Regulatory Story

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Halfords Group plc
Interim Results Financial Year 2012

Results As Expected And Strong Dividend Maintained

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 Interim Results for the 26 weeks to
30 September 2011 ("the period").

Group Financial Summary

	H1 FY12	H1 FY11	% change
Total Group Revenue	£454.0m	£456.3m	-0.5%
Halfords Retail	*£400.6m*	*£407.3m*	*-1.6%*
Halfords Autocentres	*£53.4m*	*£49.0m*	*+9.0%*
UK/ROI LFL Sales % change			
Car Maintenance	*-3.1%*	*+0.9%*	-
Car Enhancement	*-9.8%*	*-11.4%*	-
Leisure	*+3.9%*	*-2.1%*	-
Total Halfords Retail	-1.9%	-4.9%	-
Halfords Autocentres	+2.7%	-0.8%	-
Gross Margin			
Halfords Retail	*52.7%*	*53.7%*	*-105 bps*
Halfords Retail ex- C.Europe	*52.7%*	*54.0%*	*-128bps*
Halfords Autocentres	*66.5%*	*66.1%*	*+36 bps*
Operating Profit	£56.9m	£69.1m	-17.7%
Operating Profit Margin	12.5%	15.1%	-260bps
Profit Before Tax	£54.7m	£68.7m	-20.4%
Adjusted Basic EPS	19.8p	24.1p	-17.8%
Net Debt	£140.7m	£109.8m	-
Interim Dividend Per Share	8.0p	8.0p	Maintained

Highlights

- Underlying* Group revenue down 0.1%
- As predicted, Retail gross margin declined in our drive to maximise cash returns
- Cycling sales continued to outperform, boosted by the launch of the new Carrera range in July and strong sales of accessories
- In the Car Maintenance category, sales of the Halfords range of ***we***fit services were particularly strong
- Full-year management guidance on Retail gross margin and operating costs remains unchanged
- Autocentres like-for-like revenues up 2.7%, with a gross margin improvement of 36 basis points
- Material cash generation and a well-funded balance sheet facilitate both the share buyback programme and maintenance of a strong dividend

**excludes Halfords Retail's Central European operations*

David Wild, Chief Executive, commented on the results:

"In a challenging market Halfords has delivered a robust sales performance in the first half. Our new marketing campaign, "that's helpful, that's Halfords" has built awareness of our unique value offer to customers, which blends good prices, quality and innovative products with the expert service of our colleagues in each category in which we operate.

Within stores we have been encouraged with the customer response to our innovations in Cycling, where we have grown sales in Premium, Mainstream, Children's bikes and Accessories.

Motorists continue to be affected by inflationary rises in fuel and insurance costs, so their spending on maintenance has been subdued. We are, however, delighted with the growth of ***we***fit in stores and the improvement in the sales performance of our Autocentres business.

We offer customers affordable prices and a quality service in automotive aftercare. The roll-out programme of Halfords Autocentres is continuing to make them more accessible to more people and we remain confident that they will make a significant long-term contribution to group earnings.

The strength of our balance sheet and our cash generation mean that we are maintaining our interim dividend whilst continuing to return cash to shareholders through our share buyback programme. It is impossible to predict when trading conditions will ease. Despite this we are continuing to invest in value for customers, creating the right platform for long-term sustainable growth."

Notes:

1. Like-for-like sales represent revenues from UK and Irish stores trading for greater than 365 days. Where appropriate, revenues denominated in foreign currencies have been translated at constant rates of exchange.
2. Adjusted Basic Earnings Per Share is defined as basic earnings per share before non-recurring items.
3. All numbers shown in this statement are before non-recurring costs, unless stated otherwise.
4. The H1 FY11 figures in the table above include the final contribution from the Central European operations, including revenue of £1.9m, unless stated otherwise.
5. The sales benefit within Retail, from the timing of Easter, is estimated to be around 60bps for the first half.

Enquiries

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Results Presentation

A presentation for analysts and investors will be held, today, at 9.30am at King Edward Hall, Bank of America Merrill Lynch Financial Centre, 2 King Edward Street, London, EC1 1HQ. Attendance is by invitation. An audio recording of the presentation will be available on the corporate website later today.

An interview with David Wild, Chief Executive, is now available on the Halfords corporate website and can be viewed by clicking on the link http://www.halfordscompany.com/hal/pr/video.

Forthcoming Newsflow

Halfords Group will provide a third-quarter interim management statement on 12 January 2012.

Notes to Editors

www.halfords.co.uk
www.halfordscompany.co.uk

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 operator. Halfords customers shop at 466 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 246 sites nationally and offers motorists dealership quality MOTs, repairs and car servicing at affordable prices.

Halfords employs approximately 11,000 staff and sells over 14,000 different product lines with 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 and in-car entertainment systems, and 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.

CHIEF EXECUTIVE'S REVIEW

Introduction

The tough consumer environment in the UK and the Republic of Ireland (ROI) is continuing to affect the disposable incomes and spending patterns of our customers. Halfords' response has been to do what we do best - to offer great value through the price, quality and innovation of products and the expertise and service of our colleagues. There are clear signs that this strategy has had a positive impact in our stores through the summer, especially through the growth of cycles sales, ***we***fit services and our newly re-branded Autocentres.

We are carefully managing all aspects of our business and investing for the future so that we deliver optimal performance for customers and investors alike in these difficult times.

The business is cash generative, pays material dividends and remains in a sound financial position. Net debt for the half year was £140.7 million. Since the announcement in April of the share buy-back we have purchased 13.8 million shares in the first half for £48.6 million.

Business Review

The first half performance reflects the pressures that are affecting the whole consumer sector. While total sales have been broadly flat across the group, the Like-for-Like (LfL) sales decline in Retail combined with the anticipated input-cost inflation, our investments in gross margin and the Autocentres rollout programme mean that Group PBT was £54.7 million representing a year-on-year decline of 20.4%.

