halfords

26 November 2024

Halfords Group plc

Interim Results for the 26 weeks to 27 September 2024 ("H1 FY25")

Strong first half delivers £21m underlying PBT; accelerating Fusion garage services rollout to c.40 locations.

£m	H1 FY25	H1 FY24**	Change	LfL % Change
Headline Measures (Total Ops):**				
Revenue	**864.8**	873.5	(1.0%)	**(0.1%)**
- Autocentres	**348.7**	356.9	(2.3)%	**0.8%**
- Retail	**516.1**	516.6	(0.1%)	**(0.7%)**
Gross Margin	**49.4%**	47.8%	+160bps	
Underlying Profit Before Tax*	**21.0**	21.3	(1.4%)	
Underlying Basic Earnings per Share*	**7.6p**	7.6p	-	
Dividend per Share	**3.0p**	3.0p	-	
Net Cash / (Debt) (ex-Leases)*	**1.3**	(47.0)	£48.3m	
Statutory Measures (Cont. Ops):				
Group Revenue	864.8	865.3	(0.1%)	**(0.1%)**
Autocentres Revenue	348.7	348.7	0.0%	**0.8%**
Gross Margin	49.4%	48.1%	+130bps	
Reported Profit Before Tax	17.8	23.2	(23.3%)	

*Alternative Performance Measures ("APMs") are defined on page 16. **H1 FY24 headline measures include the discontinued Viking and BDL tyre and wholesale operations as reported in previous interim accounts; statutory measures have been restated to exclude these as shown in these condensed consolidated financial statements. The narrative below is based on headline measures with total operations as the comparative as they include the ongoing cost of running the discontinued tyre supply chain which is now outsourced.

Strong performance

- Group like-for-like ("LfL") sales -0.1% (H1 FY24: +8.3%) with Autocentres LfL +0.8% (c.40% of sales) and Retail LfL -0.7% (c.60% of sales). Motoring category across both Autocentres and Retail represents c.80% of sales.
- Gross margin +160bps year-on-year ("YoY") to 49.4% due to price optimisation and Better Buying programme.
- Emphasis on margin optimisation reflected in market share performance broadly in-line with forecasts.
- £14.6m of savings delivered, on-track for FY25 target of £30m and mitigating £14.8m of inflation.
- Retail generated underlying EBIT of £21.2m (H1 FY24: £19.6m) with 200bps improvement in gross margin in part reflecting pricing discipline in a better-than-expected Motoring Products market, while the underlying Cycling market remains c.33% below FY19 volumes.
- Autocentres (ex-Avayler) delivered underlying EBIT of £9.1m (H1 FY24: £11.4m) as challenges in the underlying Tyres market (c.13% below FY19 market volumes) resulted in lower sales growth vs. a very strong comparative period (H1 FY24 LfL: +18.0%) and the business was impacted by high labour cost inflation.
- Underlying profit before tax ("PBT") of £21.0m, broadly flat YoY.

Resilient balance sheet

- Strong cash generation with a free cash inflow of +£28.1m (H1 FY24: £(19.2)m outflow).
- Disciplined working capital management, including inventory down £18.8m YoY.
- Net cash (pre-IFRS16) of £1.3m, an improvement of £48.3m YoY.
- Interim dividend of 3.0p declared.

Significant strategic progress

- Accelerating rollout of Fusion Motoring Services strategy (which creates a closer relationship between Retail and Autocentres within a town) to c.40 sites in FY25, following strong returns from the first wave of new locations.
- Halfords Motoring Club ("HMC") passed 4m members with high value Premium sign-ups in-line with 8-10% target.

Outlook

- Comfortable with FY25 consensus with strong performance in H1 underpinning full-year expectations. Whilst the trading outlook is uncertain following the recent UK Budget, H2 is also impacted by short-term costs including incremental freight at the lower end of the previously guided £4-7m range and temporary garage closures to facilitate accelerated Fusion rollout.
- As a business employing more than 12,000 colleagues, measures announced in the UK Budget add c.£23m of direct labour cost, of which c.£9m was already included in FY26 planning assumptions and fully mitigated.
- The effect of the UK Budget on consumer behaviour and hence the trajectory of our end-markets is unclear. We have a greater ability to mitigate headwinds in the more needs-based Autocentres servicing business, where pricing power is greater. Additional tactical and structural options to support mitigation are under review.

Graham Stapleton, Chief Executive Officer of Halfords, commented:

"I am really pleased with the progress we have delivered in the first half. Against ongoing headwinds, we have continued to focus on controlling the controllables, with a disciplined approach to cost and margin optimisation. We are particularly excited by the outstanding results we are seeing from our Fusion Motoring Services programme, which creates a stronger connection between our Retail stores and Autocentres in a town to fulfil all our customers' motoring needs. Now live across 22 locations, these motoring services locations are delivering phenomenal returns with a significant uplift in both sales and profit. Given the strength of these results, we are now targeting 40 Fusion sites this year.

"Critical to our success, and what really stands us apart from the competition, are more than 12,000 fantastic colleagues. We continually prioritise investment in their training – with skills and capability our number one focus. The cost implications from the recent UK Budget are particularly acute for a specialist retailer that provides expert advice and assistance to customers, face to face. While we will work hard to mitigate these costs, we urge the government to consider alternative ways of supporting businesses like ours, including the acceleration of Apprenticeship Levy reform, which would help us to upskill existing colleagues and offset some of the new headwinds.

"Looking ahead, while the short-term outlook remains challenging, we will continue to build on our unique omnichannel platform and focus on what we can control to deliver on our strategy this year and beyond."

Investor and analyst meeting:

A webcast presentation for analysts will be broadcast at 9am followed by a live Q&A. To join the webcast please follow this link: Halfords Group plc FY25 Interim Results Webcast. A recording will subsequently be uploaded to www.halfordscompany.com.

For further information:

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Notes to Editors

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

Halfords is the UK's leading provider of motoring and cycling services and products. Customers shop at 377 Halfords stores, 2 Performance Cycling stores (trading as Tredz), 636 consumer and commercial garages (trading as Halfords Autocentres, McConechy's, Universal, National Tyres and Lodge Tyre) and have access to 268 mobile service vans (trading as Halfords Mobile Expert and National) and 502 commercial vans. Customers can also shop at halfords.com and tredz.co.uk for pick up at their local store or direct home delivery, as well as booking garage services online at halfords.com. Through its subsidiary Avayler, Halfords also sells the Group's bespoke, internally developed software as a service ("SaaS") solution to major clients in the US, Europe and Australia.

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.

CEO Review

Business Update

In the face of previously flagged short-term headwinds as well as more structural changes to our cost base that have emerged from the recent UK Budget, we continue to prioritise optimisation of our existing platform, positioning Halfords for growth in the years ahead. We have taken some important steps forward in H1, optimising our platform to generate improved returns, mitigating headwinds through cost and efficiency savings, and prioritising existing strategic initiatives where we have a proven ability to deliver. A particular highlight has been the rollout of our Fusion Motoring Services concept, which is designed to create a closer relationship between our retail and garage infrastructure within a town. The excellent returns we have seen in the first wave of Fusion locations delivered in H1 have given us confidence to accelerate the programme in the remainder of this year to drive substantial incremental profit in converted sites in FY26 and beyond.

1) Optimising our platform to generate improved returns

Halfords occupies a unique market position: we benefit from a trusted, super-specialist brand; a national, omnichannel footprint; leadership positions in both the motoring and cycling markets; and a strong, resilient balance sheet. We also have millions of loyal customers, including more than 4m Halfords Motoring Club members, and more than 12,000 highly engaged and committed colleagues who are the linchpin of our business. In the context of a challenging macroeconomic backdrop, we have focused on maximising the value of these differentiating attributes for all our stakeholders, including both our customers and our colleagues.

The steps we have taken in H1 are very clearly manifested in our gross margin performance, which increased by 160bps YoY to enable us to hold PBT flat vs. last year despite significant wage inflation across the business.

Central to this improvement has been our Better Buying programme, which is built on stronger partnerships with key suppliers which drive not only improved economics but also allow us to have more influence over ESG practices throughout our supply chain. Now in the second year of this programme, we are seeing the benefits accelerate, contributing £5.7m of incremental gross profit in H1 FY25.

Pricing has also been an important lever, with a high degree of pricing discipline combined with efficient promotional activity enabling us to pass on some of the headwinds in our cost base. Our ability to do this varies by end market, depending on both structural factors and short-term competitive dynamics which are visible in the 'Market Volume and Share' table below. Pricing in Cycling and Tyres is particularly challenging, as volumes in the underlying Cycling market continue to decline (now c.33% below FY19 levels) while the underlying Tyres market remains depressed by historical standards (c.13% below FY19 levels). This market is also characterised by lower margins and a high degree of transparency on pricing.

Market Volume and Share	**Autocentres**		**Retail**	
	Consumer Tyres	**Motoring Servicing**	**Retail Motoring**	**Cycling**
Market Volume				
Growth forecast in FY25	-2.0%	Broadly flat	Broadly flat	-2.0%
Actual market growth in H1 FY25	**+0.8%**	**+3.7%**	**+2.5%**	**-4.2%**
Market Share (volume-based)				
Share movement forecast in FY25	+0.5 ppts to flat	+0.25ppts to flat	Flat to -1.5 ppts	+1.5 ppts to +0.5 ppts
Actual share movement in H1 FY25	**-0.2 ppts**	**+0.2 ppts**	**-1.6 ppts**	**+0.2 ppts**

Sources: Consumer Tyres per GfK, Motoring Servicing per DVSA, Retail Motoring per GfK, Cycling per Bicycling Association, all for six months to end September 2024.

Notes: Following the purchase of Wiggle by Frasers Group in Feb 24, Wiggle data, which was previously included in Bicycling Association Cycling data, was removed retrospectively and fully from that point forward. The data service also excludes Evans Cycles. GfK Tyres market reporting includes sales data from Tyre Specialists, Autocentres and Online Pure Players. From May 2024, Kwik Fit discontinued data supply to GfK and its data has been modelled using GfK's advanced research methodology and modelling techniques. Use of these data sources in future reporting is under review given reduced market coverage.

The Cycling market is highly fragmented with a large number of independent retailers. As such, weak demand for bikes has resulted in significant industry consolidation in recent years. We continue to take small amounts of share in a declining market due to our trusted brand and market-leading value proposition in predominantly own-brand cycling ranges. We have continued to innovate in our product ranges including launching more than 25 new premium mechanical and electric bikes in the £850+ price bracket across the Boardman, Voodoo and Carrera brands, exclusive to Halfords and a clear point of difference vs. our competition.

In contrast, and despite remaining much lower than in FY19, Tyre market volumes returned to growth in the period, up 0.8%. However, we have seen clear evidence of customers trading down into 'budget' tyre categories with an average selling price around half of that for the premium, branded equivalent which has suppressed sales growth while technician wages have increased significantly. This tendency to trade down has resulted in aggressive competitor promotional activity at the premium end of the market, where it is particularly easy for customers to benchmark product pricing online. Given our focus on margin optimisation, we have not always matched this promotional activity, preferring to focus on our differentiated customer proposition.

