreign currency forwards designated in the cash flow hedge accounting relationship to be removed from the cash flow hedge reserve and recognised as an adjustment to the carrying amount of the inventory at each reporting date. The group calculates average inventory days based on the Groups' foreign currency cost of sales and inventory balances at each reporting date.

Accounting Policies

Acquisition of Lodge
On acquisition of Lodge, the Group have used judgement in assessing the fair value of assets and liabilities acquired as a business combination. The Group have also used judgement in identifying and assessing the fair value of intangibles held within the opening balance sheet.

On assessment, the below categories of intangible asset were identified:

- Customer relationships with the B2B customers in contract with the business; and
- The value of the brands acquired.

An adjustment to the deferred tax liability was made related to the total value of the intangible assets and fixed asset valuation changes.

In assessing the forecasted future cash flows, synergies which were expected to impact the acquired business have been included, where other market participants would also be in the position to benefit from these synergies. This forecast, when compared with the purchase consideration, generated a discount rate, which was, in turn, used to value the intangible assets recognised.

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 a judgement to determine the incremental borrowing rate used. The weighted average incremental borrowing rate in FY23 was 2.23%. **Halfords** review 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).
- 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.

Capitalisation of internal costs
Where a project is deemed to meet the requirements of IAS 38, the Group capitalises material internal costs using a blended rate on the basis of time recorded against projects. This is calculated using actual salaries of relevant colleagues during the current year.

Adoption of New and Revised Standards
The Group has applied the following interpretations and amendments for the first time in these financial statements:

- Reference to Conceptual Framework – amendments to IFRS 3.
- Property, Plant and Equipment – Proceeds before Intended Use – amendments to IAS 16.
- Onerous Contracts – Cost of Fulfilling a Contract – amendments to IAS 37.
- Annual Improvements to IFRS Standards 2018–2020.

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 Car Servicing, which are the Group's strategic business units. Car Servicing became a reporting segment of the Group as a result of the acquisition of Nationwide Autocentres on 17 February 2010. The strategic business units offer different products and services, and are managed separately because they require different operational, technological and marketing strategies.

The operations of the Retail reporting segment comprise the retailing of automotive, leisure and cycling products and services through retail stores and online. The operations of the Car Servicing reporting segment comprise car servicing and repair performed from garages and vans.

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, with IFRS 16 accounting entries applied at a Group level.

All material operations of the reportable segments are carried out in the UK and all material non-current assets are located in the UK. The Group's revenue is driven by the consolidation of individual small value transactions and as a result Group revenue is not reliant on a major customer or Group of customers. All revenue is from external customers.

Income statement	Retail £m	Car Servicing £m	52 weeks to 31 March 2023 Total £m
Revenue	**979.6**	**613.9**	**1,593.5**
Segment result before non-underlying items	**58.6**	**10.4**	**69.0**
Non-underlying items	**(0.7)**	**(7.3)**	**(8.0)**
Segment result	**57.9**	**3.1**	**61.0**
Unallocated expenses[1]			**(5.4)**
Operating profit			**55.6**
Finance costs			**(12.1)**
Profit before tax			**43.5**
Taxation			**(9.5)**
Profit for the year			**34.0**
Products and services transferred at a point in time	**915.7**	**579.4**	**1,495.1**
Products and services transferred over time	**63.9**	**34.5**	**98.4**
Revenue	**979.6**	**613.9**	**1,593.5**

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 £5.4m in respect of assets acquired through business combinations (2022: £3.1m).

Income statement	Retail £m	Car Servicing £m	52 weeks to 1 April 2022* Total £m
Revenue	1,001.6	380.8	1,382.4
Segment result before non-underlying items	89.8	14.4	104.2
Non-underlying items	8.9	(2.1)	6.8
Segment result	98.7	12.3	111.0
Unallocated expenses[1]			(3.1)
Operating profit			107.9
Finance costs			(11.3)
Profit before tax			96.6
Taxation			(18.9)
Profit for the year			77.7
Products and services transferred at a point in time	948.9	352.0	1,300.9
Products and services transferred over time	52.7	28.8	81.5
Revenue	1,001.6	380.8	1,382.4

*Restated, see Note 29 for further information.

Notes to the Financial Statements

1. Operating Segments continued

Other segment items:	Retail £m	Car Servicing £m	52 weeks to 31 March 2023 Total £m
Capital expenditure	**26.6**	**21.5**	**48.1**
Depreciation and impairment expense	**17.2**	**12.1**	**29.3**
Impairment of right-of-use asset	**(2.3)**	**–**	**(2.3)**
Amortisation of right-of-use asset	**53.0**	**24.5**	**77.5**
Amortisation of intangible assets	**15.5**	**2.4**	**17.9**

Other segment items:	Retail £m	Car Servicing £m	52 weeks to 2 April 2022 Total £m
Capital expenditure	31.1	18.1	49.2
Depreciation and impairment expense	13.1	7.2	20.3
Impairment of right-of-use asset	–	–	–
Amortisation of right-of-use asset	54.1	15.8	69.9
Amortisation of intangible assets	14.2	1.6	15.8

There have been no significant transactions between segments in the 52 weeks ended 31 March 2023 (2022: £nil).

2. Operating Expenses

For the period	52 weeks to 31 March 2023 £m	52 weeks to 1 April 2022 £m
Selling and distribution costs	**590.6**	472.6
Administrative expenses, before non-underlying items	**131.1**	148.0
Non-underlying administrative expenses (See Note 5)	**8.0**	(6.8)
Administrative expenses	**139.1**	141.2
Operating expenses	**729.7**	613.8

3. Operating Profit

For the period	52 weeks to 31 March 2023 £m	52 weeks to 1 April 2022 £m
Operating profit is arrived at after charging/(crediting) the following expenses/(incomes) as categorised by nature:		
Expenses relating to leases of low-value assets, excluding short-term lease of low-value assets	**2.0**	1.6
Expenses relating to short-term leases	**4.8**	8.8
Rentals receivable under operating leases	**(2.6)**	(2.6)
Landlord surrender premiums	**(1.0)**	(0.8)
Loss on disposal of property, plant and equipment, and intangibles	**1.7**	1.8
Amortisation of intangible assets	**17.9**	15.8
Amortisation of right-of-use assets	**77.5**	69.6
Depreciation of owned property, plant and equipment	**28.1**	20.6
Impairment of:		
– owned property, plant and equipment	**1.2**	(0.3)
– right-of-use assets	**(2.3)**	–
Trade receivables impairment	**(0.3)**	0.1
Staff costs (see Note 4)	**359.1**	319.5
Cost of inventories consumed in cost of sales	**792.5**	655.0

3. Operating Profit continued

The total fees payable by the Group to BDO LLP and their associates during the period was £1.7m (2022: £1m), in respect of the services detailed below:

For the period	52 weeks to 31 March 2023 £'000	52 weeks to 1 April 2022 £'000
Fees payable for the audit of the Company's accounts	65.0	55.0
Fees payable to BDO LLP and their associates for other services:		
The audit of the Company's subsidiary undertakings, pursuant to legislation	1,398.0	849.0
Audit-related assurance services	235.0	115.0
	1,698.0	1,019.0

4. Staff Costs

For the period	52 weeks to 31 March 2023 £m	52 weeks to 1 April 2022 £m
The aggregated remuneration of all employees including Directors comprised:		
Wages and salaries	324.5	288.2
Redundancies included in non-underlying items	1.9	0.3
Social security costs	25.6	23.1
Equity settled share-based payment transactions (Note 23)	2.4	7.8
Contributions to defined contribution plans (Note 25)	10.1	6.7
	364.5	326.1

Staff costs recognised within intangible asset additions in the period totalled £5.4m (2022: £6.6m).

	Number	Number
Average number of persons employed by the Group, including Directors, during the period:		
Stores/Autocentres	10,674	9,959
Central warehousing	794	633
Support Centre	1,433	920
	12,901	11,512

Staff cost allocation changed during FY23 following a business reorganisation, such that more staff were allocated to the support centre than in previous years.