First Half Trading Review

Retail

In the first half, overall UK/ROI Retail sales declined by 1.2% and by 1.9% LfL.

In Leisure, sales grew by 3.9% on a LfL basis. Within this category our relaunched cycle and cycle accessory ranges performed well.

Car Maintenance product sales remain subdued as motorists drive less and look to save money. Sales declined by 3.1% LfL. Encouragingly Halfords range of ***we***fit services, which offer a competitively priced option for the replacement of wearing parts like bulbs, wiper blades and batteries, continued to grow. **We**fit penetration of these items, was 22.2% during the half.

Car Enhancement sales fell by 9.8%, in line with the long-term trend. Halfords is the market leader in this sector and through our partnerships with branded suppliers, our expert fitting service and strong promotions, we again increased market share in both In-Car Audio and Sat Nav. Other areas of Car Enhancement, Accessories and Car Cleaning declined as customers delayed discretionary expenditure.

Halfords online sales were 8.6% of total Retail sales for the half, flat year-on-year. This is as a result of the rebalancing of our promotional activity and the alignment of prices between stores and online.

The gross margin percentage decline in Retail of 128 basis points reflects the continued active focus on the delivery of cash profit within the business, with increased levels of promotional participation and higher sales of new lower-margin ranges. The impact of these programmes, together with the adverse effects of input-cost inflation, was partially offset by the continuing rise in penetration of our unique ***we***fit and ***we***repair proposition.

Autocentres

Halfords Autocentres' revenues continued on a positive and improving trend. Total sales grew 9.0% over the half and LfL sales were up 2.7%. Our strategy to bring the Halfords brand into the garage sector and offer quality repairs and servicing at affordable prices is resonating with motorists especially in the current climate. In particular, we have seen strong demand for services and tyres.

Against this background of strong growth in Autocentres we continue to invest in developing the business. This activity plus expected start-up losses from the opening programme means that first half operating profits for Autocentres are below last year. We launched six new centres in the first half and we expect to accelerate openings during the rest of the year.

Operational Progress
We have been pleased with the consistent performance of our reconfigured Distribution Centre over the half, which has produced planned savings. It has delivered good levels of availability for stores and contributed to an improvement in our customer offer.

Our efficiency programme in stores has created more flexibility in our rostering system. This has allowed us to keep payroll levels flat whilst ensuring more colleagues are available to serve at weekends. This focus on serving customers has resulted in ongoing improvements in conversion and the levels of penetration of our fitting services.

New Brand Campaign
Our brand campaign "*that's helpful that's halfords*" was launched at the start of April 2011. *"Helpful"* reinforces Halfords unique service proposition, demonstrates how we understand our customers' needs and how we can help them live life on the move. We have employed this message across all forms of advertising during our spring and summer marketing and our brand tracking work shows that the message resonates with customers.

Retail

Our consistent strategy continues to provide a roadmap for the development of our retail business.

Our focus is to offer great value to our customers through the quality, price and innovation of our products and the expertise and service of our colleagues.

We will:
1. Extend our range and service advantage
2. Invest in our store portfolio
3. Continue to focus on cost control
4. Leverage the Halfords brand in multi-channel

1. EXTENDING OUR RANGE AND SERVICE

Extending our range
Halfords Retail maintains market-leading positions across a unique blend of categories with ranges of unrivalled breadth and depth. Our scale means we can source high quality, own and exclusive brand products as well as leading branded ranges. We offer customers real value through innovative, high specification products at great prices.

Our cycle category is an example of where we create value for our customers. We research, design and source our bikes from the best manufacturers globally. This means they are of unparalleled value for our customers, who pound for pound get more from a Halfords bike than those from other retailers. This summer's launch of the new Carrera range demonstrated the progress we have made. There are twenty one completely new models covering the spectrum of use from mountain bikes to road racers, with a particular emphasis on Hybrids, which are currently growing in popularity. The strong sales of this new range reflects how much customers like the offer.

The Carrera launch follows the recent relaunches of Halfords other cycle ranges. Apollo is the nation's leading bike brand and last year we introduced sixteen new models. The new 2011 range of Boardman cycles, designed exclusively for Halfords in the UK by former Olympic Champion, Chris Boardman, have been widely acclaimed for their leading designs, construction and price competitiveness. They are endorsed by world famous riders like Alistair Brownlee, the reigning World Triathlon champion. Finally, during the half, we introduced a new range of Voodoo. These are designed by Joe Murray, the award-winning American mountain biker and are exclusive to us in the UK.

The recently introduced Trax brand is sold boxed for self assembly. This quality bike is available at entry-level prices and gives Halfords a competitive offer against supermarkets and other non-specialist outlets.

Following these range launches more than half of our cycles, including all our premium cycles will be new in-store this Christmas. These innovations mean that Halfords is uniquely positioned to compete strongly at all levels of the cycle market from entry-level boxed bikes to premium cycles for the competitive rider.

We also continue to develop ranges across the rest of our assortment with unique car-parc coverage for our maintenance offer, the most contemporary in-car technology products and a brand new range of winter travel solutions for motorists**.**

Service
The expert knowledge, advice and service of our in-store colleagues is at the heart of the Halfords customer offer. They sell and fit many of our products and this differentiates us from our competition, acts as a barrier to market entry and generates attractive levels of return.

We build, free of charge, most of the bikes we sell and offer a free six-week first service. Customers can also buy our Bike Care Plan which provides repairs free of labour charges.

The biggest element of our fitting offer is ***we***fit, the on-demand fitting of Car Bulbs, Wiper Blades and Batteries, (3Bs). During the half, the penetration of ***we***fit jobs as a proportion of product sales rose to 22.2%. All product categories include a core service element. For instance, we also fit roof bars, in-car entertainment units and child seats as well as repairing bikes.

