halfords

21 November 2012

Halfords Group plc
Interim Results Financial Year 2013

Halfords Group plc, the UK's leading retailer of automotive and leisure products and leading independent operator in garage servicing and auto repair, today announces its preliminary results for the 26-week period to 28 September 2012 ("the period"). All numbers shown in this statement are before non-recurring items, unless otherwise stated.

Group Financial Summary

	HY13 £m	HY12 £m	Change
Total Group Revenue	455.6	454.0	+0.4%
Retail	*393.0*	*400.6*	*-1.9%*
Autocentres	*62.6*	*53.4*	*+17.2%*
Operating Profit before non-recurring items			
Retail	*42.0*	*55.0*	*-23.6%*
Autocentres	*3.3*	*3.0*	*+10.0%*
Profit Before Tax and non-recurring items	41.9	54.7	-23.4%
Basic Earnings Per Share, before non-recurring items	16.2p	19.8p	-18.2%
Profit Before Tax, after non-recurring items	42.4	54.7	-22.5%
Basic Earnings Per Share, after non-recurring items	16.4p	19.7p	-16.8%
Net Debt	107.9	140.7	23.3% dec
Interim Dividend Per Share	8.0p	8.0p	Maintained

Key Points For The Half:

- Retail delivered a robust revenue performance in Q2 following a difficult Q1
- Autocentres produced a double-digit increase in operating profit led by further strong top-line growth
- Free cash flow up 47% to £59.5m with continued focus on investment priorities and cash management
- Net debt reduced by 23% to £107.9m
- Interim dividend of 8p per share maintained
- Good progress made in the delivery of strategic initiatives
- Matt Davies joined as Chief Executive in October

Dennis Millard, Chairman, commented:

"Our Retail performance improved markedly in the second quarter after a difficult first quarter and, with a proactive trading stance, we took full advantage of the opportunities provided by the 'summer of sport'. We continue to be encouraged by the performance and long-term potential of Autocentres. We also made good progress on channel and category initiatives; central to this is the priority of building a company-wide customer service ethic as well as investing in training and support for colleagues.

Our second-half Retail planning assumptions remain unchanged and cautious given the prevailing pressures on the consumer as we approach the important winter and Christmas trading periods. We continue to plan for a full-year Group Profit before tax and non-recurring items of between £66m and £70m. We have a strong platform for sustainable growth; the management team retains its focus on active trading, cash generation, prudent cost management and the delivery of strategic objectives."

Notes

1. Where appropriate, revenues denominated in foreign currencies have been translated at constant rates of exchange.
2. All numbers shown in this statement are before non-recurring items, unless stated otherwise. These items, namely £0.5m of income, represent the partial release of the Focus lease guarantee provision, recognised as a non-recurring cost in FY11, resulting from the better than anticipated settlements in the period.

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Results Presentation

A presentation for analysts and investors will be held today starting at 9.30am at Investec plc, 2 Gresham Street, London EC2V 7QP. Attendance is by invitation. A recorded webcast of the presentation will be available on www.halfordscompany.com during the day, as will a video interview with management.

Forthcoming Newsflow

Halfords Group plc will publish its third-quarter interim management statement on 15 January 2013.

Notes to Editors

www.halfords.com
www.halfordscompany.com
www.halfordsautocentres.com

Halfords Group plc

The Group is the UK's leading retailer of automotive, leisure and cycling products and through Halfords Autocentres also one of the UK's leading independent car servicing and repair operators. Halfords customers shop at more than 465 stores in the UK and Republic of Ireland and at halfords.com for pick-up at their local store or direct home delivery. Halfords Autocentres operates from more than 265 sites nationally and offers motorists dealership-quality MOTs, diagnostic services, tyres, repairs and car servicing at affordable prices.

Halfords employs approximately 12,000 colleagues and sells around 10,000 product lines in stores, increasing to around 16,000 lines online. The product offering encompasses significant ranges in car parts, cycles, in-car technology, child seats, roof boxes, outdoor leisure and camping equipment. Halfords own brands include the in-store *Bikehut* department, for cycles and cycling accessories, *Apollo* and *Carrera* cycles and exclusive UK distribution rights of the premium-ranged *Boardman* cycles and accessories. In outdoor leisure, we sell a premium range of camping equipment, branded *URBAN Escape*. Halfords offers customers expert advice and a fitting service called '***we***fit' for car parts, child seats, satellite navigation, touring and in-car entertainment systems, as well as a '***we***repair' service for cycles.

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.

Chairman's Review - November 2012

A. Introduction

In the first half of the financial year, Halfords delivered a Retail performance of two contrasting quarters. In the first quarter, sales were adversely affected by poor weather; in the second, we capitalised on the better weather and the "summer of sport" with an active trading stance and recovered much of the lost ground. Autocentres produced an encouraging sales performance throughout the half.

We made good progress with our strategic projects. A particular focus has been, and will continue to be, on building a company-wide service ethic and investing in training and support for our Retail store colleagues. The aim is to improve the quality of service for our customers and, in doing so, drive sustainable medium-term growth. Amongst a number of initiatives, we recruited over 450 new fitting colleagues and retrained over 6,000 existing colleagues to help grow sales of Retail wefit solutions.

We were particularly pleased to announce the appointment of Matt Davies as Chief Executive. Matt had an exceptional record of customer-service delivery, colleague engagement and trading performance whilst Chief Executive for *Pets at Home*. He is ideally qualified to lead Halfords through the next stage of its evolution from a traditional out-of-town retailer to a significant multichannel and service provider, making our business more relevant in today's connected customer environment. Matt currently intends to provide an insight into his initial thoughts after publication of the third-quarter interim management statement. David Wild, the previous Chief Executive, departed the Halfords Group in July 2012.

Looking forward, we remain cautious about trading conditions for the second half given the prevailing pressures on the consumer as we approach the important winter and Christmas trading period. However, Halfords is well-placed to deliver exceptional value to customers through the quality and pricing of our products and services and the expertise of our colleagues.

B. Summary of Group Results

Group sales were £455.6m, up 0.4% with like-for-like ("LfL") sales down 0.1%. Group gross margin was 23 basis points ("bps") lower than the first half of last year and, in an environment of continuing inflationary pressures and with strategic investments being made to support the delivery of our longer-term strategy, operating costs rose by 6.4%. Underlying Group operating profit was £44.5m which compares with £56.9m in the first half of the previous year. Profit before tax and non-recurring items was £41.9m and earnings per share were 16.2p, down 23.4% and 18.2% respectively.

A focus on inventory management and a surge in Cycling demand in the second quarter resulted in a 13.3% reduction in Group stocks compared to the prior period. This decrease is not expected to be sustained over the full year as we plan to rebuild inventories to more normalised levels. The cashflow performance was robust with free cashflow of £59.5m being generated, some £19m better than the first half of last year. As a result, net debt decreased to £107.9m with net debt:EBITDA at 1.0 times. As indicated in July, an unchanged interim dividend of 8p per share will be paid in January 2013.

