18 November 2020

Halfords Group plc

Interim Results: Financial Year 2021

Strong financial results, underpinned by operational agility and strategic investments

Further investment in electric vehicle servicing: by April, each of Halfords' garages will have at least one electric car technician, with electric bike and scooter servicers in every store

Halfords Group plc ("Halfords" or the "Group"), the UK's leading provider of Motoring and Cycling products and services, today announces its interim results for the 26 weeks to 2 October 2020 ("the period").

Key highlights

- A very strong H1, with Group revenue growth of +9.6% and profit before tax of £56.0m[2]. All product areas and businesses returned to growth towards the end of the first half.
- Strong progress against our strategic priorities, including Group Services growth of +16.6%, significant Cycling profitability improvements, Online sales growth of +148%, and B2B growth of +37%.
- Recruitment programme underway to fill a wide range of service-oriented roles across stores, Autocentres and Halfords Mobile Expert vans; also investing significantly in training across motoring and cycling services.
- Investment in customer service saw key satisfaction metrics improve materially over the course of H1, ending the first half ahead of last year.
- Launched over £4m of initiatives to support our colleagues in light of the challenges arising from the pandemic, including a Frontline Colleague Scheme and Halfords Here to Help Fund.
- Outlook for H2 remains uncertain given the seasonality of our business and the ongoing impact of Covid-19.

Graham Stapleton, Chief Executive Officer, commented:

"We are very pleased to have achieved such a strong first half performance against the backdrop of one of the most challenging trading environments in recent history. It is a great testament to the strength and adaptability of our business, as well as to the professionalism, hard work and dedication of our colleagues.

We have worked hard to capitalise on the cycling market tailwinds by sourcing more stock from existing and new suppliers, as well as launching new products and brands to serve the high level of demand for our cycling products and services. Despite the headwinds we have seen in motoring, with UK traffic 30% lower than pre-Covid-19 levels and the impact of the MOT deferment, our 'Road Ready' campaign and the investments we have made in our motoring services business have enabled us to increase market share and grow the business in Q2.

As a sign of our confidence in the long-term prospects of our motoring business, and in order to meet the growing demand for our services in this area, we are in the process of recruiting to fill a wide range of service-oriented roles across our stores, Autocentres and fleet of Halfords Mobile Expert vans. We are *also making a substantial investment in further training for existing colleagues, including in the rapidly growing area of electric vehicle servicing as we work to fill the skills gap that exists in the UK. We will be training 100 more electric car technicians next year, bringing the total to 470. In addition, we will be growing the number of e-bike and e-scooter servicers in our stores from 400 to over 1,800. This means that, by April, each of Halfords' garages will have at least one electric car technician, with electric bike and scooter servicers in every store.*

As an essential retailer and service provider, we are proud to be able to help keep the UK moving during these exceptionally challenging and uncertain times."

Group financial summary

	H1 FY21 £m	H1 FY20 £m	Change	Like-for-like Revenue ("LFL")
Revenue	**638.9**	**582.7**	**+9.6%**	+6.7%
Retail	524.2	500.0	+4.8%	+8.1%
Autocentres	114.7	82.7	+38.7%	-2.0%
Gross Margin	**49.4%**	**50.1%**	**-63bps**	
Retail	47.0%	47.0%	-1bps	
Autocentres	60.6%	68.6%	-797bps	
Underlying EBITDA pre IFRS-16	**76.9**	**44.9**	**+71.3%**	
Underlying Profit Before Tax (PBT) pre IFRS 16	**56.0**	**25.9**	**+116.2%**	
Net Non-Underlying Items, pre-IFRS 16	-0.6	-2.7		
Impact of IFRS 16	0.0	4.3		
Profit Before Tax, after impact of IFRS 16	**55.4**	**27.5**	**+101.5%**	
Underlying Basic Earnings per Share pre IFRS 16	23.0p	10.4p	+121.2%	
Underlying Basic Earnings per Share post IFRS 16	23.0p	12.2p	+88.5%	

1. Group LFL before adjusting for extended returns provision was +8.1% and Retail LFL was +9.9%
2. Underlying profit before tax and before adjustments for IFRS16

Financial highlights

- Group revenue was +9.6% and +6.7%[1] on a LFL basis. Growth accelerated quickly through Q1, before stabilising in Q2 at double-digit levels of LFL growth.
- Underlying profit before tax[2] ("PBT") of £56.0m, £30.1m above last year. PBT after adopting IFRS 16 and underlying items of £55.4m.
- Gross margin of 49.4% was -63bps below last year, but in Q2 was +270bps above last year, reflecting cycling profitability improvements and a strengthening motoring services business.
- Operating costs were £7.8m, 2.9% lower than last year. Efficiency programmes, business rates relief and furlough income were partly offset by the increased costs of trading under Covid-19, and the impact of our prior year acquisitions.
- Liquidity remains strong, with net cash of £97.8m, £160.4m better than the same date last year reflecting the trading performance, lower cycling stock levels and strong cash management.

- In Retail:
    - Revenue growth over H1 was +4.8% and +8.1% on a LFL basis.
    - Cycling revenue growth remained strong through H1, finishing +54.4% LFL, with all categories in growth, most notably e-mobility +184% and Cycle Services +24%.
    - Our performance cycling business, Tredz, performed very well, up +69% LFL and EBIT +£5.2m above last year, indicating strong retention of customers from Cycle Republic.
    - Motoring revenue growth was -23.7% LFL, but +3.1% in Q2 as we saw an improving trend as lockdown eased and journeys increased.
- In Autocentres:
    - Total revenue growth including acquisitions was +38.7% for H1 with sales accelerating quickly from June. Exceptional demand for our Halfords Mobile Expert vans continues, with record levels of jobs.
    - A +78% year-on-year increase in hybrid cars seen through the garages and, similarly, a +10% increase in more premium brands serviced.

Strategic highlights

Although the pandemic has potentially driven some permanent changes in customer behaviour, our vision remains the same; to Inspire and Support a Lifetime of motoring and cycling. This will see Halfords evolve into a consumer and B2B services-focussed business, with a greater emphasis on motoring, generating higher and more sustainable financial returns.

In our FY20 preliminary results on 7 July, we laid out our strategic priorities for FY21. Despite the ongoing disruption caused by the pandemic, we have made strong progress. Most notably during the first half, we have:

- Continued to build and transform a market-leading Motoring Services offer, adding 30 new Mobile Expert Vans, bringing the total to 105, integrating Tyres on the Drive into our Group Web Platform and implementing 'PACE', our digital operating model for garages, into all McConechy's outlets.
- Further enhanced our Group web platform and digital customer experience with the launch of our WeCheck app, a digitally-led customer journey designed to encourage Group-wide cross-shop, the integration of McConechy's into our single Group website for bookings, and a series of enhancements to the customer journey online.
- Delivered a significant improvement in Cycling profitability through better buying terms, component rationalisation and more effective promotions. We remain on track to deliver +300bps of gross margin improvement by year end.
- Saved nearly £8m in underlying costs in the first half, with a specific focus on reducing operational cost through better procurement. Within the estate, 33 sites have closed (including 22 Cycle Republic stores), and we remain on track to exit up to 10% of our property estate (c.80 sites) during the full year, as announced in July.

Encouraged by the progress we have made, and by our strong financial results in the first half, we plan to increase our strategic investment in the second half, setting us up well for FY22.

Further detail on strategic progress is given in the Chief Executive's statement below.

Recruitment and training

Recruitment

In line with our ongoing strategic focus on higher margin services across motoring, cycling, and B2B, we have a recruitment programme underway to fill a wide-range of service-oriented roles across stores, Autocentres and Halfords Mobile Expert vans. The new roles include specialist service-oriented roles across our stores, as well as a number of current vacancies in our Autocentres - mainly for MOT testers, but also managers, technicians, customer services and driver roles. We will also be recruiting new mobile roles to support our expanding Halfords Mobile Expert van fleet.

Training and the electric skills gap

In addition, we will be investing £1.4m in training over 6,000 store colleagues in motoring and cycling services skills. This means that every single store colleague will be trained to carry out varying levels of bike and car checks and repairs, which will significantly improve our services capacity. The upskilling programme will result in our employee skills base more than doubling from 17,000 skills to 40,000.

In our Autocentres, we are giving more of our T2 level technicians MOT-tester training in order to meet the current high level of demand.

Halfords has been ahead of the curve since 2016 by training our colleagues for an electrified future. However, we estimate that the UK motor industry needs to double the number of EV technicians it is training each year to ensure the UK is able to service and repair the estimated 11 million electric vehicles that will be on the roads by 2030. Without a significant increase in training the UK risks an electric skills gap. Halfords is playing its part by training 100 more technicians next year, bringing the total to 470. In addition, we will be growing the number of e-bike and e-scooter servicers from 400 to over 1,800. This means that, by April, each of Halfords' garages will have at least one electric car technician, with electric bike and scooter servicers in every store.