Our fitting services offer us a good avenue for growth and we have set stretching targets for the year ahead to increase awareness, uptake and revenue. Our 3Bs service will be one of the focuses of winter advertising this year to help more customers realise the strength of our offer. Meanwhile, we continue to invest in technical and skills training of colleagues.

2. INVESTING IN STORE PORTFOLIO

With 466 stores trading throughout the UK and Ireland our scale supports our position as the store of first choice. 90% of our customers live within a 20-minute journey of one of our stores.

Our store refresh programme is giving a better balance to our categories and making them easier to shop. Cycle and Cycle Accessories have more space and there are dedicated zones for Travel, Car Enhancement and Camping. The stores also have a comprehensive range of Car Maintenance products. In the first half of the year 53 stores were refurbished. We are targeting a further 25-30 stores for conversion in the second half. Our model for refurbishment is low cost with a short payback period. The sales uplifts are encouraging and represent a good return on the invested capital.

In London we are exploring new formats, reflecting the absence of suitable new superstore opportunities. We have launched three pilot stores in Kilburn, Wimbledon and on Ealing Broadway. These are Halfords branded stores, located in high footfall locations. Their ranges cater for the needs of local customers. They stock a significant cycle offer with a "best of the rest" drawn from across the Halfords range of products. These stores have made a promising start. We shall continue to assess their performance and will fully review the concept.

3. ONGOING FOCUS ON COST CONTROL

We have a strong cost control culture at Halfords and are committed to pro-active cost management. This ensures efficient use of resources, the correct operating base for the prevailing economic environment and the headroom to fund strategic investments in future growth.

Last year our two major initiatives included the reconfiguration of our distribution networks and the review of our store labour structure. Both are now seeing the benefits of the work achieved and are yielding expected savings and efficiencies for the business.

We also have a flexible sourcing policy and work closely with suppliers around the globe to ensure we achieve the most competitive product costs. Our sourcing team based in Asia manage all aspects of the supply chain to eliminate unnecessary costs in transport, shipping and stock holding.

We continue to work with landlords to reduce our store occupancy costs. The process can involve relocating stores, downsizing or negotiating lower rents. Halfords has a significant number of leases due to expire in the next five years and this programme is a key opportunity to reduce our cost base.

4. LEVERAGING THE HALFORDS BRAND IN MULTI-CHANNEL

Online sales have grown rapidly in recent years and now represent 8.6% of Halfords total retail sales.

Enhancing our online offer and further extending our multi-channel presence is an investment priority. In line with market trends, we continue to increase the amount of advertising dedicated to this medium.

Our strategy is focussed on seamlessly integrating halfords.com and our store operations. Our product mix lends itself to this strategy, as customers often want further advice, or a demonstration and fitting. Our online ordering service offers customers the option of direct delivery or to reserve and collect items at their local store. 87% of transactions on Halfords.com are now collected in store. This gives us the ability to add further expert advice and service to our online mix and provides Halfords with a differentiated offer and a competitive advantage.

Our new shopping App is proving popular and is extending the ways that customers can shop with us and how we deliver the information they need to make decisions. Our Ratings and Reviews, and Ask and Answer facilities allows customers to tap into the expertise and experience of other users.

In addition to extending the site functionality, we sell an increased range of products online. Much of the additional inventory is managed in partnership with third party suppliers; this reduces stock costs and obsolescence risk.

AUTOCENTRES

This has been a period of significant progress for our Autocentres business. Customers have responded well to our rebranded and relaunched centres and sales have continued on a positive and improving trend. This demonstrates how the Halfords brand is gaining traction in the aftercare market and justifies the long-term investment we are making.

Our proposition is to offer dealership quality service at more affordable prices backed by a real focus on creating trust with our customers. We carry out quarterly customer surveys at each centre to ensure high standards are maintained. We are also focused on creating value for customers through new products like our recently launched Brakes4life, which provides ongoing free brake replacement for customers who register with us.

Halfords Autocentres is an excellent complement to Halfords Retail, building on our growing car parts and ***we***fit service business. Car aftercare is a large and highly attractive market with a value of £9bn. Capacity is shrinking as the number of independent garages decline, leading to increasing demand from motorists for a reliable, quality independent operator.

The long-term growth opportunity of this business remains compelling given the market size, its fragmentation, the strength of the Halfords Autocentres proposition and the potential to leverage the Halfords brand. During the half we also opened 6 new centres and will accelerate new centre openings during the remainder of the year. In the medium term we believe there is an opportunity to open up to 600 centres nationally. Further growth opportunities exist from fleet customers and growing tyre sales.

SUMMARY AND OUTLOOK

Halfords retains clear leadership in its core retail markets of Cycling and Car Maintenance. We are a resilient business with an excellent brand and have adapted to the changing needs of our customers by creating innovative, quality products at great prices supported by the expertise and service of colleagues.

The consumer environment will remain challenging, but we have demonstrated that we can make progress in these conditions. Our business is cash generative, pays material dividends and remains in a sound financial position. We are carefully managing all aspects of the business to deliver optimal performance for customers and investors alike in these harsh times. The Board believes the Group is well positioned and is focussed on trading in the half ahead.

Our colleagues are the most important element of the experience we create for customers and their knowledge, energy and determination is central to our Helpful proposition. It is a pleasure to lead such a great team of people. I would like to thank them for their adaptability and hard work in the tough environment in which we currently operate.

David Wild
Chief Executive Officer

Finance Director's Report
Halfords Group plc ("the Group" or "Group")

Reportable Segments

Halfords Group operates through two reportable business segments or strategic business units:

· 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

The 2011 accounting period represents 26 weeks to 30 September 2011. The comparative 2010 period represents 26 weeks to 1 October 2010.