Key Management Compensation

For the period	52 weeks to 31 March 2023 £m	52 weeks to 1 April 2022 £m
Salaries and short-term benefits	3.2	6.6
Social security costs	0.6	0.9
Pensions	0.2	0.3
Share-based payment charge	2.4	3.8
	6.4	11.6

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 Directors' Remuneration Report on pages 128 to 152, which form part of these financial statements.

Notes to the Financial Statements

5. Non-underlying Items

For the period	52 weeks to 31 March 2023 £m	52 weeks to 1 April 2022 £m
Non-underlying operating expenses:		
Organisational restructure costs (a)	**6.3**	1.1
Acquisition and investment-related fee (b)	**1.9**	2.8
Provision for expected settlement of an ongoing legal case (c)	**–**	(2.2)
Closure costs (d)	**(0.2)**	(8.5)
Non-underlying items before tax	**8.0**	(6.8)
Tax on non-underlying items (e)	**(1.1)**	1.7
Non-underlying items after tax	**6.9**	(5.1)

a. In the current and prior period, separate and unrelated organisational restructuring activities were undertaken. In FY22, a strategic redesign of the in-store operating model was undertaken to better meet our customers' expectations and deliver a consistent shopping experience across our estate. In FY23, the group have undertaken a restructure of the support centre.

Costs in relation to the organisational restructuring activities are made up of: redundancy costs of £3.1m (PY: £0.3m), £1.6m (PY: £0.8m) for the replacement of the WMS system, £0.4m (PY: £nil) relating to our master data management system and £1.2m for the new system and financial dual running costs inccurred in the integration of National Tyre. These costs are not part of recurring business and therefore, have been deemed non-underlying expenses.

b. In the current and prior periods, costs were incurred in relation to the investments in National Tyre, Iverson, HaveBike, and Universal.
- £1.9m costs incurred (PY: £2.5m) relating to professional fees in respect of acquisition of National Tyre and Lodge Tyre;
- In FY22 £0.2m related to the acquisition of trade and assets of both Iverson and HaveBike;
- In FY22 £0.1m related to the acquisition of Universal.

c. During the prior period the HMRC audit into National Minimum Wage was concluded and fully settled and paid, this led to a final release of the provision of £2.2m.

d. In the current year, £3.6m of closure costs were recognised representing the costs associated with the closure of a number of garages across Autocentres after a review of the garage portfolio post-acquisition of National Tyre. In FY22 closure costs were recognised relating to the closure of a number of stores and garages following a strategic review of the profitability of the physical estate. The provision related to the impairment of right-of-use assets and tangible assets and property costs as well as ongoing onerous commitments under the lease agreements and other costs associated with the property exits. We continue to utilise the provision in the current year but have also had a release of £3.8m (PY: £8.5m) as a result of a £2.3m impairment reversal and a £1.5m change in lease terms.

e. The tax charge of £1.1m represents a tax rate of 13.8% applied to non-underlying items. The prior period represents a tax credit at 13.6% applied to non-underlying items.

6. Finance Income and Costs

Recognised in profit or loss for the period	52 weeks to 31 March 2023 £m	52 weeks to 1 April 2022 £m
Finance costs:		
Bank borrowings	**(1.4)**	(0.1)
Amortisation of issue costs on loans	**(0.8)**	(0.7)
Commitment and guarantee fees	**(1.1)**	(1.5)
Interest payable on lease liabilities	**(8.8)**	(9.0)
Finance costs	**(12.1)**	(11.3)

7. Taxation

Amounts recognised through the Income Statement

For the period	52 weeks to 31 March 2023 £m	52 weeks to 1 April 2022 £m
Current taxation		
UK corporation tax charge for the period	**8.3**	15.9
Adjustment in respect of prior periods	**1.0**	(0.4)
	9.3	15.5
Deferred taxation		
Origination and reversal of temporary differences	**1.2**	3.4
Effect of changes in tax rates	**0.3**	(1.7)
Adjustment in respect of prior periods	**(1.3)**	1.7
	0.2	3.4
Total tax charge for the period	**9.5**	18.9

Amounts recognised through Other Comprehensive Income

For the period	52 weeks to 31 March 2023 £m	52 weeks to 1 April 2022 £m
Deferred taxation		
Origination and reversal of temporary differences	**(1.1)**	1.2
Adjustment in respect of prior periods	**–**	0.1
Total tax (credit)/charge to OCI for the period	**(1.1)**	1.3

Amounts recognised directly in Equity

For the period	52 weeks to 31 March 2023 £m	52 weeks to 1 April 2022 £m
Deferred taxation		
Origination and reversal of temporary differences	**0.9**	(0.4)
Total tax recognised directly in Equity	**0.9**	(0.4)

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 31 March 2023 £m	52 weeks to 1 April 2022 £m
Profit before tax	**43.5**	96.6
UK corporation tax at standard rate of 19% (2022: 19%)	**8.3**	18.4
Factors affecting the charge for the period:		
Depreciation on expenditure not eligible for tax relief	**0.6**	0.3
Impact of super deduction capital allowances uplift	**(0.7)**	(1.3)
Employee share options	**0.8**	1.5
Other disallowable expenses	**0.8**	0.8
Adjustment in respect of prior periods	**(0.3)**	1.3
Impact of overseas tax rates	**(0.3)**	(0.3)
Impact of change in tax rate on deferred tax balance	**0.3**	(1.8)
Total tax charge for the period	**9.5**	18.9

An increase to the main rate of corporation tax to 25% from 1 April 2023 was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly. The deferred tax asset at 31 March 2023 has been calculated based on the rate of 25% substantively enacted at the balance sheet date.

Notes to the Financial Statements

7. Taxation continued

The effective tax rate of 21.9% (2022: 19.5%) is higher than the UK corporation tax rate principally due to the impact of current and deferred tax on employee share options and non-deductible expenditure on business acquisitions.

The tax charge for the period was £9.5m (2022: £18.9m), including a £1.1m credit (2022: £1.7m charge) in respect of tax on non-recurring items.

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

In this period, the Group's contribution to the UK Exchequer from both taxes paid and collected exceeded £261m (2022: £232m) with the main taxes including corporation tax £4.7m (2022: £12.3m), net VAT £114.8m (2022: £116.9m), employment taxes of £94.2m (2022: £69.5m) and business rates £39.2m (2022: £25.3m).

At 31 March 2023, the Group has unused tax losses of £57.4m (2022: £62.6m) and fixed asset temporary differences of £36.7m (2022: £36.7m) available for offset against future profits. A deferred tax asset has been recognised in respect of £23.7m (2022: £28.9m) of the losses and £36.7m (2022: £36.7m) of the fixed asset temporary difference where management considers it probable there will be future taxable profits available for offset. The net impact of this recognition is a deferred tax asset of £5.9m in relation to losses and £9.2m in relation to fixed asset temporary differences.

No deferred tax asset has been recognised in respect of the remaining £35.3m (2022: £33.7m) which materially relates to 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 £8.8m. These losses may be carried forward indefinitely.

8. Dividends

For the period	**52 weeks to 31 March 2023 £m**	52 weeks to 1 April 2022 £m
Equity – ordinary shares		
Final for the 52 weeks to 1 April 2022 – paid 6.0p per share (52 weeks to 2 April 2021: 5.0p)	**13.0**	9.9
Interim for the 52 weeks to 31 March 2023 – paid 3.0p per share (52 weeks to 1 April 2022: 3.0p)	**6.5**	6.6
	19.5	16.5

In addition, the Directors are proposing a final dividend in respect of the financial period ended 31 March 2023 of 7.0p per share (2022: 6.0p per share), which will absorb an estimated £15.3m (2022: £13.0m) of shareholders' funds. It will be paid on 15 September 2023 to shareholders who are on the register of members on 11 August 2023.

9. Earnings Per Share

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

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the 52 weeks to 31 March 2023.