C. Review of Trading

Retail

Retail sales for the first half of the year were £393.0m, down 1.9% on the previous year and down 1.6% on a LfL basis. In the second quarter, LfL sales recovered strongly, up by 4.6% following a weak first quarter (-7.5%). The sales mix and continued focus on cash margin resulted in a small 19bps decline in the first-half gross margin.

After a disappointing start, it was a particularly strong summer for Cycling sales. The enthusiasm surrounding British successes in the Tour de France and at the Olympics & Paralympics helped fuel a stronger demand for cycles, cycle products and cycle accessories and we capitalised on this with our agile trading stance. Cycling LfL sales were up 1.9% for the half with a strong second quarter, up 14.7%. Sales of premium cycles, particularly our exclusive *Boardman* and *Pendleton* ranges, were a feature.

LfL sales of Car Maintenance products and services grew by 1.8% as the demand for ***we***fit products continues to build and more customers look to us for expert help with basic Car Maintenance solutions. In the half, we fitted 27.5% of the bulbs, blades and batteries ("3Bs") we sold, up a full 530 basis points on the comparative period. We are investing in training, payroll, colleague numbers and national marketing to address this parts and labour market worth around £1bn where we only have a c.11% share. In the half, we also leveraged our market-leading position with timely promotions such as our four-litre £17.50 offer on *Castrol Magnatec* oil.

Car Enhancement LfL sales decreased by 6.0% in the first half, reflecting both the ongoing cyclical and structural pressures across much of this category. However, this reflects a slower rate of decline than in previous periods. Market share gains in Sat Nav reflected an enhanced execution and range, such as our focus on the value of Lifetime Map products. In Car Audio, we also made encouraging market-share gains, with a value-share rise of 9% over the last 12 months and an increase in volume and value share to over 60%. We are closer to the medium-term opportunity around DAB Digital Radio, and further share gains mean we have now captured around three quarters of this growing market.

We witnessed reduced demand for camping and touring products due to the generally poor weather for outdoor products. This was largely responsible for a 6.6% decline in LfL sales in our Travel Solutions category. One highlight was the sale of breathalysers as new French legislation made them compulsory for continental travel. Child Car Seats remains a product range facing both intense pricing and competitive pressure and thus we have continued to manage this category for cash.

Online revenues grew by 21.3% in the first half and represented 10.5% of Retail sales which compares with 8.6% in the prior period. This strong growth reflected the success of our investments in website capability, the introduction of our new 24-hour Reserve & Collect service and the rebalancing of promotions to focus more on product price rather than percentage discounting.

Autocentres

Sales for the first half were £62.6m, up 17.2% overall with LfL sales growth of 10.8%. Second-quarter LfL sales growth of 12.4% was the strongest since we acquired the business in February 2010. The performance was driven by our investment in marketing activity, the development of our tyre offer, our exclusive *Brakes4Life* proposition, trials of Sunday openings and the contribution from new centres. The significant increase in lower-margin tyre sales resulted in a 260bps decline in the gross margin.

We continue to acquire new retail customers whilst retaining a high level of existing customers. The fleet market remains challenging but we invested in capability in the first half as we seek to capitalise on this important sector of the market. In the first half, five new centres were opened, with a further four opened to date in the third quarter. Up to a further 21 new centres are targeted for opening in the second half. We will continue to selectively and appropriately invest in new centres to significantly grow our network over the years ahead. Investment in support infrastructure befitting that of a larger business was made in the first half together with a new brand-awareness advertising campaign.

D. Strategic Progress

During the half we made good progress in the delivery of our vision to *Help and Inspire Customers with their Life on the Move* via the three strategic pillars: *The Friend of the Motorist, The Best Cycle Shop in Town* and *The Starting Point for Great Getaways*.

Some of the areas of progress are:

Car Maintenance/Fitting

- Our ranges of bulbs, wiper blades and batteries were extended to give 97% car-parc coverage and introduce the latest innovations in bulb and wiper technology.
- We recruited over 450 new in-store fitting colleagues and retrained over 6,000 existing colleagues, focusing on technical fitting skills and customer engagement.
- An inaugural, national TV advertising campaign for ***we***fit was launched, complemented by up-weighted radio advertising and supported by new in-store point-of-sale advertising.
- In September, we achieved 30.9% 3Bs fitting penetration against 22.9% last year.
- LfL sales of Car Maintenance parts were up by 6.3% in the first half as a result of our unique offer.

Autocentres

- The portfolio was extended by five centres to 265 in the half, with a further four opened to date in the second half. The plan is to add up to a further 21 new centres in the remainder of the year and build a strong pipeline for FY14.
- Sunday-opening was trialled at 30 centres, with all new centres opening on Sundays.
- Further tyre-fitting equipment upgrading and investment was made resulting in 69% growth in the half, with tyres now making up 14% of total sales.

- A Business Development function was created to better leverage our fleet opportunities.
- An e-diary booking system was trialled and will go live nationally in the second half; this will greatly enhance customers' experience and will aid capacity planning.

Cycles and Cycle Parts, Accessories and Clothing

- A new Parts, Accessories and Clothing (PACs) commercial team has been recruited to aggressively drive this category.
- Trading arrangements were secured with c.170 leading brands and c.13,000 new SKUs were identified to be ready for our PACs re-launch next year; this envisages increases in the parts range from 750 current lines to 6,000, with increases in the clothing range from 200 current lines to 4,000.
- In addition to securing significant increases of our existing premium brands, ranging from key brands such as *Gore, Altura, Shimano, Mavic, Knog* and *Sram*, we have also secured a wide range of important accessory and clothing brands such as *Compagnolo, Lezyne, Northwave, Hi5* and *Adidas*.
- Investment in training and resources resulted in first-half cycle-repair revenues up 36.5%.
- High-end performance cycle brands such as *Cinelli* and *Tifosi* were added online, extending the Halfords bike price range up to £3,400.
- A new range of 23 *Apollo* kids bikes and accessories, as well as an extended range of scooters, has been launched for the Christmas period.
- In December we will launch three new *Boardman* bikes at the key Cycle-To-Work sub-£500 price points and there will be other new additions to the *Boardman* and *Voodoo* ranges. We will also introduce three new feature-rich *Carrera* bikes, one of which is a market-beating road bike.
- An innovative "Summer of Cycling" TV advertising campaign was launched which featured a series of idents around the Tour de France and highlighting our sub-£1,000 *Carrera Virago*, the best value carbon-framed bike on the market.

Motoring / Getting Away

- An increase in roof-bar fitting sales of 4.5% in the period was achieved, driven by our comprehensive ***we***fit offer.
- Continued investment in our private-label range of *Exodus* and *Urban Escape* along with the introduction of a new camping brand, *Aventura*, which will allow us to continue to offer great value to our customers as well as afford us market differentiation.
- Our camping and tent market reach will be extended by adding leading brands like *Vango, Vacanza by Outwell, Coleman and Gelert.*
- An increase in up-skilling of our IMI-accredited DAB radio fitting trainers and our range of the DAB radio and antenna offer is underway.