Supporting our colleagues

During the period, we launched over £4m of initiatives to support our colleagues, all of whom have worked tirelessly to help keep the country moving. These included a £1.5m Here to Help Fund for use by Halfords colleagues and their families who may be struggling financially as a result of the ongoing impact of Covid-19. In addition, the Group also set up a Frontline Colleague Support Fund to reward the extraordinary resilience, dedication and professionalism of our frontline colleagues during the hugely challenging lockdown period. The scheme ran for 12 weeks and ultimately reached a total of £2.3m, which was then allocated across all eligible colleagues.

Current trading

Subsequent to the Government's announcement on 31 October 2020 that the country would be entering another period of lockdown, we have reviewed our operating procedures to ensure they are compliant with the new guidelines and protect the health and safety of our colleagues and customers. As an essential retailer and services provider, all of our sites will remain open in our current formats, whereby customers may enter our stores and garages but with limits on customer density. We will continue to ensure our colleagues are equipped with the right PPE to serve customers safely.

Trading for the first five weeks of H2, to 5 November 2020, continued to be relatively strong, with good growth and increased market share in cycling, alongside resilience in our motoring products and services businesses. Since the 5th of November we have seen some impact on trading as the second national lockdown came into force. Cycling has continued to grow; we saw an immediate upturn in our Mobile Expert business; and we have seen another shift towards our digital and home delivery channels. However, sales of motoring products have been impacted, with Government data showing car traffic last week at 70% of pre-Covid-19 levels. Unlike the previous lockdown, we have been able to plan and mitigate against some of this risk early.

Outlook

We continue to have great confidence in the medium-term opportunity for our motoring products and services business as illustrated by the investment in recruitment and training that we are currently making in this area. We also believe that its resilient performance in H1 gives a clear indication of its potential once the pandemic has subsided. However, we remain cautious on the impact that national and local lockdowns may have on our H2 performance, with fewer vehicles likely to be on the road.

In Cycling, we expect good levels of demand to continue, notwithstanding the normal seasonal decline as we enter the winter months of H2.

Given the latest national lockdown announced by the Government and the inherent uncertainty in the current trading environment, including the outcome of Brexit negotiations, we do not believe it appropriate to provide profit guidance for FY21. We are well placed to address potential headwinds we may face and capitalise on tailwinds as they arise, and our balance sheet and liquidity position remain very strong. This gives us a solid platform to build on and we therefore remain confident in the future growth prospects for Halfords.

We will next update the market on 14 January 2021, providing an update on trading during the peak festive season.

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Results presentation

A webcast for analysts and investors will be held today, starting at 9.00am UK time. Attendance is by invitation only. A copy of the presentation and a transcript of the call will be available at www.halfordscompany.com in due course. For further details please contact Powerscourt on the details above.

Notes to Editors

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

Halfords is the UK's leading provider of motoring and cycling products and services. Customers shop at 440 Halfords stores, 3 Performance Cycling stores (trading as Tredz and Giant), 367 garages (trading as Halfords Autocentres and McConechy's) and have access to 105 mobile service vans (trading as Halfords Mobile Expert and Tyres on the Drive). Customers can also shop at halfords.com and tredz.co.uk for pick up at their local store or direct home delivery, as well as booking garage services online at halfords.com.

Cautionary statement

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

Chief Executive's Statement

Strategic update

Although the pandemic has potentially changed customer behaviour permanently, our vision remains the same; to Inspire and Support a Lifetime of motoring and cycling. In November last year we set out our ambition to evolve into a consumer and B2B services-focussed business, with a greater emphasis on motoring, generating higher and more sustainable financial returns.

In our preliminary results on 7 July, we laid out our strategic priorities for FY21. Despite the disruption felt across H1, we have made strong progress against our objectives:

Continue to transform and build a market-leading Motoring Services offer

- Added 30 new Mobile Expert Vans, bringing the total to 105, to serve the exceptional demand for this service. We remain on track to deliver over 125 vans by year-end.
- The number of Mobile Expert Technicians increased to over 150, and the number of hubs increased from 8 to 10, allowing a broader geographical reach.

- We have now fully integrated Tyres on the Drive to our Group web platform, meaning all services are now accessible from one website and benefiting from the high levels of retail web traffic.
- Almost 100 garages now opening on Sundays to help meet elevated customer demand.
- 'PACE', our digital operating model for garages, was implemented in all McConechy's garages by the end of Q2, enabling them to reap the customer and operational benefits of the system.

Enhancing our Group web platform and digital customer experience, to create an even more differentiated and specialist proposition

- Launched our WeCheck app, providing a digitally-led customer journey that strengthens our ability to drive cross shop across the Group.
- McConechy's sites are now integrated on our single Group website, meaning that customers can book at all of the Group's 367 garage locations.
- Introduced customer journey enhancements such as 'email me when back in stock' and 'frequently bought with'. These developments ensured customers were engaged throughout their purchase and helped drive one additional item to 20% of baskets online, with an increase in conversion of +1ppts.

Increase the profitability of our cycling business

- Cycling profitability is on track to deliver +300bps of gross margin improvement on last year, driven by more favourable buying terms, component rationalisation and more effective promotions.
- Although the high cycling sales have pushed average working capital levels below those considered optimal, we will end this year with purposefully lower underlying average inventories through range rationalisation and reduced lead times.

Cost and Efficiency

- Our underlying costs have been well controlled, reducing by nearly £8m, reflecting a continued focus on procurement and the execution of efficiency programmes such as '*We Operate 4 Less*'.
- At our FY20 prelims in July we announced that we would close up to 10% of our property estate (c.80 sites) in FY21, including the 33 sites that have already closed (which includes 22 Cycle Republic stores). The review of our portfolio is on track and we will provide a further update later this financial year.

Operational Review

Despite the challenges presented by Covid-19, our business has performed strongly throughout the first half. Deemed an essential retailer, Halfords continued to trade through the early stages of lockdown, having to adapt quickly to almost instantaneous changes in customer behaviour, new social distancing rules and unprecedented shifts in product demand. A combination of our ongoing investment and our operational agility allowed us to capitalise on any potential tailwinds in the market.

Retail

Our Retail business saw sales of £524.2m, +4.8% on the same period last year. This was a strong performance in the context of a hugely challenging backdrop, with unprecedented demand for our cycling products offsetting a decline in motoring products in Q1.

Cycling

Cycling sales were +44.6% above last year and +54.4% on a LFL basis, with all product categories in growth, notably e-mobility +184%. We identified early the unprecedented level of demand for our products and services and worked hard to secure more stock from existing suppliers, as well as sourcing new brands and products from new suppliers and different countries. We brought three new e-bike brands to Halfords and sourced new innertubes and pumps in under four weeks. In total we refreshed 54% of our own brand adult bikes during the first half. These included our new range of own brand Carrera bikes with many new and innovative features, including puncture protect tyres and memory foam saddles, coupled with technical advances such as new frame geometry and gearing. We also launched our new Boardman range including a limited-edition carbon bike for £1,000 which clearly resonated with customers looking for performance and value, selling out in a matter of hours. As we closed Cycle Republic, Boardman bikes launched in Tredz for the first time, and the exceptional sales performance indicates high levels of retention in our performance cycling customers.

Although stock has been limited at times, we have managed to keep a steady flow of bikes and accessories available to customers. With such a fluid stock position, we were able to utilise our new Group online platform and update customers throughout the period, increasing touchpoints and enhancing the overall customer journey. We emailed over 150k customers to let them know when stock was arriving, or products launching, to ensure that they received their chosen product as soon as possible. As a result, we attracted and retained more customers than ever, growing our market share though H1.

Motoring

Motoring sales saw a more challenging first half with sales -23.7% LFL . Again, the overall number hides widely varying performances across the product categories which continued through to the end of the half. During the initial lockdown, all product categories were significantly below last year with sales of less discretionary products performing better, albeit still materially below last year. As lockdown eased and car journeys increased, our unique fitting proposition drove strong demand for our 3Bs (batteries, blades and bulbs), growing +11.6% in Q2. Staycation products, such as roof bars and boxes, grew +28.6% over the same period as customers chose to holiday within the UK. Although car journeys remain below last year, we have seen more categories return to growth in Q2 including child seats and car maintenance. These have been aided by new range launches in each, including award winning car cleaning accessories, new hand tools, the launch of our own brand, i-Size child safety range, and our own brand silicon wiper blades. It is clear, however, that customers remain cautious over the longer term, with demand for big-ticket discretionary items continuing to be subdued.

Retail Gross Margin

Retail gross margin was 47.0%, in line with last year, which was a significant achievement given the change in mix we have seen between our motoring and cycling businesses. Q2 performed significantly ahead of this, +340bps above last year, with the mix effects continuing, but less extreme as demand for our motoring products and services improved. The overall result reflected progress towards our targeted increase in cycling profitability, driven by more favourable buying terms, component rationalisation and more effective promotions.