Group revenue for the 26 weeks to 30 September 2011 was £454.0m, comprising Retail revenue of £400.6m and Autocentres revenue of £53.4m. This compares to Group revenue of £456.3m (Retail £407.3m; Autocentres £49.0m) for the comparable period last year. Excluding the discontinued Central European revenues in the comparable period, Group revenues were broadly flat, declining by 0.1%. Group gross profit at £246.5m (2010: £251.1m) represented 54.3% of Group revenue (2010: 55.0%).

Total Operating costs increased to £189.6m (2010: £182.0m) of which Retail represented £156.0m (2010: £153.4m) and Autocentres £32.5m (2010: £27.6m). Centrally allocated expenses of £1.1m (2010: £1.1m) represent the amortisation charge in respect of intangible assets arising on the acquisition of Nationwide Autocentres in February 2010, which arise on consolidation of the Group results.

Profit before tax was down 20.4% at £54.7m (2010: £68.7m).

Halfords Retail

£m	26 weeks ended 30 September 2011			26 weeks ended 1 October 2010		
	UK/ROI	CE	Total	UK/ROI	CE	Total
Sales	400.6	-	400.6	405.4	1.9	407.3
Gross profit	211.0	-	211.0	218.7	0.1	218.8
Operating costs	(156.0)	-	(156.0)	(153.1)	(0.3)	(153.4)
Operating profit	55.0	-	55.0	65.6	(0.2)	65.4

Revenue for the UK/ROI business of £400.6m reflected, on a constant currency basis, a like-for-like sales decline of 1.9%. This was partially offset by £2.2m of revenue from new space, reducing the sales deficit to 1.2%. By category, Car Maintenance and Car Enhancement revenues were down 2.5% and 9.2% respectively whilst Leisure revenues increased by 4.7%. The relative split of revenues between Car Maintenance, Car Enhancement and Leisure categories was 26.3%, 26.4% and 47.3% (2010: 26.6%: 28.6%: 44.8%).

Gross profit for the UK/ROI business at £211.0m (2010: £218.7m) represented 52.7% of sales, a 128 basis points reduction on the prior year (2010: 54.0%). This reflected the continued focus on the delivery of cash returns within the business, with increased levels of promotional participation and the higher sales of lower-margin ranges. The impact of these, together with the adverse effects of input-cost inflation, was partially offset by the continuing successful penetration of our unique ***we***fit and ***we***repair propositions.

Operating expenses for the UK/ROI business, before non-recurring items, at £156.0m, were up 1.9% on the prior year. This reflected higher store occupancy and support costs, offset by savings in warehouse and distribution costs. The continued benefits of the restructuring of store labour rotas in the prior year and lower-than-forecast store colleague incentive payments held store payroll costs broadly flat year on year (2011: £39.8m; 2010: £39.7m) in spite of increased product-fitting penetration during the period. Warehouse and Distribution costs fell by 8.8% (2011: £13.4m; 2010: £14.6m), driven by the expected improvements in efficiency now being delivered following the move to the new distribution centre in Coventry. Under the old distribution network, costs would have been approximately £1.9m higher than those reported. Store occupancy costs increased 3.4% (2011: £70.9m; 2010: £68.6m) as a result of inflationary increases in rent, rates and utility costs and included the revenue costs associated with the refresh of 53 stores in the period. The increase in support costs, up 5.4% (2011: £31.8m; 2010: £30.2m) reflected increased advertising during the period, plus investment in IT, training and recruitment.

In 2011, the Central European Retail ("CE") operation generated revenues of £1.9m and a loss before taxation of £0.2m, after operating expenses of £0.3m. The operations were fully wound down in the prior year, and no revenues or costs associated with this operation were recognised during the period.

Halfords Autocentres

£m	**26 weeks ended 30 September 2011**	**26 weeks ended 1 October 2010**
Sales	53.4	49.0
Gross profit	35.5	32.4
Operating costs	(32.5)	(27.6)
Operating profit	3.0	4.8

Revenue for the 26 weeks to 30 September 2011 was £53.4m being an increase of 9.0% on the comparable period last year, a like-for-like uplift of 2.7%. Six new Autocentres opened in the period, generating £0.5m of new incremental revenue, which took the total number of Autocentre locations to 246 as at 30 September 2011, 16 more than at the same time last year. The increase in revenues from the existing 240 centres reflected the benefit of the UK wide branch relaunch completed in April 2011, enhanced media support and growth in tyre sales, an area of opportunity for Autocentres.

Gross profit at £35.5m reflects a gross margin of 66.5% up 36 basis points on comparable 2010 levels driven by better parts sourcing partially offset by lower margin tyre sales.

To secure long-term growth and profitability, investment in the business has continued. A successful media campaign, investment in tyre training, rebrand depreciation and the impact of the new-centre opening campaign contributed to the increase in operating costs of £4.9m. In early November 2011 proposals have been announced to relocate the Autocentre head office from Olton to the Retail head office location in Redditch in March/April 2012, with the creation of a combined finance shared service capability with Retail. Autocentres will continue to operate as a separately managed business within the Halfords Group. These proposals are subject to consultation with employees.

Portfolio Management

The Group continues to actively manage its store and centre portfolio. During 2011 the Retail business opened two stores, closed two stores and refurbished 53 stores at an average capital cost of c.£50k. Rental negotiations were completed on one further location. Within Autocentres, six new centres were opened in the period.

Operating Leases

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 8.0 years.

Finance Leases

The net finance expense was £2.2m (2010: £0.4m). The higher expense in the period reflected £0.6m non-utilisation fees on the new bank facility, £0.4m amortisation of loan set-up costs on the new facility and a one-off benefit in the prior year of HMRC interest (£0.4m). The costs of forward exchange contracts were £0.2m higher than last year.

