Notes to the Financial Statements

11. Intangible Assets

	Brand names and trademarks £m	Customer relationships £m	Supplier relationships £m	Favourable leases £m	Computer software £m	Goodwill £m	Total £m
Cost							
At 1 April 2016	4.2	14.9	—	2.3	37.5	355.2	414.1
Additions	5.6	—	7.8	—	18.3	9.5	41.2
Disposals	—	—	—	—	—	—	—
At 31 March 2017	9.8	14.9	7.8	2.3	55.8	364.7	455.3
Reclassification to Tangibles	—	—	—	—	(4.4)	—	(4.4)
Additions	—	—	—	—	18.0	—	18.0
Disposals	—	—	—	—	(4.5)	—	(4.5)
At 30 March 2018	**9.8**	**14.9**	**7.8**	**2.3**	**64.9**	**364.7**	**464.4**
Amortisation							
At 1 April 2016	1.6	9.2	—	0.5	18.2	21.7	51.2
Charge for the period	0.6	0.7	0.4	0.1	8.2	—	10.0
At 31 March 2017	2.2	9.9	0.4	0.6	26.4	21.7	61.2
Reclassification to Tangibles	—	—	—	—	(0.4)	—	(0.4)
Charge for the period	0.7	0.7	0.5	0.1	9.3	—	11.3
Disposals	—	—	—	—	(1.6)	—	(1.6)
At 30 March 2018	**2.9**	**10.6**	**0.9**	**0.7**	**33.7**	**21.7**	**70.5**
Net book value at 30 March 2018	**6.9**	**4.3**	**6.9**	**1.6**	**31.2**	**343.0**	**393.9**
Net book value at 31 March 2017	7.6	5.0	7.4	1.7	29.4	343.0	394.1

No intangible assets are held as security for external borrowings.

Product rights of £0.2m, which are fully amortised, have been included within brand names and trademarks.

Goodwill of £253.1m arose on the acquisition of Halfords Holdings Limited by the Company on 31 August 2002 and is allocated to the Retail segment. The goodwill relates to a portfolio of sites within the UK which management monitors on an overall basis as a group of cash-generating units being Retail. Goodwill of £69.7m arose on the acquisition of Nationwide Autocentres on 17 February 2010 and is allocated to the Car Servicing segment. The goodwill relates to a portfolio of centres within the UK which management monitors on an overall basis as a group of cash-generating units being Car Servicing. Goodwill of £10.7m arose on the acquisition of Boardman Bikes Limited and Boardman International Limited on 4 June 2014 and is allocated to the Retail segment. The goodwill relates to the two Boardman entities which management monitors on an overall basis as part of the Retail cash-generating unit. Goodwill of £9.5m arose on the acquisition of Tredz Limited and Wheelies Direct Limited on 23 May 2016 and is allocated to the Retail segment. The goodwill relates to the two entities which management monitors on an overall basis as part of the Retail cash-generating unit.

The goodwill arising on the acquisition of the Nationwide Autocentres is attributable to a) future income to be generated from new retail, fleet customer contracts and related relationships, b) the workforce, c) the value of immaterial other intangible assets, and d) operating synergies. The goodwill on acquisition of the Boardman Bikes is attributable to a) operating synergies and increased control of operations, b) the value of immaterial other intangible assets, and c) future income to be generated from new retail customer contracts and related relationships. The goodwill on acquisition of Tredz and Wheelies is attributable to a) assembled workforce and b) future expansion and growth opportunities.

The recoverable amount of goodwill is determined based on "value-in-use" calculations for each of the two groups of cash-generating units, being Retail and Car Servicing. This is the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments as reported in Note 1.

The value-in-use of the goodwill held at 30 March 2018 and 31 March 2017 is driven by, and is most sensitive to, the key assumptions underlying the recoverable amounts of the Group cash-generating units, which are the discount rate and growth rate.

Cash flow projections are based on financial budgets approved by management covering a five-year period, which are reviewed by the board. Budgets 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.

The growth rates used to extrapolate cash flows beyond the budget period, as set out in the table on the next page, do not exceed long-term industry averages and reflect the revenue growth and ongoing efficiency initiatives, and the relative maturity of the Retail and Autocentres businesses.

11. Intangible Assets continued

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, as adjusted for the specific risks relating to each cash-generating unit. The discount rates used are shown below.

		Retail		Car Servicing	
	Notes	**2018**	2017	**2018**	2017
Discount rate	1	**9.5%**	9.1%	**9.5%**	9.1%
Growth rate	2	**0.0%**	0.0%	**1.0%**	1.0%

Notes:

1 Pre-tax discount rate applied to the cash flow projections (the prior year numbers above have been updated to also show the pre-tax rate).

2 Growth rate used to extrapolate cash flows beyond the five year budget period.

Sensitivity analysis on the key assumptions in the value-in-use calculations has been undertaken, which found that there is a more than adequate amount of headroom before an impairment would be triggered. As stated in the Audit Committee report on page 76, the key judgement relates to the Car Servicing business. The Directors are confident that a reasonably possible change in the key assumptions, including a +1.0% change in the discount rate and a -1.0% change in the growth rate, would not cause the carrying amounts to exceed the estimated recoverable amounts.

Overall, 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	Payments on account and assets in course of construction £m	Total £m
Cost				
At 1 April 2016	72.9	205.2	—	278.1
Additions	5.0	12.5	0.2	17.7
Disposals	(0.6)	(2.6)	—	(3.2)
At 31 March 2017	77.3	215.1	0.2	292.6
Reclassification from intangibles	—	4.4	—	4.4
Additions	3.6	13.9	1.8	19.3
Disposals	(0.8)	(4.2)	–	(5.0)
At 30 March 2018	**80.1**	**229.2**	**2.0**	**311.3**
Depreciation and impairment				
At 1 April 2016	38.0	132.8	—	170.8
Depreciation and impairment for the period	4.8	16.8	—	21.6
Disposals	(0.5)	(2.1)	—	(2.6)
At 31 March 2017	42.3	147.5	—	189.8
Reclassification from intangibles	—	0.4	—	0.4
Depreciation and impairment for the period	5.7	17.9	—	23.6
Disposals	(0.7)	(3.1)	—	(3.8)
At 30 March 2018	**47.3**	**162.7**	**—**	**210.0**
Net book value at 30 March 2018	**32.8**	**66.5**	**2.0**	**101.3**
Net book value at 31 March 2017	35.0	67.6	0.2	102.8

No fixed assets are held as security for external borrowings.