Retail Operating Costs

Retail operating costs were well managed and declined 9.5% year-on-year before the impact of IFRS-16 (Retail costs declined -8.8% post IFRS-16). Again, the overall number disguises significant movements beneath, including ongoing efficiency savings, business rates relief and furlough income, offset by increased costs of trading under Covid-19 including our investments to support colleagues. Our procurement programme saved over £5m on an annualised basis as we targeted the underlying cost of business, in line with our strategy. Business rates relief and furlough income totalled £24.5m, but these benefits were partially offset by increased costs of operating under Covid-19 which, to date, amount to £11.4m in our retail business. This includes PPE, additional store payroll, digital fulfilment costs and over £2.4m of initiatives launched to support colleagues including a Frontline Colleague Support Fund and the Here to Help Fund.

Autocentres

Total revenue for Autocentres was £114.7m, +38.7% above last year, with our acquisitions of McConechy's and Tyres on the Drive contributing significantly. Underlying LFL sales were -2%, but as lockdown eased and customer journeys increased, the period from June saw a distinct improvement. LFL sales growth in Q2 was +16%, with total sales growth in excess of +60%.

Against an uncertain and challenging backdrop, we launched a media campaign to drive awareness of our integrated motoring services offer, which drove a 40% uplift in consideration scores. We also leveraged our new Group web platform to attract Retail customers to our Autocentres offering, with car servicing having a prime location on our homepage. Finally, we reaped the customer and operational benefits of upgrading our digital operating model ('PACE') towards the end of FY20, rolling this out to our McConechy's garages in Q2.

A notable highlight was the demand for our Halfords Mobile Expert proposition, which remained high throughout the period, with record job numbers and sales over the summer as the benefits of convenience and safety resonated with customers. We continued to invest in our Mobile Expert proposition, increasing the scale and geographic reach of this service.

We saw emerging trends in the types of cars entering our garages, including a +10% increase in premium brands and +78% growth in hybrid cars. It's clear that our convenient proposition, value and trusted brand is attracting new customers to Autocentres, and our ability to invest in the training and technology required to service hybrid and electric cars, potentially prohibitive to smaller independent garages, will ensure we continue to capture this growing market.

Group Services

Group services revenue, which comprises fitting and repair services and the associated product, grew 16.6% over H1, accounting for 24% of Group revenue. Although the motoring services aspect to the offer was subdued during Q1, it quickly recovered in Q2, +43% year-on-year as customers prepared cars for a return to the road, supported by our premium WeCheck 'Road Ready' campaign. Cycling services performed ahead of this, +51.6% in Q2 and +22.3% over the half. Sales were boosted by our free 32-point bike check which attracted new customers to Halfords, and the government's Fix Your Bike Voucher Scheme, of which we have taken a market-leading share. Services remain core to our strategy, and we have continued to invest in this area, increasing scale and capacity whilst working hard to enhance the customer journey.

Online

The timing of the launch of our Group web platform coincided with the most significant shift in customer shopping habits we have ever seen. In the earlier periods of Q1, almost all customer journeys began online resulting in sales growth of over 200% in Q1 and 148.2% over H1. Although the levels seen in Q1 have since moderated somewhat, Online continues to form a much larger part of Group sales and is of increasing importance as a touchpoint with customers.

We have continued to invest in our platform over H1, focussed on optimising and enhancing the customer journey. Examples include 'email me when back in stock' to inform customers when stock arrived in our distribution centres, the ability to register interest when new products launched or 'frequently bought with' suggestions on popular products. These enhancements have resulted in additional items added to almost 20% of baskets and conversion growing by +1%. We also enhanced customer self-service options in response to very high levels of online demand, such as order checking and chatbots.

Towards the end of H1, our entire portfolio of services and products was accessible from one homepage. This meant the high volume of retail traffic had access to MOTs and services, bookable at all 367 Autocentres and McConechy's locations, or our fleet of 105 Mobile Expert vans.

B2B

Our B2B business had a very strong H1, seeing growth of +37%, despite the challenging backdrop. B2B sales accounted for over 16% of group sales as we saw our C2W business grow over 70% and our Fleet business +160%. Both channels outperformed their respective core product categories, highlighting our success in this area.

Graham Stapleton
Chief Executive Officer, 17 November 2020

Chief Financial Officer's Report

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

Reportable Segments

Halfords Group operates through two reportable business segments:

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

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

The "H1 FY21" accounting period represents trading for the 26 weeks to 2 October 2020 ("the period"). The comparative period "H1 FY20" represents trading for the 26 weeks to 27 September 2019 ("the prior period"). The impact of IFRS 16 is shown in the table below and further details of this impact are provided later within this report.

Group Financial Results

	H1 FY21	**H1 FY20**	**Change**
	£m	**£m**	**(%)**
Group Revenue	638.9	582.7	+9.6%
Group Gross Profit pre-IFRS	315.8	291.7	+8.3%
Underlying EBIT pre-IFRS 16*	59.0	27.1	+117.7%
Underlying EBITDA pre-IFRS	76.9	44.9	+71.3%
Net Finance Costs pre-IFRS 16*	(3.0)	(1.2)	+150.0%
Underlying Profit Before Tax pre-IFRS 16*	**56.0**	**25.9**	**+116.2%**
Net non-underlying items	(0.6)	(2.7)	-77.8%
Impact of IFRS 16	0.0	4.3	-
Profit Before Tax	55.4	27.5	+101.5%
Underlying Basic Earnings per Share pre-IFRS 16*	23.0p	10.4p	+121.2%
Underlying Basic Earnings per Share post-IFRS 16*	23.0p	12.2p	+88.5%

** This report includes Alternative Performance Measures (APMs) which we believe provide readers with important additional information on the Group. A glossary of terms and reconciliation to IFRS amounts is shown on page 19.*

Group revenue in H1 FY21, at £638.9m, was up 9.6% and comprised Retail revenue of £524.2m and Autocentres revenue of £114.7m. This compared to H1 FY20 Group revenue of £582.7m, which comprised Retail revenue of £500.0m and Autocentres revenue of £82.7m. Group gross profit at £315.8m (H1 FY20: £291.7m) represented 49.4% of Group revenue (H1 FY20: 50.1%), reflecting a stable Retail gross margin of 47.0% and a decrease in the Autocentres gross margin of -797 bps to 60.6%. The latter was driven by the acquisitions of McConechy's and Tyres on the Drive, with both businesses more orientated to lower margin tyre sales. Despite the challenging backdrop, the underlying Autocentre gross margin was strong, +67bps ahead of last year.

Total operating costs before non-underlying items and IFRS 16 were nearly 3% below last year at £256.8m (H1 FY20: £264.6m) of which Retail comprised £190.1m (H1 FY20: £210.0m), Autocentres £65.4m (H1 FY20: £53.5m) and unallocated costs £1.3m (H1 FY20: £1.1m). Unallocated costs represent amortisation charges in respect of intangible assets acquired through business combinations, namely the acquisition of Autocentres in February 2010, Boardman Bikes in June 2014, Tredz and Wheelies in May 2016 and McConechy's in November 2019, which arise on consolidation of the Group.

Group Underlying EBITDA pre-IFRS 16 increased 71.3% to £76.9m (H1 FY20: £44.9m), whilst net finance costs pre-IFRS 16 were £3.0m (H1 FY20: £1.2m).

Underlying Profit Before Tax pre-IFRS 16 for the period was up 116.2% at £56.0m (H1 FY20: £25.9m). Non-underlying items of £0.6m in the period (H1 FY20: £2.7m) related to organisational restructure costs and closure costs.

After non-underlying items and including IFRS 16, Group Profit Before Tax was £55.4m (H1 FY20: £27.5m). There was no net profit impact on the Group of IFRS 16 in the period.

Retail

	H1 FY21	**H1 FY20**	**Change**
	£m	**£m**	**(%)**
Revenue	524.2	500.0	+4.8%
Gross Profit	246.3	235.0	+4.8%
Gross Margin	47.0%	47.0%	-1bps
Operating Costs	(190.1)	(210.0)	-9.5%
Underlying EBIT pre-IFRS 16*	**56.2**	**25.0**	**124.8%**
Non-underlying items	(0.3)	(2.5)	-88.0%
Impact of IFRS 16	4.2	8.9	-52.8%
EBIT post-IFRS 16	**60.1**	**31.4**	**+91.4%**
Underlying EBITDA pre-IFRS 16*	**69.8**	**38.9**	**+79.4%**

** This report includes Alternative Performance Measures (APMs) which we believe provide readers with important additional information on the Group. A glossary of terms and reconciliation to IFRS amounts is shown on page 19.*

Revenue for the Retail business of £524.2m reflected, on a constant-currency basis, a like-for-like (LFL) sales increase of +8.1%.