While it is encouraging to see volume growth return to the market, we continue to see customers responding to pressures on household budgets by deferring tyre replacement for longer. Data from within our own business indicates that the proportion of vehicles booked in for a tyre replacement that are subsequently found to have at least one tyre rated 'red' (i.e. in need of immediate replacement) has increased from c.9% in FY21 to c.15% today.

More positively, sales of Motoring Products and Motoring Services were strong. In Motoring Products, where a higher proportion of spend is needs-based, the market has grown more quickly than we expected. Our share in this market declined in-line with our expectations for the year given our price and margin optimisation strategy. Meanwhile we have commenced a programme of Motoring space relays which will re-balance our stores towards the categories where the highest growth opportunity exists, such as car cleaning and security, touring and child travel. This will also provide an opportunity to further develop our own-brand ranges and better support strategic supplier relationships with greater range breadth and depth. We plan to complete c.50 store relays in FY25 and these will be accompanied by training for our people across product categories and ranges, enabling colleagues to provide specialist advice to our customers in a way that is unique to the physical store environment.

Meanwhile, Motoring Services performance was a highlight for the Group, taking share in a growing market where we are better able to price to reflect increases in our cost base. We have continued to take action to increase the volume of higher margin Service, Maintenance and Repair ("SMR") work in our garages, particularly in the sites acquired from National which historically focused on Tyres. We have seen a c.3% increase in the proportion of sales derived from SMR across the garage estate. In part this is due to an investment in the leadership capability in our Autocentres driving more rigorous processes for identifying and recording additional service needs when vehicles come into our garages. The increase in SMR mix in acquired National sites is even more significant as we have enabled booking via Halfords.com and increased the number of trained colleagues in those sites.

Despite steady gains, our share of the fragmented Motoring Services market remains low, and hence the opportunity to drive profitable growth is significant. The Autocentres business more broadly will benefit from the investments into garage leadership capability delivered in the first half of the year. Looking further ahead and as covered in the 'Strategic Transformation' section, the acceleration of the Fusion Motoring Services rollout will help to unlock the substantial potential for profitable growth across our garage estate in the coming years, particularly in sites acquired from National which are currently skewed to Tyres rather than SMR.

Perhaps the biggest asset we have across the business is our people. As such, we are investing in colleagues at all levels of their career, including reinstating performance-related variable financial awards. We have significantly increased the number of garage apprentices in our Autocentres, expanded our Retail management development programme, and are piloting a new management apprenticeship bringing together colleagues from across the Halfords business to help them progress to the next stage in their career. However, our primary focus has been on developing leadership capability throughout the garages business, including through improved recruitment and onboarding processes as well as more comprehensive training for our existing garage leaders. Quality of leadership in an individual garage is a significant factor in its success and can unlock huge performance improvements particularly when combined with Fusion, which is covered in further detail below.

Finally, and importantly for all our stakeholders, we have taken further steps forward to deliver on our ESG priorities. We have increased engagement with our partners to drive improved sustainability and working practices throughout the supply chain. We are also pleased to have introduced initiatives such as inner tube recycling across our store network as well as piloting high-capacity lithium batteries to power onboard tyre-fitting equipment, thereby reducing direct emissions from our mobile business. We continue to search for opportunities to grow and improve our business while delivering on our sustainability objectives.

2) Mitigating headwinds by driving cost and efficiency savings

Halfords has absorbed some very significant inflationary pressures in recent years and the additional c.£15m of cost increases experienced in H1 take the cumulative total since the start of FY23 to c.£120m. While there are signs that some of these pressures are abating, most notably in relation to energy costs and FX, labour inflation continues to be a significant headwind with a c.10% increase in the National Living Wage coming into effect at the start of FY25 (not to mention further increases resulting from the recent UK Budget anticipated in FY26 – more on which below). However, we have continued to be disciplined on cost, realising £14.6m of savings in the first half of the year, which have enabled us to deliver a very similar level of profit to last year despite the substantial headwinds we have faced. In addition to £5.7m of benefit from the Better Buying programme as outlined above, a relentless focus on cost and efficiency has also helped us to mitigate the inflation we experienced in H1, two examples of which are detailed below.

At our FY24 results, we announced the restructuring of our tyre supply chain, closing the existing operation and entering into an agreement with specialist tyre distributor Bond International. This arrangement was expected to give rise to a number of benefits for both Halfords and our customers, including a £5m per annum cost benefit, improved tyre availability including same-day tyre services, and more efficient processes and controls. Our agreement with Bond has started well, and all of these benefits are being realised across our garage network. The arrangement has resulted in H1 cost savings of £2.1m and we have experienced a meaningful improvement in tyre availability in our garages over the six-month period.

We have also taken steps to improve our stock management analytics and processes throughout the business, resulting in an £18.8m reduction in stock YoY at a seasonal peak as we build product ahead of Christmas and Black Friday in the Retail business. Retail has seen the benefits of more successful planning and effective clearance of unsold stock at the end of the season. Meanwhile in Autocentres we have reduced our stock of tyres with no detrimental impact on availability as a result of the supply chain restructuring described above. Disciplined stock control has been an important contributor to delivery of a £28.1m free cash inflow, reflected in a higher average cash balance YoY across the period. This strong cash management has resulted in £0.9m of incremental profit generation through lower finance costs in the half.

3) Selectively prioritising key strategic transformation initiatives

Our priority in FY25 is optimising our existing platform, as detailed above. However, we have continued to prioritise a limited number of strategic initiatives which have been identified as a priority for future growth, including Halfords Motoring Club ("HMC") and, most importantly, the Fusion Motoring Services rollout.

HMC cuts across both our Retail and Autocentres businesses and continues to resonate strongly in both its free and paid-for forms. HMC now has more than 4 million members having only launched at the end of FY22, with Premium membership signups in H1 tracking in-line with our 8 to 10% mid-term target. HMC members continue to shop more frequently, spend more when they visit, and are more likely than non-members to experience the full range of Halfords products and services (what we term "cross-shop"). What is even more exciting is that with almost three years of data on the behaviour of our earliest HMC members, we can now see that the value of members (and especially Premium members) over non-members grows as membership cohorts age. Despite these compelling results, we believe there to be substantial untapped value in the HMC model in the mid to long-term as we develop our data capability and further build out the HMC proposition.

However, our top priority strategic programme in FY25 is the rollout of our Fusion Motoring Services model, which is designed to take the highest returning elements of our flagship Colchester and Halifax Fusion towns, providing an improved customer experience in many more locations across our network. At its core, the programme is about connecting the Motoring Services offer across the infrastructure within a town, driving referrals from the store to the garage, increasing SMR mix in Autocentres and delivering improved returns from an existing fixed cost in our estate.

The Fusion Motoring Services rollout includes:

- Refurbishing the garage including installing more ramps to support SMR work;
- Adding a fixed canopy for servicing activity in the retail car park;
- Introduction of an Automotive Services Manager based in-store to drive garage referrals, supported by improved technology;
- Additional colleagues in the garage, including in customer service, sales and managerial roles, as well as more technicians; and,
- Enhancements to garage leadership including additional training.

The Halifax and Colchester Fusion test sites required significant up-front investment but resulted in a doubling of sales and EBITDA at maturity. The Fusion Motoring Services model being rolled out in the current financial year takes our experience from these tests and aims to replicate their financial outcomes but at a much lower initial cost, thereby delivering improved returns with a faster payback of just over 2 years.

The original plan was to open c.25 new Fusion Motoring Services locations in FY25 at a cost of approximately £5m, i.e. £200k per site. 22 sites have been delivered so far this year, with the 10 sites delivered over the Summer as the first wave now having 3 to 4 months of trading behind them. These sites are performing significantly ahead of business case and have given us the confidence to go further, accelerating the programme to deliver c.40 sites in total in the current financial year (i.e. an increase of c.15 from the initial plan). The impact in H2 FY25 of these 15 garages being closed for up to 8 weeks each while staff are retained and trained will be c.£1m; however, we are confident in a substantial site-level uplift in profitability in FY26 and beyond

The benefits of Fusion are particularly apparent in many of the garages acquired from National, which represent 13 of the 22 Fusion locations delivered so far this year and tend to be larger and more Tyres-focused than Halfords Autocentres locations. As such, they present a significant opportunity to increase capacity and expand into higher margin SMR work and hence we see Fusion as the key to unlocking the full potential of the National business in the coming years.

We plan to continue the Fusion Motoring Services rollout in FY26, and within the next two years we anticipate our physical Autocentres business operating under a single Halfords Garage Services brand. This will allow us to leverage our market-leading reputation in higher margin SMR across the whole garage estate. Combined with existing Tyres infrastructure, including the ability to service large, commercial contracts and the distressed consumer tyres market through an expanded same-day service, Halfords will operate a truly differentiated, SMR-led national garage network.

Outlook

Current Year (H2 FY25)

We remain comfortable with consensus estimates for FY25 which imply a significant profit weighting towards H1. The second half of the year will be impacted by incremental freight at the lower end of the previously indicated £4-7m range, and acceleration of our Fusion rollout will have a c.£1m impact due to temporary garage closures.

Recent trading has become more volatile with consumer confidence impacted by the uncertainty ahead of the Autumn UK Budget, and we are yet to see how the measures announced affect customer behaviour in H2.

FY26 and Mid-term

In our FY23 Capital Markets Day ("CMD"), we set out a route to the Halfords business generating a mid-term underlying PBT of £90m to £110m. £17m of the increase in profit was forecast to come from market recovery. However, as noted above, two of our four underlying markets remain substantially depressed compared to FY19. This, alongside more than £50m of inflation in the last 18 months (vs. our expectation of a £46m headwind across the whole mid-term period), has slowed our progress towards our target range.

To test our thinking on the recovery prospects for Cycling and Tyres in particular, earlier this year we commissioned strategy consultants OC&C to undertake detailed market analysis. Underpinning our CMD targets was an assumption that the Cycling market would recover to 10% below FY19 levels in the mid-term, with Tyres reaching 3% below FY19 levels over the same timeframe. Using consumer and other qualitative research, a range of third-party data sources and their own modelling, OC&C has concluded that the Cycling market should recover to 14% below FY19 with the Tyres market 2% ahead of FY19 by FY28/29. These market projections are consistent with the profit outcome presented at the CMD, albeit two years later than originally envisaged. However, the analysis was conducted prior to the recent UK Budget, and it is unclear how macroeconomic indicators including inflation, interest rates and unemployment levels will respond to the changes announced, and hence impact these forecasts.