Web/IT Infrastructure

- The new 24-hour Reserve & Collect service was launched in March allowing customers to select from an extended range and take delivery at their local store the next day.
- A new dynamic e-mail programme was launched; our presence on *Facebook* and *Twitter* grew strongly as we further developed our digital marketing and customer-relationship management capability.
- Online search engine capability will be strengthened with the future launch the new *Fred Hopper* search technology to make product search easier and more intuitive.
- The IT infrastructure and website is being upgraded in preparation for trading the extended PACs range and will offer a robust returns process.

Laboratory Stores

- There are now five laboratory stores with several planned for opening in the near future.
- We will continue to test concepts though these formats remain experimental at this stage.
- The current formats differ between each of the laboratory stores as we test category locations, customer interactions, SKUs and space and different formats will continue to be tested.

Service

- The Redditch Head Office was re-named the Support Centre to reflect its primary role of helping our store and centre colleagues better serve customers.
- A new customer-engagement training programme was rolled out to nearly 9,000 colleagues.
- The introduction of a Customer Services Manager in our top 25 Retail stores was trialled.
- A new till-receipt system was introduced to more-readily capture customer feedback on our service in both stores and centres.
- A fundamental review of Retail store rotas, hours and training needs, based on customer-service requirements, is underway.

Our Colleagues

- The first Colleague Engagement Survey for several years was run and 92% of the c.12,000 Halfords colleagues responded, providing 8,000 individual comments and telling insights.
- Three regional Retail training centres will be opened in January 2013 with a view to open 12 more in FY14.
- We are introducing NVQs to give Retail store colleagues nationally recognised qualifications in fitting and service delivery.
- Further investment was made in our Autocentres apprentice scheme, the largest scheme of its kind in the UK; some 180 colleagues aged 16-20 years are currently enrolled on a three-year programme to become qualified motor mechanics.

E. Summary and Outlook

During the first half good progress was made on our strategic initiatives. Morale in the business is good and this will help to build even more momentum into the second half of the year to capitalise on our long-term opportunities.

Our second-half Retail planning assumptions remain unchanged and cautious given the prevailing pressures on the consumer as we approach the important winter and Christmas trading periods. In response, management will retain its focus on pro-active trading strategies to capitalise on opportunities; cash generation and prudent cost management; as well as delivering our strategic objectives. We continue to plan for a full-year Group Profit before tax and non-recurring items of between £66m and £70m.

On behalf of the Board, I would like to thank all of our colleagues for their hard work and their immense contribution to the progress of our business and, in particular, the support they have given me during the last few months.

I am now pleased to hand over the baton to our new CEO Matt Davies. Matt has spent his first few weeks in the business engaging with colleagues and customers in both stores and centres. I know he will continue the excellent work that has started and further develop and enhance what is already a great business.

Dennis Millard
Chairman
November 2012.

FINANCE DIRECTOR'S REPORT

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

Reportable Segments

Halfords Group operates through two reportable business segments:

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

All references to Group represent the consolidation of the Halfords ("Halfords Retail"/"Retail") and Halfords Autocentres ("Halfords Autocentres"/"Autocentres") trading entities.

Financial Results

	26 weeks ended 28 September 2012 £m	**26 weeks ended 30 September 2011 £m**	**Change**
Group Revenue	455.6	454.0	+0.4%
Group Gross Profit	246.3	246.5	-0.1%
Group Operating Profit	44.5	56.9	-21.8%
Net Finance Costs	(2.6)	(2.2)	+18.2%
Profit Before Tax and non-recurring items	41.9	54.7	-23.4%
Profit Before Tax, after non-recurring items	42.4	54.7	-22.5%

All items above are shown before non-recurring items unless otherwise stated.

The "HY13" accounting period represents trading for the 26 weeks to 28 September 2012 ("the period"). The comparative period "HY12" represents trading for the 26 weeks to 30 September 2011 ("the prior period").

Group revenue in HY13, at £455.6m, was up 0.4% and comprised Retail revenue of £393.0m and Autocentres revenue of £62.6m. This compared to HY12 Group revenue of £454.0m, which comprised Retail revenue of £400.6m and Autocentres revenue of £53.4m. Group gross profit at £246.3m (HY12: £246.5m) represented 54.1% of Group revenue (HY12: 54.3%), reflecting a decline in Retail business of 19 basis points ("bps") and a gross margin of 63.9% (HY12: 66.5%) in the Autocentres business.

Total Operating costs before non-recurring items increased to £201.8m (HY12: £189.6m) of which Retail represented £164.3m (HY12: £156.0m), Autocentres £36.6m (HY12: £32.5m) and unallocated costs £0.8m (HY12: £1.1m). Unallocated costs represent amortisation charges in respect of intangible assets acquired through business combinations (the acquisition of *Nationwide Autocentres Ltd* in February 2010), which arise on consolidation of the Group. Non-recurring income of £0.5m during the period represented the partial release of the *Focus* lease guarantee provision, recognised as a non-recurring cost in HY12, resulting from the better than anticipated settlements.

Net finance costs for the period were £2.6m (HY12: £2.2m).

Group Profit Before Tax and non-recurring items for the period was down 23.4% at £41.9m (HY12: £54.7m).

Group Profit Before Tax in the period after non-recurring items was £42.4m (HY12: £54.7m).

Based on the detailed assumptions set out later in this report, management reiterates its guidance for the full-year Group Profit before tax and non-recurring items of between £66m and £70m.

Halfords Retail

	26 weeks ended 28 September 2012 £m	26 weeks ended 30 September 2011 £m
Sales	393.0	400.6
Gross Profit	206.3	211.0
Gross Margin	52.5%	52.7%
Operating Costs before non-recurring items	(164.3)	(156.0)
Operating Profit before non-recurring items	**42.0**	**55.0**
Non-recurring income	0.5	-
Operating Profit after non-recurring items	42.5	55.0

Revenue for the Retail business of £393.0m reflected, on a constant currency basis, a like-for-like sales decline of 1.6%. Non like-for-like stores contributed £0.8m revenue in the period, with total revenue declining 1.9%. By category, Cycling and Car Maintenance revenues were up +1.9% and +1.8% respectively, while Travel Solutions and Car Enhancement revenues were down -6.6% and -6.0% respectively. Revenue for the Retail business is split by category below.

	26 weeks ended 28 September 2012 (%)	26 weeks ended 30 September 2011 (%)	52 weeks ended 30 March 2012 (%)
Cycling	32.9	31.6	29.5
Car Maintenance	27.1	26.3	30.8
Car Enhancement	25.1	26.4	25.8
Travel Solutions	14.9	15.7	13.9
Total	**100.0**	**100.0**	**100.0**

Gross profit for the Retail business at £206.3m (HY12: £211.0m) represented 52.5% of sales, 19bps down on the prior period (HY12: 52.7%). This dilution reflected the continued focus on maximising cash generation; the higher proportion of Cycling sales, particularly in lower-margin premium bikes and; continued cash-accretive promotional activity, such as the successful four-litre £17.50 *Castrol* deal. These were partly offset by a reduced level of lower-margin Car Enhancement sales, albeit better than anticipated; increased Car Maintenance parts & fitting revenues and; a continued supply-chain cost focus.

Operating costs before non-recurring items were £164.3m (HY12: £156.0m), up 5.3% on the prior period. The breakdown is set out below.

