halfords

10 November 2021

Halfords Group plc
Interim Results: Financial Year 2022

Strong H1 performance; confident outlook, upgrading full year profits to £80m - £90m.

Market leading position in electric car and bike servicing and repair; plans to double trained electric technicians next year.

Halfords Group plc ("Halfords" or the "Group"), the UK's leading provider of Motoring and Cycling products and services, today announces its interim results for the 26 weeks to 1 October 2021 ("the period").

To provide a better understanding of underlying performance, comparisons of sales, profit and debt will primarily be made **relative to FY20, that is, on a 2-year basis unless otherwise stated**. The disruption to last year (FY21) from COVID-19 means that one-year comparators are more difficult to interpret but are provided within the tables below. All numbers shown are on a **post-IFRS 16 basis and before non-underlying items**, unless otherwise stated.

Overview

H1 FY22

- Strong revenue growth of +19.2% vs. FY20, growing market share in Retail Motoring and Autocentres, with revenues +7.7% and +88.8% respectively. Cycling growth of +8.8%, despite the known supply chain disruption.
- Material contribution from areas of strategic focus: Group Services growing +75%, online +81% and B2B +78%.
- Underlying Profit Before Tax of £57.9m, +£27.7m (+91.7%) vs. FY20 (note: FY22 includes business rates relief of £9.2m).
- Compared to FY21, Group Revenue grew +8.7% and underlying PBT +£2.1m (+3.8%).
- Period ended with Net debt of £232.7m or net cash of £91.6m when excluding IFRS lease debt; working capital abnormally low.
- Declared interim dividend per share of 3p.

Outlook

- Positive start to H2, with sales momentum continuing across the business.
- Confident in our ability to navigate the well-publicised inflationary and operational headwinds through H2. Supply chain disruption beginning to ease.
- As previously disclosed, H2 investment in motoring pricing and higher transformation spend to impact near-term profitability but drive long term growth.
- Upgrade our FY22 full year underlying PBT forecast to £80m - £90m, post IFRS 16; previous guidance was above £75m.
- Longer term, our more resilient operating model - underpinned by a larger Services, B2B and Retail motoring business - will enable us to continue to deliver progress, despite the inflationary headwinds which remain.

Graham Stapleton, Chief Executive Officer, commented:

"We are delighted to have delivered a strong H1 performance, driven by market share gains in Motoring products, Garages and our mobile services business, which now account for

more than two thirds of our revenue. We also continued to see a significant contribution from areas of strategic focus, with revenue from Group Services, Online and B2B, all growing by more than 75% on a two-year basis. In cycling, demand levels remain good, and we are pleased with the current availability of kids bikes and e-bikes as we head into the Christmas trading period. We have carried good sales momentum into H2 across our business, supported by the easing of supply chain disruption. This has enabled us to increase our FY22 underlying profit before tax guidance to between £80m and £90m.

"We are seeing significant growth in the number of customers choosing electric forms of transport, and we continue to have a market-leading position in the servicing and repair of electric vehicles. Sales of e-bikes, e-scooters and accessories grew by more than 140% on two years ago, and servicing for electric cars in our garages was up 120% year-on-year. We have already invested in the training of more than 1,300 electric technicians and are on track to train 2,000 by the end of FY22, equating to more than two per store or garage. This number will double next year."

"There is good momentum in our existing business, the strategically important area of Motoring Services continues to grow strongly, and our recent acquisitions are all performing well. As a result, despite the challenging trading environment, I am very excited about our future growth prospects."

Group financial summary**

	FY22 H1 £m	FY20 H1 £m	Var FY20 £m	Var FY20 %	FY21 H1 £m	Var FY21 £m	Var FY21 %
Revenue	694.8	582.7	112.1	19.2%	638.9	55.9	8.7%
Retail	538.7	500.0	38.7	7.7%	524.2	14.5	2.8%
Autocentres	156.1	82.7	73.4	88.8%	114.7	41.4	36.1%
Gross Margin	51.7%	50.1%	*+167bps*		49.3%	+230bps	
Retail	50.6%	47.0%	*+360bps*		46.9%	*+370bps*	
Autocentres	55.6%	68.6%	*-1300bps*		60.6%	*-500bps*	
Underlying EBITDA*	115.7	90.8	24.9	27.4%	115.5	0.2	0.2%
Underlying Profit Before Tax ("PBT")*	**57.9**	**30.2**	**27.7**	**91.7%**	**55.8**	**2.1**	**3.8%**
Profit Before Tax	**64.3**	**27.5**	**36.8**	**133.8%**	**55.4**	**8.9**	**16.1%**
Underlying Basic Earnings per Share*	**24.0p**	**12.2p**		**96.7%**	**23.0p**		**4.35%**

**before non-underlying items. **Alternative performance measures are defined and reconciled to IFRS amounts in the glossary on page 21. The LFL change measure adjusts for the in-year store openings and closures, and acquisitions.*

Group revenue summary

	Total Revenue Vs FY20 %	LFL Revenue Vs FY20 %	Total Revenue vs FY21 %	LFL Revenue Vs FY21 %
Retail Motoring	6.2%	11.9%	34.1%	41.0%
Retail Cycling	8.8%	25.3%	-25.2%	-20.5%
Retail Total	7.7%	17.8%	2.8%	7.0%
Autocentres	88.8%	15.5%	36.1%	19.3%
Group	**19.2%**	**17.5%**	**8.7%**	**9.3%**

Key H1 highlights

- Group revenue growth over two years +19.2% and +17.5% LFL, driven by market share gains in Autocentres and Retail Motoring, and Retail Cycling growth, despite ongoing supply chain issues.
- Group Services +75%, now representing 33% of Group revenues, driven by good growth in our underlying business and boosted by our acquisitions.
- Recent sales growth rates from the first half have carried forward to current trading and are broadly in line with first half averages across the business.
- In Retail two-year comparisons show:
  - Revenue +7.7% and +17.8% LFL.
  - Retail Motoring revenue +6.2% and LFL +11.9%, driven by market share gains in core categories and strong demand for staycation products, up +45%.
  - Retail Cycling +8.8% and LFL 25.3%, with our award-winning own brand ranges of premium and electric bikes continuing to see high levels of demand, despite supply chain issues.
  - Electric mobility revenue (i.e., e-bikes, e-scooters and associated accessories) up +140%.
- In Autocentres two-year comparisons show:
  - Autocentres revenue +88.8% and +15.5% LFL as we expand our commercial business, leverage our acquisitions, and group-wide marketing initiatives increase customer awareness.
  - Strong demand for our Halfords Mobile Expert ("HME") vans. In two years, we have grown to 172 vans, 14 hubs and 250 technicians.
  - Accelerating growth in demand for electric vehicle servicing, with the number of EVs being brought to our garages increasing 123.6% year-on-year.
- Group sales growth against FY21, whilst lower than the two-year comparator, remains strong at +9.3% LFL and +8.7% total against a very strong comparative. Cycling sales stepped back as supply challenges hit, but Retail Motoring and Autocentres growth was very strong.
- Group gross margin improved by +167bps over two years (+230bps vs FY21) as our Cycling performance shows a significant improvement against FY20 and our business mixes into higher margin Autocentres.
- Operating costs were managed well, +16.0% versus FY20 and decreasing as a proportion of revenue by -1.2ppts. Operating Costs include the benefit of £9.2m Business rates not levied.
- Profit Before Tax ("PBT") of £57.9m, up +91.7% on FY20 (+3.8% vs FY21).
- Cash movement of £25.0m, driven by strong profit generation, but lower working capital continues to flatter the balance sheet position.
- Non-underlying items were a credit of £6.4m, primarily a result of closed store provisions being revised as the Group continues to negotiate lease disposals.

1. Group Services includes revenues across both Retail and Autocentres and includes the revenue from services provided (e.g., car service, cycling repair, dash cam fit etc) along with any associated products sold in the same transaction.
2. B2B includes revenues from C2W, Commercial, Fleet and product sales to businesses in both Retail and Autocentres

Enquiries

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Results presentation
A webcast and conference call for analysts and investors will be held today, starting at 08:00am UK time. Attendance is by invitation only. A copy of the presentation and a transcript of the call will be available at www.halfordscompany.com in due course. For further details please contact Powerscourt on the details above.

Next trading statement
On 13 January 2022 we will report our Q3 trading update for the 13 weeks ending 31 December 2021.

Notes to Editors

www.halfords.com www.tredz.co.uk www.halfordscompany.com

Halfords is the UK's leading provider of motoring and cycling services and products. Customers shop at 404 Halfords stores, 3 Performance Cycling stores (trading as Tredz and Giant), 374 garages (trading as Halfords Autocentres, McConechy's and Universal) and have access to 172 mobile service vans (trading as Halfords Mobile Expert and Tyres on the Drive) and 192 Commercial vans. Customers can also shop at halfords.com and tredz.co.uk for pick up at their local store or direct home delivery, as well as booking garage services online at halfords.com.