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 31 March 2023 Number of shares m**	52 weeks to 1 April 2022 Number of shares m
Weighted average number of shares in issue	**218.9**	205.7
Less: shares held by the Employee Benefit Trust (weighted average)	**(1.5)**	(1.0)
Weighted average number of shares for calculating basic earnings per share	**217.4**	204.7
Weighted average number of dilutive shares	**10.0**	9.0
Total number of shares for calculating diluted earnings Per Share	**227.4**	213.7

9. Earnings Per Share continued

For the period	52 weeks to 31 March 2023 £m	52 weeks to 1 April 2022 £m
Basic earnings attributable to equity shareholders	**34.0**	77.7
Non-underlying items (see Note 5):		
Operating expenses	**8.0**	(6.8)
Finance costs	**–**	–
Tax on non-underlying items	**(1.1)**	1.7
Underlying earnings before non-underlying items	**40.9**	72.6

For the period	52 weeks to 31 March 2023	52 weeks to 1 April 2022
Basic earnings per ordinary share	**15.6p**	37.9p
Diluted earnings per ordinary share	**15.0p**	36.4p
Basic earnings per ordinary share before non-underlying items	**18.8p**	35.5p
Diluted earnings per ordinary share before non-underlying items	**18.0p**	34.0p

10. Acquisition of Subsidiaries

Lodge Tyre Acquisition

On 4 October 2022, the Group acquired 100% of the issued share capital of LTC Trading Holdings Limited ("Lodge Tyre") and its subsidiary companies (see page 208) for a initial consideration of £33.5m (excluding transaction costs). Lodge Tyre comprises over 50 garages and a fleet of vans, which provide support for retail and B2B customers, with centres across central England.

The principle reason for the acquisition was to build on the already successful Commercial Fleet Services business operated via our McConechy's and Universal operations and significantly increase our coverage across Britain.

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).

	Book value £m	Fair value adjustment £m	IFRS 16 adjustment £m	Final fair value £m
The LTC Trading Holdings net assets at the acquisition date				
Intangible assets	–	13.9	–	13.9
Tangible assets	3.8	–	–	3.8
Right-of-use asset	–	–	6.3	6.3
Inventories	9.0	–	–	9.0
Trade and other receivables	19.0	–	–	19.0
Cash	0.3	–	–	0.3
Trade and other payables	(20.1)	–	–	(20.1)
Lease liability	–	–	(6.3)	(6.3)
Borrowings	(1.7)	–	–	(1.7)
Other taxation and social security	(1.0)	–	–	(1.0)
Current tax liabilities	(0.3)	–	–	(0.3)
Provisions	(0.5)	–	–	(0.5)
Deferred tax liability	(0.3)	(3.5)	–	(3.8)
Total	8.2	10.4	–	18.6

Notes to the Financial Statements

10. Acquisition of Subsidiaries continued

Goodwill

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

	£m
Initial consideration (£33.5m net cash, £0.9m owing to sellers at year end)	33.5
FV of contingent consideration (payable March 2024)	3.2
Less fair value of identifiable (assets)/liabilities	(18.6)
Goodwill	**18.1**
Intangible assets:	
Customer relationships	12.1
Brand names	1.8
Total	**13.9**

None of the goodwill acquired is expected to be deductible for income tax purposes. The goodwill constitutes the acquisition of customer relationships.

The Lodge businesses contributed £44.0m revenue, £3.6m of EBITDA and £2.0m of underlying profit before tax, for the period between the date of acquisition and the balance sheet date.

If the acquisition of the Lodge business had been completed on the first day of the financial year, Group revenues for the period would have been £48m higher and Group EBITDA would have been £3.3m higher (before amortisation of intangible assets arising on consolidation).

Acquisition costs of £1.4m arose as a result of the transaction. These have been recognised as part of non-underlying costs in the consolidated income statement (see Note 5).

11. Intangible Assets

	Brand names and trademarks £m	Customer relationships £m	Supplier relationships £m	Computer software £m	Goodwill £m	Total £m
Cost						
At 2 April 2021	11.5	16.9	9.4	87.7	374.4	499.9
Additions	–	–	–	21.4	0.6	22.0
Additions from acquisitions	0.8	6.2	–	–	31.0	38.0
Disposals	–	–	–	(0.8)	–	(0.8)
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**
Amortisation						
At 2 April 2021	5.1	12.7	2.4	59.7	21.7	101.6
Charge for the period	0.8	0.9	0.7	13.4	–	15.8
Disposals	–	–	–	(0.7)	–	(0.7)
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**
Net book value at 31 March 2023	**7.2**	**19.9**	**5.6**	**46.2**	**403.0**	**481.9**
Net book value at 1 April 2022	6.4	9.5	6.3	35.9	384.3	442.4

11. Intangible Assets continued

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	31st August 2022
Tredz Limited and Wheelies Direct Limited	9.5	23rd May 2016
Boardman Bikes Limited and Boardman International Limited	10.7	4th June 2014
Total for Retail CGU	**273.3**	

2) Car Servicing

In FY23 an additional £0.3m of goodwill has been recognised for the Axle Group as the balances initially disclosed as part of the acquired net assets were reviewed under the terms of IFRS 3, Business Combinations. As part of this review, four areas were identified where assets and liabilities, provisionally, recognised should have been adjusted based on information gathered by management within the initial 12-month period post acquisition.

The table below shows the split of goodwill in the Car Servicing CGU, which relates to a portfolio of garages and fleet vans across the United Kingdom.

Company Goodwill related to	Amount	Acquired
LTC Trading Holding	18.1	4th October 2022
APT Tyre Distributors Limited	0.3	11th May 2022
Axle Group	31.3	9th December 2021
Iverson Tyres Limited	0.6	1st December 2021
The Universal Tyre Company (Deptford) Limited	2.1	15th April 2021
McConechy's	6.9	5th November 2019
Victor Holdings Limited (Tyres on the Drive)	0.7	14th October 2019
Nationwide Autocentres	69.7	17th February 2010
Total for Car Servicing CGU	**129.7**	

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 Car Servicing. 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 operation of the CGU. 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 approved by the Board for the basis of the impairment reviews. This was based on small like-for-like growth within retail and car servicing of 2.4%, including the impact of acquisitions made in the current period. Cash outflows required to replace leased assets, which are essential to the ongoing operation of the CGU, were also considered and the estimates were informed by the Group's recent lease negotiations. Management has considered other reasonably possible changes in key assumptions that would cause the carrying amounts of goodwill to exceed the value in use for the retail and car servicing groups of CGUs.

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 car servicing 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	2023	2022
Discount rate	1	**10.9%**	10.1%
Growth rate	2	**1.0%**	1.0%

Notes:

1 Pre-tax discount rate applied to the cash flow projections.

2 Growth rate used to extrapolate cash flows beyond the five-year budget period.

Notes to the Financial Statements

11. Intangible assets continued

Sensitivity analysis on the key assumptions in the value-in-use calculations has been undertaken, this found that there is a more than adequate amount of headroom before an impairment would be triggered. For Retail and Car Servicing, there is no reasonably possible change in key assumptions, including those relating to future sales performance and future costs, that would lead to an impairment. 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 and, due to the maturity of the business, it is not deemed reasonable that these would move further. Further stress testing also took place, which showed EBIT and, thus, sales would need to move by a significant percentage before an impairment would be triggered. Management did not believe this percentage movement was likely. Results of this sensitivity analysis are shown below:

	Retail 2023 £m	Car Servicing 2023 £m
Original headroom	**225.3**	**165.3**
Headroom using a discount rate increased by 1%	**138.6**	**107.6**
Headroom using a terminal growth rate decreased by 1%	**105.3**	**95.4**
Headroom using a combined 1% decrease in terminal growth rate and 1% increase in discount rate	**47.7**	**54.7**

In addition to the sensitivity testing performed, management have performed a stress test, which shows EBIT year on year would need to decrease by 32.9% within Retail and 27.9% within Autocentres before an impairment issue would be triggered. This is considered unlikely.

Based on the analysis summarised above, the Directors were satisfied that no reasonably possible change in key assumptions would lead to an impairment; the Directors have concluded that the recoverable value of the Group's CGUs exceeded their carrying amount.