Please refer to the Retail Operational Review in the Chief Executive's Statement for further commentary on the trading performance in the period. Like-for-like revenues and total sales revenue mix for the Retail business are split by category below:

	H1 FY21 LFL (%)	H1 FY21 Total sales mix (%)	H1 FY20 Total sales mix (%)
Motoring	-23.7	42.5	57.5
Cycling	+54.4	57.5	42.5
Total	**+8.1**	**100.0**	**100.0**

Gross profit for the Retail business at £246.3m (H1 FY20: £235.0m) represented 47.0% of sales, static on the prior year (H1 FY20: 47.0%). This reflected several factors including favourable buying terms, component rationalisation and more effective promotions within cycling.

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

	FY20 full year $	FY21 full year (estimated) $
Average USD: GBP rate reflected in cost of sales	$1.33	$1.29
Year-on-year movement in rate	$0.01	($0.04)

Retail operating costs before non-underlying items and IFRS 16 reduced by 9.5% to £190.1m (H1 FY20: £210.0m, post IFRS 16 operating costs were £183.5m (H1 FY20: £201.1m)). This reflected tight control of the underlying cost base as well as the benefit of Business rates relief and furlough income from the Government. This was partially offset by additional costs relating to PPE, additional colleagues and fulfilment costs.

Autocentres

	H1 FY21 £m	H1 FY20 £m	Change (%)
Revenue	114.7	82.7	+38.7%
Gross Profit	69.5	56.7	+22.6%
Gross Margin	60.6%	68.6%	-797 bps
Operating Costs	(65.4)	(53.5)	+22.2%
Underlying EBIT pre- IFRS 16*	**4.1**	**3.2**	**+28.1%**
Non-underlying items	(0.3)	(0.2)	+50.0%
Impact of IFRS 16	0.6	0.8	-25.0%
EBIT post- IFRS 16	**4.4**	**3.8**	**+15.8%**
Underlying EBITDA pre- IFRS 16*	**7.1**	**6.0**	**+18.3%**

** This report includes Alternative Performance Measures (APMs) which we believe provide readers with important additional information on the Group. A glossary of terms and reconciliation to IFRS amounts is shown on page 19.*

Autocentres generated total revenues of £114.7m (H1 FY20: £82.7m), an increase of 38.7% on the prior period with a LFL decrease of 2.0%.

The decrease in revenues from the existing centres reflected like-for-like declines in sales of standalone MOTs, brakes and tyres, offset by growths in combined service and MOTs, servicing and battery sales.

Gross profit at £69.5m (H1 FY20: £56.7m) represented a gross margin of 60.6%; a decrease of 797 bps on the prior period, reflecting the prior year acquisitions, both of which are more heavily weighted towards lower margin tyre business. The underlying Autocentre gross margin was strong, reflecting the continued focus on the operating model via technology enabled efficiency programmes and growth in higher margin revenue streams.

Autocentres' Underlying EBITDA pre-IFRS 16 of £7.1m (H1 FY20: £6.0m), was 18.3% higher than H1 FY20, and Underlying EBIT pre- IFRS 16 was £0.9m higher than H1 FY20 at £4.1m (H1 FY20: £3.2m).

Portfolio Management

The Retail store portfolio at 2 October 2020 comprised 443 stores (end of H1 FY20: 474; end of FY20: 472). No new Autocentres were opened, and four were closed in the period, making the total number of Autocentre locations 367 as at 2 October 2020 (end of H1 FY20: 317; end of FY20: 371).The following table outlines the changes in the Retail store portfolio over the 26-week period:

	Retail	**Centres**	**Vans**
Relocations	-	-	-
Leases re-negotiated	5	-	-
Rightsized	-	-	-
Openings	-	-	30
Closed	29	4	-

Net Non-Underlying items

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

	H1 FY21 £m	**H1 FY20 £m**
Organisational restructure costs	0.9	1.2
Group-wide strategic review	-	0.8
Closure costs*	(0.5)	-
Provision for expected settlement of an ongoing legal case	-	0.7
Net non-underlying items	**0.4**	**2.7**

*£0.2m relates to post-IFRS 16 costs, pre-IFRS 16 the balance is £0.6m.

In the current and prior period separate and unrelated organisational restructuring activities were undertaken.

Current period costs comprised:

- Redundancy and transition costs of £0.9m relating to roles which have been outsourced or otherwise will not be replaced (H1 FY20: £0.6m)
- In the prior period there were £0.6m of asset write-offs, principally resulting from the strategic decision to re-platform the Retail and Autocentres websites.

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

Costs of £0.8m were incurred in the prior period in relation to the costs of preparing and implementing the new Group strategy, which comprised the following:

- £0.2m of external consultant costs
- £0.6m of store labour costs, point of sale equipment and other associated costs in completing the cycling space relay across the store estate

During the prior period a £0.7m provision was created for expected costs of settling an ongoing legal case which has since been settled at an amount below what was provided for with the remainder being released. The nature and expected size of the settlement is outside the normal experience of the Group.

Finance Expense

The net finance expense (before non-underlying items and IFRS 16) for the period was higher year-on-year at £3.0m (H1 FY20: £1.2m) reflecting amortised costs associated with securing covenant amendments and CLBILS borrowing, alongside the cost of drawing down the full facility at the outset of the Covid-19 pandemic.

Taxation

The taxation charge on profit for the financial period was £10.4m (H1 FY20: £5.6m). The effective tax rate before non-underlying items of 18.9% (H1 FY20: 20.2%) differs from the UK corporation tax rate (19%) principally due to an increase in the tax rate due to non-deductible amortisation being offset by movements on deferred tax balances in the current and prior periods.

The full year FY21 effective tax rate is expected to be c.19%.

Earnings Per Share ("EPS")

Underlying Basic EPS before IFRS 16 was 23.0 pence and after non-underlying items 22.8 pence (H1 FY20: 10.4 pence, 9.3 pence after non-underlying items), a 121.2% and 145.2% increase on the prior period. Underlying Basic EPS post IFRS 16 was 23.0 pence and after non-underlying items 22.8 pence (H1 FY20: 11.1 pence after non-underlying items). Basic weighted-average shares in issue during the period were 197.0m (H1 FY20: 197.0m).

Dividend ("DPS")

The Board have not proposed an interim dividend in respect of the period to 2 October 2020 (H1 FY20: 6.18 pence).

Capital Expenditure

Capital investment in the period totalled £11.2m (H1 FY20: £16.6m) comprising £10.0m in Retail and £1.2m in Autocentres.

Within Retail, £1.7m (H1 FY20: £9.2m) was invested in stores, the majority of which related to LED lighting being installed across the whole Retail estate. The most significant investment in Retail, however, reflected a £7.4m investment in IT systems, covering the ongoing development and enhancement of the new website. The balance of £0.9m was invested in other smaller support centre upgrades/projects, and a small amount within Tredz & Wheelies.

The £1.2m (H1 FY20: £1.9m) capital expenditure in Autocentres principally related to the purchase of Halfords Mobile Expert vans and replacement of fixtures and fittings.

On a cash basis, total capital expenditure in the period was £11.9m (H1 FY20: £16.0m).

Inventories

Group inventory held as at the period end was £146.0m (H1 FY20: £188.5m). Retail inventory decreased to £140.8m (H1 FY20: £187.2m), reflecting the incredibly strong sales in Cycling, alongside continued working capital efficiencies.

Autocentres' inventory was £5.2m (H1 FY20: £1.3m). The Autocentres business model is such that only modest levels of inventory are held within the centres, with most parts being acquired on an as-needed basis. The increase from the prior year is due to the addition of McConechy's tyre inventory.

Cashflow and Borrowings

Adjusted Operating Cash Flow during the period, was £186.0m (H1 FY20: £74.7m). After acquisitions, taxation, capital expenditure and net finance costs, Free Cash Flow of £169.2m (H1 FY20: £44.2m*) was generated in the period. Group net cash on a comparable basis was £97.8m (H1 FY19: net debt of £62.6m*), with the Net Debt: Underlying EBITDA ratio at -1.3:1. All these numbers are pre-IFRS 16.

Group net debt post-IFRS 16 was £271.6m (H1 FY20: £477.5m*).

**after adjusting for post period end payment run*

Brexit and impact of movements in foreign currency exchange rates

As we have previously explained, the decision of the UK to leave the European Union ("Brexit") gives rise to significant uncertainty as a result of the impact on the wider UK economy. We have previously set out the main areas in which we considered Brexit was likely to impact the Group. We reaffirm and update our assessment of these below:

- The Group is an AEO accredited business which helps smooth the imports process. However, work is ongoing with our customs and duty management partners to finalise the process for imports and exports to our Irish shops.
- Impact on exchange rates. The Group buys a significant proportion of its goods in US dollars; between $250m and $300m a year. As previously guided, the majority of our US dollar sourcing is for cycling products.
- Prolonged uncertainty over exit terms and continued weakness in Sterling could lead to a slowdown in the UK economy and consequent loss of consumer confidence, impacting trading conditions for the Group. However, Halfords has strong positions in fragmented Motoring and Cycling markets, and a service-led offer that differentiates us from our competitors, physical and online. Much of our sales are in needs-based categories that are more resilient to macroeconomic cycles and our discretionary categories, such as cycling, camping and travel solutions, could benefit from an increase in the number of people choosing to stay at home rather than holidaying abroad; a trend that we observed in 2009.