Cautionary statement
This report contains certain forward-looking statements with respect to the financial condition, results of operations, and businesses of Halfords Group plc. These statements and forecasts involve risk, uncertainty and assumptions because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by law, Halfords Group plc has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

Chief Executive's Statement

The Group has delivered another strong performance in the first half of FY22. Strong revenue growth, increasing market share and good profitability, with underlying PBT of £57.9m, almost double that of FY20 and £2.1m ahead of FY21. We continue to see our services business, the focus of our strategic investment, go from strength to strength, resulting in a more resilient business going forward. For the remainder of this commentary, we will draw comparisons vs FY20 unless otherwise stated as we feel this is a more helpful reflection of our performance due to the COVID-19 disruption seen in FY21. Stated results are on a post IFRS16 basis and before non-underlying items, unless otherwise stated.

Revenue

Group revenues were £694.8m, with both Retail and Autocentres delivering strong growth over two years. The scale and increased customer awareness of our Autocentres business is clearly beginning to pay dividends and our Retail business, after last year's disruption, has also benefited from investment over the last two years, with improved customer experience and convenience at the centre of our efforts.

Retail Motoring

The motoring side of our Retail business has grown +6.2% over two years, with a strong performance across many core categories. This performance is even more remarkable given the contraction in some markets in which we operate, e.g., the mature and more discretionary categories of Sat Nav and Audio. In contrast, our essential and specialist product categories have shown strong results. Maintenance and our 3B's ("Blades, Bulbs and Batteries") have grown over +5%, Workshop +23% and Car Cleaning +15% as we refresh ranges and bring new products to market. Development of our online customer journey has been key to the growth.

We have also seen longer term trends emerge. Staycations and a more fitness and environmentally conscious customer shop our range of touring products, from roof carrying, roof boxes and cycle carriers, to transport everything they need to enjoy what the UK has to offer. Staycation products grew +45%, with customers selecting the correct equipment they need online, or by speaking to one of our colleagues, before getting everything fitted to their car on demand or on their chosen day.

Finally, we have also seen a strong performance on child travel, growing +20% over two years. We stock popular brands, as well as bringing exclusive, high quality own brand products to market, offering choice and value to customers as well as expert advice and fitting.

Retail Cycling

Cycling undoubtedly had a very strong FY21 and sales this year, while strong, have been constrained by supply chain issues and industry specific bottlenecks on production. Cycling availability started the year lower than we would like, and while we hoped to see availability normalise, it unquestionably deteriorated further during the first half. Although supply challenges have now begun to ease, we saw shortfalls in our premium ranges of own brand and exclusive mechanical bikes through most of H1, which saw demand outstrip an irregular and unpredictable supply. Nevertheless, we are confident, as supply normalises in the future, that we will see good sales in the categories hardest hit this year and we believe we are well set for Christmas trading.

Autocentres

Our Autocentres business provides the clearest evidence of our strategic progress over the last two years. Greater convenience and scale, coupled with targeted initiatives to attract new customers, has resulted in sales almost doubling over two years to £156m and 22% of our Group. Traffic levels through much of H1 have been broadly in line with pre pandemic levels, signalling our growth in market share, but with a market share estimate of only 4%, there is a lot of room for future growth.

The profitability of the Autocentre business was impacted in the first half by a shift in the MOT season to the second half of the year, driven by the Government extending MOTs during COVID-19. This seasonal shift impacts labour productivity, with the benefit usually seen in the first quarter moving to our third quarter trading period. We remain confident in the full year performance of our Autocentres.

Areas of strategic focus

It has been another strong period for our areas of strategic focus, again demonstrating the resilience and relevance of our strategy in the face of a tough operating environment.

Group Services[1]
Group revenue from services was £232m, growing 75% since FY20, and now accounts for 33% of total revenue. This is one of our most notable strategic achievements and, despite the demonstrable progress, we see significant further growth yet to come. We have acquired three Motoring Services businesses that have given us greater scale, convenience and ability to leverage our expertise in technology and training. Since the acquisition of Tyres on the Drive in 2019, we have grown from 7 vans offering tyre fitting to a fleet of over 170 Halfords Mobile Expert vans offering 19 different services. McConechy's Tyre Services and Universal Tyres have provided us with geographical access to more of the UK and a greater ability to grow our share of commercial markets.

B2B[2]
B2B has delivered another excellent sales performance, growing +78% vs. FY20 and accounting for 20% of Group revenue. We continue to see strong revenue growth across all aspects of our offer, including Cycle 2 Work ("C2W") growing 53%, and bulk product and gift voucher sales to businesses growing 44%. Most notable, however, is the progress we have made in our commercial motoring business over the last two years. Commercial sales, representing service and repair to fleets, agricultural vehicles or lorries, have grown 350% since FY20. This has been achieved through our strategic acquisitions of McConechy's Tyre Services and Universal Tyres, which have given the Group improved national coverage, enabling us to win larger contracts to support businesses with a single partner across the UK, rather than disparate and fragmented coverage from multiple providers. As with many services, the essential nature of this business strengthens our resilience and provides growth opportunities for the future as we continue to scale.

Online
Convenience to many customers is defined by receiving the right product or service with the least possible effort. Clearly this needs to be achieved throughout the purchase journey but, for many, this begins online by showcasing the range of solutions to a customer's needs clearly and concisely. We continue to make significant strides in this area, proven by our revenue growth online of +80% over two years. Whether guiding customers through our range of specialist car cleaning products, choosing how or where they would like a tyre fitted or, more recently, easily identifying which bikes are in stock for immediate delivery, our digital proposition has changed substantially since 2019.

Operational Review

The operating environment remains challenging for all retailers across the UK, but we continue to focus on keeping colleagues and customers safe, improving efficiency across the Group, and identifying cost reductions where possible.

The Supply Chain

Moving anything around the globe over the last 6 months has been particularly challenging. Even if goods are manufactured and a container is found to ship them to the UK, the recent HGV driver shortage has meant that this final leg of the supply chain has been more costly and unreliable. The freight spot market has, at times, been 10x the normal rate, with some suppliers reneging on volumes or prices, but as the Cycling market leader in the UK, we have worked closely with freight partners.

Integration of Our Acquisitions

One of our biggest programmes this year was to quickly integrate our acquisition of Universal Tyres in March 2021 so that we could utilise the additional scale from the garages and vans and grow our commercial business. Our strong performance within B2B has been driven in part by the speed with which we integrated the business. Our digital operating model, PACE, was rolled out to all sites in less than half the time it took to do the same in McConechy's. This was a fantastic achievement and testament to the hard work and experience of our support teams, something we can roll forward to future acquisitions as we progress towards our target of 550 garages.

Environmental, Social and Governance ("ESG")

We continue to make good progress on our ESG Strategy, in each of our four priority areas of Electrification, Net Zero, Diversity & Inclusion, and Product, Packaging and Waste Management, as well as in creating stronger foundations to drive further progress. Here are a few examples of our ESG accomplishments in H1:

- In Electrification, we rolled-out free Electric Bike trials across our Retail store estate to encourage customers to swich to clean transport solutions. We also trained over 1,300 colleagues to deliver Electric Services in Scooters, Bikes and Cars, on target for at least 2,000 by year-end.
- In Net Zero, we switched our electricity requirements to 100% renewable sources, reducing carbon emissions in our own operations by more than 30%, taking us significantly closer to achieving our science-based target for Scope 1 and 2 emissions, which is aligned to the ambitious 1.5 degree pathway.
- In Product, Packaging and Waste Management we reduced primary plastic packaging by 8% and intend to go further in H2.

Our progress will continue to accelerate in the second half and beyond, as we seek to drive sustainability in the motoring and cycling industries, and as the market leader in both, play a critical role in supporting the UK to quickly adopt electric forms of personal transport.

Colleagues and the Labour Market

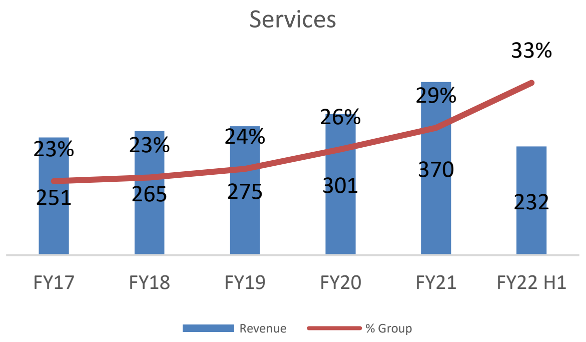
At the end of FY21, we announced one of our biggest training programmes to date, which would involve training all Retail colleagues in the full suite of customer services on offer. The aim was to increase our skills base from roughly 16,000 to over 40,000, which we achieved by the end of Q1. This means our on-demand fitting offer is more convenient for customers, reducing wait times and getting customers back moving quickly. As the transition to Electric travel gathers pace, we also announced that 2,000 of our 6,000 colleague-base in stores and garages would be trained to service electric cars, bikes and scooters. We are progressing well towards our year-end target, having trained over 1,300 by the end of the first half.

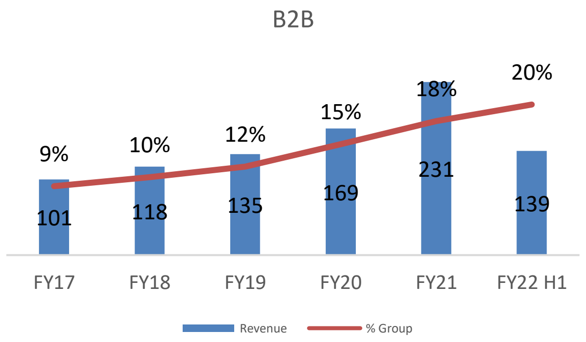
The labour market has also not been without its challenges. Self-isolation and high demand for technicians has meant that capacity within our garages and HME vans has been constrained. While not a significant problem, it has undoubtedly meant that we have limited our sales potential over the first half of the year. Excellent labour productivity has partially compensated, and we hope to see an improvement in the labour market over the balance of year.