12. Property, Plant and Equipment

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
Cost			
At 2 April 2021	72.6	271.6	344.2
Additions	5.8	21.4	27.2
Additions from acquisitions	5.8	9.5	15.3
Disposals	(0.5)	(3.8)	(4.3)
At 1 April 2022	83.7	298.7	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	**88.0**	**310.4**	**398.4**
Depreciation			
At 2 April 2021	51.8	211.1	262.9
Depreciation for the period	4.0	16.6	20.6
Impairment reversal	–	(0.3)	(0.3)
Disposals	–	(2.5)	(2.5)
At 1 April 2022	55.8	224.9	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	**59.3**	**241.3**	**300.6**
Net book value at 31 March 2023	**28.7**	**69.1**	**97.8**
Net book value at 1 April 2022	27.9	73.8	101.7

No fixed assets are held as security for external borrowings.

13. 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.

i) Amounts recognised in Consolidated Statement of Financial Position
Right-of-Use Assets

	Land and buildings £m	Equipment £m	Total £m
At 2 April 2021	**279.9**	**2.9**	**282.8**
Additions on acquisition of subsidiary	82.0	–	82.0
Additions to right-of-use assets	44.6	5.0	49.6
Amortisation charge for the year	(66.4)	(3.5)	(69.9)
Effect of modification of lease	6.8	0.4	7.2
Derecognition of right-of-use assets	(1.3)	(0.2)	(1.5)
Impairment	–	–	–
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	2.3	–	2.3
At 31 March 2023	**304.8**	**7.8**	**312.6**

The impairment reversal of £2.3m relates to previously impaired properties which have now been sub-let and therefore a partial reinstatement to the ROU asset has been made. The total impairment charge is in non-underlying items.

Lease Liabilities

	Land and buildings £m	Equipment £m	Total £m
At 2 April 2021	**340.6**	**3.7**	**344.3**
Additions on acquisition of subsidiary	73.2	–	73.2
Additions to lease liabilities	44.6	4.9	49.5
Interest expense	8.8	0.2	9.0
Effect of modification to lease	6.8	0.4	7.2
Lease payments	(81.7)	(3.3)	(85.0)
Disposals to lease liabilities	(7.0)		(7.0)
Foreign exchange movements	(0.2)	–	(0.2)
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**

Carrying value of lease liabilities included in the statement of financial position	**31 March 2023 £m**	1 April 2022 £m
Current liabilities	**77.6**	74.5
Non-current liabilities	**269.3**	316.5

Notes to the Financial Statements

13. Leases continued

Lease Liabilities	31 March 2023 £m	1 April 2022 £m
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**85.0**	81.2
Between one and two years	**80.9**	80.5
Between two and three years	**67.1**	72.7
Between three and four years	**45.2**	59.4
Between four and five years	**30.3**	39.0
Between five and six years	**20.3**	26.9
Between six and seven years	**14.0**	18.7
Between seven and eight years	**11.8**	12.7
Between eight and nine years	**9.3**	10.7
Between nine and ten years	**6.0**	8.2
After ten years	**3.6**	9.0
Total contractual cash flows	**373.5**	419.0

ii) Amounts recognised in Consolidated Income Statement

	Land and buildings £m	Equipment £m	Total £m
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
52 weeks ended 1 April 2022			
Amortisation charge on right-of-use assets	66.4	3.5	69.9
Interest on lease liabilities	8.8	0.2	9.0
Expenses relating to short-term leases	6.8	–	6.8
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	–	1.6	1.6

iii) Amounts recognised in Consolidated Statement of Cash Flows

The total cash outflow for leases in the period ended 31 March 2023 was £89.3m (2022: £85.0m).

14. Inventories

	2023 £m	2022 £m
Finished goods for resale	**256.2**	222.1

Finished goods inventories include £13.4m (2022: £17.2m) of provisions to carry inventories at net realisable value where such value is lower than cost. During the period, £3.4m of inventory provisions were released (2022: £1.4m).

During the period, £4.7m was recognised as an expense in respect of the write down of inventories (2022: £7.5m) to net realisable value. No inventories are held as security for external borrowings.

Goods bought for resale recognised as a cost of sale amounted to £792.5m (2022: £655.0m).

Inventories at 31 March 2023 include a right to recover returned goods amounting to £1.9m (2022: £2.0m). These are measured by reference to the former carrying amount of the sold inventories.

15. Trade and Other Receivables

	2023 £m	2022* £m
Falling due within one year:		
Trade receivables	**64.1**	35.4
Less: provision for impairment of receivables	**(0.5)**	(0.8)
Trade receivables – net	**63.6**	34.6
Other receivables	**31.1**	18.4
Accrued income	**33.2**	27.9
Prepayments	**16.7**	11.7
	144.6	92.6

*Prior period restated - See Note 29 for details.

Information about the Group's exposure to credit and market risks and impairment losses for trade and other receivables is included in Note 21.

Accrued income at 31 March 2023 includes £29.7m (2022: 27.2m) relating to supplier income.

Included in Other receivables in FY23 is an amount of £0.8m relating to a supplier financing arrangement.

16. Cash and cash equivalents

	2023 £m	2022 £m
Cash at bank and in hand	**41.9**	46.3

The Group's banking arrangements are subject to a netting facility whereby credit balances may be offset against the indebtedness of certain other Group companies. £3.1m (31 March: £4.5m) of the Group's cash and cash equivalents included in the balance sheet and the cash flow statement is held by the trustee of the Group's employee benefit trust, in relation to the share scheme for employees (£2.4m) and 'Here to Help' fund (£0.7m). Therefore, these funds are restricted and are not available to circulate within the Group on demand.

17. Borrowings

	2023 £m	2022 £m
Current		
Unsecured bank overdraft	**9.7**	0.2
Lease liabilities	**77.6**	74.5
	87.3	74.7
Non-current		
Drawdown on RCF	**34.0**	–
Lease liabilities	**269.3**	316.5
	303.3	316.5

The Group's borrowing facility is a three-year £160m revolving credit facility, with a £20.0m overdraft, which began on 4 December 2020, with two options to extend by a further year. During the period, this was extended with expiry date now 4 December 2025. 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.

Significant headroom exists on both financial covenants contained within the banking arrangement. The Group's financial covenants are calculated on a pre-IFRS 16 basis.

	2023	2022
Interest payable to EBITDAR >1.5	**2.2**	2.7
Net borrowings to EBITDA <3.0	**0.1**	(0.3)

Notes to the Financial Statements

17. 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:

	2023 £m	2022 £m
Expiring within 1 year	–	20.0
Expiring between 1 and 2 years	–	–
Expiring between 2 and 5 years	180.0	160.0
	180.0	180.0

The facility of £180.0m (2022: £180.0m) relates to the Group's revolving credit facility. £20.0m of this balance is the overdraft on the revolving credit facility . All these facilities incurred commitment fees at market rates.

18. Trade and other payables

	2023 £m	2022* £m
Current liabilities		
Trade payables	225.4	177.6
Other taxation and social security payable	34.1	33.3
Other payables	16.2	16.8
Accruals and other deferred income	79.3	71.9
	355.0	299.6
Non-current liabilities		
Accruals and other deferred income	3.5	4.9
	3.5	4.9

*Prior period restated - See Note 29 for details.

Trade and other payables at 31 March 2023 includes £7.8m (2022: £7.2m) of deferred income in relation to product warranties, and service and repair plans, of which £4.3m (2022: £3.6m) is in current liabilities and £3.5m (2022: £3.6m) is in non-current liabilities.

19. Provisions

	Property related £m	Other trading £m	Non trading £m	Total £m
At 1 April 2022	20.5	6.4	–	26.9
Additions from acquisitions	0.5	–	–	0.5
Charged during the period	4.3	0.6	–	4.9
Utilised during the period	(4.4)	(0.9)	–	(5.3)
Released during the period	(0.5)	(0.4)	–	(0.9)
At 31 March 2023	**20.4**	**5.7**	**–**	**26.1**
Analysed as:				
Current liabilities	6.3	4.9	–	11.2
Non-current liabilities	14.1	0.8	–	14.9

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. Of the £4.3m charged to P&L in FY23, £2.9m is within non-underlying items. The property-related provisions will be utilised over the average remaining lease term of 2.9 years.