	26 weeks ended 28 September 2012 £m	26 weeks ended 30 September 2011 £m	Change
Store Staffing	42.5	39.8	+6.8%
Store Occupancy	69.9	70.6	-1.0%
Warehouse & Distribution	14.4	13.8	+4.4%
Support Costs	37.5	31.8	+17.9%
Total Operating Costs before non-recurring items	**164.3**	**156.0**	**+5.3%**

Note: The above figures reflect a re-allocation of carriage costs from Store Occupancy to Warehouse & Distribution upon the launch of the 24-hour Reserve & Collect fulfilment proposition. Comparatives have been adjusted accordingly.

In line with the objective to capture the Car Maintenance parts and fitting market opportunity, payroll hours were invested in '3B' (bulbs, blades and batteries) fitting activity during the period with additional fitters recruited in store during September. This, together with investment in training time in both technical and employee engagement skills, additional colleagues during the peak demand experienced in August and the underlying uplift in National minimum-wage rates, led to a 6.8% increase in Store Staffing costs.

Store Occupancy costs fell by 1.0% reflecting a focus on mitigating rental and rates increases, as well as procured savings in contracted store spend, such as refuse management.

Warehouse & Distribution costs increased by 4.4% driven by the carriage costs associated with the enhanced multichannel fulfilment offering launched in March.

Support Costs increased by 17.9% as a result of the delivery of increased recruitment and training in stores, enhanced Support Centre capability (Procurement, Human Resources and Multichannel, plus expertise to deliver on the Cycling Parts, Accessories and Clothing initiative), accelerated investment in marketing and the one-off costs associated with the change of Chief Executive.

Full-year guidance is also unchanged for Retail gross margins which are anticipated to be broadly flat year on year. Guidance on full-year Retail operating costs remains unchanged, reflecting an underlying 4% cost inflation with a further £6m of strategic investment compared to financial year 2012.

Halfords Autocentres

	26 weeks ended 28 September 2012 £m	26 weeks ended 30 September 2011 £m
Sales	62.6	53.4
Gross Profit	40.0	35.5
Gross Margin	63.9%	66.5%
Operating Costs	(36.7)	(32.5)
Operating Profit	**3.3**	**3.0**

Autocentres generated total revenues of £62.6m (HY12: £53.4m), an increase of 17.2% on the prior period. Non-like-for-like centres generated £3.8m of incremental revenue in the period. Five new Autocentres opened in the period and took the total number of Autocentre locations to 265 as at 28 September 2012. The increase in revenues from the like-for-like centres reflected the impact of enhanced media support and investment, growth in tyre sales, as well as the success of online bookings which represented 15% of total HY13 Autocentre revenues.

Gross profit at £40.0m (HY12: £35.5m) represented a gross margin of 63.9% against a prior period margin of 66.5% driven primarily by increased volumes of lower-margin, tyre sales, which represented 14.4% of total sales (HY12: 9.5%). Underlying service, MOT and repair margins were underpinned by improvements in parts buying.

Autocentres operating profit was up 10.0% at £3.3m (HY12 £3.0m) after operating expenses of £36.7m (HY12 £32.5m). To secure long-term growth and profitability, investment in the business has continued. A successful national media campaign, investment in training and support centre capability and in particular the impact of the new-centre opening programme contributed to the £4.2m increase in operating costs.

Given the difficult fleet market and the continued investment in the business, the full-year Autocentres operating profit is anticipated to be in line with the prior year.

Portfolio Management

The store and centre portfolio at the end of the period comprised 467 stores (end of HY12: 466) and 265 Autocentres (end of HY12: 246).

The following table outlines the changes in the Retail store portfolio over the period:

	Number	Stores
Relocation	2	Chingford, Durham
Re-gear	4	Stafford, Coventry, Norwich, Dartford
Downsize	2	Ipswich, Cheltenham
‘Laboratory’ stores	4	Nuneaton, Cheltenham, Uxbridge, Chingford
Opened	-	-
Closed	-	-

Within Retail, three existing stores were reconfigured into ‘laboratory’ formats. Two stores were relocated (one opening in the laboratory test format), two stores were downsized (one opening in the laboratory test format), and four leases were re-signed with re-geared lease terms.

With the exception of nine long leasehold and two freehold properties within Autocentres, the Group’s operating sites are occupied under operating leases, the majority of which are on standard lease terms, typically with a 5 to 15-year term at inception and with an average lease length of seven years.

Since the period end, one store has been closed (Preston, Ribbleton Lane) in line with its lease expiry.
In Autocentres, the portfolio was extended by five centres to 265 in the half with four opened to date in the second half. The plan is to add up to a further 21 new centres in the remainder of the year.

***Focus* Leases**

At the end of FY11, an exceptional charge of £7.5m was recognised in respect of a provision for property leases to which Halfords was a guarantor, triggered by the demise of the *Focus DIY* retail chain. At 30 March 2012 the provision was £3.1m, reflecting the settlement of a number of leases and utilisation for on-going rent, insurance and service charges, and had reduced further at 28 September 2012 to £2.1m as a result of £0.5m release relating to a lease settlement and £0.5m utilisation.

Finance Expense

The net finance expense was £2.6m (HY12: £2.2m). The higher expense in the period reflected higher weighted-average borrowings and lower interest income than the prior period. It is anticipated that the full-year finance expense will be marginally up on the prior year.

Taxation

The taxation charge on profit for the financial period was £10.5m (HY12: £14.9m), including a £0.1m charge (HY12: £0.2m charge) in respect of the tax on non-recurring items. The effective tax rate of 25.4% (HY12: 26.9%) differed from the UK corporation tax rate (24.0%) principally due to the non-deductibility of depreciation charged on capital expenditure, the reassessment of anticipated future tax deductions from employee share schemes and other permanent differences arising in the period.

A 25-26% effective tax rate is anticipated over the full year.

Earnings Per Share (“EPS”)

Basic EPS before non-recurring items was 16.2 pence (HY12: 19.8 pence), an 18.2% decrease on the comparable period. Basic EPS after non-recurring items was 16.4 pence (HY12: 19.7 pence). Basic weighted-average shares in issue during the period were 194.2m (HY12: 201.7m). Diluted weighted average shares in issue during the period were 194.4m (HY12: 202.7m).

The share buyback programme ended in May 2012. During the period 0.3m shares were acquired for a consideration of £0.9m. Since April 2011 a total of 18.4m shares have been acquired by the company; of these 12,954,493 were cancelled, with 5,449,620 being converted to treasury shares and transferred to the Employee Share Benefit Trust to fulfil future employee benefit requirements. Shares held in the Employee Share Benefit Trust are excluded from the calculation of weighted-average number of shares (on both an underlying and dilutive basis) and do not attract dividends.

Dividend

The Board has approved an interim dividend of 8.0 pence per share (HY12: 8.0 pence). This will be paid on 25 January 2013 to shareholders on the register at the close of business on 21 December 2012.

Capital Expenditure

Capital investment in the period totalled £6.1m (HY12: £8.3m) comprising £4.6m in Retail and £1.5m in Autocentres. Consistent with prior periods, management has continued to adopt a prudent approach with regard to capital investment and has focused on investments generating material returns.