Finally, to underpin our service offering, we have also implemented a new store operating model, resulting in more customer facing service technicians. This means customers who wish to complete one of the 80% of online transactions fulfilled in stores, or start their journey with a colleague, the experience is better than ever, resulting in record NPS scores in both stores and garages.

Strategic Progress

In 2019 we accelerated our strategy to ***"Evolve into a consumer and B2B services-focused business, with a greater emphasis on motoring, generating higher and more sustainable financial returns."*** Two years on, we have made significant progress, with both Services and B2B revenues growing significantly and representing a greater proportion of overall Group revenues.





To achieve this, we have materially changed the shape of our business, whilst simultaneously launching initiatives and investments targeted at growing our market share and increasing the capacity of our estate. Since 2018, through acquisition and organic growth, we have more than doubled the number of fixed and mobile locations dedicated to offering Motoring Services, from 316 to over 700. In this time frame we have added almost 80 garages through our acquisitions, over 190 commercial vans and built our fleet of Halfords Mobile Experts to over 170.

The physical changes to our business are clear and have progressed well, but we have also delivered a series of initiatives to drive awareness, improve efficiency and increase the capacity of our existing estate. PACE, our digital operating platform, operates across our entire garage estate. Our full range of products and services are now offered from one website, bookable at any of our stores, garages or vans, and we have driven demand and awareness through cross shop initiatives, our Motoring Services marketing campaigns and continuous digital enhancements. These changes have resulted in record levels of customer satisfaction across the Group, with the Autocentre NPS moving ahead by an impressive 11.9 points since FY18.

FY22 will see further strategic progress;

- Additional initiatives to drive Cross shop, which has grown +30% year-on-year in H1, aided by development of our WeCheck App.
- 'Project Fusion' will deliver a connected and convenient customer offer within a town, leveraging the Halfords assets by linking together our stores, garages and vans, supported by our centralised customer contact team. Our trial town, whilst in its infancy, is delivering strong sales growth, significantly enhanced levels of cross shop and very high levels of customer satisfaction.
- Our Motoring pricing investment was launched during the closing stages of H1 and has shown positive volume growth against our plan. The investment is providing customers with greater value, underpinning the foundations of our services business.
- Avayler, our proprietary software to streamline service delivery for companies that operate in multiple locations, was launched in July to our first customer, American Tire Distributors Inc. and is an exciting extension to the Halfords B2B offer.
- The development of the Loyalty programme is progressing well, having appointed third party support to develop the loyalty engine and subscription module, alongside designing the digital hub user experience.

Capital structure and dividend

Our capital allocation priorities remain unchanged:

1. Maintaining a prudent balance sheet
2. Investment for growth
3. M&A, focused on Autocentres
4. Progressive dividend policy
5. Surplus cash returned to shareholders

Our Net Debt: EBITDA ratio, revised on an IFRS 16 basis, was 1.0x at the half-year. In the near-term we intend to operate with more prudent debt levels as economic uncertainty continues.

With a continued strong performance from our areas of strategic focus, we will continue with our transformation plan, which we believe will require between £50m and £60m of capital expenditure this year and over the medium-term. Our growth plan will be complemented by acquisitions if we are able to find attractive businesses, with the right strategic fit and for a fair price. Our acquisition strategy will be focussed on scaling our motoring services business, propelling us to market leadership in aftermarket service, maintenance, and repair.

We understand the importance of the ordinary dividend to many of our investors and we updated our dividend policy at our preliminary results in June 2021, reinstating the ordinary dividend from FY22 at 9p per share, intending this to be progressive. We have declared an FY22 interim dividend of 3p per share to be paid on 21 January 2022 with the corresponding ex-dividend date of 9 December 2021 and the record date of 10 December 2021.

Current trading and outlook

Overall, we are very pleased with our first half performance across the Group and how we are delivering against our strategy. We ended the first half with improved sales growth and, so far in the second half, sales have been in line with our expectations. We have seen sales growth across the business and in Cycling, although global supply chain disruption remains, supply constraints have eased somewhat.

Inflation, labour shortages and supply disruption will continue to impact the business. We believe demand for our products and services will remain healthy and that we will be able to manage and mitigate the operational challenges through H2 and into FY23. Our strong first half performance gives us the confidence to continue to invest in price in Retail Motoring, where early volume uplifts are encouraging, and in our Group transformation, investing for the longer term.

Taking the above into account, we are upgrading our FY22 full year profit before tax range to £80m - £90m.

Looking longer term, our strategy was designed to deliver growth and build resilience. We set out a plan to accelerate our position in Services and B2B markets, which offer greater opportunities for growth, to strengthen our products business, and to improve the overall profitability of our operating model. Since 2018 we have seen our Services and B2B revenues grow considerably, and we have also improved the profitability of our Cycling business and strengthened the position of our Motoring products business, which underpins our Motoring Services offer. Finally, we have materially changed our cost base, reducing our Retail store footprint and improving efficiency, whilst also reducing working capital to support the funding of future investments.

We do not expect the extreme levels of inflation seen on freight spot markets to be sustained, and we expect supply and demand of labour markets to stabilise, but certain inflationary aspects of FY23 are already known, including National Insurance, National Minimum Wage and energy costs. We are confident that our established efficiency workstreams and hedging polices will, in part, mitigate some of these costs. We also see some positive aspects looking forward; foreign exchange and rental markets are more favourable, cycling supply should stabilise, and our initiatives from FY22 will begin to build momentum, contributing further to revenue growth.

As a business we look forward with confidence to another period of transformation and strength. We have developed a stronger and more efficient business, centred around more resilient revenue streams in markets with opportunities to significantly grow share. That said, operational agility is also a term we have used many times over the last 18 months and is an approach that we now permanently adopt in our operation.

Graham Stapleton
Chief Executive Officer, 9 November 2021
Halfords Group Plc

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Chief Financial Officer's Report

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

Reportable Segments

Halfords Group operates through two reportable business segments:

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

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

The "H1 FY22" accounting period represents trading for the 26 weeks to 1 October 2021 ("the period"). The comparative periods "H1 FY21" and "H1 FY20" represent trading for the 26 weeks to 2 October 2020 ("the prior period") and to 27 September 2019 respectively.

To provide a better understanding of underlying performance, operating performance comparisons (sales, margin, profitability) will be made relative to FY20, that is on a 2-year basis. The disruption to last year (FY21) from COVID-19 means that one-year comparators are, in some instances, more difficult to interpret. All numbers shown are on a post IFRS16 basis, unless otherwise stated.

Group Financial Results

	H1 FY22	H1 FY20	Change H1 FY 20 to H1 FY22	H1 FY21	Change H1 FY21 to H1 FY22
	£m	£m	(%)	£m	(%)
Group Revenue	694.8	582.7	19.2%	638.9	8.7%
Group Gross Profit	359.4	291.7	23.2%	315.8	13.8%
Underlying EBIT	63.7	36.8	73.1%	63.7	0.0%
Underlying EBITDA	115.7	90.8	27.4%	115.5	0.2%
Net Finance Costs	(5.8)	(6.6)	(12.1%)	(7.9)	(26.6%)
Underlying Profit Before Tax	**57.9**	**30.2**	**91.7%**	**55.8**	**3.8%**
Net non-underlying items	6.4	(2.7)	-	(0.4)	-
Profit Before Tax	64.3	27.5	133.8%	55.4	16.1%
Underlying Basic Earnings per Share	24.0p	12.2p	96.7%	23.0p	4.3%

Group revenue in H1 FY22, at £694.8m, 19.2% up on H1 FY20, comprised Retail revenue of £538.7m and Autocentres revenue of £156.1m. This compared to H1 FY20 Group revenue of £582.7m, which comprised Retail revenue of £500.0m and Autocentres revenue of £82.7m. Group gross profit at £359.4m (H1 FY20: £291.7m) represented 51.7% of Group revenue (H1 FY20: 50.1%), reflecting a stronger Retail gross margin of 50.6% offset by a decrease in the Autocentres gross margin of 13%pts to 55.6%. The latter was driven by previous acquisitions of McConechy's, Tyres on the Drive and Universal, with a mix into lower margin B2B and tyre sales driving lower levels of gross margin. Total operating costs before non-underlying items were 16.0% above H1 FY20 at £295.7m (H1 FY20: £254.9m) of which Retail comprised £211.4m (H1 FY20: £201.1m), Autocentres £83.1m (H1 FY20: £52.7m) and unallocated costs £1.2m (H1 FY20: £1.1m), whilst business rates relief totalled £9.2m. The significant increase in operating costs within Autocentres primarily reflects the costs within the acquired businesses. Unallocated costs represent amortisation charges in respect of intangible assets acquired through business combinations, namely the acquisition of Autocentres in February 2010, Boardman Bikes in June 2014, Tredz and Wheelies in May 2016, McConechy's in November 2019 and Universal in March 2021, which arise on consolidation of the Group.