The second factor impacting progress towards our mid-term targets is inflation, which we had expected to start to ease in the years following the CMD. Announcements made at the recent UK Budget in relation to Employers' National Insurance and moves to align the National Minimum Wage rate for under-21s with the National Living Wage have materially impacted our cost assumptions for FY26, adding c.£23m to our direct labour costs, of which c.£9m was already included in our planning assumptions and hence fully mitigated. We may also see inflation passed through on managed services and the impact on consumer confidence (and therefore our end-markets) is unclear.

It will inevitably be challenging to fully mitigate a single-year cost increase of this magnitude, particularly in the Retail business where many of our product categories are discretionary and/or big ticket and substantial cost has already been removed in recent years. We anticipate being able to pass through wage inflation more easily in the Autocentres business where a greater proportion of revenue relates to services. We are assessing a broad range of other tactical and structural levers at our disposal. In the longer term, we remain confident in the strength of the Halfords brand and its ability to stretch into adjacent markets.

Next update

Our next update will be the FY25 trading statement, which is expected in April 2025.

Graham Stapleton
Chief Executive Officer, Halfords Group plc
25 November 2024

CFO Report

Group Financial Results

All numbers are stated on a post-IFRS 16 basis unless otherwise indicated.

Result from Continuing Operations	**H1 FY25 £m**	**H1 FY24 £m**	**Change 25 vs 24**
Revenue	864.8	865.3	(0.1)%
Gross Profit	427.5	415.8	2.8%
Gross Margin	49.4%	48.1%	+130bps
Underlying EBIT	26.4	31.5	(16.2)%
Underlying EBITDA	89.4	94.2	(5.1)%
Net Finance expense	(5.4)	(6.3)	(14.3)%
Underlying Profit Before Tax	**21.0**	**25.2**	**(16.7)%**
Net Non-underlying items	(3.2)	(2.0)	60.0%
Profit Before Tax	**17.8**	**23.2**	**(23.3)%**
Underlying Basic Earnings per Share	**7.6p**	**8.9p**	**(14.6)%**

In H2 FY24, the Group entered into an agreement with specialist tyre distributor Bond International ("Bond"), which now manages the tyre distribution and warehousing operations for the Autocentres business. This restructuring resulted in the closure of the tyre wholesale and distribution operations that formed part of the Axle Group acquisition in December 2021.

A reconciliation of Underlying PBT from Continuing Operations to the total result is provided in the table below.

	H1 FY25 £m	**H1 FY24 £m**	**Change 25 vs 24**
Underlying Profit Before Tax from Continuing Operations	21.0	25.2	(16.7)%
Underlying Loss Before Tax from Discontinued Operations	-	(3.9)	
Underlying Profit Before Tax – Total Operations	**21.0**	**21.3**	**(1.4)%**

The following table shows the same information but with total operations as the comparative (i.e. the H1 FY24 headline measures shown on page 1, which include the discontinued Viking and BDL tyre and wholesale operations as reported in previous interim accounts). As previously discussed, the decision to outsource our tyre and warehousing operations to Bond delivers significant P&L benefit to the Group. However, it also results in some costs previously incurred in the discontinued Viking operation now being reflected in the continuing consumer garage business by way of a tyre distribution fee paid to Bond. As such, a comparison to the results of total operations last year better reflects relative performance and is the basis of the narrative which follows.

Result from Total Operations	**H1 FY25 £m**	**H1 FY24 £m**	**Change 25 vs 24**
Revenue	864.8	873.5	(1.0)%
Gross Profit	427.5	417.3	2.4%
Gross Margin	49.4%	47.8%	+160bps
Underlying EBIT	26.4	27.6	(4.3)%
Underlying EBITDA	89.4	90.9	(1.7)%
Net Finance expense	(5.4)	(6.3)	(14.3)%
Underlying Profit Before Tax	**21.0**	**21.3**	**(1.4)%**
Net Non-underlying items	(3.2)	(2.0)	60.0%
Profit Before Tax	**17.8**	**19.3**	**(7.8)%**
Underlying Basic Earnings per Share	**7.6p**	**7.6p**	**-**

During the 26 weeks ending 27 September 2024 ("H1 FY25"), the Group delivered an underlying profit before tax ("PBT") of £21.0m (H1 FY24: £21.3m) on revenue which fell by 1.0% year-on-year ("YoY") to £864.8m. Like-for-like ("LfL") sales declined by -0.1% against a very strong comparative in the previous period (H1 FY24: +8.3%) as consumer confidence continued to be weak and the Cycling and Tyre markets remained depressed by historical standards.

Strong progress on our Better Buying programme and other initiatives have contributed to a total of 160bps of gross margin expansion in the half. Group gross profit of £427.5m (H1 FY24: £417.3m) represents a gross margin of 49.4% (H1 FY24: 47.8%).

£14.6m of cost savings delivered in H1 have largely mitigated the impact of a c.10% increase in the National Living Wage through the P&L, enabling us to deliver broadly flat PBT in challenging circumstances. These market and inflationary headwinds will continue to impact the business in H2, compounded by elevated freight costs resulting from disruption to ocean freight routes. At the start of the year we highlighted a freight impact of £4-7m which we now expect to materialise around the bottom end of the range. H2 will also be impacted by short-term costs associated with the acceleration of our Fusion Motoring Services rollout to an additional c.15 locations, as highlighted in the CEO Report.

Looking ahead to FY26, changes announced in the Autumn UK Budget will add c.£23m of direct labour cost inflation to the business, of which c.£9m was already included in our planning assumptions. As highlighted in the CEO Report we may also see inflation in managed services while the impact on our end-markets is unclear. We are considering all mitigation options.

Detailed analysis of our sales performance, gross margin and operating costs are covered in further detail under 'Reporting Segments' below. Unallocated costs of £2.6m (H1 FY24: £2.9m) represent amortisation charges in respect of intangible assets acquired through business combinations, which arise on consolidation of the Group. Group underlying EBIT was £26.4m (H1 FY24: £27.6m), a reduction of £1.2m YoY following a very strong Autocentres performance in the comparative period, while Group underlying EBITDA was £89.4m (H1 FY24: £90.9m).

Net Non-Underlying items

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

	H1 FY25 £m	**H1 FY24 £m**
Organisational restructure costs	0.2	1.9
Closure costs	1.2	(1.2)
Acquisition and investment related fees	-	0.3
Replacement of Warehouse Management System	0.6	0.7
Garage Transformation Programme	0.3	-
Cloud migration costs	0.9	-
Other	-	0.3
Net non-underlying items charge	**3.2**	**2.0**

Organisational restructure costs of £0.2m in the period related to redundancy costs incurred as part of a change in the Group's operating model.

Closure costs are costs associated with the closure of stores and garages following an earlier strategic review of the Group's physical estate, alongside closure of the Group's Tyre Wholesale operations in FY24. In the current period, costs predominantly relate to ongoing property expenses that cannot be provided for in advance under IFRS, whilst the prior period credit represents a release of provisions no longer required following a review.

Acquisition costs relate to fees incurred in relation to the acquisition of Lodge Tyre Company.

Costs relating to the replacement of the Warehouse Management System were incurred during the current period and in FY24. The project and associated costs are expected to conclude in H1 FY26.

Garage Transformation Programme costs relate to professional fees incurred in reviewing and implementing improvements to operational processes and systems in the Group's garages, the benefits of which will be realised in future periods.

Cloud migration costs relate to the migration of servers from co-located datacentres to the cloud, including expenses associated with managing this transition and the temporary dual running of existing co-located servers and the new Cloud-based solution.

Reporting Segments

Retail

	H1 FY25	H1 FY24	Change	Sales mix
	£m	£m	25 vs 24	%
Revenue	516.1	516.6	(0.7)%*	
- Motoring**	324.2	323.9	(0.2)%*	62.9
- Cycling**	191.1	192.3	(1.6)%*	37.1
Gross Profit	246.5	236.8	4.1%	
Gross Margin	47.8%	45.8%	200bps	
Operating Costs	(225.3)	(217.3)	+3.7%	
Underlying EBIT	**21.2**	**19.6**	+8.1%	
Non-underlying items	(1.8)	(1.1)	+63.6%	
EBIT	**19.4**	**18.5**	+4.9%	
Underlying EBITDA	**59.5**	**59.8**	(0.5)%	

*Change in revenue is on a LfL basis. ** Sales breakdown excludes miscellaneous sales of £0.8m (H1 FY24: £0.4m).

Retail sales saw a small LfL reduction of 0.7% in the period, to £516.1m. Reflective of the broader consumer environment and consistent with recent history, Motoring has performed more strongly than Cycling due to its higher mix of needs-based rather than discretionary products. In Motoring, we successfully optimised margin via effective pricing and promotion resulting in LfL Motoring sales down 0.2% (total sales up 0.1%) against strong comparatives (H1 FY24 Motoring: +8.2% LfL). With continued decline in the Cycling market, LfL Cycling sales declined by 1.6% in the period (total sales down 0.7%).

Retail operating costs before non-underlying items increased by 3.7%, reflecting tight cost control against the backdrop of a c.10% increase in the National Living Wage. As such, the Retail business delivered an 8.1% increase in segmental EBIT before non-underlying items to £21.2m in the period (H1 FY24: £19.6m).

Autocentres

As in the Group-level disclosure above, the table below shows Autocentres segment performance with the prior year comparative restated to reflect only Continuing Operations.

Continuing Operations	H1 FY25	H1 FY24	Change
	£m	£m	25 vs 24
Revenue	348.7	348.7	0.8%*
Gross Profit	181.0	179.0	1.1%
Gross Margin	51.9%	51.3%	+60bps
Operating Costs	(173.2)	(164.2)	5.5%
Underlying EBIT	**7.8**	**14.8**	(47.3)%
Non-underlying items	(1.4)	(0.9)	55.6%
EBIT	**6.4**	**13.9**	(54.0)%
Underlying EBITDA	**29.9**	**34.9**	(14.3)%

*Change in revenue figures is on a LfL basis

A reconciliation of Autocentres underlying EBIT, from continuing operations to the total result, is provided in the table below.

	H1 FY25	H1 FY24	Change
	£m	£m	25 vs 24
Underlying EBIT from Continuing Operations	7.8	14.8	(47.4)%
Underlying EBIT from Discontinued Operations	-	(3.9)	
Underlying EBIT – Total Operations	**7.8**	**10.9**	(28.4)%

The following table summarises Autocentres performance but with total operations as the comparative (i.e. including the discontinued Viking and BDL tyre and wholesale operations as reported in previous interim accounts). As above, the narrative which follows uses the results of total operations as the prior year comparative as they include the ongoing cost of running the discontinued tyre supply chain which is now outsourced to Bond.