Within Retail, £2.3m was invested in stores, including the laboratory store concepts, relocations and right-size activity, and general capital spend relating to store roofing/flooring and security. Additional investments in Retail infrastructure included a £1.2m investment in IT systems, with further development in the on-line proposition, £1.0m in logistics and £0.1m in central facilities.

A further £1.5m (HY12: £1.6m) was invested in Autocentres to drive the centre roll-out plan and upgrade centre equipment, especially in relation to the delivery of the tyre fitting proposition.

Capital expenditure guidance for the full year remains at up to £25m for the Group.

Inventories

Group inventory held at the period end was £132.9m (HY12: £153.3m), down 13.3% on the prior period. Autocentres inventory was £1.3m, flat on the prior period. The management of inventory remains a key area of focus for the Retail business while the Autocentres business model is such that only small levels of inventory are held within the centres, with most parts being acquired on an as-needed basis.

Cashflow and Borrowings

Net cash generated from operating activities in the period was £68.0m (HY12: £49.0m). After taxation, capital expenditure and net finance costs, free cashflow of £59.5m (HY12: £40.4m) was generated.

Group net debt of £107.9m (HY12: £140.7m, FY12 £139.2m) represented a year-on-year decrease of £32.8m and a £31.3m decrease since the end of financial year 2012. At this level, Net Debt to 12-month EBITDA (earnings before non-recurring items, finance costs, depreciation and amortisation) was 1.0x (HY12: 1.0x, FY12: 1.1x).

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 2012 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 note three to the condensed consolidated interim financial statements. These include:

- Economic risks
- Business strategy risks
- Competitive risks
- Compliance
- Changing customer preferences
- Reputation
- Reliance on foreign manufacturers
- Product and service quality
- Information technology systems and infrastructure
- Dependence on key management personnel

Specific risks associated with the performance in the second half of the year include the impact of Christmas trading as well as winter weather-sensitive sales, particularly within the Car Maintenance category in the Retail business.

Andrew Findlay
Finance Director
November 2012.

HALFORDS GROUP PLC

Condensed consolidated income statement

For the 26 weeks to 28 September 2012

	Notes	**26 weeks to 28 September 2012 Unaudited £m**	26 weeks to 30 September 2011 Unaudited £m	52 weeks to 30 March 2012 £m
Revenue	6	**455.6**	454.0	863.1
Cost of sales		**(209.3)**	(207.5)	(390.3)
Gross profit		**246.3**	246.5	472.8
Operating expenses		**(201.8)**	(189.6)	(375.6)
Operating profit before non-recurring items		**44.5**	56.9	97.2
Non-recurring operating income	7	**0.5**	-	1.9
Results from operating activities		**45.0**	56.9	99.1
Finance costs	8	**(2.7)**	(2.7)	(5.5)
Finance income	8	**0.1**	0.5	0.5
Net finance costs		**(2.6)**	(2.2)	(5.0)
Profit before tax and non-recurring items		**41.9**	54.7	92.2
Non-recurring operating income	7	**0.5**	-	1.9
Profit before tax		**42.4**	54.7	94.1
Income tax on recurring items	9	**(10.4)**	(14.7)	(24.8)
Income tax on non-recurring items	7	**(0.1)**	(0.2)	(0.9)
Profit for the period attributable to equity shareholders		**31.9**	39.8	68.4
Earnings per share				
Basic earnings per share	11	**16.4p**	19.7p	34.2p
Diluted earnings per share	11	**16.4p**	19.7p	34.0p
Basic earnings per share before non-recurring items	11	**16.2p**	19.8p	33.7p
Diluted earnings per share before non-recurring items	11	**16.2p**	19.7p	33.5p

A final dividend of 14.00 pence per share for the 52 weeks to 30 March 2012 (2011: 14.00 pence per share) was paid on 3 August 2012. The directors have approved an interim dividend of 8.00 pence per share in respect of the 26 weeks to 28 September 2012 (2011: 8.00 pence per share).

HALFORDS GROUP PLC

Condensed consolidated statement of comprehensive income

For the 26 weeks to 28 September 2012

	26 weeks to 28 September 2012 Unaudited £m	26 weeks to 30 September 2011 Unaudited £m	52 weeks to 30 March 2012 £m
Profit for the period	**31.9**	39.8	68.4
Other comprehensive income			
Foreign currency translation differences for foreign operations	**-**	-	(0.5)
Cash flow hedges:			
Fair value changes in the period	**0.6**	1.8	(0.9)
Transfers to inventory	**(0.1)**	2.2	1.3
Transfers to net profit:			
Cost of sales	**0.2**	(1.0)	(0.2)
Income tax on other comprehensive income	**(0.2)**	(1.1)	(0.3)
Other comprehensive income for the period, net of income tax	**0.5**	1.9	(0.6)
Total comprehensive income for the period attributable to equity shareholders	**32.4**	41.7	67.8

HALFORDS GROUP PLC

Condensed consolidated statement of financial position

For the 26 weeks to 28 September 2012

	Notes	**26 weeks to 28 September 2012 Unaudited**	26 weeks to 30 September 2011 Unaudited	52 weeks to 30 March 2012
Assets		**£m**	£m	£m
Non-current assets				
Intangible assets	12	**342.8**	345.7	343.9
Property, plant and equipment	12	**91.4**	98.5	97.9
Total non-current assets		**434.2**	444.2	441.8
Current assets				
Inventories		**132.9**	153.3	146.7
Trade and other receivables		**53.3**	43.5	45.0
Derivative financial instruments		**0.1**	2.1	0.3
Cash and cash equivalents	13	**28.5**	4.8	13.4
Total current assets		**214.8**	203.7	205.4
Total assets		**649.0**	647.9	647.2
Liabilities				
Current liabilities				
Borrowings	13	**(29.2)**	(28.9)	(2.8)
Derivative financial instruments		**(1.0)**	(0.1)	(1.5)
Trade and other payables		**(153.9)**	(145.9)	(140.4)
Current tax liabilities		**(27.1)**	(24.8)	(24.8)
Provisions		**(8.4)**	(10.5)	(8.8)
Total current liabilities		**(219.6)**	(210.2)	(178.3)
Net current assets		**(4.8)**	(6.5)	27.1
Non-current liabilities				
Borrowings	13	**(107.2)**	(116.6)	(149.8)
Accruals and deferred income – lease incentives		**(27.9)**	(27.2)	(28.8)
Provisions		**(1.9)**	(6.2)	(2.5)
Deferred tax liabilities		**(0.3)**	(0.4)	(0.7)
Total non-current liabilities		**(137.3)**	(150.4)	(181.8)
Total liabilities		**(356.9)**	(360.6)	(360.1)
Net assets		**292.1**	287.3	287.1
Shareholders' equity				
Share capital	14	**2.0**	2.0	2.0
Share premium account	14	**151.0**	151.0	151.0
Investment in own shares		**(14.0)**	(18.6)	(14.0)
Other reserves		**0.1**	1.6	(0.4)
Retained earnings		**153.0**	151.3	148.5
Total equity attributable to equity holders of the Company		**292.1**	287.3	287.1