Group Underlying EBITDA increased 27.4% from H1 FY20 to £115.7m (H1 FY20: £90.8m), whilst net finance costs were £5.8m (H1 FY20: £6.6m).

Underlying Profit Before Tax for the period was up 91.7% on H1 FY20 at £57.9m (H1 FY20: £30.2m). The non-underlying credit of £6.4m in the period (H1 FY20: debit £2.7m) materially related to the release of previous non rent onerous lease costs whereby the properties to which they relate have since been re-assigned.

After non-underlying items, Group Profit Before Tax was £64.3m (H1 FY20: £27.5m).

Retail

	H1 FY22 £m	H1 FY20 £m	Change (%)	H1 FY21 £m	Change (%)
Revenue	538.7	500.0	7.7%	524.2	2.8%
Gross Profit	272.6	235.0	16.0%	245.7	10.9%
Gross Margin	50.6%	47.0%	7.7%	46.9%	8.0%
Operating Costs	(211.4)	(201.1)	5.1%	(185.4)	14.0%
Underlying EBIT	**61.2**	**33.9**	**80.5%**	**60.3**	**1.5%**
Non-underlying items	6.4	(2.5)	-	(0.1)	-
EBIT	**67.6**	**31.4**	**115.3%**	**60.2**	**12.3%**
Underlying EBITDA	**102.3**	**80.0**	**27.9%**	**101.9**	**0.4%**

Revenue for the Retail business of £538.7m reflected, a one-year like-for-like (LFL) sales increase of +7.0% and two-year LFL growth of +17.8%.
Please refer to the Retail Operational Review in the Chief Executive's Statement for further commentary on the trading performance in the period. Like-for-like revenues and total sales revenue mix for the Retail business are split by category below:

	H1 FY22-21 LFL (%)	H1 FY22-20 LFL (%)	H1 FY22 Total sales mix (%)	H1 FY20 Total sales mix (%)	H1 FY21 Total sales mix (%)
Motoring	41.0	11.9	56.7	57.5	42.5
Cycling	-20.5	25.3	43.3	42.5	57.5
Total	**7.0**	**17.8**	**100.0**	**100.0**	**100.0**

Gross profit for the Retail business at £272.6m (H1 FY20: £235.0m) represented 50.6% of sales, which is an increase on previous years (H1 FY21: 46.9%, H1 FY20: 47.0%). This reflected several factors, including favourable buying terms, component rationalisation, more effective promotional pricing within the cycling category and a sales increase in higher margin motoring categories vs cycling in FY21.

The table below shows the average exchange rate reflected in cost of sales, along with the year-on-year movement.

	H1 FY20 $	H1 FY21 $	H1 FY22 $
Average USD: GBP rate reflected in cost of sales	$1.33	$1.30	$1.32

Retail operating costs before non-underlying items increased by 14.0% against H1 FY21 and 5.1% against H1 FY20 to £211.4m (H1 FY21: £185.4m and H1 FY20: £201.1m). The 5.1% 2-year increase in cost is driven by higher volume-related variable costs, necessary to deliver the 17.8% LFL% sales growth, including store payroll, warehouse and distribution and marketing costs, and investment in support costs as part of our transformation programmes, including centralising the contact centre, improving IT capability and colleague training. Offsetting this investment are cost savings associated with the closure of a number of stores and the implementation of strong procurement principles. The 14.0% increase against H1 FY21 is predominantly due to last year's government support of furlough £7.9m and business rates relief £16.5m compared to no furlough income and £7.9m of business rates relief in FY22 H1. The furlough income in H1 FY21 was subsequently repaid in the second half of last year.

Autocentres

	H1 FY22 £m	H1 FY20 £m	Change (%)	H1 FY21 £m	Change (%)
Revenue	156.1	82.7	88.8%	114.7	36.1%
Gross Profit	86.8	56.7	53.1%	69.5	24.9%
Gross Margin	55.6%	68.6%	(18.9%)	60.6%	(8.2%)
Operating Costs	(83.1)	(52.7)	57.7%	(64.8)	28.2%
Underlying EBIT	**3.7**	**4.0**	**(7.5)%**	**4.7**	**(21.3)%**
Non-underlying items	-	(0.2)		(0.3)	
EBIT	**3.7**	**3.8**	**(2.6)%**	**4.4**	**(15.9)%**
Underlying EBITDA	**13.4**	**11.0**	**21.8%**	**13.0**	**3.1%**

Autocentres generated total revenues of £156.1m (H1 FY20: £82.7m), an increase of 88.8% on H1 FY20, with one-year LFL increase of 19.3% and a two-year LFL growth of 15.5%.

The increase in total revenue from FY20 was primarily due to the acquisitions of McConechy's, Tyres on the Drive and Universal, but the underlying Autocentre business also performed strongly on a like-for-like basis as strong labour productivity drove additional sales.

Gross profit at £86.8m (H1 FY20: £56.7m) represented a gross margin of 55.6%, a decrease from the 68.6% gross margin in H1 FY20, reflecting the acquisitions made in previous years, all of which are more heavily weighted towards lower margin tyre and B2B sales. The underlying Autocentre gross margin was strong, reflecting the continued focus on the operating model via technology enabled efficiency programmes and growth in higher margin revenue streams.

Autocentre EBIT of £3.7m was £0.7m below H1 FY21 and £0.1m below H1 FY20. Last year, as in the Retail business, the profit figure is distorted by the partial closure of some of the garages, furlough claims and business rates and therefore the more relevant comparator is H1 FY20. The small dip in profitability for both years reflects the significant shift of the MOT peak season into our second half and, accordingly, we expect profitability to move significantly forward in H2 FY22.

Portfolio Management
The Retail store portfolio at 1 October 2021 comprised 403 stores (end of H1 FY21: 443; end of FY21: 404). One new Autocentres was opened, and one was closed in the period, making the total number of Autocentre locations 374 as at 1 October 2021 (end of H1 FY21: 367; end of FY21: 374). There were a total of 364 vans, 172 of which were HME, 104 McConechy's and 88 Universal. The following table outlines the changes in the Retail and Autocentres store portfolio over the 26-week period:

	Retail	Centres
Relocations	0	0
Leases re-negotiated	28	8
Rightsized	0	0
Openings	0	1
Closed	1	1

Net Non-Underlying items

The following table outlines the components of the non-underlying items recognised in the period:

	H1 FY22 £m	**H1 FY21 £m**
Organisational restructure costs	0.3	0.9
Closure costs	(6.8)	(0.5)
One off claims	0.1	-
Net non-underlying items (credit)/debit	**(6.4)**	**0.4**

In the current and prior period, costs relate to redundancy associated with a strategic redesign of our instore operating model, undertaken to better meet our customers' expectations and deliver a consistent shopping experience across our estate. Redundancy costs of £0.3m (HY21: £0.9m, FY21: £5.9m) were incurred to transition to the new operating model.

During FY20 and FY21 the group completed a strategic review of the profitability of the physical estate and subsequently closed a number of stores and garages. Assets were impaired, and costs associated with the ongoing onerous commitments under the lease agreements and other costs associated with the property exits were provided for accordingly. In the current period £6.8m of these provisions have been released as the group continues to negotiate lease disposals and review provisions held in place.

During the prior period Cycle Republic closure costs of £0.5m, which were provided for at year-end FY20, were released. A provision of £0.6m was created at year end FY20 in relation to the HMRC audit relating to the national minimum wage. The Group has continued to work with HMRC and external advisors and a full data validation exercise is underway to determine the required Notice of Underpayment. The exercise is in progress and based on information available to date, and the Group's assessment of a range of potential outcomes, management increased the provision to £3.4m at year end FY21, which represents management's best estimate of the value of underpayments and the associated penalty charge. During the current period further professional fees in relation to this investigation, amounting to £0.1m, have been recorded.

Finance Expense

The net finance expense for the period was lower year-on-year at £5.8m (H1 FY21: £7.9m), the result of a decrease in the level of IFRS 16 interest, reflecting both the ageing of the lease portfolio and the disposal of a number of sites in the previous year. Net finance costs pre IFRS 16 have decreased to £1.3m (HY21: £3.0m) as we were fully drawn down on the RCF in the prior year.

Taxation

The taxation charge on profit for the financial period was £11.6m (H1 FY21: £10.4m). The effective tax rate before non-underlying items of 18.09% (H1 FY21: 18.9%) differs from the UK corporation tax rate (19%) primarily as a result of the 30% permanent element of the 130% capital allowances super deduction on qualifying plant and machinery additions. The rate reduction is partially offset by the depreciation expense relating to non-qualifying assets, and the share based payments IFRS 2 charge.

The full year FY22 effective tax rate is expected to be c.18.45%.

Earnings Per Share ("EPS")

Underlying Basic EPS was 24.0 pence and after non-underlying items 26.6 pence (H1 FY21: 22.8 pence after non-underlying items, H1 FY20: 11.1 pence). Basic weighted-average shares in issue during the period were 197.8m (H1 FY21: 197.0m).

Dividend ("DPS")

The Board have declared an interim dividend of 3p per share in respect of the period to 1 October 2021 (H1 FY21: None). The interim dividend will be paid on 21 January 2022 to shareholders who are on the register of members, with an ex-dividend date of 9 December 2021 and a record date of 10 December 2021.