Taxation

The effective tax rate before non-recurring items for the 26 weeks to 30 September 2011 at 26.9% (2010: 26.3%), differs from the UK corporation tax rate (26.0%) 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

Share Buyback

The share buyback, which commenced on 7 April 2011, resulted in a repurchase of 13.8m shares for a total consideration of £48.6m in the period ended 30 September 2011, representing around 65% of the £75m targeted buyback.

Earnings Per Share ("EPS")

Basic EPS before non-recurring items was 19.8 pence (2010: 24.1 pence), a 17.8% decrease on the prior year. Basic weighted average shares in issue during the year were 201.7m (2010: 210.0m).

Dividends

The Board continues to recognise the importance of dividends to shareholders and the cash-generating capabilities of the business. To reflect this, the Board has approved an interim dividend of 8.0 pence per share (2010: 8.0 pence).

The interim dividend will be paid on 27 January 2012 to shareholders on the register at the close of business on 23 December 2011.

Capital Expenditure

Capital investment in the period totalled £8.3m (2010: £7.9m) comprising £6.7m in Retail and £1.6m in Autocentres. Consistent with prior periods, management has continued to adopt a prudent and selective approach with regard to capital investment, and has focused on investments generating material returns.

Within Retail, £5.0m was invested in stores, and included £2.5m on store refreshes, £1.7m spend on new stores, relocations and downsize activity, and £0.8m on general store capital spend. Additional investment in Retail infrastructure included a £1.2m investment in IT systems, including the online customer proposition, and £0.5m on logistics.

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

Inventories

Group stock held at 30 September 2011 was £153.3m (1 October 2010: £145.9m), up 5.1% on the prior half year. This increase reflects targeted improvements in stock availability within the Retail business, the effects of input-cost inflation plus earlier winter stock build than in the prior year. It also reflects the decision to hold over a consignment of unsold tents packs to be sold next season.

Cash Flow and Borrowings

The Group has continued its strong track record of cash generation. Net cash generated from operating activities was £65.6m (2010: £88.1m) for the 26 weeks to 30 September 2011. Net free cash flow before dividends and buyback was £40.4m (2010: £71.4m).

Total bank debt at 30 September 2011 was £108.0m with further borrowings of £11.7m in respect of the Retail Head Office finance lease. Group net debt at 30 September 2011 was £140.7m (1 October 2010: £109.8m), an increase of £30.9m, with a 12-month rolling net debt to EBITDA ratio of 1.0x.

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, and in the Annual Report 2011 it set 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 3 to the condensed consolidated interim financial statements.

HALFORDS GROUP PLC
Condensed consolidated income statement

For the 26 weeks to 30 September 2011

	Notes	**26 weeks to 30 September 2011 Unaudited £m**	26 weeks to 1 October 2010 Unaudited £m	52 weeks to 1 April 2011 £m
Revenue	6	**454.0**	456.3	869.7
Cost of sales		**(207.5)**	(205.2)	(384.7)
Gross profit		**246.5**	251.1	485.0
Operating expenses		**(189.6)**	(182.0)	(364.4)
Operating profit before non-recurring items		**56.9**	69.1	128.1
Non-recurring operating expenses	7	**-**	-	(7.5)
Results from operating activities		**56.9**	69.1	120.6
Finance costs	8	**(2.7)**	(1.8)	(4.3)
Finance income	8	**0.5**	1.4	1.8
Net finance costs		**(2.2)**	(0.4)	(2.5)
Profit before tax and non-recurring items		**54.7**	68.7	125.6
Non-recurring operating expenses	7	**-**	-	(7.5)
Profit before tax		**54.7**	68.7	118.1
Income tax on recurring items	9	**(14.7)**	(18.1)	(34.7)
Income tax on non-recurring items	7	**(0.2)**	-	2.1
Profit for the period attributable to equity shareholders		**39.8**	50.6	85.5

Earnings per share				
Basic earnings per share	11	**19.7p**	24.1p	40.7p
Diluted earnings per share	11	**19.7p**	23.8p	40.2p
Basic earnings per share before non-recurring items	11	**19.8p**	24.1p	43.2p
Diluted earnings per share before non-recurring items	11	**19.7p**	23.8p	42.7p

A final dividend of 14.00 pence per share for the 52 weeks to 1 April 2011 (2010: 14.00 pence per share) was paid on 6 August 2011. The directors have approved an interim dividend of 8.0 pence per share in respect of the 26 weeks to 30 September 2011 (2010: 8.0 pence per share).

HALFORDS GROUP PLC

Condensed consolidated statement of comprehensive income

For the 26 weeks to 30 September 2011

	26 weeks to 30 September 2011 Unaudited £m	26 weeks to 1 October 2010 Unaudited £m
Profit for the period	**39.8**	50.6
Other comprehensive income		
Foreign currency translation differences for foreign operations	**-**	0.1
Cash flow hedges:		
Fair value losses in the period	**1.8**	(3.3)
Transfers to inventory	**2.2**	(1.9)
Transfers to net profit:		
Cost of sales	**(1.0)**	1.5
Income tax on other comprehensive income	**(1.1)**	0.8
Other comprehensive income for the period, net of income tax	**1.9**	(2.8)
Total comprehensive income for the period attributable to equity shareholders	**41.7**	47.8