Company No. 04457314

HALFORDS GROUP PLC

Condensed consolidated statement of changes in equity

For the 26 weeks to 28 September 2012

For the period ended 30 September 2011 (Unaudited)

	Attributable to the equity holders of the Company							
				Other reserves				
	Share capital £m	Share premium account £m	Investment in own shares £m	Translation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	**Total equity £m**
Balance at 1 April 2011	2.1	151.0	(0.6)	0.5	0.2	(0.6)	169.8	**322.4**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	39.8	**39.8**
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	(0.5)	-	-	-	**(0.5)**
Cash flow hedges:								
Fair value changes in the period	-	-	-	-	-	1.8	-	**1.8**
Transfers to inventory	-	-	-	-	-	2.2	-	**2.2**
Transfers to net profit:								
Cost of sales	-	-	-	-	-	(1.0)	-	**(1.0)**
Tax on other comprehensive income	-	-	-	-	-	(1.1)	-	**(1.1)**
Total other comprehensive income for the period net of tax	-	-	-	(0.5)	-	1.9	39.8	**41.2**
Transactions with owners, recorded directly in equity								
Share options exercised	-	-	-	-	-	-	-	**-**
Share-based payment transactions	-	-	-	-	-	-	1.2	**1.2**
Purchase of own shares	(0.1)	-	(18.0)	-	0.1	-	(31.0)	**(49.0)**
Income tax on share-based payment transactions	-	-	-	-	-	-	-	**-**
Dividends to equity holders	-	-	-	-	-	-	(28.5)	**(28.5)**
Total transactions with owners	(0.1)	-	(18.0)	-	0.1	-	(58.3)	**(76.3)**
Balance at 30 September 2011	2.0	151.0	(18.6)	-	0.3	1.3	151.3	**287.3**

HALFORDS GROUP PLC

Condensed consolidated statement of changes in equity (continued)

For the 26 weeks to 28 September 2012

For the period ended 28 September 2012 (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**
Balance at 30 March 2012	2.0	151.0	(14.0)	0.3	(0.7)	148.5	**287.1**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	31.9	**31.9**
Other comprehensive income							
Foreign currency translation differences for foreign operations	-	-	-	-	-	-	**-**
Cash flow hedges:							
Fair value changes in the period	-	-	-	-	0.6	-	**0.6**
Transfers to inventory	-	-	-	-	(0.1)	-	**(0.1)**
Transfers to net profit:							
Cost of sales	-	-	-	-	0.2	-	**0.2**
Tax on other comprehensive income	-	-	-	-	(0.2)	-	**(0.2)**
Total other comprehensive income for the period net of tax	-	-	-	-	0.5	31.9	**32.4**
Transactions with owners, recorded directly in equity							
Share options exercised	-	-	-	-	-	-	**-**
Share-based payment transactions	-	-	-	-	-	0.7	**0.7**
Purchase of own shares	-	-	-	-	-	(0.9)	**(0.9)**
Income tax on share-based payment transactions	-	-	-	-	-	-	**-**
Dividends to equity holders	-	-	-	-	-	(27.2)	**(27.2)**
Total transactions with owners	-	-	-	-	-	(27.4)	**(27.4)**
Balance at 28 September 2012	2.0	151.0	(14.0)	0.3	(0.2)	153.0	**292.1**

HALFORDS GROUP PLC

Condensed consolidated statement of cash flows

For the 26 weeks to 28 September 2012

	Notes	**26 weeks to 28 September 2012 Unaudited £m**	26 weeks to 30 September 2011 Unaudited £m	52 weeks to 30 March 2012 Unaudited £m
Cash flows from operating activities				
Profit after tax for the period before non-recurring items		**31.5**	40.0	67.4
Non-recurring items		**0.4**	(0.2)	1.0
Profit after tax for the period		**31.9**	39.8	68.4
Depreciation - property, plant and equipment		**10.7**	10.4	21.1
Amortisation - intangible assets		**2.6**	2.6	4.9
Foreign exchange (gain)/loss		**-**	(0.5)	(0.5)
Net finance costs		**2.6**	2.2	5.0
Loss on disposal of property, plant and equipment		**0.4**	0.3	1.2
Equity settled share based payment transactions		**0.7**	1.2	2.4
Fair value (gain)/loss on derivative financial instruments		**0.5**	(1.1)	(0.9)
Income tax expense		**10.5**	14.9	25.7
(Increase)/decrease in inventories		**13.8**	(5.7)	0.9
(Increase)/decrease in trade and other receivables		**(8.4)**	(1.4)	(3.0)
Increase in trade and other payables		**14.5**	4.0	0.2
(Decrease)/increase in provisions		**(1.0)**	(1.2)	(6.6)
Finance income received		**0.2**	0.5	0.4
Finance costs paid		**(2.2)**	(2.7)	(4.9)
Income tax paid		**(8.8)**	(14.3)	(24.6)
Net cash from operating activities		**68.0**	49.0	89.7
Cash flows from investing activities				
Acquisition of subsidiary undertaking net of cash acquired		**-**	-	(0.7)
Purchase of intangible assets		**(1.6)**	(1.6)	(2.1)
Purchase of property, plant and equipment		**(6.5)**	(7.0)	(17.2)
Net cash used in investing activities		**(8.1)**	(8.6)	(20.0)
Cash flows from financing activities				
Net proceeds from issue of ordinary shares		**-**	-	2.1
Purchase of own shares		**(0.9)**	(49.0)	(62.7)
Proceeds from loans, net of transaction costs		**97.0**	193.0	353.0
Repayment of borrowings		**(140.0)**	(175.0)	(302.1)
Payment of finance lease liabilities		**(0.1)**	(0.1)	(0.3)
Dividends paid to shareholders		**(27.2)**	(28.5)	(44.2)
Net cash used in financing activities		**(71.2)**	(59.6)	(54.2)
Net (decrease)/increase in cash and bank overdrafts	13	**(11.3)**	(19.2)	15.5
Cash and cash equivalents at the beginning of the period	13	**10.9**	(4.6)	(4.6)
Cash and cash equivalents at the end of the period	13	**(0.4)**	(23.8)	10.9

HALFORDS GROUP PLC

Notes to the condensed consolidated interim financial statements

For the 26 weeks to 28 September 2012

1. General information

The consolidated financial statements of the 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 20 November 2012.

2. Statement of compliance

These condensed consolidated interim financial statements for the 26 weeks to 28 September 2012 have been prepared in accordance IAS 34 'Interim financial reporting' as endorsed by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the 2012 Annual Reports and Accounts, which have been prepared in accordance with IFRSs as adopted by the European Union.

The comparative figures for the financial period ended 30 March 2012 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 40 to 43 of our Annual Report and Accounts for the 52 weeks to 30 March 2012, which are available on our website *www.halfordscompany.com.*

The main areas of potential risk and uncertainty facing the business for the remainder of the financial year are those identified below:

Economic and market conditions

The economy is a major influence on consumer spending. Trends in employment, inflation, taxation, consumer debt levels and interest rates impact consumer expenditure in discretionary areas.