Capital Expenditure

Capital investment in the period totalled £22.8m (H1 FY21: £11.2m) comprising £15.0m in Retail and £7.8m in Autocentres.

Within Retail, £6m (H1 FY21: £1.7m) was invested in stores, the majority of which related to on-going store improvement projects (£2.0m), continued investment in LED lighting within stores (£1m) and roof/reactive works. Investment has continued in IT systems (H1 FY22: £7.4m), covering the ongoing development and enhancement of the new website. The balance of £1.6m was invested in other smaller support centre upgrades/projects, and a small amount within Tredz & Wheelies.

The £7.8m (H1 FY21: £1.2m) capital expenditure in Autocentres principally related to the purchase of Halfords Mobile Expert vans, PACE (the underpinning system architecture within the Autocentre business) development work and replacement of fixtures and fittings.

During the period, six properties that were acquired as freehold properties within Universal Tyre Company (Deptford) were sold to third parties and then leased back to Halfords Autocentres Limited. The transaction has been accounted for as a sale and leaseback transaction in the Group under IFRS 16 'Leases'. The total proceeds of the sale were £7.5m and a net gain of £0.5m has been recognised for the transaction within the income statement.

On a cash basis, total capital expenditure in the period was £27.3m (H1 FY21: £11.9m).

Inventories

Group inventory held as at the period end was £172.3m (H1 FY21: £146.0m). Retail inventory increased to £151.6m (H1 FY21: £140.8m), demonstrating some recovery in Cycling stock through the period but also reflective of the incredibly strong sales in Cycling in the prior period. Tredz & Wheelies stock value was £10.1m (H1 FY21: £11.1m) remaining consistent with prior year, showing good stock management.

Autocentres' inventory was £10.6m (H1 FY21: £5.2m). The Autocentres business model is such that only modest levels of inventory are held within the centres, with most parts being acquired on an as-needed basis. The increase from the prior year is due to the addition of Universal tyres inventory.

Cashflow and Borrowings

Operating Cash Flow during the period, was £108.1m (H1 FY21: £231.2m). After acquisitions, taxation, capital expenditure and net finance costs, Free Cash Flow of £69.3m (H1 FY21: £210.1m) was generated in the period. Group net debt was £232.7m (H1 FY21: £271.6m). The Group has £92.1m of cash at the balance sheet date.

Principal Risks and Uncertainties

The Board considers risk assessment, identification of mitigating actions and internal control to be fundamental to achieving Halfords' strategic corporate objectives. In the Annual Report & Accounts the Board sets out what it considers to be the principal commercial and financial risks to achieving the Group's objectives. The main areas of potential risk and uncertainty in the balance of the financial year are described in the Strategic Report on page 68 of the 2021 Annual Report and Accounts, and all are considered relevant to the H1 FY22 reporting. These include:

- Business Strategy

    - Capability and capacity to effect change
    - Building and maintaining stakeholder support for our strategy
    - Delivering an attractive customer value proposition
    - Positive brand appeal, maintaining and growing market share
- Financial
    - Delivering a sustainable business model
- Compliance
    - Regulatory compliance
    - Service quality delivery
    - Cyber security
- Operational
    - Colleague engagement/culture
    - Managing the skills shortage
    - IT infrastructure failure
    - Critical physical infrastructure failure (including supply chain disruption)

In its most recent review of business risk, the Board identified a new risk, climate change and electrification, highlighting the necessity of a strategic response to climate change and to the opportunities that arise from the increased societal importance of electric mobility.

Loraine Woodhouse
Chief Financial Officer, 9 November 2021

Glossary of Alternative Performance Measures

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures ("APMs"). APMs should be considered in addition to IFRS measurements, of which some are shown on Page 1. The Directors believe that these APMs assist in providing useful information on the underlying performance of the Group, enhance the comparability of information between reporting periods, and are used internally by the Directors to measure the Group's performance, not necessarily comparable to other entities APMs.

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

1. Like-for-like ("L4L") 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 equates to results from operating activities before non-underlying items, as shown in the Group Income Statement. 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 less cash and cash equivalents, both in-hand and at bank, as shown in the Consolidated statement of financial position, as reconciled below:

	H1 FY22 £m	H1 FY21 £m
Cash and cash equivalents	91.6	109.6
Lease liabilities – current	(55.9)	(73.9)
Lease liabilities – non-current	(268.4)	(307.3)
Net Debt	**(232.7)**	**(271.6)**

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 movements in provisions (excluding post period end payment run adjustment), as reconciled below:

	H1 FY22 £m	H1 FY21 £m
Underlying EBIT	63.7	63.7
Depreciation and Amortisation	52.0	51.8
Underlying EBITDA	115.7	115.5
Non-underlying operating income/(expenses)	6.4	(0.4)
EBITDA	**122.1**	**115.1**
Share-based payment transactions	4.2	1.6
Loss on disposal of property, plant & equipment	2.5	0.1
Profit on disposal of assets held for sale	(0.5)	-
Working capital movements	(12.1)	97.3
Provisions movement	(8.1)	17.1
Adjusted Operating Cash Flow	**108.1**	**231.2**

8. Free Cash Flow is defined as Adjusted Operating Cash Flow (as defined above) less capital expenditure, net finance costs, taxation and exchange movements; as reconciled below:

	H1 FY22 £m	H1 FY21 £m
Adjusted Operating Cash Flow	108.1	231.2
Capital expenditure	(27.3)	(11.9)
Net finance costs	(5.5)	(7.7)
Taxation	(5.3)	(3.0)
Exchange movements	(0.7)	1.5
Free Cash Flow	**69.3**	**210.1**

Halfords Group plc

Condensed consolidated income statement

For the 26 weeks to 1 October 2021

	Notes	**26 weeks to 1 October 2021 Unaudited £m**	26 weeks to 2 October 2020 Unaudited £m	52 weeks to 2 April 2021 £m
Revenue	7	**694.8**	**638.9**	1,292.3
Cost of sales		**(335.4)**	**(323.1)**	(636.0)
Gross profit		**359.4**	**315.8**	656.3
Operating expenses		**(295.7)**	**(252.5)**	(576.8)
Operating profit before non-underlying items		**63.7**	**63.7**	114.5
Non-underlying operating income/(expenditure)	8	**6.4**	**(0.4)**	(35.0)
Results from operating activities		**70.1**	**63.3**	79.5
Finance costs	9	**(5.8)**	**(7.9)**	(15.0)
Net finance costs		**(5.8)**	**(7.9)**	(15.0)
Profit before tax and non-underlying items		**57.9**	**55.8**	99.5
Non-underlying operating income/(expenditure)	8	**6.4**	**(0.4)**	(35.0)
Profit before tax		**64.3**	**55.4**	64.5
Tax on underlying items	10	**(10.4)**	**(10.5)**	(17.4)
Tax on non-underlying items	8	**(1.2)**	**0.1**	6.1
Profit for the period attributable to equity shareholders		**52.7**	**45.0**	53.2
Earnings per share				
Basic earnings per share	13	26.6p	22.8p	27.1p
Diluted earnings per share	13	26.0p	22.4p	26.4p
Basic underlying earnings per share	13	24.0p	23.0p	41.7p
Diluted underlying earnings per share	13	23.4p	22.6p	40.7p

A final dividend was paid for the 52 weeks to 2 April 2021 of 5 pence per share (2021: 0 pence per share). The directors have proposed an interim dividend of 3 pence per share in respect of the 26 weeks to 1 October 2021 (2021: 0 pence per share).
The notes on pages 25 to 34 are an integral part of these condensed consolidated interim financial statements.

Halfords Group plc

Condensed consolidated statement of comprehensive income

For the 26 weeks to 1 October 2021

	26 weeks to 1 October 2021 Unaudited £m	26 weeks to 2 October 2021 Unaudited £m	52 weeks to 2 April 2021 £m
Profit for the period	**52.7**	**45.0**	53.2
Other comprehensive income			
Cash Flow hedges: fair value changes in the period	**5.0**	**(3.8)**	(9.6)
Income tax on other comprehensive income	**(1.2)**	**0.8**	1.6
Other comprehensive income for the period, net of tax	**3.8**	**(3.0)**	(8.0)
Total comprehensive income for the period attributable to equity shareholders	**56.5**	**42.0**	45.2

All items within the Consolidated statement of comprehensive income are classified as items that are or may be recycled to the consolidated income statement

The notes on pages 25 to 34 are an integral part of these condensed consolidated interim financial statements.