Other trading provisions comprise a sales returns provision and an employer/product liability provision (of which £0.8m is expected to be realised in >12 months).

20. 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	Total £m
At 2 April 2021	11.2	1.7	3.2	(3.8)	–	12.3
(Charge)/Credit to the income statement	(3.6)	0.5	0.5	(0.8)	–	(3.4)
Charge to other comprehensive income	–	(1.3)	–	–	–	(1.3)
Acquisition of subsidiary	1.8	(0.4)	–	(1.6)	6.9	6.7
Credit to Equity	–	–	0.4	–	–	0.4
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**

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:

	31 March 2023 £m	1 April 2022 £m
Deferred tax assets	**23.0**	26.8
Deferred tax liabilities	**(12.1)**	(12.1)
	10.9	14.7

21. 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 17.

Notes to the Financial Statements

21. Financial Instruments and Related Disclosures continued

b. Accounting Classifications and Fair Value

31 March 2023	Note	Carrying amount Fair value – hedging instruments £m	Mandatorily at FVTPL – others £m	FVOCI – equity 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*	**15**	**–**	**–**	**–**	**94.7**	**–**	**94.7**
Cash and cash equivalents	**16**	**–**	**–**	**–**	**41.9**	**–**	**41.9**
		–	**–**	**–**	**136.6**	**–**	**136.6**
Financial liabilities measured at fair value							
Forward exchange contracts used for hedging		**4.1**	**–**	**–**	**–**	**–**	**4.1**
		4.1	**–**	**–**	**–**	**–**	**4.1**
Financial liabilities not measured at fair value							
Borrowings	**17**	**–**	**–**	**–**	**–**	**(43.7)**	**(43.7)**
Lease liabilities	**17**	**–**	**–**	**–**	**–**	**(346.9)**	**(346.9)**
Trade and other payables**	**18**	**–**	**–**	**–**	**–**	**(225.4)**	**(225.4)**
		–	**–**	**–**	**–**	**(616.0)**	**(616.0)**

*Prepayments of £21.2m and accrued income of £29.7m 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.

1 April 2022	Note	Carrying amount Fair value – hedging instruments £m	Mandatorily at FVTPL – others £m	FVOCI – equity 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		4.2	–	–	–	–	4.2
		4.2	–	–	–	–	4.2
Financial assets not measured at fair value							
Trade and other receivables*	15	–	–	–	67.5	–	67.5
Cash and cash equivalents	16	–	–	–	46.3	–	46.3
		–	–	–	113.8	–	113.8
Financial liabilities measured at fair value							
Forward exchange contracts used for hedging		0.5	–	–	–	–	0.5
		0.5	–	–	–	–	0.5
Financial liabilities not measured at fair value							
Borrowings	17	–	–	–	(0.2)	–	(0.2)
Lease liabilities	17	–	–	–	–	(391.0)	(391.0)
Trade and other payables**	18	–	–	–	–	(242.7)	(242.7)
		–	–	–	–	(633.7)	(633.9)

*Prepayments and accrued income of £25.1m are not included as a financial asset.

**Other taxation and social security payables of £33.3m, deferred income of £7.2m and other payables of £16.8m are not included as a financial liability.

21. Financial Instruments and Related Disclosures continued

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.

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.

Notes to the Financial Statements

21. Financial Instruments and Related Disclosures continued

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 £158.7m (2022: £118.0m).

Impairment losses on financial assets recognised in profit or loss were as follows:

£m	**52 weeks to 31 March 2023**	52 weeks to 1 April 2022
Impairment loss on trade and other receivables	**(0.3)**	0.1
Impairment loss on cash and cash equivalents	**–**	–
	(0.3)	0.1

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 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 £0.3m decrease.

Cash and cash equivalents
The Group held cash and cash equivalents of £41.9m at 31 March 2023 (2022: £46.3m). The cash and cash equivalents are held with bank and financial institution counterparties, which are designated "A-" by Standard & Poor and Fitch and A2 or better by Moody's. The Group does not consider there to be any impairment loss in respect of these balances (2022: £nil).

Derivatives
The derivatives are entered into with bank and financial institutions counterparties which are designated at least BBB by Standard & Poor and Fitch and Baa3 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 with increasing direct-sourced purchases from its suppliers in the Far East and 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 31 March 2023, 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.

21. Financial Instruments and Related Disclosures continued

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**

At 1 April 2022, 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)	76.8	31.4	4.5
Average GBP:USD forward contract rate	1.3578	1.3423	1.3389

The amounts at the reporting date relating to items designated as hedged items were as follows:

Forward currency risk	**Cash flow hedge reserve £m**	**Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied £m**
At 31 March 2023		
Inventory purchases	**(2.1)**	**–**
At 1 April 2022		
Inventory purchases	2.2	–

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

	31 March 2023		1 April 2022	
	USD £m	**Other £m**	USD £m	Other £m
Cash and cash equivalents	**2.3**	**1.8**	1.1	5.2
Trade and other payables	**(23.3)**	**(1.2)**	(24.3)	(0.7)
Total	**(21.0)**	**0.6**	(23.2)	4.5

The table below shows the Group's sensitivity to foreign exchange rates on its US dollar financial instruments, the major currency in which the Group's derivatives are denominated.

	2023 Increase/ (decrease) in equity £m	2022 Increase/ (decrease) in equity £m
10% appreciation of Sterling against the US dollar	**13.0**	12.9
10% depreciation of Sterling against the US dollar	**(10.7)**	(10.6)

A strengthening/weakening of Sterling, as indicated, against the USD at 1 April 2023 would have (decreased)/increased equity and profit or loss by the amounts shown above. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

The movements in equity relate to the fair value movements on the Group's forward contracts that are used to hedge future stock purchases.

Notes to the Financial Statements

21. Financial Instruments and Related Disclosures continued

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 £0.2m (2022: £nil).

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 31 March 2023 (2022: net cash).

Pension liability risk
The Group has no association with any defined-benefit pension scheme and, therefore, carries no deferred, current or future liabilities in respect of such a scheme. The Group operates a number of Group Personal Pension Plans for colleagues.

Liquidity risk
The Group ensures that it has sufficient cash or loan facilities to meet all its commitments when they fall due by ensuring that there is sufficient cash or working capital facilities to meet the cash requirements of the Group for the current Business Plan. The minimum liquidity level is currently set at £30m, such that under Treasury Policy the maximum drawings would be £150m of the £180m available facility, to include the Overdraft Facility of £20m.

The process to manage the risk is to ensure there are contracts in place for key suppliers, detailing the payment terms, and for providers of debt, the Group ensured that such counterparties used for credit transactions held at least an investment grade credit rating at the time of the refinancing (December 2020). The Group may, subject to Board approval in any and every such incidence, allow a counterparty to have a credit rating of less than investment grade at the time of signing the facilities on the basis that the counterparty only has a junior role in the debt syndicate and has zero ancillary business until if/when its credit rating is designated A-. At the year 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 Head of Treasury reviews credit exposure on a daily basis.

The risk is measured through review of forecast liquidity each month 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 significant breaches, which would lead to an "Event of Default". Calculations are submitted biannually to the Group banking agent. There have been no breaches of covenants during the reported periods.

The contractual maturities of lease liabilities are disclosed in Note 13. 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 31 March 2023 (prior year: 1 April 2022).

	2023 Receivables £m	**2023** Payables £m	2022 Receivables £m	2022 Payables £m
Due less than one year	**29.0**	**85.8**	130.6	13.0
Due between 1 and 2 years	**–**	**12.3**	12.2	3.8
Contractual cash flows	**29.0**	**98.1**	142.8	16.8
Fair value of derivatives	**1.1**	**(4.1)**	4.2	(0.5)

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

22. Capital and Reserves

Ordinary shares of 1p each:	2023 Number of shares	2023 £'000	2022 Number of shares	2022 £'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 the prior period, the parent company issued 19,812,104 new Ordinary Shares with a par value of 1p per share on 6 December 2021.