Total Operations	H1 FY25	H1 FY24	Change
	£m	£m	25 vs 24
Revenue	348.7	356.9	0.8%*
Gross Profit	181.0	180.5	0.3%
Gross Margin	51.9%	50.6%	+130bps
Operating Costs	(173.2)	(169.5)	2.2%
Underlying EBIT	**7.8**	**10.9**	(28.4)%
Non-underlying items	(1.4)	(0.9)	55.6%
EBIT	**6.4**	**10.0**	(36.0)%
Underlying EBITDA	**29.9**	**31.1**	(3.9)%

*Change in revenue is on a LfL basis

The Autocentres segment reported revenue of £348.7m, flat vs. the previous year. Excluding the Avayler SaaS business, Autocentres generated revenue of £347.1m in H1 FY25, a LfL increase of 0.8% against a very strong prior year comparative (H1 FY24 LfL: +18.0%). This performance is based on divergent trends in the two core autocentres markets of Tyres and Service, Maintenance and Repair ("SMR").

SMR revenue grew strongly in H1, and we continued to take share while optimising gross margin through pricing and our better buying program. In contrast, the Tyres market has been more challenging, characterised by consumers trading down into budget ranges with much lower average selling prices than their premium, branded equivalents.

Segmental gross margin has proved resilient at 51.9%, benefiting from the mix shift into SMR as well as initiatives such as Better Buying. However, lower revenue growth vs. last year meant that we were unable to mitigate the extent of the increase in labour costs triggered by a 10% increase in the National Living Wage as we sought to maintain an appropriate skills differential. As such, underlying EBIT for the Autocentres business declined by 28.8% YoY to £7.8m (H1 FY24: £10.9m).

The Avayler business continues to be reported within the Autocentres segment but now operates as a standalone business within the Group. It generated revenue of £1.6m (H1 FY24: £1.2m) in the half but incurred a loss before interest and tax of £1.3m as investment in growth continued.

Underlying Autocentres EBIT excluding Avayler was therefore £9.1m, down 20.6% YoY (H1 FY24: £11.4m).

Portfolio Management

The Retail store portfolio as at 27 September 2024 comprised 377 stores (H1 FY24: 392; FY24: 387).

The Autocentres portfolio as at 27 September 2024 comprised 636 locations (547 consumer garages and 89 commercial locations) (H1 FY24: 593, FY24: 639).

As at 27 September 2024 there were a total of 770 vans in operation, 197 of which were Halfords Mobile Expert, 502 commercial vans and 71 vans supporting mobile tyre fitting in National (H1 FY24: 742, FY24: 768).

Net Finance Expense

The reduced net finance expense YoY of £5.4m (H1 FY24: £6.3m) is primarily due to interest accruing on a higher average cash balance through the period, which was the result of disciplined working capital management including lower stock. Finance costs pre IFRS 16 also decreased compared to the prior year to £1.0m (H1 FY24: £2.0m).

Taxation

The taxation charge on profit for the financial period was £3.7m (H1 FY24: £5.7m), including a £0.7m credit (H1 FY24: £0.1m credit) in respect of non-underlying items. The effective tax rate of 20.6% (H1 FY24: 24.6%) differs from the UK corporation tax rate (25%) principally due to prior year adjustments partially offset by the impact of non-deductible expenditure.

The full year FY25 effective tax rate is expected to be around 23.3% which is below the statutory rate due to the impact of the prior period adjustments.

Earnings Per Share ("EPS")

Underlying Basic EPS was 7.6 pence (H1 FY24: 7.6 pence) and after non-underlying items was 6.5 pence (H1 FY24: 6.7 pence). Basic weighted-average shares in issue during the period were 218.1m (H1 FY24: 217.5m). The increase in the basic weighted-average shares in issue during the period from H1 FY24 is due to the reduction in the weighted-average number of shares held by the Employee Benefit Trust.

Dividend

The Board have declared an interim dividend of 3 pence per share in respect of the period to 27 September 2024 (H1 FY24: 3 pence). The interim dividend will be paid on 17 January 2025 to shareholders who are on the register of members, with an ex-dividend date of 12 December 2024 and a record date of 13 December 2024.

Capital Expenditure

Capital expenditure in the period totalled £23.6m (H1 FY24: £18.7m), against a full-year expectation of £50-60m.

Retail capital expenditure was £12.2m (H1 FY24: £7.6m), of which £6.8m (H1 FY24: £5.0m) related to IT infrastructure and e-commerce, mainly focused on the development of the loyalty offer in Halfords Motoring Club and the Group's websites. £4.8m (H1 FY24: £1.9m) was invested in stores, including on relaying Motoring space in the first wave of stores earmarked for this initiative, with the majority of the remaining balance related to software investment in Tredz.

Autocentres capital expenditure was £11.4m (H1 FY24: £11.1m) of which £3.5m (H1 FY24: £5.0m) related to IT software expenditure on the development of Avayler and PACE, the Garage Workflow System. Expenditure on property and garage equipment in the period was £7.9m (H1 FY24: £5.8m), with c.£3.6m incurred to support the rollout of the Fusion Motoring Services model across our estate.

Inventories

Group inventory held at the period end was £244.1m (H1 FY24: £262.9m, FY24: £237.5m). The £18.8m reduction in stock holding YoY reflects the Group's continued improvement of its stock management, and the full-year impact of actions undertaken in H2 FY24.

Retail inventory was £193.3m (H1 FY24: £202.0m, FY24: £178.8m) down £8.7m YoY as a result of successful planning and effective end-of-season clearance. The increase from FY24 year end was driven by the typical seasonal stock build ahead of the peak Christmas trading period.

Autocentres' inventory was £50.8m (H1 FY24: £60.9m, FY24: £58.7m). The decrease of £10.1m YoY and £7.9m since FY24 year-end reflects the closure of the Group's Wholesale Tyre operations in H2 FY24, with improved structures, processes and analytics supporting improved stock control.

Cashflow and Borrowings

Adjusted operating cashflow during the period, was £95.3m (H1 FY24: £64.0m). After acquisitions, taxation, capital expenditure, net finance costs, and lease payments, a free cash inflow of £28.1m (H1 FY24: £(19.2m) outflow) was generated in the period. The increase in free cashflow of £47.3m from H1 FY24 is due to strong working capital management in the period.

Group net debt, including IFRS 16 lease debt, was £276.5m at the balance sheet date (H1 FY24: £372.3m, FY24 £315.3m) consisting of £78.6m of cash (H1 FY24: £16.2m), £(43.5)m bank overdrafts (H1 FY24: £(10.9)m), £(33.7)m in relation to the Group's revolving credit facility (H1 FY24: £(49.4)m), £(0.1m) of other borrowings (H1 FY24: £(2.9)m) and £(277.8)m of lease liabilities (H1 FY24: £(325.3)m). The decrease in the Group's net debt from FY24 year-end of £(38.8)m relates to a decrease of £29.4m in lease liabilities, £21.8m cash inflow, £0.5m of other non-cash movements, and net repayment of the Group's revolving credit facility and other borrowings of £11.9m. Excluding lease debt, Group net cash was £1.3m at the balance sheet date (H1 FY24: net debt of £(47.0)m).

Principal Risks and Uncertainties

The Board considers risk assessment, identification of mitigating actions and internal control to be fundamental to achieving Halfords' strategic corporate objectives. In the Annual Report & Accounts the Board sets out what it considers to be the principal commercial and financial risks to achieving the Group's objectives. The main areas of potential risk and uncertainty in the financial year are described in the Strategic Report on pages 82 to 89 of the Halfords Group plc Annual Report and Accounts for the period ending 29 March 2024 and all are considered relevant to the H1 FY25 reporting. These include:

- Business Strategy
  - Capability and capacity to effect change
  - Stakeholder support and confidence in strategy
  - Value proposition
  - Brand appeal and market share
  - Climate change & electrification
- Financial
  - Sustainable business model
- Compliance
  - Regulatory and compliance
  - Service quality
  - Cyber security
- Operational
  - Colleague engagement/culture
  - Skills shortage
  - IT infrastructure failure
  - Disruption to end to end supply chain

Jo Hartley
Chief Financial Officer
25 November 2024

Glossary of Alternative Performance Measures

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures ("APMs"). APMs should be considered in addition to IFRS measurements, of which some are shown on Page 1. The Directors believe that these APMs assist in providing useful information on the underlying performance of the Group, enhance the comparability of information between reporting periods, and are used internally by management to measure the Group's performance.

The key APMs that the Group uses are as follows:

1. Like-for-like ("LFL") sales represent revenues from stores, centres and websites that have been trading for at least a year (but excluding prior year sales of stores and centres closed during the year) at constant foreign exchange rates.
2. Underlying EBIT is operating profit before non-underlying items, as shown in the Condensed Consolidated Income Statement. Underlying EBITDA further removes depreciation and amortisation.

	H1 FY25 £m	H1 FY24 £m
Underlying EBIT	26.4	31.5
Depreciation & Amortisation	63.0	62.7
Underlying EBITDA	**89.4**	**94.2**

3. Underlying Profit Before Tax is profit before income tax and non-underlying items as shown in the Condensed Consolidated Income Statement.
4. Underlying Earnings Per Share is profit after income tax before non-underlying items as shown in the Condensed Consolidated Income Statement, divided by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares excludes shares held by an Employee Benefit Trust and has been adjusted for the issue/purchase of shares during the period.
5. Net Debt is current and non-current borrowings less cash and cash equivalents, both in-hand and at bank, as shown in the Condensed Consolidated statement of financial position, as reconciled below:

	H1 FY25 £m	H1 FY24 £m
Cash and cash equivalents	78.6	16.2
Borrowings – current	(43.6)	(13.8)
Borrowings – non-current	(33.7)	(49.4)
Net Debt	**1.3**	**(47.0)**

6. Net Debt to Underlying EBITDA ratio is represented by the ratio of Net Debt to Underlying EBITDA (both of which are defined above).
7. Adjusted Operating Cash Flow is defined as Net cash from operating activities excluding the impact of foreign exchange movements and income tax paid; as reconciled below:

	H1 FY25 £m	H1 FY24 £m
Net cash from operating activities	97.0	47.7
Add back:		
Foreign exchange movement	(4.3)	1.8
Income tax paid	2.6	14.5
Adjusted Operating Cash Flow	**95.3**	**64.0**

8. Free Cash Flow is defined as Net increase/(decrease) in cash and cash equivalents excluding the impact of Deferred consideration paid, Purchase of own shares, Proceeds from share options exercised, net movement in borrowings, and Dividends paid, as reconciled below:

	H1 FY25 £m	H1 FY24 £m
Net increase/(decrease) in cash and cash equivalents	21.8	(26.9)
Add back:		
Deferred consideration paid	4.0	-
Purchase of own shares	3.6	10.3
Proceeds from share options exercised	(0.7)	(0.1)
Net movement in borrowings	(11.5)	(17.7)
Dividends paid	10.9	15.2
Free Cash Flow	**28.1**	**(19.2)**

Halfords Group plc

Condensed consolidated income statement

For the 26 weeks to 27 September 2024

	Notes	**26 weeks to 27 September 2024**	26 weeks to 29 September 2023 *	52 weeks to 29 March 2024
		Unaudited	Unaudited	
		£m	£m	£m
Revenue	6, 7	**864.8**	865.3	1,696.5
Cost of sales		**(437.3)**	(449.5)	(873.9)
Gross profit		**427.5**	415.8	822.6
Operating expenses		**(401.1)**	(384.3)	(766.4)
Operating profit before non-underlying items		**26.4**	31.5	56.2
Non-underlying items	8	**(3.2)**	(2.0)	(4.3)
Results from operating activities		**23.2**	29.5	51.9
Net Finance Expense	9	**(5.4)**	(6.3)	(13.1)
Profit before tax and non-underlying items		**21.0**	25.2	43.1
Non-underlying items	8	**(3.2)**	(2.0)	(4.3)
Profit before tax		**17.8**	23.2	38.8
Tax on underlying items	10	**(4.4)**	(5.8)	(10.3)
Tax on non-underlying items	8	**0.7**	0.1	0.5
Profit after tax from continuing operations		**14.1**	17.5	29.0
(Loss) after tax from discontinued operations	13	**-**	(2.9)	(12.1)
Total profit for the period (continued and discontinued)		**14.1**	14.6	16.9
Attributable to:				
Equity shareholders		**14.2**	14.6	16.9
Non-controlling interest		**(0.1)**	-	-

Earnings per share				
Basic (continuing)	12	**6.5p**	8.1p	13.3p
Diluted (continuing)	12	**6.3p**	7.7p	12.7p
Basic (continuing and discontinued)	12	**6.5p**	6.7p	7.8p
Diluted (continuing and discontinued)	12	**6.3p**	6.4p	7.4p

*H1 FY24 has been restated for discontinued operations see note 13 for further information.