Covid-19 and impact to Financial Statements

We have great confidence in the medium-term opportunity for our motoring products and services business, but we remain cautious on the impact that national and local lockdowns may have on our near-term performance with fewer vehicles likely to be on the road. Regardless of what may lie ahead, Halfords' status as an essential retailer means we will continue to provide essential products and services to the UK, and we are well placed to address any headwinds or capitalise on tailwinds as they arise. We have proven our operational agility against the many challenges of H1, and our balance sheet and liquidity position remain strong.

Principal Risks and Uncertainties

The Board considers risk assessment, identification of mitigating actions and internal control to be fundamental to achieving Halfords' strategic corporate objectives. In the Annual Report & Accounts the Board sets out what it considers to be the principal commercial and financial risks to achieving the Group's objectives. The main areas of potential risk and uncertainty in the balance of the financial year are described in the Strategic Report on page 68 of the 2020 Annual Report and Accounts, and all are considered relevant to the H1 FY21 reporting. These include:

- Business Strategy
  - Capability and capacity to effect significant levels of business change
  - Stakeholder support and confidence in strategy
  - Sustainable business model
- Product, Service Quality and Brand Reputation
  - Brand appeal and market share
  - Service Quality
  - Critical physical infrastructure failure (including supply chain disruption)
- Information Technology Systems and Infrastructure
  - Cyber and data security
  - IT Infrastructure failure

- People
    - Skills shortage
    - Staff engagement / culture
- Economic, Environmental and Political
    - Covid-19
    - Change in government policy or regulation
    - Brexit

Specific risks associated with performance, alongside Covid-19, mentioned above, include Christmas trading as well as weather-sensitive sales, particularly within the Car Maintenance and Cycling categories in the Retail business.

Loraine Woodhouse
Chief Financial Officer, 17 November 2020

Glossary of Alternative Performance Measures

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

The key APMs that the Group focuses on are as follows. All numbers are shown pre-IFRS 16 (on an IAS 17 basis) to enable comparability with the prior periods performance:

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 equates to results from operating activities before non-underlying items, as shown in the Group Income Statement. Underlying EBITDA further removes depreciation and amortisation.
3. Underlying Profit Before Tax is profit before income tax and non-underlying items as shown in the Group Income Statement.
4. Underlying Earnings Per Share is profit after income tax before non-underlying items as shown in the Group Income Statement, divided by the number of shares in issue.
5. Net Debt is current and non-current borrowings less cash and cash equivalents, both in-hand and at bank, as shown in the Consolidated Statement of Financial Position, as reconciled below:

	H1 FY21 Pre-IFRS 16 £m	H1 FY21 Post-IFRS 16 £m	H1 FY20 Pre-IFRS 16 £m	H1 FY20 Post-IFRS 16** £m
Cash and cash equivalents	109.6	109.6	20.5	20.5
Borrowings – current	(2.3)	(73.9)	(17.8)	(90.6)
Borrowings – non-current	(9.5)	(307.3)	(35.3)	(377.4)
Net Debt	**97.8**	**(271.6)**	**(32.6)**	**(447.5)**
Post period end payment run*	-	-	(30.0)	(30.0)
Comparable Net Debt	**97.8**	**(271.6)**	**(62.6)**	**(477.5)**

*owing to the timing of the period end (27 September 2019) certain creditor and payroll payments related to September were not transacted until after the period close on Monday 30 September 2019

**as restated see note 19

6. Net Debt to Underlying EBITDA ratio is represented by the ratio of Net Debt to Underlying EBITDA (both of which are defined above).
7. Adjusted Operating Cash Flow is defined as EBITDA plus share-based payment transactions and loss on disposal of property, plant and equipment, less working capital movements and movements in provisions (excluding post period end payment run adjustment), as reconciled below:

	H1 FY21 Pre-IFRS 16 £m	H1 FY21 Post-IFRS 16 £m	H1 FY20 Pre-IFRS 16 £m	H1 FY20 Post-IFRS 16 £m
Underlying EBIT	59.0	63.7	27.1	36.8
Depreciation and Amortisation	17.9	51.8	17.8	54.0
Underlying EBITDA	76.9	115.5	44.9	90.8
Non-underlying operating expenses	(0.6)	(0.4)	(2.7)	(2.7)
EBITDA	**76.3**	**115.1**	**42.2**	**88.1**
Share-based payment transactions	1.6	1.6	1.1	1.1
Loss on disposal of property, plant & equipment	0.1	0.1	1.6	1.6
Working capital movements (excluding post period end payment run adjustment - £30.0m H1 FY20)	98.1	97.3	33.5	33.5
Provisions movement & other	9.9	17.1	(3.7)	(3.7)
Adjusted Operating Cash Flow	**186.0**	**231.2**	**74.7**	**120.6**

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

	H1 FY21 Pre-IFRS 16 £m	H1 FY21 Post-IFRS 16 £m	H1 FY20 Pre-IFRS 16 £m	H1 FY20 Post-IFRS 16 £m
Adjusted Operating Cash Flow	186.0	231.2	74.7	120.6
Capital expenditure	(11.9)	(11.9)	(16.0)	(16.0)
Net finance costs	(2.8)	(7.7)	(1.0)	(1.0)
Taxation	(3.0)	(3.0)	(12.5)	(12.5)
Exchange movements	0.9	1.5	(1.0)	(1.0)

Free Cash Flow	**169.2**	**210.1**	**44.2**	**90.1**

Halfords Group plc

Condensed consolidated income statement

For the 26 weeks to 2 October 2020

	Notes	**26 weeks to 2 October 2020 Unaudited £m**	26 weeks to 27 September 2019 Unaudited £m	53 weeks to 3 April 2020 £m
Revenue	7	**638.9**	**582.7**	1,155.1
Cost of sales		**(323.1)**	**(291.0)**	(565.4)
Gross profit		**315.8**	**291.7**	589.7
Operating expenses		**(252.5)**	**(257.6)**	(556.7)
Operating profit before non-underlying items		**63.7**	**36.8**	67.2
Non-underlying operating expenditure	8	**(0.4)**	**(2.7)**	(34.2)
Results from operating activities		**63.3**	**34.1**	33.0
Finance costs	9	**(7.9)**	**(6.6)**	(13.9)
Finance income	9	**-**	**-**	0.3
Net finance costs		**(7.9)**	**(6.6)**	(13.6)
Profit before tax and non-underlying items		**55.8**	**30.2**	53.6
Non-underlying operating expenditure	8	**(0.4)**	**(2.7)**	(34.2)
Profit before tax		**55.4**	**27.5**	19.4
Tax on underlying items	10	**(10.5)**	**(6.1)**	(6.9)
Tax on non-underlying items	8	**0.1**	**0.5**	5.0
Profit for the period attributable to equity shareholders		**45.0**	**21.9**	17.5
Earnings per share				
Basic earnings per share	13	22.8p	11.1p	8.9p
Diluted earnings per share	13	22.4p	11.1p	8.7p
Basic underlying earnings per share	13	23.0p	12.2p	23.7p
Diluted underlying earnings per share	13	22.6p	12.2p	23.3p

No final dividend was made for the 53 weeks to 3 April 2020 (2019: 12.39 pence per share). The directors have not proposed an interim dividend in respect of the 26 weeks to 2 October 2020 (2019: 6.18 pence per share).

The notes on pages 26 to 37 are an integral part of these condensed consolidated interim financial statements.

Halfords Group plc

Condensed consolidated statement of comprehensive income

For the 26 weeks to 2 October 2020

	26 weeks to 2 October 2020 Unaudited £m	26 weeks to 27 September 2019 Unaudited £m	53 weeks to 3 April 2020 £m
Profit for the period	**45.0**	**21.9**	17.5
Other comprehensive income			
Cash flow hedges: fair value changes in the period	**(3.8)**	**4.7**	7.9
Income tax on other comprehensive income	**0.8**	**-**	(0.7)
Other comprehensive income for the period, net of tax	**(3.0)**	**4.7**	7.2
Total comprehensive income for the period attributable to equity shareholders	**42.0**	**26.6**	24.7

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

The notes on pages 26 to 37 are an integral part of these condensed consolidated interim financial statements.