The Group constantly seeks to enhance its position as store of first choice in each of the markets that it serves. Halfords continues to invest in both its existing estate to ensure that it remains contemporary and in constant product innovation to meet customer needs. In addition, the Group's market-leading Wefit proposition provides a range of services at a lower cost to our customers than that provided by competitors.

Whilst many of the products that Halfords sell are non-discretionary in their nature and predicting future trends is difficult, Halfords reflects the latest independently sourced estimates in its internal plans.

Competition

The retail industry is highly competitive and dynamic. The Group competes with a wide variety of retailers of varying sizes and faces competition from UK retailers, in both stores and on-line, as well as international operators. Failure to compete with competitors on areas including price, product range, quality and service could have an adverse effect on the Group's financial results.

We aim to have a broad appeal in price, range and store format in a way that allows us to compete in different markets and to use service as a point of differentiation in each market segment. We have an established training infrastructure to ensure that our colleagues receive ongoing product and service training. We track performance against a broad range of measures that customers tell us are critical to their shopping experience, and monitor customer perceptions of ourselves to ensure we can respond quickly if required.

The Company adopts a granular approach to its wide-ranging cost control activities to ensure that significant opportunities for operational cost management are complimented by a culture of cost awareness.

4. Significant accounting policies

As required by the Disclosure and Transparency Rules of the Financial Services Authority, the interim condensed consolidated financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the 2012 Annual Reports and Accounts, which are published on the Halfords Group website*, www.halfordscompany.com.*

There are no new standards, amendments to existing standards or interpretations that are effective for the first time for the current period that would be expected to have a material impact on the Group.

- IFRS 9 'Financial Instruments'- addresses the classification, measurement and recognition of financial assets and financial liabilities;
- IFRS 10 'Consolidated Financial Statements' – identifies the concept of control as the determining factor in whether an entity should be included within consolidated financial statements;
- IFRS 11 'Joint Arrangements' – focuses on the rights and obligations of an arrangement rather than its legal form and classifies joint arrangements as either a joint operation or a joint venture;
- IFRS 12 'Disclosure of Interests in Other Entities' – includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles; and
- IFRS 13 'Fair Value Measurement' – provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

The Group has not early-adopted any of these new standards or amendments to existing standards. The Group will assess their full impact in due course. There are no other new standards, amendments to existing standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

5. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from those estimates.

In preparing these condensed consolidated interim financial statements, 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 30 March 2012 and the 26 weeks ended 30 September 2011.

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. The operations of the Car Servicing reporting segment comprise car servicing and repair performed from autocentres.

The Chief Operating Decision Maker is the Executive Directors. Internal management reports for each of the segments are reviewed by the Executive Directors on a monthly basis. Key measures used to evaluate performance are Revenue and Operating Profit. Management believe that these measures are the most relevant in evaluating the performance of the segment and for making resource allocation decisions.

The following summary describes the operations in each of the Group's reportable segments. Performance is measured based on segment operating profit, as included in the management reports that are reviewed by the Executive Directors. These internal reports are prepared in accordance with IFRS accounting policies consistent with these Group Financial Statements.

All material operations of the reportable segments are carried out in the UK and all material non-current assets are located in the UK. The Group's revenue is driven by the consolidation of individual small value transactions and as a result Group revenue is not reliant on a major customer or Group of customers. All revenue is from external customers.

Income statement	Retail Unaudited £m	Car Servicing Unaudited £m	26 weeks to 28 September 2012 Total Unaudited £m	26 weeks to 30 September 2011 Total Unaudited £m
Revenue	**393.0**	**62.6**	**455.6**	454.0
Segment result before non-recurring items	**42.0**	**3.3**	**45.3**	58.0
Non-recurring items	**0.5**	**-**	**0.5**	-
Segment result	**42.5**	**3.3**	**45.8**	58.0
Unallocated expenses [1]			**(0.9)**	(1.1)
Operating profit			**44.9**	56.9
Net financing expense			**(2.5)**	(2.2)
Profit before tax			**42.4**	54.7
Tax			**(10.5)**	(14.9)
Profit after tax			**31.9**	39.8

[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 (£0.9m) in respect of assets acquired through business combinations (2011: (£1.1m)).

6. Operating segments (continued)

Income statement	Retail £m	Car Servicing £m	52 weeks to 30 March 2012 Total £m
Revenue	752.3	110.8	863.1
Segment result before non-recurring items	92.8	6.6	99.4
Non-recurring items	1.9	-	1.9
Segment result	94.7	6.6	101.3
Unallocated expenses[1]			(2.2)
Operating profit			99.1
Net financing expense			(5.0)
Profit before tax			94.1
Taxation			(25.7)
Profit after tax			68.4

[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 (£2.2m) in respect of assets acquired through business combinations (2011: (£2.2m)).

Other segment items:	Retail Unaudited £m	Car Servicing Unaudited £m	26 weeks to 28 September 2012 Total Unaudited £m	26 weeks to 30 September 2011 Total Unaudited £m
Capital expenditure	**4.6**	**1.5**	**6.1**	8.3
Depreciation expense	**9.5**	**1.2**	**10.7**	10.4
Amortisation expense	**1.7**	**-**	**1.7**	1.5

Other segment items:	Retail £m	Car Servicing £m	52 weeks to 30 March 2012 Total £m
Capital expenditure	15.2	4.5	19.7
Depreciation expense	19.1	2.0	21.1
Amortisation expense	2.7	-	2.7

Transactions between segments are on an arm's length. There are no material unallocated corporate expenses in the current or prior periods.

Notes to the condensed consolidated interim financial statements (continued)

For the 26 weeks to 28 September 2012

7. Non-recurring items

	26 weeks to 28 September 2012	26 weeks to 30 September 2011	52 weeks to 30 March 2012
	Unaudited	Unaudited	
	£m	£m	£m
Non-recurring operating expenses:			
Lease guarantee provision[1]	(0.5)	-	(1.9)
Tax on non-recurring items[2]	0.1	0.2	0.9
Non-recurring (income)/expense after tax	(0.4)	0.2	(1.0)

[1]A non-recurring expense of £7.5m was incurred in 2011. This expense related to the creation of a provision for the potential liabilities arising from lease guarantees provided by Halfords prior to July 1989. The guarantees were provided to landlords of properties leased by Payless DIY (now part of Focus DIY) when both Halfords and Payless DIY were under ownership of the Ward White Group. Focus DIY entered into administration in May 2011. In the current year a change in approach to settling the Group's guarantor obligations has resulted in a release of £0.5m (2011: £1.9m) of the original amounts provided.

[2]The charge for the current period arises from a change in approach to settling the Group's guarantor obligations.