Condensed consolidated statement of comprehensive income

For the 26 weeks to 27 September 2024

	26 weeks to 27 September 2024 Unaudited £m	26 weeks to 29 September 2023 Unaudited £m	52 weeks to 29 March 2024 £m
Profit for the period from continuing operations	**14.1**	17.5	29.0
Other comprehensive income			
Cash flow hedges:			
Fair value changes in the period	**(4.8)**	1.2	(1.3)
Income tax on other comprehensive income	**0.8**	(0.7)	(0.4)
Other comprehensive (loss) / income for the period, net of income tax	**(4.0)**	0.5	(1.7)
Total comprehensive income from continuing operations	**10.1**	18.0	27.3
(Loss) for the period from discontinued operations	**-**	(2.9)	(12.1)
Total comprehensive income for the period	**10.1**	15.1	15.2
Attributable to:			
Equity shareholders	**10.2**	15.1	15.2
Non-controlling interest	**(0.1)**	-	-

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

The notes on pages 23 to 34 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of financial position

As at 27 September 2024

	Notes	**As at 27 September 2024 Unaudited £m**	As at 29 September 2023 Restated* Unaudited £m	As at 29 March 2024 £m
Assets				
Non-current assets				
Intangible assets	14	**482.8**	481.6	483.9
Property, plant and equipment	14	**89.2**	92.8	89.5
Right-of-use assets	14	**253.3**	294.5	278.3
Derivative financial instruments		**-**	0.3	-
Trade and other receivables		**2.2**	-	2.3
Deferred tax asset		**5.0**	9.0	5.1
Total non-current assets		**832.5**	878.2	859.1
Current assets				
Inventories		**244.1**	262.9	237.5
Trade and other receivables		**158.5**	162.5	161.0
Derivative financial instruments		**0.1**	1.4	0.2
Current tax assets		**8.3**	7.5	8.4
Cash and cash equivalents	15	**78.6**	16.2	13.3
Total current assets		**489.6**	450.5	420.4
Total assets		**1,322.1**	1,328.7	1,279.5
Liabilities				
Current liabilities				
Borrowings	15	**(43.6)**	(13.8)	(1.8)
Lease liabilities		**(68.7)**	(71.9)	(79.1)
Derivative financial instruments		**(4.9)**	(1.3)	(1.5)
Trade and other payables		**(382.4)**	(360.0)	(368.4)
Provisions		**(11.7)**	(13.4)	(12.4)
Total current liabilities		**(511.3)**	(460.4)	(463.2)
Net current liabilities		**(21.7)**	(9.9)	(42.8)
Non-current liabilities				
Borrowings	15	**(33.7)**	(49.4)	(19.6)
Lease liabilities		**(209.1)**	(253.4)	(228.1)
Derivative financial instruments		**(1.3)**	-	(0.1)
Trade and other payables		**(3.7)**	(3.9)	(3.6)
Provisions		**(9.5)**	(11.0)	(11.1)
Total non-current liabilities		**(257.3)**	(317.7)	(262.5)
Total liabilities		**(768.6)**	(778.1)	(725.7)
Net assets		**553.5**	550.6	553.8
Shareholders' equity				
Share capital	17	**2.2**	2.2	2.2
Share premium	17	**212.4**	212.4	212.4
Investment in own shares*		**(2.2)**	(10.7)	(1.0)
Other reserves		**(2.9)**	0.9	-
Retained earnings*		**344.1**	345.8	340.2
Total equity attributable to equity holders of the Company		**553.6**	550.6	553.8
Non-controlling interest		**(0.1)**	-	-
Total equity		**553.5**	550.6	553.8

*See Note 20 for further details

Condensed consolidated statement of changes in equity

For the 26 weeks to 27 September 2024 (Unaudited)

	Attributable to the equity holders of the Company								
			Other reserves						
	Share capital	Share premium account	Investment in own shares	Capital redemption reserve	Hedging reserve	Retained earnings	**Total Shareholders' equity**	Non-controlling interests	**Total Equity**
	£m	£m	£m	£m	£m	£m	**£m**	£m	**£m**
Balance at 29 March 2024	**2.2**	**212.4**	**(1.0)**	**0.3**	**(0.3)**	**340.2**	**553.8**	**-**	**553.8**
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	14.2	14.2	(0.1)	14.1
Other comprehensive income									
Cash flow hedges:									
Fair value changes in the period	-	-	-	-	(4.8)	-	(4.8)	-	(4.8)
Income tax on other comprehensive income	-	-	-	-	0.8	-	0.8	-	0.8
Total other comprehensive income for the period net of tax	-	-	-	-	(4.0)	-	(4.0)	-	(4.0)
Total comprehensive income for the period	-	-	-	-	(4.0)	14.2	10.2	(0.1)	10.1
Hedging gains and losses and costs of hedging transferred to the cost of inventory	-	-	-	-	1.1	-	1.1	-	1.1
Transactions with owners									
Acquisition of Treasury shares	-	-	(3.6)	-	-	-	(3.6)	-	(3.6)
Share options exercised	-	-	2.4	-	-	(1.7)	0.7	-	0.7
Share-based payment transactions	-	-	-	-	-	2.3	2.3	-	2.3
Income tax on share-based payment transactions	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	(10.9)	(10.9)	-	(10.9)
Total transactions with owners	-	-	(1.2)	-	-	(10.3)	(11.5)	-	(11.5)
Balance at 27 Sept 2024	**2.2**	**212.4**	**(2.2)**	**0.3**	**(3.2)**	**344.1**	**553.6**	**(0.1)**	**553.5**

Condensed consolidated statement of changes in equity (continued)

For the 26 weeks to 29 September 2023 (Unaudited)

	Share capital	Share premium account	Investment in own shares*	Capital redemption reserve	Hedging reserve	Retained earnings*	**Total Shareholders' equity**	Non-controlling interests	**Total Equity**
			Attributable to the equity holders of the Company						
				Other reserves					
	£m	£m	£m	£m	£m	£m	**£m**	£m	**£m**
Balance at 31 March 2023	2.2	212.4	(12.7)	0.3	(1.4)	356.1	556.9	-	556.9
Restatement*			10.8			(10.8)	-	-	-
Balance at 31 March 2023 restated	2.2	212.4	(1.9)	0.3	(1.4)	345.3	556.9	-	556.9
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	14.6	14.6	-	14.6
Other comprehensive income									
Cash flow hedges:									
Fair value changes in the period	-	-	-	-	1.2	-	1.2	-	1.2
Income tax on other comprehensive income	-	-	-	-	(0.7)	-	(0.7)	-	(0.7)
Total other comprehensive income for the period net of tax	-	-	-	-	0.5	-	0.5	-	0.5
Total comprehensive income for the period	-	-	-	-	0.5	14.6	15.1	-	15.1
Hedging gains and losses and costs of hedging transferred to the cost of inventory	-	-	-	-	1.5	-	1.5	-	1.5
Transactions with owners									
Acquisition of Treasury shares	-	-	(10.3)	-	-	-	(10.3)	-	(10.3)
Share options exercised	-	-	1.5	-	-	(1.4)	0.1	-	0.1
Share-based payment transactions	-	-	-	-	-	2.5	2.5	-	2.5
Income tax on share-based payment transactions	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	(15.2)	(15.2)	-	(15.2)
Total transactions with owners	-	-	(8.8)	-	-	(14.1)	(22.9)	-	(22.9)
Balance at 29 Sept 2023	2.2	212.4	(10.7)	0.3	0.6	345.8	550.6	-	550.6