HALFORDS GROUP PLC

Condensed consolidated statement of financial position

For the 26 weeks to 30 September 2011

	Notes	**26 weeks to 30 September 2011 Unaudited**	26 weeks to 1 October 2010 Unaudited	5
Assets		**£m**	£m	
Non-current assets				
Intangible assets	12	**345.7**	348.9	
Property, plant and equipment	12	**98.5**	98.2	
Deferred tax asset		**-**	0.5	
Total non-current assets		**444.2**	447.6	
Current assets				
Inventories		**153.3**	145.9	
Trade and other receivables		**43.5**	42.8	
Derivative financial instruments		**2.1**	1.2	
Cash and cash equivalents	13	**4.8**	82.1	
Total current assets		**203.7**	272.0	
Total assets		**647.9**	719.6	
Liabilities				
Current liabilities				
Borrowings	13	**(28.9)**	(180.2)	
Derivative financial instruments		**(0.1)**	(2.1)	
Trade and other payables		**(145.9)**	(152.7)	
Current tax liabilities		**(24.8)**	(27.6)	
Provisions		**(10.5)**	(12.0)	
Total current liabilities		**(210.2)**	(374.6)	
Net current assets		**(6.5)**	(102.6)	
Non-current liabilities				
Borrowings	13	**(116.6)**	(11.7)	
Derivative financial instruments		**-**	-	
Accruals and deferred income - lease incentives		**(27.2)**	(27.2)	
Provisions		**(6.2)**	(2.9)	
Deferred tax liabilities		**(0.4)**	-	
Total non-current liabilities		**(150.4)**	(41.8)	
Total liabilities		**(360.6)**	(416.4)	
Net assets		**287.3**	303.2	
Shareholders' equity				
Share capital	14	**2.0**	2.1	
Share premium account	14	**151.0**	150.3	
Investment in own shares		**(18.0)**	-	
Other reserves		**1.6**	(0.3)	
Retained earnings		**150.7**	151.1	
Total equity attributable to equity holders of the Company		**287.3**	303.2	

Company No. 04457314

HALFORDS GROUP PLC

Condensed consolidated statement of changes in equity

For the 26 weeks to 30 September 2011

For the period ended 1 October 2010 (Unaudited)

	Attributable to the equity holders of the Company					
			Other reserves			
	Share capital £m	Share premium account £m	Translation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m
Balance at 2 April 2010	2.1	146.5	0.4	0.2	1.9	127.4
Total comprehensive income for the period						
Profit for the period	-	-	-	-	-	50.6
Other comprehensive income						
Foreign currency translation differences for foreign operations	-	-	0.1	-	-	-
Cash flow hedges:						
Fair value losses in the period	-	-	-	-	(3.3)	-
Transfers to inventory	-	-	-	-	(1.9)	-
Transfers to net profit:						
Cost of sales	-	-	-	-	1.5	-
Tax on other comprehensive income	-	-	-	-	0.8	-
Total other comprehensive income for the period net of tax	-	-	0.1	-	(2.9)	50.6
Transactions with owners, recorded directly in equity						
Share options exercised	-	3.8	-	-	-	-
Share-based payment transactions	-	-	-	-	-	1.2
Income tax on share-based payment transactions	-	-	-	-	-	1.2
Dividends to equity holders	-	-	-	-	-	(29.3)
Total transactions with owners	-	3.8	-	-	-	(26.9)
Balance at 1 October 2010	2.1	150.3	0.5	0.2	(1.0)	151.1

HALFORDS GROUP PLC

Condensed consolidated statement of changes in equity (continued)

For the 26 weeks to 30 September 2011

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
Balance at 1 April 2011	2.1	151.0	-	0.5	0.2	(0.6)	169.2
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	-	39.8
Other comprehensive income							
Foreign currency translation differences for foreign operations	-	-	-	(0.5)	-	-	-
Cash flow hedges:							
Fair value losses in the period	-	-	-	-	-	1.8	-
Transfers to inventory	-	-	-	-	-	2.2	-
Transfers to net profit:						(1.0)	
Cost of sales	-	-	-	-	-		-
Tax on other comprehensive income	-	-	-	-	-	(1.1)	-
Total other comprehensive income for the period net of tax	-	-	-	(0.5)	-	1.9	39.8
Transactions with owners, recorded directly in equity							
Share options exercised	-			-	-	-	-
Share-based payment transactions	-	-	-	-	-	-	1.2
Purchase of own shares	(0.1)		(18.0)		0.1		(31.0)
Income tax on share-based payment transactions	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	(28.5)
Total transactions with owners	(0.1)	-	(18.0)	-	0.1	-	(58.3)
Balance at 30 September 2011	2.0	151.0	(18.0)	-	0.3	1.3	150.7

HALFORDS GROUP PLC

Condensed consolidated statement of cash flows

For the 26 weeks to 30 September 2011

	Notes	26 weeks to 30 September 2011 Unaudited £m	26 weeks to 1 October 2010 Unaudited £m
Cash flows from operating activities			
Profit after tax for the period before non-recurring items		**40.0**	50.6
Non-recurring items		**(0.2)**	-
Profit after tax for the period		**39.8**	50.6
Depreciation - property, plant and equipment		**10.4**	10.0
Amortisation - intangible assets		**2.6**	2.3
Foreign exchange (gain)/loss		**(0.5)**	0.6
Net finance costs		**2.2**	0.4
Loss on disposal of property, plant and equipment		**0.3**	0.1
Equity settled share based payment transactions		**1.2**	1.2
Fair value (gain)/loss on derivative financial instruments		**(1.1)**	(0.6)
Income tax expense		**14.9**	18.1
(Increase)/decrease in inventories		**(5.7)**	(7.4)
(Increase)/decrease in trade and other receivables		**(1.4)**	-
Increase in trade and other payables		**4.0**	21.9
(Decrease)/increase in provisions		**(1.2)**	(8.8)
Finance income received		**0.5**	1.2
Finance costs paid		**(2.7)**	(1.6)
Income tax paid		**(14.3)**	(7.0)
Net cash from operating activities		**49.0**	81.0
Cash flows from investing activities			
Acquisition of subsidiary undertaking net of cash acquired		**-**	(0.9)
Purchase of intangible assets		**(1.6)**	(2.5)
Purchase of property, plant and equipment		**(7.0)**	(6.1)
Net cash used in investing activities		**(8.6)**	(9.5)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		**-**	3.8
Purchase of own shares		**(49.0)**	-
Proceeds from loans, net of transaction costs		**193.0**	-
Repayment of borrowings		**(175.0)**	-
Payment of finance lease liabilities		**(0.1)**	(0.2)
Dividends paid to shareholders		**(28.5)**	(29.3)
Net cash used in financing activities		**(59.6)**	(25.7)
Net (decrease)/increase in cash and bank overdrafts	13	**(19.2)**	45.8
Cash and cash equivalents at the beginning of the period	13	**(4.6)**	36.5
Effect of exchange rate fluctuations		**-**	(0.2)
Cash and cash equivalents at the end of the period	13	**(23.8)**	82.1