Halfords Group plc

Condensed consolidated statement of financial position

As at 2 October 2020

	Notes	**As at 2 October 2020 Unaudited £m**	As at 27 September 2019 Unaudited £m	As at 3 April 2020 £m
Assets				
Non-current assets				
Intangible assets	14	**393.4**	386.1	395.7
Property, plant and equipment	14	**79.1**	89.7	83.1
Right-of-use assets	14	**319.2**	370.0	349.9
Deferred tax asset*		**8.0**	8.5	7.3
Total non-current assets		**799.7**	854.3	836.0
Current assets				
Inventories		**146.0**	188.5	173.0
Trade and other receivables		**62.5**	48.8	53.5
Derivative financial instruments		**2.0**	6.9	8.7
Current tax assets		**-**	1.8	8.2
Cash and cash equivalents	15	**109.6**	20.5	115.5
Total current assets		**320.1**	266.5	358.9
Total assets		**1,119.8**	1,120.8	1,194.9
Liabilities				
Current liabilities				
Borrowings	15	**(0.2)**	(16.3)	(0.2)
Derivative financial instruments		**(1.4)**	(0.9)	(1.1)
Lease liabilities*		**(73.7)**	(74.3)	(83.2)
Trade and other payables		**(295.5)**	(251.6)	(217.0)
Current tax liabilities		**(0.1)**	-	-
Provisions		**(22.5)**	(7.8)	(9.7)
Total current liabilities		**(393.4)**	(350.9)	(311.2)
Net current liabilities/assets		**(73.3)**	(84.4)	47.7
Non-current liabilities				
Borrowings	15	**(2.2)**	(26.9)	(179.1)
Lease liabilities		**(305.1)**	(350.5)	(332.8)
Trade and other payables		**(2.3)**	(3.6)	(1.9)
Provisions		**(8.4)**	(4.4)	(4.1)
Total non-current liabilities		**(318.0)**	(385.4)	(517.9)
Total liabilities		**(711.4)**	(736.3)	(829.1)
Net assets		**408.4**	384.5	365.8
Shareholders' equity				
Share capital	16	**2.0**	2.0	2.0
Share premium account	16	**151.0**	151.0	151.0
Investment in own shares		**(10.0)**	(10.0)	(10.0)
Other reserves		**1.6**	3.6	4.9
Retained earnings		**263.8**	237.9	217.9
Total equity attributable to equity holders of the Company		**408.4**	384.5	365.8

The notes on pages 26 to 37 are an integral part of these condensed consolidated interim financial statements.
* Adjustment to the lease liability reported in the September 2019 interim results. See note 19.

Halfords Group plc

Condensed consolidated statement of changes in equity

For the 26 weeks to 2 October 2020
For the period ended 2 October 2020 (Unaudited)

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

The notes on pages 26 to 37 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity (continued)

For the 26 weeks to 2 October 2020

For the period ended 27 September 2019 (Unaudited)

	Attributable to the equity holders of the Company						
				Other reserves			
	Share capital £m	Share premium account £m	Investment in own shares £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	**Total equity £m**
Closing balance at 29 March 2019	**2.0**	**151.0**	**(10.0)**	**0.3**	**1.6**	**264.4**	**409.3**
Adjustment on initial application of IFRS 16*	**-**	-	-	-	-	(27.0)	**(27.0)**
Opening balance at 30 March 2019 (as previously stated)	**2.0**	**151.0**	**(10.0)**	**0.3**	**1.6**	**237.4**	**382.3**
Prior period opening lease liability adjustment**	**-**	-	-	-	-	1.9	**1.9**
Opening balance at 30 March 2019 (as re-stated)	**2.0**	**151.0**	**(10.0)**	**0.3**	**1.6**	**239.3**	**384.2**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	21.9	**21.9**
Other comprehensive income							
Cash flow hedges: fair value changes in the period	-	-	-	-	4.7	-	**4.7**
Total other comprehensive income for the period net of tax	-	-	-	-	4.7	-	**4.7**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	4.7	21.9	**26.6**
Hedging gains and losses and costs of hedging transferred to the cost of inventory	**-**	**-**	**-**	**-**	(3.0)	-	**(3.0)**
Transactions with owners							
Share options exercised	-	-	-	-	-	-	**-**
Share-based payment transactions	-	-	-	-	-	1.1	**1.1**
Dividends to equity holders	-	-	-	-	-	(24.4)	**(24.4)**
Total transactions with owners	-	-	-	-	-	(23.3)	**(23.3)**
Balance at 27 September 2019	**2.0**	**151.0**	**(10.0)**	**0.3**	**3.3**	**237.9**	**384.5**

*The Group initially applied IFRS 16 at 30 March 2019, using the modified retrospective approach. Under this approach, comparative information was not restated and the cumulative effect of applying IFRS 16 was recognised in Retained earnings at the date of initial application.
**Adjustment to the lease liability reported in the September 2019 interim results. See note 19.

The notes on pages 26 to 37 are an integral part of these condensed consolidated interim financial statements.

Halfords Group plc

Condensed consolidated statement of cash flows

For the 26 weeks to 2 October 2020

	Notes	**26 weeks to 2 October 2020 Unaudited £m**	26 weeks to 27 September 2019 Unaudited £m	53 weeks to 3 April 2020 £m
Cash flows from operating activities				
Profit after tax for the period before non-underlying items		**45.3**	24.1	46.7
Non-underlying items	8	**(0.3)**	(2.2)	(29.2)
Profit after tax for the period		**45.0**	21.9	17.5
Depreciation – property, plant and equipment		**10.7**	11.9	24.3
Impairment – property, plant and equipment		**-**	-	5.4
Amortisation of right-of-use assets		**34.6**	36.2	83.0
Amortisation – intangible assets		**6.5**	5.9	11.4
Net finance costs		**7.9**	6.6	13.6
Loss on disposal of property, plant and equipment and intangibles		**0.1**	1.6	2.8
Equity-settled share-based payment transactions		**1.6**	1.1	1.0
Exchange movement		**1.5**	(1.0)	(2.0)
Income tax expense		**10.4**	5.6	1.9
Decrease/(increase) in inventories		**27.0**	(14.8)	3.9
(Increase)/decrease in trade and other receivables*		**(9.0)**	10.3	(1.0)
Increase in trade and other payables*		**79.3**	50.2	35.4
Increase/(decrease) in provisions*		**17.1**	(2.3)	(0.7)
Corporation tax paid		**(3.0)**	(12.5)	(16.3)
Net cash from operating activities		**229.7**	120.7	180.2
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired		**-**	-	(10.9)
Purchase of intangible assets		**(4.3)**	(4.8)	(12.5)
Purchase of property, plant and equipment		**(7.6)**	(11.2)	(21.1)
Net cash used in investing activities		**(11.9)**	(16.0)	(44.5)
Cash flows from financing activities				
Finance income received		**-**	-	0.3
Finance costs paid		**(7.7)**	(6.4)	(13.5)
Payment of loan following acquisition		**-**	-	(1.8)
Proceeds from loans, net of transaction costs		**3.0**	446.0	1,377.0
Repayment of borrowings		**(180.0)**	(483.0)	(1,262.0)
Payment of capital element of leases*		**(39.0)**	(25.3)	(76.4)
Dividends paid	12	**-**	(24.4)	(36.6)
Net cash used in financing activities		**(223.7)**	(93.1)	(13.0)
Net (decrease)/increase in cash and bank overdrafts	15	**(5.9)**	11.6	122.7
Cash and cash equivalents at the beginning of the period	15	**115.3**	(7.4)	(7.4)
Cash and cash equivalents at the end of the period	15	**109.4**	4.2	115.3

The notes on pages 26 to 37 are an integral part of these condensed consolidated interim financial statements.
*Adjustment to reported April 2020 full year results. See note 19.

Notes to the condensed consolidated interim financial statements

For the 26 weeks to 2 October 2020

1. General information

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

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

The Company is listed on the London Stock Exchange.

These condensed consolidated interim financial statements were approved by the Board of Directors on 17 November 2020.

2. Statement of compliance

These condensed consolidated interim financial statements for the 26 weeks to 2 October 2020 have been prepared in accordance with IAS 34 'Interim financial reporting' as endorsed by the European Union. They do not include all of the information required for full annual financial statements and should be read in conjunction with the 2020 Annual Report and Accounts, which have been prepared in accordance with IFRSs as adopted by the European Union.

The comparative figures for the financial period ended 3 April 2020 are not the Group's statutory accounts for that financial period. Those accounts have been reported on by the Group's auditors and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

3. Risks and uncertainties

The Directors consider that the principal risks and uncertainties which could have a material impact on the Group's performance in the remaining 26 weeks of the financial year remain the same as those stated on pages 66 to 78 of our Annual Report and Accounts for the 53 weeks to 3 April 2020, which are available on our website *www.halfordscompany.com*. These are also detailed in the CFO report on page 17.

4. Significant accounting policies

Going Concern

In light of the current economic uncertainty caused by the Covid-19 pandemic, the directors have reviewed the current financial performance and liquidity of the business and assessed its resilience through a series of scenarios. Further details of the assessment are provided on pages 66 to 79 of our Annual Report and Accounts for the 53 weeks to 3 April 2020, which are available on our website www.halfordscompany.com. The directors have further reviewed these scenarios against the current performance of the business during H1 by updating the model for actual trading, which shows Halfords have outperformed against original scenarios.

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

In light of the latest lockdown announced by the government, Halfords have considered the effect on the viability model scenarios. The model anticipated uncertainty and this was built into the impact within the H2 forecast. Therefore, Halfords do not expect any material changes to this forecast as a result of the lockdown. Halfords are keeping a close eye on trading against forecast in this period and have no material concerns at present.