*See Note 20 for further details

Condensed consolidated statement of cash flows

For the 26 weeks to 27 September 2024

	Notes	**26 weeks to 27 September 2024 Unaudited £m**	26 weeks to 29 September 2023 Unaudited £m	52 weeks to 29 March 2024 £m
Cash Flows from operating activities				
Profit after tax for the period from continuing operations, before non-underlying items		**16.6**	19.4	32.8
Non-underlying items	8	**(2.5)**	(1.9)	(3.8)
Profit after tax for the period from continuing operations		**14.1**	17.5	29.0
Depreciation – property, plant and equipment		**12.6**	13.5	27.1
Impairment – property, plant and equipment		**-**	-	-
Amortisation and impairment of right-of-use assets		**38.6**	39.0	81.7
Amortisation – intangible assets		**11.8**	10.2	21.2
Net finance expense		**5.6**	6.3	13.1
Loss on disposal of property, plant and equipment and intangibles		**0.2**	0.2	0.8
Gain on disposal of leases		**(0.2)**	(0.8)	(2.2)
Equity-settled share-based payment transactions		**2.3**	2.5	3.8
Exchange movement		**4.3**	(1.8)	1.2
Income tax expense		**3.7**	5.7	9.8
(Increase) / decrease in inventories		**(8.0)**	(9.5)	12.7
Decrease / (increase) in trade and other receivables		**2.6**	(20.1)	(9.0)
Increase in trade and other payables		**14.3**	2.3	10.7
Decrease in provisions		**(2.3)**	(2.8)	(10.3)
Income tax paid		**(2.6)**	(14.5)	(11.7)
Net cash from operating activities – continuing operations		**97.0**	47.7	177.9
Net cash from operating activities – discontinued operations		**-**	0.3	(10.5)
Cash Flows from investing activities				
Acquisition of subsidiary, net of cash acquired		**-**	-	(0.6)
Deferred consideration paid		**(4.0)**	-	-
Purchase of intangible assets		**(11.7)**	(8.4)	(23.7)
Purchase of property, plant and equipment		**(10.3)**	(13.2)	(21.9)
Net cash used in investing activities – continuing operations		**(26.0)**	(21.6)	(46.2)
Net cash used in investing activities – discontinued operations		**-**	(0.8)	(0.3)
Cash Flows from financing activities				
Purchase of own shares		**(3.6)**	(10.3)	(10.2)
Proceeds from share options exercised		**0.7**	0.1	4.2
Net Finance costs paid		**(0.1)**	(1.5)	(2.1)
RCF drawdowns		**255.8**	373.0	1,348.0
RCF repayments		**(240.8)**	(358.0)	(1,363.0)
Net proceeds/(repayment) of other borrowings		**(1.4)**	2.7	1.5
Transaction costs from borrowings		**(2.1)**	-	(1.1)
Interest paid on lease liabilities		**(4.6)**	(4.3)	(9.0)
Payment of capital element of leases		**(42.2)**	(40.7)	(83.8)
Payments relating to supplier financing		**(39.5)**	(25.0)	(70.0)
Receipts relating to supplier financing		**39.5**	27.2	65.9
Proceeds from sale of share in subsidiary to non-controlling interest		-	-	2.4
Dividends paid	11	**(10.9)**	(15.2)	(21.7)
Net cash used in financing activities – continuing operations		**(49.2)**	(52.0)	(138.9)
Net cash used in financing activities – discontinued operations		**-**	(0.5)	(0.9)
Net increase/(decrease) in cash and bank overdrafts	15	**21.8**	(26.9)	(18.9)
Cash and cash equivalents at the beginning of the period	15	**13.3**	32.2	32.2
Cash and cash equivalents at the end of the period	15	**35.1**	5.3	13.3

Bank overdrafts are included within Cash and cash equivalents above, see note 15 for further details.

The notes on pages 23 to 34 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

For the 26 weeks to 27 September 2024

1. General information

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

The Company is a public limited 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 25 November 2024.

2. Statement of compliance

These condensed consolidated interim financial statements for the 26 weeks to 27 September 2024 have been prepared in accordance with IAS 34 'Interim financial reporting' as adopted for use in the UK. They do not include all the information required for full annual financial statements and should be read in conjunction with the Annual Report and Accounts for the period ended 29 March 2024, which have been prepared in accordance with UK adopted international accounting standards.

The comparative figures for the financial period ended 29 March 2024 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. Principal 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 82 to 89 of our Annual Report and Accounts for the period ended 29 March 2024, which are available on our website www.halfordscompany.com.

4. Material accounting policies

Going Concern

In determining the appropriate basis of preparation of the Condensed Consolidated Interim Financial Statements for the period ended 27 September 2024, the Directors are required to consider whether the Group and Company can continue in operational existence for the foreseeable future. The Board has concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of financial forecasts for the 12 month period to November 2025, which included consideration of the current economic climate, and with specific consideration to the trading position of the Group. The Directors have also considered the measures announced by the Government in the UK Budget on 30th October regarding increases in Employer National Insurance contributions and National Minimum Wage effective from 6th April 2025. The financial forecasts have been stress tested and management believe the level to which sales would need to drop to trigger any concern with cash flow or banking covenants is highly unlikely.

The Group has a committed £180.0m revolving credit facility, of which £20.0m is designated as an overdraft facility, at the date of approval of these financial statements, expiring on 16 April 2028.

The Board has a reasonable expectation the Group and the Company will be able to continue in operation and meet its liabilities as they fall due and will retain sufficient available cash and not breach any covenants under any drawn facilities over the going concern period. The Board does not consider there to be a material uncertainty around the Group's or the Company's ability to continue as a going concern. The Directors therefore consider it appropriate for the Group to adopt the going concern basis in preparing its interim financial statements.

Accounting Policies

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed consolidated interim financial statements have been prepared by applying the accounting policies and presentation that were applied in the preparation of the Annual Reports and Accounts for the period ended 29 March 2024, which are published on the Halfords Group website, www.halfordscompany.com..

The accounting policies adopted in the preparation of the Condensed Consolidated Interim Financial Statements are the same as those set out in the Group's Annual Report and Accounts for the period ended 29 March 2024. There has also been no change in the accounting policies requiring disclosure within the Group's financial statements upon application of the amendments to IAS 1 in the current period.

5. Estimates and judgements

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the 52-week period ended 29 March 2024 and the 26 weeks ended 29 September 2023.

6. Operating segments

The Group has two reportable segments, Retail and Autocentres, which are the Group's strategic business units. 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 and services through retail stores and online platforms. The operations of the Autocentres reporting segment comprise car servicing and repair performed from Autocentres, commercial vehicles, mobile customer vans through Halfords Mobile Expert and software as a service provision.

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

The following summary describes the operations in each of the Group's reportable segments. Performance is measured based on segment operating profit, as included in the management reports reviewed by the Executive Directors. The segmental reporting disclosures are prepared in accordance with IFRS accounting policies.

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

Income statement	**Retail £m**	**Autocentres £m**	**26 weeks to 27 September 2024 Total Unaudited £m**
Revenue	**516.1**	**348.7**	**864.8**
Segment result before non-underlying items	**21.2**	**7.8**	**29.0**
Non-underlying items	**(1.8)**	**(1.4)**	**(3.2)**
Segment result	**19.4**	**6.4**	**25.8**
Unallocated expenses[1]			**(2.6)**
Operating profit			**23.2**
Net financing expense			**(5.4)**
Profit before tax			**17.8**
Taxation			**(3.7)**
Profit after tax			**14.1**

Income statement	Retail £m	Autocentres £m	26 weeks to 29 September 2023 Total Restated Unaudited £m
Revenue	516.6	348.7	864.8
Segment result before non-underlying items	19.6	14.8	34.4
Non-underlying items	(1.1)	(0.9)	(2.0)
Segment result	18.5	13.9	32.4
Unallocated expenses[1]			(2.9)
Operating profit			29.5
Net financing expense			(6.3)
Profit before tax			23.2
Taxation			(5.7)
Profit after tax			17.5

Income statement	Retail £m	Autocentres £m	52 weeks to 29 March 2024 Total £m
Revenue	997.1	699.4	1,696.5
Segment result before non-underlying items	41.1	20.8	61.9
Non-underlying items	(1.5)	(2.8)	(4.3)
Segment result	39.6	18.0	57.6
Unallocated expenses[1]			(5.7)
Operating profit			51.9
Net financing expense			(13.1)
Profit before tax			38.8
Taxation			(9.8)
Profit after tax			29.0

[1] Unallocated expenses have been disclosed to reflect the format of the internal management reports reviewed by the Chief Operating Decision maker and include an amortisation charge of £2.6m in respect of assets acquired through business combinations (H1 FY24: £2.9m, FY24: £5.7m).

Other segment items:	**Retail £m**	**Autocentres £m**	**26 weeks to 27 September 2024 Total Unaudited £m**
Capital expenditure	**12.2**	**11.4**	**23.6**
Depreciation and impairment expense	**6.3**	**6.0**	**12.3**
Impairment of right-of-use asset	**-**	**0.2**	**0.2**
Amortisation of right-of-use asset	**25.1**	**12.8**	**37.9**
Amortisation expense	**6.9**	**3.1**	**10.0**

Other segment items:	Retail £m	Autocentres £m	26 weeks to 29 September 2023 Total Unaudited £m
Capital expenditure	18.9	18.8	37.7
Depreciation expense	7.4	5.9	13.3
Impairment of right-of-use asset	-	-	-
Amortisation of right-of-use asset	26.4	12.5	38.9
Amortisation expense	6.4	1.8	8.2

Other segment items:	Retail £m	Autocentres £m	52 weeks to 29 March 2024 Total £m
Capital expenditure	22.8	20.9	43.7
Depreciation and impairment expense	14.4	12.0	26.4
Impairment of right-of-use asset	(0.6)	3.4	2.8
Amortisation of right-of-use asset	54.1	23.6	77.7
Amortisation expense	13.6	3.8	17.4

There have been no significant transactions between segments in the 26 weeks ended 27 September 2024 (H1 FY24: £nil).

7. Revenue

A. Revenue streams and location

The Group’s operations and main revenue streams are those described in the Annual Reports and Accounts for the period ended 29 March 2024. The Group’s revenue is derived from transactions with customers.

The Revenue split by the Group’s operating segments is shown in Note 6.

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

B. Seasonality of operations

At the Group level, revenue is not materially seasonal, however, there is some underlying seasonality in certain categories. For example, sales of adult cycles tend to peak in the spring and summer months whilst sales of children’s cycles peak in the festive season. Conversely, MOT activity is weighted towards the second half of the year whilst motoring products also tend to exhibit stronger demand in the winter months.

8. Non-underlying items

	26 weeks to 27 September 2024 Unaudited £m	26 weeks to 29 September 2023 Unaudited £m	52 weeks to 29 March 2024 £m
Non-underlying operating expenses relating to continuing operations:			
Organisational restructure costs (a)	**0.2**	1.9	5.7
Closure costs (b)	**1.2**	(1.2)	(4.4)
Acquisition costs (c)	**-**	0.3	1.0
Replacement of warehouse management system (d)	**0.6**	0.7	2.0
Garage transformation programme (e)	**0.3**	-	-
Cloud migration costs (f)	**0.9**	-	-
Other	**-**	0.3	-
Non-underlying items before tax	**3.2**	2.0	4.3
Tax on non-underlying items (g)	**(0.7)**	(0.1)	(0.5)
Non-underlying items after tax relating to continuing operations	**2.5**	1.9	3.8
Non-underlying items after tax relating discontinued operations	**-**	-	6.9
Total non-underlying items	**2.5**	1.9	10.7

Non-underlying items are those items that are unusual because of their size, nature (one-off, non-trading costs) or incidence. Management considers that these items should be separately identified within their relevant income statement category to enable a full understanding of the Group’s results.

(a) Organisational restructure costs in the current period relate to redundancy costs incurred as part of a change in the Group's operating model. In the prior period, organisational restructure costs related to the continuation of the restructure of the support centre including the integration of support roles (H1 FY24: £1.0m FY24: £1.9m) and financial systems relating to the National Tyres business (H1 FY24: £0.2m FY24: £0.5m), professional fees incurred in relation to restructuring the Avayler operation (H1 FY24: £0.3m FY24: £1.1m), and costs relating to a revision to procurement processes (H1 FY24: £0.4m FY24: £1.9m).

(b) Closure costs represent costs associated with the closure of a number of stores and garages following a strategic review of the profitability of the Group's physical estate in previous periods, and the closure of the Group's Tyre Wholesale operations. In the current period, costs predominantly relate to ongoing property expense that cannot be provided for, whilst the prior period credit represents a release of provisions no longer required following a review.