Proceeds from the share issue net of transaction costs totalling £nil were recognised within Share Premium in the current period (2022: £61.4m net of transaction costs of £1.8m), with total Share Premium at 31 March 2023 of £212.4m (2022: £212.4m).

In total, the Company received proceeds of £0.4m (2022: £1.4m) from the exercise of share options. During the year, the Company purchased £1.5m (2022: £3.0m) of its own shares.

Investment in Own Shares

At 31 March 2023, the Company held in Trust 973,212 (2022: 1,460,702) of its own shares with a nominal value of £9,732 (2022: £14,607). 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 31 March 2023 was £1.7m (2022: £3.8m). In the current period, 1,000,000 (2022: 1,036,147) were repurchased and transferred into the Trust, with 1,478,490 (2022: 1,208,087) reissued on exercise of share options.

Other Reserves

Capital Redemption Reserve

The capital redemption reserve has arisen following the purchase by the Company of its own shares and comprises the amount by which the distributable profits were reduced on these transactions in accordance with the Companies Act 2006.

Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

23. 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 £2.4m (2022: £7.8m).

1. Halfords Company Share Option Scheme

The CSOS was introduced in June 2004 and the Company has 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 will become exercisable on the third anniversary of the date of grant, subject to the achievement of a three-year performance condition. For grants up to 150% of basic salary, the options can only be exercised if the increase in earnings per share ("EPS") over the period is not less than the increase in the Retail Price Index ("RPI") plus 3.5% per year. In the case of grants in excess of 150% of basic salary, the excess can only be exercised in full if the increase is not less than RPI plus 10% per year. Exercise of an option is subject to continued employment.

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

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.

Notes to the Financial Statements

23. Share-based Payments continued

3. Halfords Sharesave Scheme

The SAYE is open to all employees with eligible employment service. Options may be exercised under the scheme if the option holder completes 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 that 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.

4. Performance Share Plan

The introduction of a Performance Share Plan ("PSP") was approved at the Annual General Meeting in August 2005 awarding the Executive Directors and certain senior management conditional rights to receive shares. Annual schemes have been approved for each year from 2005.

For 2009 awards onwards, the Committee has recommended the reinvestment of dividends earned on award shares, as such dividend shares are awarded in proportion to the vesting of the original award shares. The shares awarded under the Performance Share Plan ("PSP") in 2016 and 2017 earned final dividends of 6.0p per share and were reinvested in shares at a cost of £1.55 per share. Shares awarded in 2016, 2017 and 2018 under the PSP-earned interim dividends of 3.0p per share and were reinvested in shares at a cost of £1.81 per share.

For the 2018 & 2019 schemes, the PSP performance criteria is weighted 50% towards Group EPS growth, 25% towards Group revenue growth and 25% towards Group Free Cash Flow. The 2020 PSP scheme performance criteria is weighted 20% towards Group EPS growth, 30% towards Group Free Cash Flow, 10% towards Group service-related sales and 40% towards total shareholder return. The awards will be underpinned by the Remuneration Committee determining whether, in its opinion, the extent to which the performance conditions have been satisfied is a genuine reflection of the Company's underlying financial performance and has generated value for Company's shareholders over the performance period, and by a net debt to EBITDA ratio no greater than 1.5 throughout the three-year performance period. The 2021 and 2022 scheme performance criteria are weighted 50% towards Group EPS growth, 20% towards Group services-related sales, and 30% towards total shareholder return.

For the 2018 & 2019 schemes, other senior participants' conditions are 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 the 2020 scheme, onwards, 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 Executives' 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.

For the period ended 31 March 2023	**CSOS Number ('000)**	**WAEP (£)**	**MSP Number ('000)**	**WAEP (£)**	**SAYE Number ('000)**	**WAEP (£)**	**PSP Number ('000)**	**WAEP (£)**
Outstanding at start of year	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 year	240	3.71	2,297	2.05	8,267	1.28	8,160	–
Exercisable at end of year	–	–	–	–	–	–	–	–
Exercise price range (£)	–	3.71	–	–	–	1.16-1.79	–	–
Weighted average remaining contractual life (years)	–	0.3	–	8.4	–	1.7	–	7.9

23. Share based Payments continued

For the period ended 1 April 2022	CSOS Number ('000)	WAEP (£)	MSP Number ('000)	WAEP (£)	SAYE Number ('000)	WAEP (£)	PSP Number ('000)	WAEP (£)
Outstanding at start of year	690	3.71	1,677	1.95	7,247	1.45	5,248	–
Granted	–	–	596	2.92	630	1.79	1,644	–
Shares representing dividends reinvested	–	–	–	–	–	–	112	–
Forfeited					(288)	1.51	(193)	–
Exercised	(156)	3.71	(227)	2.66	(320)	2.10	(505)	–
Lapsed	(152)	3.71	(299)	1.96	(790)	1.50	–	–
Outstanding at end of year	382	3.71	1,747	2.28	6,479	1.44	6,306	–
Exercisable at end of year	–	–	–	–	–	–	–	–
Exercise price range (£)	–	3.71	–	–		1.77–2.78	–	–
Weighted average remaining contractual life (years)	–	1.3	–	8.3	–	1.8	–	8.2

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

	52 weeks to 31 March 2023			52 weeks to 1 April 2022		
Grant date	**MSP**	**SAYE**	**PSP**	MSP	SAYE	PSP
Share price at grant date (£)	**1.67**	**1.71**	**1.67**	2.92	2.99	2.92
Exercise price (£)	**–**	**1.16**	**–**	–	2.99	–
Expected volatility	**67.61%**	**62.69%**	**55.03%**	61.84%	61.19%	65.12%
Option life (years)	**10**	**3**	**3**	10	3	3
Expected life (years)	**2.75**	**3.5**	**3**	2.8	3	3
Risk free rate	**–**	**0.20%**	**–**	–	0.20%	–
Expected dividend yield	**0.00%**	**5.28%**	**5.65%**	0.00%	0.00%	–
Probability of forfeiture	**33%**	**44%**	**0%**	33%	44%	–
Weighted average fair value of options granted	**1.41**	**0.73**	**1.67**	2.92	1.79	1.72

As the MSP and 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.

24. Commitments

	2023 £m	2022 £m
Capital expenditure: Contracted but not provided	**0.3**	0.5

25. 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 £10.1m (2022: £6.7m).

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.

26. 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 31 March 2023 amounted to £0.36m (2022: £1.5m).

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

Notes to the Financial Statements

27. 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 207 to 213.

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 144 to 152. Key management compensation is disclosed in Note 4.

Directors of the Company control 0.40% of the ordinary shares of the Company.

28. Off Balance Sheet Arrangements

The Group has no off balance sheet arrangements to disclose as required by S410A of the Companies Act 2006.

29. Prior Period Adjustment

Axle Group Intercompany Sales

During the preparation of the financial statements for the period ended 31 March 2023 a consolidation error was identified relating to Axle group intercompany transactions. In the previous year elimination of intercompany sales had taken place in both the Axle group and **Halfords** group consolidations. As a result £12.8m was incorrectly eliminated from Revenue and Cost of Sales within the Consolidated Income Statement for the 52 week period ended 1 April 2022.

To correct for this error in the Consolidated Income Statement, Revenue for the 52 week period ended 1 April 2022 has been increased by £12.8m with a corresponding adjustment to Cost of Sales. In correcting this error there has been no impact to overall Gross Profit or Profit for the Financial Period within the Consolidated Income Statement and there has been no impact on Net Assets or other headline accounts.

Mapping Error within Trade and Other Payables

During the preparation of the financial statements for the period ended 31 March 2023 a mapping error was identified relating to the elimination of intercompany amounts included within Trade and Other Payables, that had incorrectly been eliminated from Accruals & Deferred Income. A £4.5m decrease was therefore incorrectly included in Accruals & Deferred Income as at the prior year end of 1 April 2022.

To correct for this error in the notes to the Financial Statements Other Payables have been decreased by £4.5m with a corresponding increase to Accruals and Deferred Income. In correcting this error there is no impact on the Consolidated Income Statement, Consolidated Statement of Financial Position, or Consolidated Statement of Cashflows.