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 2020 Annual Reports and Accounts, which are published on the Halfords Group website*, www.halfordscompany.com.* The changes to accounting policies outlined below are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 2 April 2021.

The accounting policies adopted in the preparation of the interim financial statements are the same as those set out in the Group's annual financial statements for the 53 weeks ended 3 April 2020 except for the new policy to account for rates relief and furlough income received under the Government's Coronavirus Job Retention Scheme as set out below.

Government Support

Support payments are recognised only when there is reasonable assurance that the Group will comply with the conditions attached to them and that the monies will be received.

Support payments receivable as compensation for expenses already incurred are recognised in profit or loss within operating costs, in the period in which they become receivable. During the period support and other payments received equated to £32.6m in relation to business rates relief, furlough support and related salary savings.

5. Estimates and judgements

In preparing these condensed consolidated interim financial statements the directors have given specific consideration to events including the impact of the Covid-19 pandemic. 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 53 week period ended 3 April 2020 and the 26 weeks ended 27 September 2019, apart from the estimate for the sales returns provision which has been updated to reflect the extension of the returns period from 30 days to 90 days in light of Covid-19 restrictions. The provision uses the average returns rate against 100% of sales for first 30 days, 75% for 30-60 days and 50% for 60-90 days.

6. Operating segments

The Group has two reportable segments, Retail and Car Servicing, which are the Group's strategic business units. Car Servicing became a reporting segment of the Group as a result of the acquisition of Nationwide Autocentres on 17 February 2010. McConechy's was acquired during H2 FY20 and this has been incorporated into the Car Servicing reporting segment. The strategic business units offer different products and services, and are managed separately because they require different operational, technological and marketing strategies.

The operations of the Retail reporting segment comprise the retailing of automotive, leisure and cycling products through retail stores and online platforms. The operations of the Car Servicing reporting segment comprise car servicing and repair performed from Autocentres.

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

The following summary describes the operations in each of the Group's reportable segments. Performance is measured based on segment operating profit, as included in the management reports that are reviewed by the Executive Directors. These internal reports are prepared in accordance with IFRS accounting policies (pre IFRS 16) consistent with these Group Financial Statements.

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

Income statement	**Retail £m**	**Car Servicing £m**	**26 weeks to 2 October 2020 Total Unaudited £m**
Revenue	**524.2**	**114.7**	**638.9**
Segment result before non-underlying items pre IFRS 16	**56.2**	**4.1**	**60.3**
Non-underlying items	**(0.3)**	**(0.3)**	**(0.6)**
Segment result pre IFRS 16	**55.9**	**3.8**	**59.7**
Unallocated expenses[1]			**(1.3)**
Operating profit pre IFRS 16			**58.4**
IFRS 16			**4.9**
Net financing expense			**(7.9)**

Profit before tax	**55.4**
Taxation	**(10.4)**
Profit after tax	**45.0**

Income statement	**Retail £m**	**Car Servicing £m**	**26 weeks to 27 September 2019 Total Unaudited £m**
Revenue	**500.0**	**82.7**	**582.7**
Segment result before non-underlying items pre IFRS 16	**25.0**	**3.2**	**28.2**
Non-underlying items	**(2.5)**	**(0.2)**	**(2.7)**
Segment result pre IFRS 16	**22.5**	**3.0**	**25.5**
Unallocated expenses[1]			**(1.1)**
Operating profit pre IFRS 16			**24.4**
IFRS 16			**9.7**
Net financing expense			**(6.6)**
Profit before tax			**27.5**
Taxation			**(5.6)**
Profit after tax			**21.9**

[1] Unallocated expenses have been disclosed to reflect the format of the internal management reports reviewed by the Chief Operating Decision maker and include an amortisation charge of £1.3m in respect of assets acquired through business combinations (2019: £1.1m).

Income statement	**Retail £m**	**Car Servicing £m**	**53 weeks to 3 April 2020 Total £m**
Revenue	961.0	194.1	1,155.1
Segment result before non-underlying items pre IFRS 16	52.0	5.5	57.5
Non-underlying items	(29.5)	(2.6)	(32.1)
Segment result pre IFRS 16	22.5	2.9	25.4
Unallocated expenses[1]			(2.1)
Operating profit pre IFRS 16			23.3
IFRS 16			9.7
Net financing expense			(13.6)
Profit before tax			19.4
Taxation			(1.9)
Profit after tax			17.5

[1] Unallocated expenses have been disclosed to reflect the format of the internal management reports reviewed by the Chief Operating Decision maker and include an amortisation charge of £2.1m in respect of assets acquired through business combinations (2019: £2.1m).

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

Other segment items:	Retail £m	Car Servicing £m	26 weeks to 27 September 2019 Total Unaudited £m
Capital expenditure	14.7	1.9	16.6
Depreciation expense	9.6	2.3	11.9
Amortisation of right-of-use asset	32.0	4.2	36.2
Amortisation expense	4.4	0.5	4.9

Other segment items:	Retail £m	Car Servicing £m	53 weeks to 3 April 2020 Total £m
Capital expenditure	28.8	18.0	46.8
Depreciation and impairment expense	25.0	4.7	29.7
Impairment of right-of-use asset	8.5	0.9	9.4
Amortisation of right-of-use asset	63.7	9.9	73.6
Amortisation expense	8.5	0.8	9.3

There have been no significant transactions between segments in the 26 weeks ended 2 October 2020 (2019: £nil).

7. Revenue

A. Revenue streams and location

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

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

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

B. Seasonality of operations

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

8. Non-underlying items

	26 weeks to 2 October 2020 Unaudited £m	26 weeks to 27 September 2019 Unaudited £m	53 weeks to 3 April 2020 £m
Non-underlying operating expenses:			
Organisational restructure costs (a)	**0.9**	1.2	2.8
Group-wide strategic review (b)	**-**	0.8	1.0
Provision for expected settlement of an ongoing legal case (c)	**-**	0.7	0.8
Closure costs (d)	**(0.5)**	-	26.8

Impairment of right-of-use asset (e)	**-**	-	0.9
Acquisition and investment-related fees (f)	**-**	-	1.9
Non-underlying items before tax	**0.4**	2.7	34.2
Tax on non-underlying items (g)	**(0.1)**	(0.5)	(5.0)
Non-underlying items after tax	**0.3**	2.2	29.2

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

(a) In the current and prior periods separate and unrelated organisational restructuring activities were undertaken.

Current period costs comprised:

- Redundancy and transition costs of £0.9m relating to roles which have been outsourced or otherwise will not be replaced (H1 FY20: £0.6m, FY20 full year: £1.4m). This is part of a wider strategic initiative.
- In the prior period asset write-offs principally resulting from the strategic decision to re-platform the Retail and Autocentres websites. (H1 FY21 £nil, H1 HY20 £0.6m, FY20 full year: £1.4m)

(b) In the prior period costs were incurred in preparing and implementing the new Group strategy.

Prior period costs comprised:

- External consultant costs (H1 FY20: £0.2m, FY20 full year: £0.4m).
- Store labour costs, point of sale equipment and other associated costs in completing the cycling space relay across the store estate (H1 FY20: £0.6m, FY20 full year: £0.6m).

(c) During the prior period a provision was created for expected costs of settling an ongoing court case which was then settled during the second half of the period. The size and nature of the settlement is outside the normal experience of the Group.

(d) Closure costs represent costs associated with the closure of the operations of Cycle Republic and the Boardman Performance Centre ("Cycle Republic") following a strategic review of the Group's cycling businesses. The provision in the prior year mostly relates to the impairment of right-of-use assets, intangible assets, tangible assets and inventories (FY20: £26.8m). In the current period, the balance relates to the release of some of these provisions HY20: £0.5m.

(e) In light of the ongoing Covid-19 pandemic, the Group revised future cash flow projections for stores and garages. As a result, in the prior year, £0.9m (FY20) incremental impairment has been recognised in relation to garages where the current and anticipated future performance does not support the carrying value of the right-of-use asset and associated tangible assets. This change is directly attributable incremental impairment due to Covid-19 and relates primarily to the right-of-use asset value.

(f) In the prior year costs were incurred in relation to the investment in McConechy's Tyre Services and Tyres on the Drive. Tyres on the Drive acquisition costs comprise of £1m principally relating to the costs of dual running Halfords Mobile Expert and Tyres on the Drive, as well as the write-off of the receivables balance due from Tyres on the Drive related to Halfords Mobile Expert prior to acquisition and £0.9m relating to professional fees in respect of the acquisition of McConechy's Tyre Services.

(g) The tax credit in H1 FY21 represents a tax rate of 19.0% applied to non-underlying items (H1 FY20: 19.0%, FY20 full year: 14.6%).