HALFORDS GROUP PLC

Notes to the condensed consolidated interim financial statements

For the 26 weeks to 30 September 2011

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 10 November 2011.

2. Statement of compliance

These condensed consolidated interim financial statements for the 26 weeks to 30 September 2011 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 2011 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 1 April 2011 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 38 to 41 of our Annual Report and Accounts for the 52 weeks to 1 April 2011, 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 2011 Annual Reports and Accounts, which are published on the Halfords Group website*,* *www.halfordscompany.com*, *except* for the adoption of new standards and interpretations, noted below:

· IAS 1 is amended to clarify that a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity for each component of equity. IAS 1 is also amended to allow the analysis of the individual OCI line items by component of equity to be presented in the notes. Previously, such analysis could only be presented in the SOCIE. The amendments are mandatory for the Group's 2012 consolidated financial statements but have had no material impact on the interim financial information.

· IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' - deals with how entities should measure equity instruments issued in a debt for equity swap. The amendments are mandatory for the Group's 2012 consolidated financial statements but have had no impact on the interim financial information.

· IAS 24 ' Related Party Disclosures (revised 2009)' - makes changes to the definition of a related party. The amendments are mandatory for the Group's 2012 consolidated financial statements but have had no impact on the interim financial information.

· Amendments to IAS 34 'Interim Financial Reporting' - adds a number of examples to the list of events or transactions that require disclosure under IAS 34. The amendments are mandatory for the Group's 2012 consolidated financial statements but have had no impact on the interim financial information.

· IFRS 7 'Financial instruments: Disclosures - Amendment to disclosures' - adds an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial instruments. The amendments are mandatory for the Group's 2012 consolidated financial statements but have had no impact on the interim financial information.

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 1 April 2011 and the 26 weeks ended 1 October 2010.

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 30 September 2011 Total Unaudited £m	26 weeks t 1 October 201 Tot Unaudite £
Revenue	**400.6**	**53.4**	**454.0**	**456.3**
Segment result	**55.0**	**3.0**	**58.0**	**70.2**
Unallocated expenses [1]			**(1.1)**	**(1.1)**
Operating profit			**56.9**	**69.1**
Net financing expense			**(2.2)**	**(0.4)**
Profit before tax			**54.7**	**68.7**
Tax			**(14.9)**	**(18.1)**
Profit after tax			**39.8**	**50.6**

[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 (£1.1m) in respect of assets acquired through business combinations (2010: (£1.1m)).

6. Operating segments (continued)

Income statement	Retail £m	Car Servicing £m	52 weeks t 1 April 201 Tot £r
Revenue	771.6	98.1	869.7
Segment result before non-recurring items	123.3	7.0	130.3
Non-recurring items	(7.5)	-	(7.5)
Segment result	115.8	7.0	122.8
Unallocated expenses[1]			(2.2)
Operating profit			120.6
Net financing expense			(2.5)
Profit before tax			118.1
Taxation			(32.6)
Profit after tax			85.5

[1] Unallocated expenses have been disclosed to reflect the format of the internal management reports reviewed by the Chief Operating Decision maker and include an amortisation charge of (£2.2m) in respect of assets acquired through business combinations (2010: (£0.3m)).

Other segment items:	Retail Unaudited £m	Car Servicing Unaudited £m	26 weeks to 30 September 2011 Total Unaudited £m	26 weeks t 1 Octobe 201 Tot Unaudite £r
Capital expenditure	**6.7**	**1.6**	**8.3**	**7.9**
Depreciation expense	**9.5**	**0.9**	**10.4**	**10.0**
Amortisation expense	**1.5**	**-**	**1.5**	**1.2**
Inventory write down	**7.1**	**-**	**7.1**	**5.1**

Other segment items:	Retail £m	Car Servicing £m	52 weeks t 1 April 201 Tot £r
Capital expenditure	16.6	6.2	22.8
Depreciation expense	19.1	1.3	20.4
Amortisation expense	2.5	-	2.5
Inventory write down	11.0	-	11.0

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

7. Non-recurring items

	26 weeks to 30 September 2011 Unaudited £m	26 weeks to 1 October 2010 Unaudited £m	52 weeks to 1 April 2011 £m
Non-recurring operating expenses:			
Lease guarantee provision[1]	-	-	7.5

Tax on non-recurring items[2]	0.2	-	(2.1)
Non-recurring items after tax	0.2	-	5.4

[1]Lease guarantee costs relate to the creation of a provision for the potential liabilities arising from lease guarantees provided by Halfords prior to July 1989. An estimate of the potential liability relating to these guarantees was previously disclosed as a contingent liability in the 2010 Interim financial statements. The guarantees were provided to landlords of properties leased to Payless DIY (now part of Focus DIY) when both Halfords and Payless DIY were under the ownership of the Ward White Group. Focus DIY entered into administration in May 2011.

[2] The charge for the current period arises from a change in approach to settling the Group's guarantor obligations. In the prior year this represented the tax credit at 28% on those non-recurring costs.