Classification of Supplier income receivable

During the preparation of the financial statements for the period ended 31 March 2023 it was identified that Accrued income should have been disclosed separately within the notes to the Financial statements in the prior period as these amounts are different in nature to other balances included within Trade and other receivables.

To correct for this error in the notes to the Financial Statements, Accrued income of £27.9m has been separately presented as a line item in the note, Other receivables have been decreased by £14.5m, and Prepayments have been decreased by £13.4m. In correcting this error there is no impact on the Consolidated Income Statement, Consolidated Statement of Financial Position, or Consolidated Statement of Cashflows.

Company Balance Sheet

	Notes	31 March 2023 £m	1 April 2022 £m
Fixed assets			
Investments	4	**813.8**	811.4
Current assets			
Debtors falling due after more than one year		**127.2**	67.0
Debtors falling due within one year	5	**4.8**	1.5
Cash and cash equivalents		**2.6**	3.6
		134.6	72.1
Creditors: amounts falling due within one year	7	**(405.4)**	(354.9)
Net current liabilities		**(270.8)**	(282.8)
Creditors: amounts falling due after more than one year	7	**(33.8)**	–
Net assets		**509.2**	528.6
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	**(12.7)**	(11.6)
Capital redemption reserve	9	**0.3**	0.3
Profit and loss account	9	**307.0**	325.3
Total shareholders' funds		**509.2**	528.6

The notes on pages 209 to 213 are an integral 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 209.

The Company made a loss before dividends paid for the period of £1.2m (52 week period to 1 April 2022: £273.2m profit). 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 207 to 213 were approved by the Board of Directors on 21 June 2023 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 2 April 2021	2.0	151.0	(10.0)	0.3	60.8	**204.1**
Profit for the period	–	–	–	–	273.2	**273.2**
Issue of new shares	0.2	61.4	–	–	–	**61.6**
Acquisition of Treasury Shares	–	–	(3.0)	–	–	**(3.0)**
Share options exercised	–	–	1.4	–	–	**1.4**
Share-based payments	–	–	–	–	7.8	**7.8**
Dividends paid	–	–	–	–	(16.5)	**(16.5)**
At 1 April 2022	2.2	212.4	(11.6)	0.3	325.3	**528.6**
Loss for the period	–	–	–	–	(1.2)	**(1.2)**
Acquisition of Treasury Shares	–	–	(1.5)	–	–	**(1.5)**
Share options exercised	–	–	0.4	–	–	**0.4**
Share-based payments	–	–	–	–	2.4	**2.4**
Dividends paid	–	–	–	–	(19.5)	**(19.5)**
At 31 March 2023	2.2	212.4	(12.7)	0.3	307.0	**509.2**

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 31 March 2023, whilst the comparative period covered the 52 weeks to 1 April 2022. 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 Directors' Report on page 94, 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 profit for the year is disclosed in Note 1 to the financial statements.

Employee Benefit Trusts ("EBTs") are consolidated on the basis that the parent has control, thus the assets and liabilities of the EBT are included on the Company balance sheet and shares held by the EBT in the Company are presented as a deduction from equity.

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 and the carrying value of the investments, with no impairments required.

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 31 March 2023 of £1.2m (52-week period to 1 April 2022: £273.2m profit). 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 144 to 152, which forms part of the audited information.

4. Investments

	£m
Shares in Group undertaking	
Cost	
As at 1 April 2022	811.4
Additions – share-based payments	2.4
At 31 March 2023	**813.8**

The investments represent shares in the following subsidiary undertakings as at 31 March 2023 and the fair value of share-based compensation plans that are awarded to employees of the Company's subsidiary undertakings.

Management have conducted an impairment review which has been undertaken on the Group's Retail and Car servicing CGU groups and this has been used in the impairment test for the Company's investments in these underlying businesses. Management have concluded that under IAS36, no impairment has been identified with regard to the Company's investments in subsidiaries

In the opinion of the Directors the value of the investments in the subsidiary undertakings is not less than the amount shown above.

The related undertakings of the Company at 31 March 2023 are as follows:

	Incorporated in	Ordinary shares percentage owned %	Principal activities
Halfords Group Holdings Limited	Great Britain*	100	Intermediate holding company

* Registered in England and Wales. Registered office: Icknield St Dr, Washford Ln, Redditch B98 0DE

Subsidiary undertaking	Principal activity	% Ownership of ordinary equity shares
Subsidiaries registered in England & Wales, with a registered address of: Icknield Street Drive, Redditch, Worcestershire B98 0DE		
Halfords Limited*	Retailing of auto parts, accessories, cycles and cycle accessories	100
Halfords Autocentres Limited*	Car servicing	100
NW Autocentres Limited*	Dormant	100
Halfords Autocentres Developments Limited*	Dormant	100
Stop N' Steer Limited*	Dormant	100
Halfords Vehicle Management Limited*	Dormant	100
The Universal Tyre Company (Deptford) Limited*	Car servicing	100
G W Autoserve (Ipswich) Limited*	In Liquidation	100
G W Commercial Tyres Limited*	In Liquidation	100
Boardman Bikes Limited*	Non-trading	100
Boardman International Limited*	Non-trading	100
Halfords IP Management Limited*	Dormant	100
Performance Cycling Holdings Limited*	Intermediate holding company	100
Performance Cycling Limited*	Retailing of cycles and cycle accessories	100
Wheelies Direct Limited*	Dormant	100
Tredz Limited*	Non-trading	100
Giant (Wales) Limited*	Non-trading	100
National Tyre and Autofit Limited*	Dormant	100
Tyre and Autofit Limited*	Dormant	100

4. Investments continued

Subsidiary undertaking	Principal activity	% Ownership of ordinary equity shares
National Tyre Service Limited*	Car servicing	100
The Marsham Tyre Company Limited*	Dormant	100
W. Briggs & Co Limited*	Dormant	100
Avayler Trading Limited*	Software as a Service Provider	100
LTC Trading Holdings Limited*	Intermediate holding company	100
Lodge Tyre Company Limited*	Car servicing	100
Fit4Fleet Holdings Limited*	Intermediate holding company	100
Fit4Fleet Limited*	Car servicing	100
APT Tyre Distributors Limited*	Car servicing	100
Axle Group Limited*	Intermediate holding company	100
Subsidiary registered in Scotland, with a registered address of: The Ca'D'Oro, 45 Gordon Street, Glasgow, Scotland, G1 3PE		
McConechy's Tyres Services Holdings Limited*	Intermediate holding company	100
McConechy's Tyres Services Limited*	Car servicing	100
Strathclyde Tyre Services Limited*	Dormant	100
Axle Group Holdings Limited*	Intermediate holding company	100
Viking International Limited*	Dormant	100
Step Grades Motor Accessories Limited*	Car servicing	100
Birkenshaw Tyre Company Limited*	Dormant	100
Constant Price Monitor Limited*	Car servicing	100
Birkenshaw Distributors Limited*	Car servicing	100
Acorn (Paisley) Limited*	Dormant	100
Subsidiary registered in the Republic of Ireland, with a registered address of: Unit 2, The Park Glenamuck Road, Carrickmines, Dublin 18, Dublin, D18 KP73		
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		
Avayler Trading Limited LLC	Software as a Service Provider	100
Subsidiary registered in England & Wales, with a registered address of: The Ca'D'Oro, 45 Gordon Street, Glasgow, Scotland G1 3PE		
ULM Services Limited*	Car servicing	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

*Shares held indirectly through subsidiary undertakings

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, Avayler Trading Limited LLC, Constant Price Monitor Limited, Birkenshaw Distributors Limited, ULM Services Limited, Lodge Tyre Company Limited, Fit4Fleet Limited and APT Tyre Distributors Limited.

5. Debtors

	2023 £m	2022 £m
Falling due within one year:		
Other Debtors	**4.8**	1.5
Falling due after more than one year:		
Amounts owed by Group undertakings	**127.2**	67.0
	132.0	68.5

Amounts owed by Group undertakings are subject to interest. At 31 March 2023, the amounts bear interest at a rate of 2.48% (2022: 2.48%).