9. Net Finance Costs

	26 weeks to 2 October 2020	26 weeks to 27 September 2019	53 weeks to 3 April 2020
	Unaudited	Unaudited	
	£m	£m	£m
Finance costs:			
Bank borrowings	**(2.0)**	(0.4)	(1.6)
Amortisation of issue costs on loans	**(0.2)**	(0.2)	(0.4)
Commitment and guarantee fees	**(0.5)**	(0.3)	(0.6)
Interest payable on lease liabilities	**(5.2)**	(5.7)	(11.3)
Finance costs	**(7.9)**	(6.6)	(13.9)
Finance income:			
Bank and similar interest	**-**	-	0.3
Finance income	**-**	-	0.3
Net finance costs	**(7.9)**	(6.6)	(13.6)

10. Income tax expense

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

The effective tax rate before non-underlying items for the 26 weeks to 2 October 2020 is 18.9% (H1 2020: 20.2%). The effective tax rate is higher than the UK corporation tax rate principally due to an increase in the tax rate due to non-deductible amortisation being offset by movements on deferred tax balances in the current and prior periods.

11. Financial Instruments and Related Disclosures

Accounting classifications and fair values

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

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

*Prepayments and accrued income of £21.4m are not included as a financial asset.

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

27 September 2019	Fair Value – hedging instruments £m	FVOCI – equity instruments £m	Amortised cost £m	Other financial liabilities £m	Total carrying amount £m
Financial assets measured at fair value					
Forward exchange contracts used for hedging	6.9	-	-	-	6.9
Equity investments	-	-	-	-	-
	6.9	-	-	-	6.9
Financial assets not measured at fair value					
Trade and other receivables*	-	-	34.4	-	34.4
Cash and cash equivalents	-	-	20.5	-	20.5
	-	-	54.9	-	54.9
Financial liabilities measured at fair value					
Forward exchange contracts used for hedging	(0.9)	-	-	-	(0.9)
	(0.9)	-	-	-	(0.9)
Financial liabilities not measured at fair value					

Borrowings	-	-	-	(43.2)	(43.2)
Lease liabilities	-	-	-	(427.1)	(427.1)
Trade and other payables**	-	-	-	(176.5)	(176.5)
	-	-	-	(646.8)	(646.8)

*Prepayments and accrued income of £14.4m are not included as a financial asset.
** Other taxation and social security payables of £26.6m, deferred income of £nil, accruals of £39.0m and other payables of £13.1m are not included as a financial liability.

Measurement of fair values

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

Trade receivables, trade payables and lease obligations, short-term deposits and borrowings	The fair value approximates to the carrying amount because of the short maturity of these instruments, using an interest rate of 7.1% for long-term lease obligations.
Long-term borrowings	The fair value of bank loans and other loans approximates to the carrying value reported in the statement of financial position as the majority are floating rate where payments are reset to market rates at intervals of less than one year.
Forward currency contracts	The fair value is determined using the market forward rates at the reporting date and the outright contract rate.

Financial instruments carried at fair value are required to be measured by reference to the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

The Group has taken into account the historic credit losses incurred on trade receivables and adjusted it for forward looking estimates. The movement in the allowance for impairment in respect of trade receivables during the period was £0.1m.

12. Dividends
The Directors did not pay a final dividend in respect of the financial period ended 3 April 2020.

The Directors are not proposing an interim dividend for the 26 weeks to 2 October 2020 (2019: 6.18 pence per share).

13. Earnings Per Share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares excludes shares held by the Employee Benefit Trust and has been adjusted for the issue/repurchase of shares during the period.

For diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the 26 weeks to 2 October 2020.

	26 weeks to 2 October 2020	26 weeks to 27 September 2019	53 weeks to 3 April 2020
	Unaudited	Unaudited	
	Number	Number	Number
	m	m	m
Weighted average number of shares in issue	**199.1**	199.1	199.1
Less: shares held by the Employee Benefit Trust	**(2.1)**	(2.1)	(2.1)
Weighted average number of shares for calculating basic earnings per share	**197.0**	197.0	197.0
Weighted average number of dilutive share options	**3.6**	0.7	3.3
Weighted number of shares for calculating diluted earnings per share	**200.6**	197.7	200.3

	26 weeks to 2 October 2020	26 weeks to 27 September 2019	53 weeks to 3 April 2020
	Unaudited	Unaudited	
	£m	£m	£m
Earnings attributable to equity shareholders	**45.0**	21.9	17.5
Non-underlying items:			
Operating expenses	**0.4**	2.7	34.2
Tax charge on non-underlying items	**(0.1)**	(0.5)	(5.0)
Underlying earnings before non-underlying items	**45.3**	24.1	46.7

Basic earnings per share	**22.8p**	11.1p	8.9p
Diluted earnings per share	**22.4p**	11.1p	8.7p
Basic underlying earnings per share	**23.0p**	12.2p	23.7p
Diluted underlying earnings per share	**22.6p**	12.2p	23.3p

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

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

	Tangible and Intangible Assets Unaudited	Right-of-use assets Unaudited
	£m	£m
Net book value at 29 March 2019	484.7	390.0
Additions	16.6	10.0
Disposals	(1.4)	(0.1)
Transfer of finance leases	(6.3)	6.3
Depreciation, amortisation and impairment	(17.8)	(36.2)
Net book value at 27 September 2019	475.8	370.0

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

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

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

Non-cash changes comprise finance costs in relation to the amortisation of capitalised debt issue costs of £0.2m (H1 FY20: £0.1m), and movements in leases. Cash and cash equivalents at the period end consist of £104.5m (H1 FY20: £15.4m) of liquid assets, £5.1m (H1 FY20: £5.1m) of cash held in Trust and £0.2m (H1 FY20: £16.3m) of bank overdrafts.

	At 29 March 2019	Cash flow	Other non-cash changes	**At 27 September 2019**
	Unaudited	Unaudited	Unaudited	**Unaudited**
	£m	£m	£m	**£m**
Cash in hand and at bank	(7.4)	11.6	-	**4.2**
Debt due after one year	(63.8)	37.0	(0.1)	**(26.9)**
Total net debt excluding leases	(71.2)	48.6	(0.1)	**(22.7)**
Current lease liabilities*	(1.3)	25.3	(98.3)	**(74.3)**
Non-current lease liabilities	(9.3)	-	(341.2)	**(350.5)**
Total lease liabilities	(10.6)	25.3	(439.5)	**(424.8)**
Total net debt	(81.8)	73.9	(439.6)	**(447.5)**

*Adjustment to the lease liability reported in the September 2019 interim results. See note 19.

16. Share Capital

	Number of shares m	Share capital £m	Share premium account £m
As at 29 March 2019 and 27 September 2019	199.1	2.0	151.0

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

During the 26 weeks to 2 October 2020 and 27 September 2019, there were no movements in company share capital. The shares held in treasury are used to meet options under the Company's share options schemes.

17. Contingent liability

The Group's banking arrangements include the facility for the bank to provide a number of guarantees in respect of liabilities owed by the Group during the course of its trading. In the event of any amount being immediately payable under the guarantee, the bank has the right to recover the sum in full from the Group. The total amount of guarantees in place at 2 October 2020 amounted to £1.5m.

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

18. Related Party Transactions

The key management personnel of the Group comprise the Executive and Non-Executive Directors and the Halfords Limited and Halfords Autocentres management boards. The details of the remuneration, long-term incentive plans, shareholdings and share option entitlements of individual Directors are included in the Directors' Remuneration Report on pages 132 to 140 of the Group 2020 Annual Report and Accounts.

During the period no share options (H1 FY20: 984,783) were granted to directors in relation to the Performance Share Plan ("PSP") and no share options (H1 FY20: 818) were granted in relation to the Deferred Bonus Plan ("DBP").

19. Prior Period Adjustment

As a result of further work in preparing the annual report for the 53 weeks to 3 April 2020 and advancements in Halfords' IFRS 16 software, a correction has been made to the original IFRS 16 transition adjustment to reflect payments made to landlords immediately prior to the transition date. This resulted in a £2.3m reduction to the opening lease liability, and a £0.4m reduction to the deferred tax asset as at 30 March 2019 for the period ended 27 September 2019. This adjustment was correctly reflected in the annual report for the 53 weeks to 3 April 2020.

Following refinements to Halfords IFRS reporting process, the consolidated statement of cash flows for the 53 weeks to 3 April 2020 was adjusted to reduce the cash outflow for capital payments on leases (in financing activities) by £11.3m and to reduce the working capital movements across other payables, receivables and provisions (in operating activities) by the same amount to exclude from these line items amounts that had been eliminated from the balance sheet for IFRS 16 reporting purposes and should have similarly been eliminated in the operating cash flow reconciliation. These adjustments have had no impact on the reported profit or net assets of the Group.

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

We confirm that to the best of our knowledge:

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

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

By order of the Board

Loraine Woodhouse, Chief Financial Officer

17 November 2020

Independent review report to Halfords Group plc

For the 26 weeks to 2 October 2020

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 2 October 2020 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of equity, the condensed consolidated statement of cashflows and the related notes.

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

Directors' responsibilities

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

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 2 October 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

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

BDO LLP
Chartered Accountants
London
17 November 2020
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