8. Net Finance Costs

	26 weeks to 30 September 2011 Unaudited £m	26 weeks to 1 October 2010 Unaudited £m	52 weeks to 1 April 2011 £m
Finance costs:			
Bank borrowings	**(1.1)**	(1.3)	(2.1)
Amortisation of issue costs on loans	**(0.4)**	-	(0.4)
Commitment and guarantee fees	**(0.6)**	(0.1)	(0.6)
Cost of forward foreign exchange contracts	**(0.2)**	-	(0.4)
Interest payable on finance leases	**(0.4)**	(0.4)	(0.8)
Interest payable on rent reviews	**-**	-	-
Finance costs	**(2.7)**	(1.8)	(4.3)
Finance income:			
Bank and similar income	**0.1**	1.4	0.9
Other interest receivable	**0.4**	-	0.9
Finance income	**0.5**	1.4	1.8
Net finance costs	**(2.2)**	(0.4)	(2.5)

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 30 September 2011 is 26.9% (2010: 26.3%). This rate differs from the UK corporation tax rate (26%) principally due to the non-deductibility of depreciation charged on capital expenditure, the reassessment off anticipated future tax deductions from employee share schemes and other permanent differences arising in the period.

The 2011 Budget on 23 March 2011 announced that the UK corporation rate will reduce to 23% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% (effective from 1 April 2011) was substantively enacted on 20 July

2010, and further reductions to 26% (effective from 1 April 2011) and 25% (effective from 1 April 2012) were substantively enacted on 29 March 2011 and 5 July 2011 respectively.

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's deferred tax liabilities/assets 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 1 April 2011 (2010: 14.00 pence per share), which absorbed £28.5m of shareholders' funds (2010: £29.3m).

The directors have approved an interim dividend of 8.0 pence per share for the 26 weeks to 30 September 2011 (2010: 8.0 pence per share), which is expected to be £15.3m (2010: £16.9m) and will be paid on 27 January 2012 to those shareholders on the share register at the close of business on 23 December 2011.

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 30 September 2011.

	26 weeks to 30 September 2011	26 weeks to 1 October 2010	52 weeks to 1 April 2011
	Unaudited	Unaudited	
	Number m	Number m	Number m
Weighted average number of shares in issue	**204.7**	211.1	211.5
Less: shares held by the Employee Benefit Trust	**(3.0)**	(1.1)	(1.1)
Weighted average number of shares for calculating basic earnings per share	**201.7**	210.0	210.4
Weighted average number of dilutive share options	**1.0**	2.7	2.4
Total number of shares for calculating diluted earnings per share	**202.7**	212.7	212.8

11. Earnings Per Share (continued)

	26 weeks to 30 September 2011	26 weeks to 1 October 2010	52 weeks to 1 April 2011
	Unaudited	Unaudited	
	£m	£m	£m
Basic earnings attributable to equity shareholders	**39.8**	50.6	85.5
Non-recurring items:			
Operating expenses	**-**	-	7.5

Tax on non-recurring items	**0.2**	-	(2.1)
Underlying earnings before non-recurring items	**40.0**	50.6	90.9
Basic earnings per share	**19.7p**	24.1p	40.7
Diluted earnings per share	**19.7p**	23.8p	40.2
Basic earnings per share before non-recurring items	**19.8p**	24.1p	43.2
Diluted earnings per share before non-recurring items	**19.7p**	23.8p	42.7

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 2 April 2010	451.6
Additions	7.9
Disposals	(0.1)
Depreciation, amortisation and impairments and other movements	(12.3)
Net book value at 1 October 2010	447.1

	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**

The Group is expected to spend approximately £22.2m for the 52 weeks to 30 March 2012 (expenditure in the 52 weeks to 1 April 2011 was £22.8m). At 30 September 2011 the Group had capital expenditure contracted, but not provided for, of £0.5m (2010: £4.5m).

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

	At 2 April 2010	Cash flow	Other non cash changes	At 1 October 2010
		Unaudited	Unaudited	Unaudited
	£m	£m	£m	£m
Cash in hand and at bank	36.5	45.8	(0.2)	82.1
Debt due within one year	-	-	(180.0)	(180.0)
Debt due after one year	(180.0)	-	180.0	-
Total net debt excluding finance leases	(143.5)	45.8	(0.2)	(97.9)
Finance leases due within one year	(0.2)	0.2	(0.2)	(0.2)
Finance leases due after one year	(11.8)	-	0.1	(11.7)
Total finance leases	(12.0)	0.2	(0.1)	(11.9)

Total net debt	(155.5)	46.0	(0.3)	(109.8)

	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)**

Non-cash changes comprise finance costs in relation to the amortisation of capitalised debt issue costs of £0.4m and changes in classification between amounts due within and after one year. Cash and cash equivalents at the period end consist of £4.8m of liquid assets and £28.6m of bank overdrafts.

14. Share Capital

	Number of shares m	Share capital £m	Share premium account £m
As at 2 April 2010	210.7	2.1	146.5
Shares issued - employee options	1.1	-	3.8
As at 1 October 2010	211.8	2.1	150.3

	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)	-
Shares issued - employee options	-	-	-
As at 30 September 2011	**203.7**	**2.0**	**151.0**

During the 26 weeks to 30 September 2011, the Group repurchased 13.8m shares. Of these 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.

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 30 September 2011 amounted to £3.9m.

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. It should be noted that in the 52 weeks to 30 March 2012 there will be one Easter period, whereas in the 52 weeks to 1 April 2011 there were no Easter periods.

17. Related Party Transactions

There were no related party transactions during the 26 weeks to 30 September 2011.

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

David Wild, Chief Executive **Andrew Findlay, Finance Director**

10 November 2011

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 30 September 2011 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 30 September 2011 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

10 November 2011

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