Halfords Group plc

Condensed consolidated statement of financial position

As at 1 October 2021

	Notes	**As at 1 October 2021 Unaudited £m**	As at 2 October 2020 Unaudited £m	As at 2 April 2021 £m
Assets				
Non-current assets				
Intangible assets	14	**401.9**	393.4	398.3
Property, plant and equipment	14	**79.4**	79.1	81.3
Right-of-use assets	14	**271.2**	319.2	282.8
Derivative financial instruments		**0.7**	-	0.1
Deferred tax asset		**8.2**	8.0	12.3
Total non-current assets		**761.4**	799.7	774.8
Current assets				
Inventories		**172.3**	146.0	143.9
Trade and other receivables		**97.8**	62.5	86.1
Assets held for sale	14	**-**	-	6.0
Derivative financial instruments		**3.0**	2.0	0.5
Current tax assets		**0.5**	-	3.1
Cash and cash equivalents	15	**92.1**	109.6	67.2
Total current assets		**365.7**	320.1	306.8
Total assets		**1,127.1**	1,119.8	1,081.6
Liabilities				
Current liabilities				
Borrowings	15	**(0.1)**	(0.2)	(0.2)
Derivative financial instruments		**(1.5)**	(1.4)	(5.9)
Lease liabilities		**(55.9)**	(73.7)	(63.4)
Trade and other payables		**(293.4)**	(295.5)	(270.2)
Current tax liabilities		**-**	(0.1)	-
Provisions		**(19.2)**	(22.5)	(24.5)
Total current liabilities		**(370.1)**	(393.4)	(364.2)
Net current liabilities		**(4.4)**	(73.3)	(57.4)
Non-current liabilities				
Borrowings	15	**(0.4)**	(2.2)	-
Lease liabilities		**(268.4)**	(305.1)	(280.9)
Derivative financial instruments		**(0.5)**	-	(0.4)
Trade and other payables		**(5.1)**	(2.3)	(3.3)
Provisions		**(12.2)**	(8.4)	(15.0)
Total non-current liabilities		**(286.6)**	(318.0)	(299.6)
Total liabilities		**(656.7)**	(711.4)	(663.8)
Net assets		**470.4**	408.4	417.8
Shareholders' equity				
Share capital	16	**2.0**	2.0	2.0
Share premium account	16	**151.0**	151.0	151.0
Investment in own shares		**(9.1)**	(10.0)	(10.0)
Other reserves		**1.7**	1.6	(1.8)
Retained earnings		**324.8**	263.8	276.6
Total equity attributable to equity holders of the Company		**470.4**	408.4	417.8

The notes on pages 25 to 34 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity

For the 26 weeks to 1 October 2021

For the period ended 1 October 2021 (Unaudited)

	Attributable to the equity holders of the Company						
				Other reserves			
	Share capital	Share premium account	Investment in own shares	Capital redemption reserve	Hedging reserve	Retained earnings	**Total equity**
	£m	£m	£m	£m	£m	£m	**£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	-	-	-	-	-	52.7	**52.7**
Other comprehensive income							
Cash flow hedges: fair value changes in the period	-	-	-	-	5.0	-	**5.0**
Income tax on other comprehensive income	-	-	-	-	(1.2)	-	**(1.2)**
Total other comprehensive income for the period net of tax	-	-	-	-	3.8	-	**3.8**
Total comprehensive income for the period	-	-	-	-	3.8	52.7	**56.5**
Hedging gains and losses transferred to the cost of inventory	-	-	-	-	(0.3)	-	**(0.3)**
Transactions with owners							
Share options exercised	-	-	0.9	-	-	-	**0.9**
Share-based payment transactions	-	-	-	-	-	4.2	**4.2**
Tax on share-based payment transactions	-	-	-	-	-	1.2	**1.2**
Dividends to equity holders	-	-	-	-	-	(9.9)	**(9.9)**
Total transactions with owners	-	-	0.9	-		(4.5)	**(3.6)**
Balance at 1 October 2021	**2.0**	**151.0**	**(9.1)**	**0.3**	**1.4**	**324.8**	**470.4**

The notes on pages 25 to 34 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity (continued)

For the 26 weeks to 1 October 2021

For the period ended 2 October 2020 (Unaudited)

	Attributable to the equity holders of the Company						
				Other reserves			
	Share capital £m	Share premium account £m	Investment in own shares £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	**Total equity £m**
Opening balance at 3 April 2020	**2.0**	**151.0**	**(10.0)**	**0.3**	**4.6**	**217.9**	**365.8**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	45.0	**45.0**
Other comprehensive income							
Cash Flow hedges: fair value changes in the period	-	-	-	-	(3.8)	-	**(3.8)**
Income tax on other comprehensive income	-	-	-	-	0.8	-	**0.8**
Total other comprehensive income for the period net of tax	-	-	-	-	(3.0)	-	**(3.0)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	(3.0)	45.0	**42.0**
Other	-	-	-	-	-	(0.7)	**(0.7)**
Hedging gains and losses transferred to the cost of inventory	-	-	-	-	(0.3)	-	**(0.3)**
Transactions with owners							
Share-based payment transactions	-	-	-	-	-	1.6	**1.6**
Dividends to equity holders	-	-	-	-	-	-	**-**
Total transactions with owners	-	-	-	-	-	1.6	**1.6**
Balance at 2 October 2020	**2.0**	**151.0**	**(10.0)**	**0.3**	**1.3**	**263.8**	**408.4**

The notes on pages 25 to 34 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows

For the 26 weeks to 1 October 2021

	Notes	**26 weeks to 1 October 2021 Unaudited £m**	26 weeks to 2 October 2020 Unaudited £m	52 weeks to 2 April 2021 £m
Cash Flows from operating activities				
Profit after tax for the period before non-underlying items		**47.5**	45.3	82.1
Non-underlying items	8	**5.2**	(0.3)	(28.9)
Profit after tax for the period		**52.7**	45.0	53.2
Depreciation – property, plant and equipment		**11.5**	10.7	21.0
Impairment – property, plant and equipment		**0.3**	-	2.8
Amortisation of right-of-use assets		**33.4**	34.6	81.8
Amortisation – intangible assets		**6.8**	6.5	12.9
Net finance costs		**5.8**	7.9	15.0
Loss on disposal of property, plant and equipment and intangibles		**2.5**	0.1	1.7
Profit on sale and lease back		**(0.5)**	-	-
Equity-settled share-based payment transactions		**4.2**	1.6	6.4
Exchange movement		**(0.7)**	1.5	2.1
Income tax expense		**11.6**	10.4	11.3
Decrease/(increase) in inventories		**(30.3)**	27.0	35.0
(Increase)/decrease in trade and other receivables		**(11.7)**	(9.0)	(26.2)
Increase in trade and other payables		**29.9**	79.3	40.2
Increase/(decrease) in provisions		**(8.1)**	17.1	25.7
Corporation tax paid		**(5.3)**	(3.0)	(10.8)
Net cash from operating activities		**102.1**	229.7	272.1
Cash Flows from investing activities				
Acquisition of subsidiary, net of cash acquired		**-**	-	(11.5)
Proceeds from asset held for sale		**7.5**	-	-
Purchase of intangible assets		**(10.4)**	(4.3)	(11.8)
Purchase of property, plant and equipment		**(16.9)**	(7.6)	(15.7)
Net cash used in investing activities		**(19.8)**	(11.9)	(39.0)
Cash Flows from financing activities				
Net proceeds from share options and purchase of own shares		**0.9**	-	-
Finance costs paid		**(5.5)**	(7.7)	(5.5)
Proceeds from loans, net of transaction costs		**-**	3.0	-
Repayment of borrowings		**-**	(180.0)	(180.0)
Interest paid on lease liabilities		**(4.6)**	(5.2)	(10.0)
Payment of capital element of leases		**(38.2)**	(33.8)	(85.9)
Dividends paid	12	**(9.9)**	-	-
Net cash used in financing activities		**(57.3)**	(223.7)	(281.4)
Net increase/(decrease) in cash and bank overdrafts	15	**25.0**	(5.9)	(48.3)
Cash and cash equivalents at the beginning of the period	15	**67.0**	115.3	115.3
Cash and cash equivalents at the end of the period	15	**92.0**	109.4	67.0

The notes on pages 25 to 34 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

For the 26 weeks to 1 October 2021

1. General information

The condensed consolidated interim financial statements of Halfords Group plc (the "Company") comprise the Company together with its subsidiary undertakings (the "Group").

The Company is a limited liability company incorporated, domiciled and registered in England and Wales. Its registered office is Icknield Street Drive, Washford West, Redditch, Worcestershire, B98 0DE.

The Company is listed on the London Stock Exchange.

These condensed consolidated interim financial statements were approved by the Board of Directors on 10 November 2021.

2. Statement of compliance

These condensed consolidated interim financial statements for the 26 weeks to 1 October 2021 have been prepared in accordance with IAS 34 'Interim financial reporting' as endorsed by the UKEB. They do not include all the information required for full annual financial statements and should be read in conjunction with the 2021 Annual Report and Accounts, which have been prepared in accordance with IFRS accounting standards.

The comparative figures for the financial period ended 2 April 2021 are not the Group's statutory accounts for that financial period. Those accounts have been reported on by the Group's auditors and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

3. Risks and uncertainties

The Directors consider that the principal risks and uncertainties which could have a material impact on the Group's performance in the remaining 26 weeks of the financial year remain the same as those stated on pages 66 to 72 of our Annual Report and Accounts for the 52 weeks to 2 April 2021, which are available on our website *www.halfordscompany.com* with the additional of climate change and electrification going forward. These are also detailed in the CFO report on page 11.

4. Significant accounting policies

Going Concern

The directors have reviewed the current financial performance and liquidity of the business. Further details of the assessment are provided on pages 72 to 73 of our Annual Report and Accounts for the 52 weeks to 2 April 2021, which are available on our website www.halfordscompany.com. The directors have further reviewed these financial forecasts against the current performance of the business during H1 by updating the model for actual trading, which shows Halfords has outperformed against the original model.