(c) Acquisition costs in the prior period relate to fees incurred in relation to the acquisition of Lodge Tyre Company.

(d) During the current and prior period, management incurred costs of £0.6m (H1 FY24: £0.7m FY24: £2.0m) as a result of the replacement of the Warehouse Management System. This project and associated costs are expected to conclude in H1 FY26.

(e) The Garage Transformation Programme relates to professional fees incurred in reviewing and implementing improvements to operational processes and systems in the Group's garages.

(f) Cloud migration costs relate to the migration of servers from co-located datacentres to the cloud. Costs of £0.9m (H1 FY24: £nil FY24: £nil) include expenses associated with managing this transition and the dual running of the existing co-located servers and new Cloud-based solution.

(g) The tax credit in H1 FY25 represents a tax rate of 24.0% applied to non-underlying items (H1 FY24: Credit, 6.0%, FY24: Charge, 15.8%). The effective tax rate differs from the UK corporation tax rate (25%) principally due to non-deductible expenditure in relation to the disposal of the tyre supply chain business during FY24.

9. Net Finance Expense

	26 weeks to 27 September 2024 Unaudited £m	26 weeks to 29 September 2023 Unaudited £m	52 weeks to 29 March 2024 £m
Finance Income:			
Bank Interest	**0.6**	-	-
Finance costs:			
Bank borrowings	**(0.6)**	(0.8)	(2.2)
Amortisation of issue costs on loans	**(0.3)**	(0.6)	(0.8)
Commitment and guarantee fees	**(0.7)**	(0.6)	(1.1)
Interest payable on lease liabilities	**(4.4)**	(4.3)	(9.0)
Finance costs before non-underlying items	**(6.0)**	(6.3)	(13.1)
Net finance expense before non-underlying items	**(5.4)**	(6.3)	(13.1)
Finance costs in non-underlying items	**(0.2)**	-	-
Net finance expense	**(5.6)**	(6.3)	(13.1)

10. Income tax expense

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

The taxation charge on profit for the financial period was £3.7m (H1 FY24: £5.7m), including a £0.7m credit (H1 FY24: £0.1m credit) in respect of non-underlying items. The effective tax rate of 20.6% (H1 FY24: 24.6%) differs from the UK corporation tax rate (25%) principally due to prior year adjustments partially offset by the impact of non-deductible expenditure.

The corporation tax rate remained at 25%, effective from 1 April 2023. The deferred tax asset in the period has been calculated based on the headline rate of 25%.

Pillar Two legislation, which introduced a global minimum effective tax rate of 15%, has been enacted or substantively enacted in certain jurisdictions in which the Group operates. The legislation is effective for the Group's financial year beginning 30 March 2024. The Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief may not apply and the Pillar Two effective tax rate is close to 15%. The Group does not expect a material exposure to Pillar Two income taxes in those jurisdictions.

11. Dividends

The Directors paid a final dividend of 5 pence per share on 13 September 2024 in respect of the financial period ended 29 March 2024 (FY23: 7p per share).

The Directors have declared an interim dividend for the 26 weeks to 27 September 2024 of 3 pence per share (H1 FY24: 3p per share). The interim dividend will be paid on 17 January 2025 to shareholders who are on the register of members, with an ex-dividend date of 12 December 2024 and a record date of 13 December 2024.

12. 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 potentially dilutive 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 27 September 2024.

	26 weeks to 27 September 2024 Unaudited Number m	26 weeks to 29 September 2023 Unaudited Number m	52 weeks to 29 March 2024 Number m
Weighted average number of shares in issue	**218.9**	218.9	218.9
Less: shares held by the Employee Benefit Trust	**(0.8)**	(1.4)	(1.5)
Weighted average number of shares for calculating basic earnings per share	**218.1**	217.5	217.4
Weighted average number of dilutive share options	**6.0**	9.4	8.5
Weighted number of shares for calculating diluted earnings per share	**224.1**	226.9	225.9

	26 weeks to 27 September 2024 Unaudited £m	26 weeks to 29 September 2023 Restated Unaudited £m	52 weeks to 29 March 2024 £m
Earnings from continuing operations	**14.1**	17.5	29.0
Non-underlying items after tax relating to continuing operations	**2.5**	1.9	3.8
Earnings from continuing operations before non-underlying items	**16.6**	19.4	32.8
Loss from discontinued operations	**-**	2.9	(12.1)
Non-underlying items after tax relating to discontinued operations	**-**	-	6.9
Loss from discontinued operations before non-underlying items	**-**	2.9	(5.2)
Total earnings	**14.1**	14.6	16.9
Total non-underlying items after tax	**2.5**	1.9	10.7
Total earnings before non-underlying items	**16.6**	16.5	27.6

	26 weeks to 27 September 2024 Unaudited	26 weeks to 29 September 2023 Restated Unaudited	52 weeks to 29 March 2024
Basic earnings per share from continuing operations	**6.5p**	8.1p	13.3p
Diluted earnings per share from continuing operations	**6.3p**	7.7p	12.7p
Basic underlying earnings per share from continuing operations before non-underlying items	**7.6p**	8.9p	15.1p
Diluted underlying earnings per share from continuing operations before non-underlying items	**7.4p**	8.6p	14.5p
Basic earnings per share	**6.5p**	6.7p	7.8p
Diluted earnings per share	**6.3p**	6.4p	7.4p
Basic earnings per ordinary share before non-underlying items	**7.6p**	7.6p	12.7p
Diluted earnings per ordinary share before non-underlying items	**7.4p**	7.3p	12.2p

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

13. Discontinued Operations

On 25th January 2024 the Group announced its intention to enter into a strategic partnership with specialist tyre distributor Bond International and to close its existing tyre operation. As a consequence, on 22 February 2024, the Group sold Birkenshaw Distributors Limited ("BDL") and the wholesale customers of Stepgrades Motor Accessories Ltd ("Viking") to R & R C Bond (Holdings) Limited ("Bond"). On 22 March 2024, the remaining principal operations of Viking ceased.

The events noted above resulted in Viking and BDL being treated as a discontinued operation in the period ended 29 March 2024. The results of the business for the period ended 29 September 2023 have therefore been restated to comparatively show the discontinued operation separately from continuing operations in the prior period. This is presented on the face of the income statement and reflected in the condensed consolidated statement of comprehensive income. Earnings per share (EPS) has been split between continuing and discontinued operations. The cash flows of the discontinued operation have also been disclosed in the condensed consolidated statement of cash flows.

The summary income statement for the businesses treated as a discontinued operation for the periods 27 September 2024, 29 September 2023 (restated) and 29 March 2024 are as follows:

	26 Weeks to 27 September 2024			26 weeks to 29 September 2023			52 Weeks to 29 March 2024		
Discontinued Operations	**Before Non-underlying items £m**	**Non-underlying items £m**	**Total £m**	**Before Non-underlying items £m**	**Non-underlying items £m**	**Total £m**	**Before Non-underlying items £m**	**Non-underlying items £m**	**Total £m**
Revenue	-	-	-	8.2	-	8.2	16.3		16.3
Cost of sales	-	-	-	(6.7)	-	(6.7)	(13.6)		(13.6)
Gross profit	-	-	-	1.5	-	1.5	2.7	-	2.7
Operating expenses	-	-	-	(5.4)	-	(5.4)	(9.7)	(11.9)	(21.6)
Loss from operating activities	-	-	-	(3.9)	-	(3.9)	(7.0)	(11.9)	(18.9)
Net finance expense	-	-	-	-	-	-	-		-
Loss before income tax	-	-	-	(3.9)	-	(3.9)	(7.0)	(11.9)	(18.9)
Income tax expense	-	-	-	1.0	-	1.0	1.8	2.5	4.3
Loss after tax	-	-	-	(2.9)	-	(2.9)	(5.2)	(9.4)	(14.6)
Gain on disposal	-	-	-	-	-	-		2.5	2.5
Loss after tax from discontinued operations	-	-	-	(2.9)	-	(2.9)	(5.2)	(6.9)	(12.1)

The events noted for Viking and BDL are a major re-organisation of a key line of business. The costs and gains on disposal of various Viking and BDL assets associated with these events meet the definition of non-underlying items as per group accounting policy. The breakdown of these are as follows:

For the period	**26 weeks to 27 September 2024 £m**	**26 weeks to 29 September 2023 £m**	**52 weeks to 29 March 2024 £m**
Non-underlying operating expenses:			
Organisational Restructure Costs (a)	-	-	11.9
Gain on disposal of assets (b)	-	-	(2.5)
Non-underlying items before tax	**-**	**-**	**9.4**
Tax on non-underlying items (c)	-	-	(2.5)
Non-underlying items after tax	**-**	**-**	**6.9**

a) In the period ended 29 March 2024, organisational restructuring costs of £11.9m were incurred relating to the disposals of the share capital of BDL and the wholesale customers of Viking, and the subsequent closure of the remaining Viking operation. Costs in relation to these activities comprised: redundancy costs £2.6m, property related restructuring provisions £3.9m, right-of-use and other asset impairment £4.1m, Viking dual running costs £0.5m and legal fees to support the transaction of £0.8m. In the prior period, £0.2m relates to financial dual running costs incurred in the integration of National Tyre.

b) In the period ended 29 March 2024, deferred consideration of £2.9m was recognised on the contract date for the disposal of £0.4m of assets, giving rise to a £2.5m gain on disposal.

There are no other items of comprehensive income relating to discontinued operation for the period ending 27 September 2024 (H1 FY24: Nil, FY24: Nil).

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

	Tangible and Intangible Assets Unaudited £m	**Right-of-use assets Unaudited £m**
Net book value at 29 March 2024	**573.4**	**278.3**
Additions	**23.2**	**13.6**
Disposals	**(0.2)**	**(0.2)**
Effect of modification of lease	**-**	**0.2**
Depreciation, amortisation and impairment	**(24.4)**	**(38.6)**
Net book value at 27 September 2024	**572.0**	**253.3**

	Tangible and Intangible Assets Unaudited £m	Right-of-use assets Unaudited £m
Net book value at 31 March 2023	579.8	312.6
Additions	18.6	19.0
Disposals	(0.2)	(1.2)
Effect of modification of lease	-	3.6
Depreciation, amortisation and impairment	(23.8)	(39.5)
Net book value at 29 September 2023	574.4	294.5

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

	At 29 March 2024 £m	Cash Flow Unaudited £m	Other non-cash changes Unaudited £m	**At 27 September 2024 Unaudited £m**
Cash and cash equivalents	13.3	21.8	43.5	**78.6**
Bank Overdrafts	-		(43.5)	**(43.5)**
Cash and cash equivalents (condensed consolidated statement of cash flows)	**13.3**	**21.8**	**-**	**35.1**
Debt due in less than one year	(1.8)	1.7	-	**(0.1)**
Debt due after one year	(19.6)	(13.6)	(0.5)	**(33.7)**
Total net debt excluding leases	**(8.1)**	**9.9**	**(0.5)**	**1.3**
Current lease liabilities	(79.1)	46.8	(36.4)	**(68.7)**
Non-current lease liabilities	(228.1)	-	19.0	**(209.1)**
Total lease liabilities	**(307.2)**	**46.8**	**(17.4)**	**(277.8)**
Total net debt	**(315.3)**	**56.7**	**(17.9)**	**(276.5)**

Non-cash changes comprise finance costs in relation to the amortisation of capitalised debt issue costs of £0.3m (H1 FY24: £0.6m), and new leases in the period.