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. Amounts owed by Group undertakings have been assessed in line with IFRS9 and as 31 March 2023 and 2 April 2022 the impact of expected credit losses on these balances was assessed to be immaterial and as such no provision has been made.

Notes to the Financial Statements

6. Cash and Cash Equivalents

	2023 £m	2022 £m
Falling due within one year:		
Cash at bank and in hand	**2.6**	3.6
	2.6	3.6

£2.4m (2021: £3.5m) of the Company's cash and cash equivalents 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

	2023 £m	2022 £m
Falling due within one year:		
Amounts owed to Group undertakings	**405.3**	354.9
Accruals and deferred income	**0.1**	–
Falling due after more than one year:		
RCF Drawdown(Note 8)	**33.8**	–
	439.2	354.9

Amounts owed to Group undertakings are repayable on demand and have, therefore, been classified as due within one year, although it is expected that not all of this amount will be repaid within 12 months of the balance sheet date.

8. Borrowings

	2023 £m	2022 £m
Drawdown on RCF	**33.8**	–
	33.8	–

The above borrowings are stated net of unamortised issue costs of £1.2m (FY22: £1.5).

Details of the Company's borrowing facilities are in Note 17 of the Group's financial statements.

9. Equity Share Capital

Ordinary shares of 1p each:	2023 Number of shares	2023 £000	2022 Number of shares	2022 £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 the prior period, the Company issued 19,812,104 new Ordinary Shares with a par value of 1p per share on 6 December 2021.

Proceeds from the share issue net of transaction costs of £nil were recognised within Share Premium in the current period (2022 £61.4m net of transaction costs of £1.8m), with total Share Premium at 31 March 2023 of £212.4m (2022: £212.4m).

In total, the Company received proceeds of £0.4m (2022: £1.4m) from the exercise of share options. During the year, the Company purchased £1.5m (2022: £3.0m) 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 23 of the Group's financial statements.

Investment in Own Shares

At 31 March 2023, the Company held in Trust 973,212 (2022: 1,460,702) of its own shares with a nominal value of £9,732 (2022: £14,607). 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 31 March 2023 was £1.7m (2022: £3.8m). In the current period, 1,000,000 (2022: 1,036,147) were repurchased and transferred into the Trust, with 1,478,490 (2022: 1,208,087) reissued on exercise of share options.

10. Share-based payments

Share-based payments during the period were £2.4m (2022: £7.8m) bringing the balance at 31 March 2023 to £38.9m (2022: £36.5m).

11. Profits available for distribution

Distributable reserves in the company balance sheet total £268.8m at 31 March 2023.

12. Reserves

The Company settled dividends of £19.5m (2022: £16.5m) 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 31 March 2023 amounted to £0.36m (2022: £1.5m).

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


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halfords

Five-Year Record

	52 weeks to 29 March 2019[1] (audited) £m	52 weeks to 27 March 2020[2] (unaudited) £m	52 weeks to 2 April 2021 (audited) £m	52 weeks to 1 April 2022 (audited) £m	**52 weeks to 31 March 2023 (audited) £m**
Revenue	1,138.6	1,142.4	1,292.3	1,382.4	**1,593.5**
Cost of sales	(559.6)	(558.4)	(636.0)	(660.7)	**(808.2)**
Gross profit	579.0	584.0	656.3	721.7	**785.3**
Operating expenses	(516.8)	(513.5)	(541.8)	(620.6)	**(721.7)**
Operating profit before non-underlying items	62.2	70.5	114.5	101.1	**63.6**
Non-underlying operating expenses	(7.8)	(34.2)	(35.0)	6.8	**(8.0)**
Operating profit	54.4	36.3	79.5	107.9	**55.6**
Net finance costs	(3.4)	(13.6)	(15.0)	(11.3)	**(12.1)**
Underlying Profit Before Tax[2]	58.8	56.9	99.5	89.8	**51.5**
Non-recurring operating expenses	(7.8)	(34.2)	(35.0)	6.8	**(8.0)**
Profit before tax	51.0	22.7	64.5	96.6	**43.5**
Taxation	(10.5)	(6.9)	(17.4)	(17.2)	**(10.6)**
Taxation on non-underlying items	1.4	5.0	6.1	(1.7)	**1.1**
Profit attributable to equity shareholders	41.9	20.8	53.2	77.7	**34.0**
Basic earnings per share	21.2p	10.6p	27.1p	37.9p	**15.6p**
Basic earnings per share before non-underlying items	24.5p	25.4p	41.7p	35.5p	**18.8p**
Weighted average number of shares	197.1m	197.0m	197.1m	204.7m	**217.4m**

1 FY19 financials are stated on a pre-IFRS-16 basis

2 The statutory 53-week period to 3 April 2020 comprises results that are non-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.

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 168. The Directors believe that these APMs assist in providing useful information on the underlying performance of the Group, enhance the comparability of information between reporting periods, and are used internally by the Directors to measure the Group's performance.

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

1. Like-for-like ("LFL") sales represent revenues from stores, centres and websites that have been trading for at least a year (but excluding prior year sales of stores and centres closed during the year) at constant foreign exchange rates.
2. Underlying EBIT is results from operating activities before non-underlying items. Underlying EBITDA further removes Depreciation and Amortisation.
3. Underlying Profit Before Tax is Profit before income tax and non-underlying items as shown in the Group Income Statement.
4. Underlying Earnings Per Share is Profit after income tax before non-underlying items as shown in the Group 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.

	FY23 £m	FY22 £m	FY20 £m
Cash & cash equivalents	**32.2**	46.1	115.5
Borrowings – current	**(77.6)**	(74.5)	(83.4)
Borrowings – non-current	**(303.3)**	(316.5)	(511.9)
Net Cash/(Debt)*	**(348.7)**	(344.9)	(479.8)

* The statutory 53-week period to 3 April 2020 comprises reported results that are non-comparable to the 52-week period reported in the current and prior period.

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 EBITDA plus share-based payment transactions and loss on disposal of property, plant and equipment, less working capital movements and movement in provisions; as reconciled below.

	FY23 £m	FY22 £m	FY20 (53 weeks) £m
Underlying EBIT	**63.6**	101.1	67.2
Depreciation, amortisation & impairment	**124.7**	106.0	118.7
Underlying EBITDA	**188.3**	207.1	185.9
Non-underlying operating expenses	**(8.0)**	6.8	(34.2)
EBITDA	**180.3**	213.9	151.7
Share-based payment transactions	**2.4**	7.8	1.0
Loss on disposal of property, plant & equipment	**1.3**	(5.2)	2.8
Working capital movements	**(12.9)**	(70.0)	52.0
Provisions movement and other	**(1.3)**	(14.7)	(3.1)
Adjusted Operating Cash Flow*	**169.8**	131.8	204.4

* The statutory 53-week period to 3 April 2020 comprises reported results that are non-comparable to the 52-week period reported in the current and prior period.

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.

	FY23 £m	FY22 £m	FY20 £m
Adjusted Operating Cash Flow	**169.8**	131.8	204.4
Capital expenditure	**(54.4)**	(47.3)	(33.6)
Net finance costs	**(11.1)**	(10.6)	(13.2)
Taxation	**(4.7)**	(12.2)	(16.3)
Supplier financing	**0.8**	–	–
Sales and Leaseback	**–**	7.5	–
Exchange movements	**(8.0)**	0.9	(2.0)
Lease payments	**(89.3)**	(85.0)	(87.7)
Free Cash Flow*	**3.1**	(14.9)	51.6

*The statutory 53-week period to 3 April 2020 comprises reported results that are non-comparable to the 52-week period reported in the current and prior period.

Company information

Financial Calendar

Friday 11 August 2023	Final Dividend Record Date
Wednesday 6 September 2023	20 Week Trading Update
Wednesday 6 September 2023	Annual General Meeting
Friday 15 September 2023	Final Dividend Payment Date
Wednesday 22 November 2023	Interim Results
Thursday 18 January 2024	Q3 Trading Statement

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