8. Net Finance Costs

	26 weeks to 28 September 2012	26 weeks to 30 September 2011	52 weeks to 30 March 2012
	Unaudited	Unaudited	
	£m	£m	£m
Finance costs:			
Bank borrowings	**(1.2)**	(1.1)	(2.5)
Amortisation of issue costs on loans	**(0.5)**	(0.4)	(0.9)
Commitment and guarantee fees	**(0.6)**	(0.6)	(1.1)
Cost of forward foreign exchange contracts	**-**	(0.2)	(0.2)
Interest payable on finance leases	**(0.4)**	(0.4)	(0.8)
Finance costs	**(2.7)**	(2.7)	(5.5)
Finance income:			
Bank and similar income	**0.1**	0.1	0.1
Other interest receivable	**-**	0.4	0.4
Finance income	**0.1**	0.5	0.5
Net finance costs	**(2.6)**	(2.2)	(5.0)

9. 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-recurring items for the 26 weeks to 28 September 2012 is 24.8% (2011: 26.9%). This rate differs from the UK corporation tax rate (26%) principally due to differences in overseas tax rates, other permanent differences arising in the period and the reassessment of prior year tax provisions.

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

This will reduce the Company's future current tax charge accordingly. It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will reduce the Company's future current tax charge accordingly.

10. Dividends

During the period the Group paid a final dividend of 14.00 pence per share in respect of the 52 weeks to 30 March 2012 (2011: 14.00 pence per share), which absorbed £27.2m of shareholders' funds (2011: £28.5m).

The directors have approved an interim dividend of 8.00 pence per share for the 26 weeks to 28 September 2012 (2011: 8.00 pence per share), which is expected to be £15.5m (2011: £15.7m) and will be paid on 25 January 2013 to those shareholders on the share register at the close of business on 21 December 2012.

11. 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 to 28 September 2012.

	26 weeks to 28 September 2012	26 weeks to 30 September 2011	52 weeks to 30 March 2012
	Unaudited	Unaudited	
	Number m	Number m	Number m
Weighted average number of shares in issue	**199.1**	204.7	203.8
Less: shares held by the Employee Benefit Trust	**(4.9)**	(3.0)	(3.9)
Weighted average number of shares for calculating basic earnings per share	**194.2**	201.7	199.9
Weighted average number of dilutive share options	**0.2**	1.0	1.0
Total number of shares for calculating diluted earnings per share	**194.4**	202.7	200.9

11. Earnings Per Share (continued)

	26 weeks to 28 September 2012	26 weeks to 30 September 2011	52 weeks to 30 March 2012
	Unaudited	Unaudited	
	£m	£m	£m
Basic earnings attributable to equity shareholders	**31.9**	39.8	68.4
Non-recurring items:			
Operating (income)/expenses	**(0.5)**	-	(1.9)
Tax charge on non-recurring items	**0.1**	0.2	0.9
Underlying earnings before non-recurring items	**31.5**	40.0	67.4
Basic earnings per share	**16.4p**	19.7p	34.2p
Diluted earnings per share	**16.4p**	19.7p	34.0p
Basic earnings per share before non-recurring items	**16.2p**	19.8p	33.7p
Diluted earnings per share before non-recurring items	**16.2p**	19.7p	33.5p

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

12. Capital Expenditure – Tangible and Intangible Assets

	Unaudited
	£m
Net book value at 1 April 2011	449.3
Additions	8.3
Disposals	(0.3)
Depreciation, amortisation, impairments and other movements	(13.1)
Net book value at 30 September 2011	444.2

	Unaudited
	£m
Net book value at 30 March 2012	**441.8**
Additions	**6.1**
Disposals	**(0.4)**
Depreciation, amortisation, impairments and other movements	**(13.3)**
Net book value at 28 September 2012	**434.2**

The Group is expected to spend approximately £20-£25m for the 52 weeks to 29 March 2013 (expenditure in the 52 weeks to 30 March 2012 was £19.7m). At 28 September 2012 the Group had capital expenditure contracted, but not provided for, of £1.3m (2011: £0.5m).

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

	At 1 April 2011	Cash flow	Other non-cash changes	**At 30 September 2011**
		Unaudited	Unaudited	**Unaudited**
	£m	£m	£m	**£m**
Cash in hand and at bank	(4.6)	(19.2)	-	**(23.8)**
Debt due after one year	(86.8)	(18.0)	(0.4)	**(105.2)**
Total net debt excluding finance leases	(91.4)	(37.2)	(0.4)	**(129.0)**
Finance leases due within one year	(0.3)	0.1	(0.1)	**(0.3)**
Finance leases due after one year	(11.5)	-	0.1	**(11.4)**
Total finance leases	(11.8)	0.1	-	**(11.7)**
Total net debt	(103.2)	(37.1)	(0.4)	**(140.7)**

	At 30 March 2012	Cash flow	Other non-cash changes	**At 28 September 2012**
		Unaudited	Unaudited	**Unaudited**
	£m	£m	£m	**£m**
Cash in hand and at bank	10.9	(11.3)	-	**(0.4)**
Debt due after one year	(138.6)	43.0	(0.5)	**(96.1)**
Total net debt excluding finance leases	(127.7)	31.7	(0.5)	**(96.5)**
Finance leases due within one year	(0.3)	0.1	(0.1)	**(0.3)**
Finance leases due after one year	(11.2)	-	0.1	**(11.1)**
Total finance leases	(11.5)	0.1	-	**(11.4)**
Total net debt	(139.2)	31.8	(0.5)	**(107.9)**

Non-cash changes comprise finance costs in relation to the amortisation of capitalised debt issue costs of £0.5m and changes in classification between amounts due within and after one year. Cash and cash equivalents at the period end consist of £28.5m of liquid assets and £28.9m of bank overdrafts.

14. Share Capital

	Number of shares m	Share capital £m	Share premium account £m
As at 1 April 2011	212.0	2.1	151.0
Purchase of own shares – share buyback	(8.3)	(0.1)	-
As at 30 September 2011	203.7	2.0	151.0

	Number of shares m	Share capital £m	Share premium account £m
As at 30 March 2012	199.4	2.0	151.0
Purchase of own shares – share buyback	(0.3)	-	-
Shares issued – employee options	-	-	-
As at 28 September 2012	**199.1**	**2.0**	**151.0**

During the 26 weeks to 28 September 2012, the Group repurchased and cancelled 0.3m shares. During the 26 weeks to 30 September 2011 the Group repurchased 13.8m shares, of which 8.3m were cancelled and 5.5m were retained as treasury shares. The shares held in treasury will be used to meet options under the Company's share options schemes between 2011 and 2014.

Given the return to more normalised levels of gearing, the buyback programme was brought to an end in the period and no further buyback activity is expected in the remainder of the financial year.

15. 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 28 September 2012 amounted to £3.7m.

The Group’s banking arrangements are subject to a netting facility whereby credit balances may be offset against the indebtedness of other Group companies.

16. Seasonality

In general, the Group’s results are not 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.

17. Related Party Transactions

There were no related party transactions during the 26 weeks to 28 September 2012.

Notes to the condensed consolidated interim financial statements (continued)

For the 26 weeks to 28 September 2012

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 EU;

• 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

Dennis Millard, Chairman **Andrew Findlay, Finance Director**

20 November 2012

Independent Review Report to Halfords Group plc

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 28 September 2012 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and the related explanatory 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.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

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 DTR of the UK FSA.

As disclosed in Note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

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 Auditing Practices Board for use in the UK. 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 Ireland) 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 28 September 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

GA Watts
For and on behalf of KPMG Audit Plc
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

20 November 2012