Cash and cash equivalents at the period end consist of £77.9m (H1 FY24: £15.0m) of liquid assets, £0.7m (H1 FY24: £1.2m) of cash held in Trust and £43.5m (H1 FY24: £10.9m) of bank overdrafts. The Group recognises BACS payments on the day that the payments are processed with the respective banks. This has resulted in a large bank overdraft balance at 27th September 2024 as the funds used to clear these payments were transferred after the period end from deposit accounts outside of the Group's cash pooling arrangements and therefore did not meet the requirements for offsetting under IAS 1.

Cashflow movements in debt relate to the drawdown of funds from the Groups' revolving credit facility and payments in relation to lease liabilities.

	At 31 March 2023	Cash Flow	Other non-cash changes	At 29 September 2023
	2023	Unaudited	Unaudited	Unaudited
	£m	£m	£m	£m
Cash and cash equivalents	41.9	(25.7)	-	16.2
Bank Overdrafts	(9.7)	(1.2)	-	(10.9)
Cash and cash equivalents (condensed consolidated statement of cash flows)	32.2	(26.9)	-	5.3
Debt due in less than one year	-	(2.7)	(0.2)	(2.9)
Debt due after one year	(34.0)	(15.0)	(0.4)	(49.4)
Total net debt excluding leases	(1.8)	(44.6)	(0.6)	(47.0)
Current lease liabilities	(77.6)	45.5	(39.8)	(71.9)
Non-current lease liabilities	(269.3)	-	15.9	(253.4)
Total lease liabilities	(346.9)	45.5	(23.9)	(325.3)
Total net debt	(348.7)	0.9	(24.5)	(372.3)

Non-cash changes comprise finance costs in relation to the amortisation of capitalised debt issue costs of £0.6m (H1 FY23: £0.8m), and new leases in the period.

Cash and cash equivalents at the period end consist of £15.0m (H1 FY23: £75.1m) of liquid assets, £1.2m (H1 FY23: £2.9m) of cash held in Trust and £10.9m (H1 FY23: £11.5m) of bank overdrafts.

Cashflow movements in debt relate to the drawdown of funds from the Groups' revolving credit facility to fund the acquisition of LTC Trading Holdings Limited.

The above tables exclude amounts relating to a supplier financing arrangement which commenced during the period ended 31 March 2023.

At 31 March 2023 £0.7m was receivable from the third party, and at 29 September 2023 £2.2m was receivable from the third party.

At 29 March 2024 £5.2m was receivable from the third party, and at 27 September 2024 £5.3m was receivable from the third party.

There were no non-cash changes in relation to these amounts.

16. Financial Instruments and Related Disclosures

Accounting classifications and fair values

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

27 September 2024 Unaudited	**Fair Value – hedging instruments £m**	**Amortised cost £m**	**Other financial liabilities £m**	**Total carrying amount £m**
Financial assets measured at fair value				
Derivative financial instruments used for hedging	**0.1**	**-**	**-**	**0.1**
	0.1	**-**	**-**	**0.1**
Financial assets not measured at fair value				
Trade and other receivables*	**-**	**104.0**	**-**	**104.0**
Cash and cash equivalents	**-**	**78.6**	**-**	**78.6**
	-	**182.6**	**-**	**182.6**
Financial liabilities measured at fair value				
Derivative financial instruments used for hedging	**(6.2)**	**-**	**-**	**(6.2)**
	(6.2)	**-**	**-**	**(6.2)**
Financial liabilities not measured at fair value				
Borrowings	**-**	**-**	**(77.3)**	**(77.3)**
Lease liabilities	**-**	**-**	**(277.8)**	**(277.8)**
Trade and other payables**	**-**	**-**	**(320.6)**	**(320.6)**
	-	**-**	**(675.7)**	**(675.7)**

*Prepayments of £12.5m and accrued income of £44.2m are not included as a financial asset.

** Other taxation and social security payables of £37.8m, deferred income of £12.5m and other payables of £15.2m are not included as a financial liability.

29 September 2023 Unaudited	Fair Value – hedging instruments £m	Amortised cost £m	Other financial liabilities £m	Total carrying amount £m
Financial assets measured at fair value				
Derivative financial instruments used for hedging	1.6	-	-	1.6
	1.6	-	-	1.6
Financial assets not measured at fair value				
Trade and other receivables*	-	102.8	-	102.8
Cash and cash equivalents	-	16.2	-	16.2
	-	119.0	-	119.0
Financial liabilities measured at fair value				
Derivative financial instruments used for hedging	(1.4)	-	-	(1.4)
	(1.4)	-	-	(1.4)
Financial liabilities not measured at fair value				
Borrowings	-	-	(63.2)	(63.2)
Lease liabilities	-	-	(325.3)	(325.3)
Trade and other payables**	-	-	(316.5)	(316.5)
	-	-	(705.0)	(705.0)

* Prepayments of £12.1m and accrued income of £47.6m are not deducted as a financial asset.
** Other taxation and social security payables of £20.8m, deferred income £10.3m and other payables of £16.3m are not included as a financial liability.

29 March 2024	Fair Value – hedging instruments £m	Amortised cost £m	Other financial liabilities £m	Total carrying amount £m
Financial assets measured at fair value				
Derivative financial instruments used for hedging	0.2	-	-	0.2
	0.2	-	-	0.2
Financial assets not measured at fair value				
Trade and other receivables*	-	103.5	-	103.5
Cash and cash equivalents	-	13.3	-	13.3
	-	116.8	-	116.8
Financial liabilities measured at fair value				
Derivative financial instruments used for hedging	(1.6)	-	-	(1.6)
	(1.6)	-	-	(1.6)
Financial liabilities not measured at fair value				
Borrowings	-	-	(21.4)	(21.4)
Lease liabilities	-	-	(307.2)	(307.2)
Trade and other payables**	-	-	(242.8)	(242.8)
	-	-	(571.4)	(571.4)

* Prepayments of £8.5m and accrued income of £51.3m are not included as a financial asset.
** Other taxation and social security payables of £38.0m, deferred income and accruals of £86.7m and other payables of £0.9m are not included as a financial liability.

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

Trade receivables, trade payables and lease obligations, short-term deposits and borrowings	The fair value approximates to the carrying amount because of the short maturity of these instruments.
Long-term borrowings	The fair value of bank loans and other loans approximates to the carrying value reported in the statement of financial position as the majority are floating rate where payments are reset to market rates at intervals of less than one year.
Forward currency contracts	The fair value is determined using the market forward rates at the reporting date and the outright contract rate.

Financial instruments carried at fair value are required to be measured by reference to the following levels:
- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments carried at fair value have been measured by a Level 2 valuation method. There have been no changes to classifications in the current or prior period.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The Group does not have any individually significant customers and so no significant concentration of credit risk. The majority of the Group's sales are paid in cash at point of sale which further limits the Group's exposure. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Board of Directors has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment terms and conditions are offered. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period for customers. There are no material trade receivable balances with customers based outside of the United Kingdom.

The Group has taken into account the historic credit losses incurred on trade receivables and adjusted it for forward looking estimates. The movement in the allowance for impairment in respect of trade receivables during the period was £0.5m (H1 FY24: £0.4m).

17. Share Capital

	Number of shares m	Share capital £m	Share premium account £m
As at 29 March 2024 and 27 September 2024	218.9	2.2	212.4

During the 26 weeks to 27 September 2024 and 29 September 2023, there were no movements in company share capital.

18. 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 27 September 2024 amounted to nil (H1 FY24: nil).

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

19. Related Party Transactions

The key management personnel of the Group comprise the Executive and Non-Executive Directors and the Halfords Limited and Halfords Autocentres management boards. The details of the remuneration, long-term incentive plans, shareholdings and share option entitlements of individual Directors are included in the Directors' Remuneration Report on pages 132 to 149 of the Group Annual Report and Accounts for the period ended 29 March 2024.

During the period no share options (H1 FY24: none) were granted to directors in relation to the Performance Share Plan and no share options (H1 FY24: none) were granted in relation to the Deferred Bonus Plan.

20. Prior Period Adjustment

Investment in own shares

As disclosed in the Group's 2024 Annual Report and Accounts, during the preparation of the financial statements for the 52 week period ended 29 March 2024 the Group identified an error relating to the transfer of the cost of shares in excess of their exercise price on the exercise of share options by employees under the Group's share based payment arrangements.

To correct for this error in these financial statements the following adjustments have been made:

- The cumulative impact on periods ending on or before 31 March 2023 has been recognised within the opening balances in the condensed consolidated statement of changes in equity as at 31 March 2023, resulting in a decrease in Investment in own shares of £10.8m with a corresponding decrease in Retained earnings.

- Share options exercised within the condensed consolidated statement of changes in equity for the 26 week period ending 29 September 2023 have been restated resulting in a £1.4m decrease in the amount attributable to investment in own shares and a corresponding decrease in Retained earnings.

As a result of the above adjustments the closing balances as at 29 September 2023 in the condensed consolidated statement of changes in equity and condensed consolidated statement of financial position have been restated resulting in a £12.2m decrease in Investment in own shares and a corresponding decrease in Retained earnings.

21. Post Balance Sheet Events

On 30th October 2024 as part of the UK Budget, the UK government announced increases in Employer National Insurance contributions and the National Minimum Wage effective from 6th April 2025. These changes do not impact the Condensed Consolidated Financial Statements for the period ended 27 September 2024. Unmitigated, the changes announced by the Government will increase direct labour costs by c.£23m in FY26, of which £9m had already been included in the planning assumptions for that year. There may be further inflation in the cost of managed services as a result of the measures announced in the UK Budget which increase labour costs of our third party service providers. Furthermore, the impact of the UK Budget on consumer spending is unclear. Tactical and structural mitigation options are under review. The resultant revised financial forecasts could impact the carrying value of assets, which will be assessed in line with our year end timetable.

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

We confirm that to the best of our knowledge:

- the interim condensed consolidated financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK;

- 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

Jo Hartley, Chief Financial Officer

25 November 2024

Independent review report to Halfords Group plc

For the 26 weeks to 27 September 2024

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 six months ended 27 September 2024 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 27 September 2024 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cashflows and the related notes.

Basis for conclusion

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

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

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410 (Revised), however future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities of directors

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

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

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

BDO LLP
Chartered Accountants
London, UK
25 November 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).