

Chairman's Statement

Overview

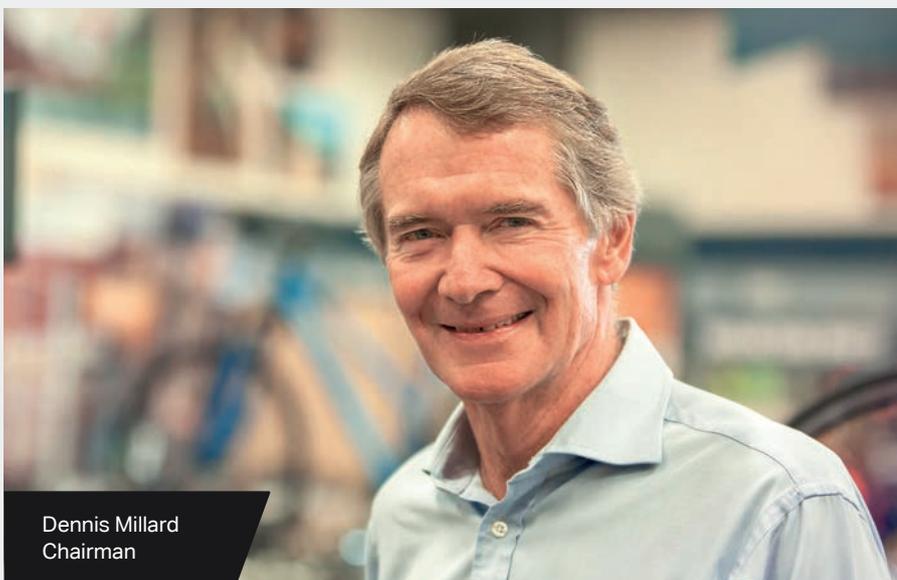
Since setting out our *Moving Up A Gear* strategy 18 months ago, excellent progress has been made across each of the five key pillars that underpin the strategy. This has been reflected in robust sales growth, an expanded knowledge of our customer preferences, further improvements in service levels, many new and unique product introductions, progress in building a fit for purpose infrastructure and strong growth in our value-added service offerings. To this end, and on behalf of the Board, I would like to thank our Management team and our 10,000 plus colleagues for their hard work and commitment in driving the business forward and for their passion to help our customers on their journeys.

Performance

We achieved solid sales growth from our Motoring activities, in both Retail and Autocentres, and strong growth in Cycling where we continued to register market share gains and can uniquely offer customers the full range: from children's balance bikes to high end performance road bikes. Whilst the depreciation in Sterling following the EU referendum and other cost headwinds, such as the introduction of the National Living Wage, clearly impacted earnings, the underlying business performance was positive and cash flow was robust.

We applied our capital allocation policy consistently: firstly, by further investment in our colleagues and our infrastructure; secondly, with an increased ordinary dividend; thirdly, with two complementary acquisitions – 100% of Tredz and Wheelies in May 2016 and a minority stake in TyresOnTheDrive.com in January 2017; and, thereafter, by paying a special dividend of 10 pence per share in February 2017. Progress was thus made towards our debt target of 1 times EBITDA. In line with our policy of paying an increasing ordinary dividend, the Board has recommended a final dividend of 11.68 pence per share, payable in August 2017 which would result in a total full-year ordinary dividend of 17.51 pence per share, up 3.0% over the previous year.

Investment in our colleagues continues to reap benefits and I am pleased that Halfords was, for the 4th year in a row, awarded an improved place in the list of Top 30 Best Big Companies To Work For. This was also confirmed by an increased internally measured engagement score, improved customer ratings and lower colleague turnover. We are also proud of the recognition we have achieved, and the awards won, for our community partnerships, including many individual local projects, and for our work in prisons to help provide employment to prisoners on release. Our colleagues in Retail have progressed strongly through the "Gears" training programme, gaining increased pay awards and career development opportunities in return. We also continued to invest in our leadership development programmes and apprenticeship schemes.



Dennis Millard
Chairman

“ We believe that excellent progress has been made across each of the five key pillars that underpin the strategy. ”

Outlook

The year ahead brings challenges in the form of further cost headwinds, particularly from a full year's impact in the fall in Sterling, and uncertainty around consumer spending, but we approach these from a position of strength. We hold leading positions in fragmented markets, have detailed plans and initiatives to mitigate cost headwinds and our growing service and services propositions set us apart as a specialist retailer.

It was disappointing that, earlier this month, our CEO Jill McDonald tendered her resignation to take up a senior role at M&S at the end of October. We are grateful for the positive contribution she has made across the business and she will leave Halfords with a clear direction to drive future growth. The *Moving Up A Gear* strategy is well underway and is delivering significant momentum across the organisation. Crucially, we have a talented group of engaged colleagues who remain focused on implementing our strategy and providing customers with the very best customer service; in doing so we will drive sustainable long-term growth.

Dennis Millard
Chairman
24 May 2017

Read more about [Our Strategy](#) on pages 16 and 17

Read more about [Corporate Social Responsibility](#) on pages 30 to 35