Having reviewed current performance and forecasts, the Directors consider that the Group has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the condensed consolidated interim financial statements. The Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements.

Accounting Policies

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed consolidated interim financial statements have been prepared by applying the accounting policies and presentation that were applied in the preparation of the 2021 Annual Reports and Accounts, which are published on the Halfords Group website, *www.halfordscompany.com.*

The accounting policies adopted in the preparation of the interim financial statements are the same as those set out in the Group's annual financial statements for the 52 weeks ended 2 April 2021.

5. Estimates and judgements

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the 52-week period ended 2 April 2021 and the 26 weeks ended 2 October 2020.

6. 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 through retail stores and online platforms. The operations of the Car Servicing reporting segment comprise car servicing and repair performed from Autocentres, commercial vehicles and mobile customer vans through Halfords Mobile Expert

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 reviewed by the Executive Directors. These internal reports are prepared in accordance with IFRS accounting policies consistent with these Group Financial Statements.

All material operations of the reportable segments are carried out in the UK and all material non-current assets are 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	26 weeks to 1 October 2021 Total Unaudited £m
Revenue	**538.7**	**156.1**	**694.8**
Segment result before non-underlying items	**61.2**	**3.7**	**64.9**
Non-underlying items	**6.4**	**-**	**6.4**
Segment result	**67.6**	**3.7**	**71.3**
Unallocated expenses[1]			**(1.2)**
Operating profit			**70.1**
Net financing expense			**(5.8)**
Profit before tax			**64.3**
Taxation			**(11.6)**
Profit after tax			**52.7**

Income statement	Retail £m	Car Servicing £m	26 weeks to 2 October 2020 Total Unaudited £m
Revenue	**524.2**	**114.7**	**638.9**
Segment result before non-underlying items	**60.3**	**4.7**	**65.0**
Non-underlying items	**(0.1)**	**(0.3)**	**(0.4)**
Segment result	**60.2**	**4.4**	**64.6**
Unallocated expenses[1]			**(1.3)**
Operating profit			**63.3**
Net financing expense			**(7.9)**
Profit before tax			**55.4**
Taxation			**(10.4)**
Profit after tax			**45.0**

[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 £1.2m in respect of assets acquired through business combinations (2020: £1.3m).

Income statement	Retail £m	Car Servicing £m	52 weeks to 2 April 2021 Total £m
Revenue	1,039.8	252.5	1,292.3
Segment result before non-underlying items	103.7	13.1	116.8
Non-underlying items	(31.7)	(3.3)	(35.0)
Segment result	72.0	9.8	81.8
Unallocated expenses[1]			(2.3)
Operating profit			79.5
Net financing expense			(15.0)
Profit before tax			64.5
Taxation			(11.3)
Profit after tax			53.2

[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 £2.3m in respect of assets acquired through business combinations (2020: £2.1m).

Other segment items:	Retail £m	Car Servicing £m	26 weeks to 1 October 2021 Total Unaudited £m
Capital expenditure	**16.1**	**6.7**	**22.8**
Depreciation expense	**8.0**	**3.5**	**11.5**
Amortisation of right-of-use asset	**25.9**	**7.5**	**33.4**
Impairment	**0.3**	**-**	**0.3**
Amortisation expense	**6.1**	**0.7**	**6.8**

Other segment items:	Retail £m	Car Servicing £m	26 weeks to 2 October 2020 Total Unaudited £m
Capital expenditure	9.3	1.9	11.2
Depreciation expense	8.1	2.6	10.7
Amortisation of right-of-use asset	29.0	5.6	34.6
Impairment	-	-	-
Amortisation expense	4.8	0.5	5.3

Other segment items:	Retail £m	Car Servicing £m	52 weeks to 2 April 2021 Total £m
Capital expenditure	23.3	22.0	45.2
Depreciation and impairment expense	19.1	4.7	23.8
Impairment of right-of-use asset	11.6	0.6	12.2
Amortisation of right-of-use asset	58.2	11.4	69.6
Amortisation expense	9.6	1.2	10.8

There have been no significant transactions between segments in the 26 weeks ended 1 October 2021 (2020: £nil).

7. Revenue

A. Revenue streams and location

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

Revenue split by the Group's operating segments are shown in Note 6.

All revenue is recognised in the United Kingdom and Republic of Ireland.

B. Seasonality of operations

In general, the Group's results are not materially seasonal with revenue in the first half broadly similar to that of the second, however, sales of certain products tend to fluctuate by season. For example, sales of children's cycles peak in the Christmas season and sales of adult cycles tend to peak in the summer.

8. Non-underlying items

	26 weeks to 1 October 2021	26 weeks to 2 October 2020	53 weeks to 2 April 2021
	Unaudited	Unaudited	
	£m	£m	£m
Non-underlying operating expenses:			
Organisational restructure costs (a)	**0.3**	0.9	5.9
One off claims (b)	**0.1**	-	2.9
Closure costs (c)	**(6.8)**	(0.5)	26.0
Impairment of right-of-use asset (d)	**-**	-	(0.4)
Acquisition and investment-related fees (e)	**-**	-	0.6
Non-underlying items before tax	**(6.4)**	0.4	35.0
Tax on non-underlying items (f)	**1.2**	(0.1)	(6.1)
Non-underlying items after tax	**(5.2)**	0.3	28.9

Non-underlying items are those items that are unusual because of their size, nature (one-off, non-trading costs) or incidence. 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.

(a) In the current and prior period, costs related to a strategic redesign of our instore operating model undertaken to better meet our customers' expectations and deliver a consistent shopping experience across our estate. Redundancy costs of £0.3m (HY21: £0.9m, FY21: £5.9m) were incurred to transition to the new operating model.

(b) A provision of £0.6m was created at year end FY20 in relation to an HMRC audit regarding National Minimum Wage. The Group has continued to work with HMRC, alongside external advisors, and a full data validation exercise is underway to determine the required Notice of Underpayment. The exercise is in progress and based on information available to date, and the Group's assessment of a range of potential outcomes, management increased the provision to £3.4m at year end FY21, which represents management's best estimate of the value of underpayments and the associated penalty charge. During the current period, management has incurred further professional fees in relation to this investigation, amounting to £0.1m.

(c) During FY20 and FY21 the group completed a strategic review of the profitability of the physical estate and subsequently closed a number of stores and garages. Assets were impaired, and costs associated with the ongoing onerous commitments under the lease agreements and other costs associated with the property exits were provided for accordingly. In the current period £6.8m (costs of £26m during FY21) of these provisions have been released as the group continues to negotiate lease disposals and review provisions held in place.

During the prior period Cycle Republic closure costs of £0.5m, which were provided for at year-end FY20, were released.

At the period end property provisions carried forward amounted to £12.9m. These will continue to unwind as property exits are negotiated with landlords or tenants, and could result in further amounts being released to the income statement due to the significant estimation uncertainty over the timing of exits and the final negotiated settlements.

(d) In FY20, in light of the ongoing COVID-19 pandemic, the Group revised future cash flow projections for stores and garages. As a result, in FY20, £0.9m incremental impairment was recognised in relation to garages where the current and anticipated future performance did not support the carrying value of the right-of-use asset and associated tangible assets. This charge was directly attributable to impairment due to COVID-19 and related primarily to the right-of-use asset value. During FY21, £0.4m of this impairment was reversed as the stores and garages returned to a profitable position.

(e) In FY21, £0.6m relating to professional fees in respect of the acquisition of Universal Tyre Services.

(f) The tax charge in H1 FY22 represents a tax rate of 18.8% applied to non-underlying items (H1 FY21: Credit, 18.9%, FY21 full year: Credit, 17.4%).

9. Net Finance Costs

	26 weeks to 1 October 2021	26 weeks to 2 October 2020	52 weeks to 2 April 2021
	Unaudited	Unaudited	
	£m	£m	£m
Finance costs:			
Bank borrowings	**(0.2)**	(2.0)	(2.5)
Amortisation of issue costs on loans	**(0.3)**	(0.2)	(1.1)
Commitment and guarantee fees	**(0.8)**	(0.5)	(1.1)
Other interest payable	**-**	-	(0.3)
Interest payable on lease liabilities	**(4.5)**	(5.2)	(10.0)
Finance costs	**(5.8)**	(7.9)	(15.0)

10. Income tax expense

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year, applied to the pre-tax income of the interim period.

The effective tax rate before non-underlying items for the 26 weeks to 1 October 2021 is 18.09% (H1 2020: 18.9%). The effective tax rate is lower than the UK corporation tax rate primarily as a result of the 30% permanent element of the 130% capital allowances super deduction on qualifying plant and machinery additions. The rate reduction is partially offset by the depreciation expense relating to non-qualifying assets, and the share based payments IFRS 2 charge.

11. Financial Instruments and Related Disclosures

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

1 October 2021	**Fair Value – hedging instruments £m**	**Amortised cost £m**	**Other financial liabilities £m**	**Total carrying amount £m**
Financial assets measured at fair value				
Forward exchange contracts used for hedging	**3.7**	**-**	**-**	**3.7**
	3.7	**-**	**-**	**3.7**
Financial assets not measured at fair value				
Trade and other receivables*	**-**	**89.4**	**-**	**89.4**
Cash and cash equivalents	**-**	**92.1**	**-**	**92.1**
	-	**181.5**	**-**	**181.5**
Financial liabilities measured at fair value				
Forward exchange contracts used for hedging	**(2.0)**	**-**	**-**	**(2.0)**
	(2.0)	**-**	**-**	**(2.0)**
Financial liabilities not measured at fair value				
Borrowings	**-**	**-**	**(0.5)**	**(0.5)**
Lease liabilities	**-**	**-**	**(324.3)**	**(324.3)**
Trade and other payables**	**-**	**-**	**(171.0)**	**(171.0)**
	-	**-**	**(495.8)**	**(495.8)**

*Prepayments and accrued income of £8.4m are not included as a financial asset.

** Other taxation and social security payables of £22.9m, deferred income of £1.4m, accruals of £84.9m and other payables of £18.4m are not included as a financial liability.

2 October 2020	Fair Value – hedging instruments £m	Amortised cost £m	Other financial liabilities £m	Total carrying amount £m
Financial assets measured at fair value				
Forward exchange contracts used for hedging	2.0	-	-	2.0
	2.0	-	-	2.0
Financial assets not measured at fair value				
Trade and other receivables*	-	41.1	-	41.1
Cash and cash equivalents	-	109.6	-	109.6
	-	150.7	-	150.7
Financial liabilities measured at fair value				
Forward exchange contracts used for hedging	(1.4)	-	-	(1.4)
	(1.4)	-	-	(1.4)
Financial liabilities not measured at fair value				
Borrowings	-	-	(2.4)	(2.4)
Lease liabilities	-	-	(378.7)	(378.7)
Trade and other payables**	-	-	(161.7)	(161.7)
	-	-	(542.8)	(542.8)

*Prepayments and accrued income of £21.4m are not included as a financial asset.
** Other taxation and social security payables of £51.4m, deferred income of £nil, accruals of £64.5m and other payables of £18.1m are not included as a financial liability.

Measurement of fair values

The fair values of each class of financial assets and liabilities is the carrying amount, based on the following assumptions:

Trade receivables, trade payables and lease obligations, short-term deposits and borrowings	The fair value approximates to the carrying amount 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 statement of financial position 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 market forward rates at the reporting date and the outright contract rate.

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. There have been no changes to classifications in the current or prior period.

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 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. All trade receivables are based in the United Kingdom.

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 period was £0.1m.

12. Dividends

The Directors paid a final dividend of 5 pence per share in respect of the financial period ended 2 April 2021 (FY20: nil).

The Directors are proposing an interim dividend for the 26 weeks to 1 October 2021 of 3 pence per share (2021: nil). The interim dividend will be paid on 21 January 2022 to shareholders who are on the register of members, with an ex-dividend date of 9 December 2021 and a record date of 10 December 2021.

13. Earnings Per Share

Basic earnings per share is calculated by dividing the earnings 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 the Employee Benefit Trust and has been adjusted for the issue/repurchase 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 26 weeks to1 October 2021.

	26 weeks to 1 October 2021	26 weeks to 2 October 2020	52 weeks to 2 April 2021
	Unaudited	Unaudited	
	Number	Number	Number
	m	m	m
Weighted average number of shares in issue	**199.1**	199.1	199.1
Less: shares held by the Employee Benefit Trust	**(1.3)**	(2.1)	(2.0)
Weighted average number of shares for calculating basic earnings per share	**197.8**	197.0	197.1
Weighted average number of dilutive share options	**4.9**	3.6	4.9
Weighted number of shares for calculating diluted earnings per share	**202.7**	200.6	202.0

	26 weeks to 1 October 2021	26 weeks to 2 October 2020	52 weeks to 2 April 2021
	Unaudited	Unaudited	
	£m	£m	£m
Earnings attributable to equity shareholders	**52.7**	45.0	53.2
Non-underlying items:			
Operating expenses	**(6.4)**	0.4	35.0
Tax charge on non-underlying items	**1.2**	(0.1)	(6.1)
Underlying earnings before non-underlying items	**47.5**	45.3	82.1

Basic earnings per share	**26.6p**	22.8p	27.1p
Diluted earnings per share	**26.0p**	22.4p	26.4p
Basic underlying earnings per share	**24.0p**	23.0p	41.7p
Diluted underlying earnings per share	**23.4p**	22.6p	40.7p

The alternative measure of earnings per share is provided because it reflects the Group's underlying performance by excluding the effect of non-underlying items.

14. Capital Expenditure – Tangible, Intangible, Assets held for sale & Right-of-Use Assets

	Tangible and Intangible Assets Unaudited £m	Right-of-use assets Unaudited £m
Net book value at 3 April 2020	478.8	349.9
Additions	11.2	7.0
Disposals	(0.2)	(3.1)
Depreciation, amortisation and impairment	(17.3)	(34.6)
Net book value at 2 October 2020	472.5	319.2

	Tangible and Intangible Assets Unaudited £m	Right-of-use assets Unaudited £m
Net book value at 2 April 2021	479.6	282.8
Additions	22.8	23.3
Sale and leaseback adjustment	-	(1.4)
Disposals	(2.5)	(0.1)
Depreciation, amortisation and impairment	(18.6)	(33.4)
Net book value at 1 October 2021	481.3	271.2

During FY21 there was a balance of £6m held within current assets relating to an asset held for sale. This related to seven buildings acquired as part of the acquisition of The Universal Tyre Services (Deptford) Limited. On 26 May 2021, six of these properties were sold to third parties and then leased back to Halfords Autocentres Limited. The transaction has been accounted for as a sale and leaseback transaction in the Group under IFRS 16 'Leases'.

The total proceeds of the sale were £7.5m and a net gain of £0.5m has been recognised for the transaction within the income statement.

15. Analysis of Movements in the Group's Net Debt in the Period

	At 2 April 2021 £m	Cash Flow Unaudited £m	Other non-cash changes Unaudited £m	**At 1 October 2021 Unaudited £m**
Cash in hand and at bank	67.0	25.0	-	**92.0**
Debt due after one year	-	-	(0.4)	**(0.4)**
Total net debt excluding leases	67.0	25.0	(0.4)	**91.6**
Current lease liabilities	(63.4)	42.8	(35.3)	**(55.9)**
Non-current lease liabilities	(280.8)	-	12.4	**(268.4)**
Total lease liabilities	(344.2)	42.8	(22.9)	**(324.3)**
Total net debt	(277.2)	67.8	(23.3)	**(232.7)**

Non-cash changes comprise finance costs in relation to the amortisation of capitalised debt issue costs of £0.4m (H1 FY21: £0.1m), and movements in leases. Cash and cash equivalents at the period end consist of £87.0m (H1 FY21: £104.5m) of liquid assets, £5.1m (H1 FY21: £5.1m) of cash held in Trust and £0.1m (H1 FY21: £0.2m) of bank overdrafts.

	At 3 April 2020	Cash Flow	Other non-cash changes	**At 2 October 2020**
	2020 Unaudited	Unaudited	Unaudited	**Unaudited**
	£m	£m	£m	**£m**
Cash in hand and at bank	115.3	(5.9)	-	**109.4**
Debt due after one year	(179.1)	177.0	(0.1)	**(2.2)**
Total net debt excluding leases	(63.8)	171.1	(0.1)	**107.2**
Current lease liabilities	(83.2)	39.0	(29.5)	**(73.7)**
Non-current lease liabilities	(332.8)	-	27.7	**(305.1)**
Total lease liabilities	(416.0)	39.0	(1.8)	**(378.8)**
Total net debt	(479.8)	210.1	(1.9)	**(271.6)**

16. Share Capital

	Number of shares m	Share capital £m	Share premium account £m
As at 3 April 2020 and 2 October 2020	199.1	2.0	151.0

	Number of shares m	Share capital £m	Share premium account £m
As at 2 April 2021 and 1 October 2021	199.1	2.0	151.0

During the 26 weeks to 1 October 2021 and 2 October 2020, there were no movements in company share capital. The shares held in treasury are used to meet options under the Company's share options schemes.

17. Contingent liability

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 1 October 2021 amounted to £1.5m.

Where right of set off is included within the Group's banking arrangements, credit balances may be offset against the indebtedness of other Group companies.

18. Related Party Transactions

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 122 to 136 of the Group 2021 Annual Report and Accounts.

During the period no share options (H1 FY21: none) were granted to directors in relation to the Performance Share Plan ("PSP") and no share options (H1 FY21: none) were granted in relation to the Deferred Bonus Plan ("DBP").

19. Post Balance Sheet Events

During the period, the Group has progressed the second stage review of its legal entity structure. The primary objective of the first stage (accounted for in the plc accounts as at 2 April 2021) was to eradicate a dividend block that had arisen in the intermediate holding entities in the Group.

The second stage eliminates the share capital and intercompany balances of seven entities in the Group structure in preparation for liquidation, with the objective to reduce the complexity and administration burden of the surplus entities.

The required legal transactions and liquidation are due for completion during the second half of FY22.

Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the UKEB;
    - the interim management report includes a fair review of the information required by:

a. DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
b. DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Loraine Woodhouse, Chief Financial Officer

9 November 2021

Independent review report to Halfords Group plc

For the 26 weeks to 1 October 2021

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 1 October 2021 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of equity, the condensed consolidated statement of cashflows and the related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half -yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 1 October 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP
Chartered Accountants
London
9 November 2021
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