The following announcement replaces the announcement released at 07:00 today under RNS number 5588S. The Record Date has been corrected to 6 December 2019. All other details remain the same.

halfords

7 November 2019

Halfords Group plc
Interim Results and Strategic Update: Financial Year 2020

H1 profit in line with expectations, good strategic progress, acceleration of our motoring services business

Halfords Group plc, the UK's leading provider of Motoring and Cycling products and services, today announces its interim results for the 26 weeks to 27 September 2019 ("the period"), together with a strategic update. All numbers shown are after adopting IFRS 16 and before non-underlying items unless otherwise stated.

Group Financial Summary

	H1 FY20 £m	H1 FY19 £m	Change	Like-for-Like Revenue* ("LFL")
Revenue	**582.7**	**599.9**	**-2.9%**	**-2.4%**
Retail	*500.0*	*519.8*	*-3.8%*	*-3.1%*
Autocentres	*82.7*	*80.1*	*+3.2%*	*+2.1%*
Gross Margin	**50.1%**	**49.4%**	**+70bps**	
Retail	*47.0%*	*46.6%*	*+40bps*	
Autocentres	*68.6%*	*67.5%*	*+110bps*	
Underlying EBITDA pre- IFRS 16*	**44.9**	**49.8**	**-9.8%**	
Underlying Profit Before Tax pre- IFRS 16*	**25.9**	**30.5**	**-15.1%**	
Underlying Basic Earnings Per Share pre-IFRS 16*	10.4p	12.4p	-16.1%	
Non-underlying operating expenditure	*(2.7)*	*(2.3)*	*17.3%*	
Adoption of IFRS 16	*4.3*	*-*	*-*	
Profit before tax	*27.5*	*28.2*	*-2.5%*	

** Alternative performance measures are defined and reconciled to IFRS amounts in the glossary on page 15*

H1 Profit in line with expectations; growth from strategic investment, gross margin improvements and tight cost control partially mitigated the impact of a challenging retail backdrop and tough weather comparators year-on-year

- Group LFL sales declined by 2.4% in a tough market; sales returned to growth in the last six weeks of the period
- In Retail, cycling sales grew and in motoring our core categories gained market share, however, sales of big-ticket discretionary products were softer
- Autocentres, Group services, Online and B2B all delivered strong sales growth in the period
- Autocentres EBIT pre-IFRS 16 increased 39.1% to £3.2m. The business continues to make strong progress on its transformation and remains on track to deliver a third year of profit growth
- Group remains cash generative; Free Cash Flow* of £44.2m, up 29% on H1 last year. Net Debt to Underlying EBITDA pre-IFRS 16 on a comparable basis* 0.7 times (FY19: 0.7 times)
- Strategic buying alliance agreed with Mobivia, a leading player in the European motoring products and services market
- Post balance sheet acquisition of 100% of the share capital of McConechy's Tyre Service Limited and the trade and assets of Tyres on the Drive, for a combined consideration of £9.3m
- FY20 Underlying Profit Before Tax guidance, pre-IFRS 16, reconfirmed at £50-55m
- Interim dividend flat at 6.18p (FY19 6.18p); final dividend reduced to 8.0p. Full year dividend rebased to 12p for FY21 onwards

**after adjusting for post period end payment run (see page 15 for further details), on the last day of the period*

Strategic update; To *inspire* and *support* a *lifetime* of *motoring* and *cycling*

A year ago, at our Capital Markets Day, we laid out our customer strategy 'To *Inspire* and *Support* a *Lifetime* of *motoring* and *cycling*'. The strategy emphasised the importance of product differentiation, the value of unique and convenient services and the need to build long-term relationships with our customers. A year on, we have made significant progress against our objectives:

- Group web-platform remains on track for launch in Q4, transforming our digital experience and, for the first time, allowing customers to access an integrated services offer across mobile, stores and garages through one website
- Optimisation of cycling space in all Retail stores, delivering a better shopping experience for customers through a ‘right range, right store’ approach. The enhanced offer led to a 2.5pts improvement in Customer Net Promoter Score (“NPS”), whilst driving sales, margin and working capital improvements
- Sales of exclusive products increased by c.30% via investment in product proposition
- Acceleration of our growth in Autocentres through the acquisition of McConechy’s Tyre Service Limited, one of the UK’s leading garage chains; 60 sites and 100 vans, establishing strong coverage in Scotland and the North of England
- Continued development of our Halfords Mobile Expert proposition, delivering best-in-class customer service. The acquisition of Tyres on the Drive increases our mobile hub footprint from 1 to 7 and provides a strong platform for future growth
- Double-digit growth in Group services jobs, with the launch of *we*Check free and premium services delivering over 30,000 consultations a week
- On-demand retail motoring services trial in Autocentres garages continuing to deliver promising results
- Major enhancement of our Group financial services offer, resulting in substantial double-digit growth year-on-year and attracting new customers
- B2B now represents 15% of Group sales, with 24.4% growth driven through investment in our cross-group sales team and online platform
- Delivered significant cost and efficiency benefits through value chain analysis, supply chain efficiencies, Retail productivity programmes and improved procurement practices across all cost categories.

Accelerating our strategy

- ***Accelerating the growth of our motoring services business, to generate higher and more sustainable financial returns***
- ***Building on our unique proposition of garages, retail stores and mobile vans to increase our services footprint to over 1,200 locations in the medium-term, including 550 garages and 200 mobile vans***
- ***Leveraging our trusted household brand to become a clear market leader in Motoring services***

Within our strategy, we articulated the strengths of our motoring services businesses alongside the growth opportunities going forward. In a large and fragmented marketplace, with no clear market leader, we have a strongly differentiated business. We are a trusted household brand, providing customers with a unique proposition, delivered through a combination of garages, stores with on-demand fitting services, and a mobile services offer. This unique offer is supported by well-trained and highly engaged Colleagues across a broad geographical network.

Over the last year, our motoring services and B2B businesses have continued to deliver strong growth and have remained materially more resilient against volatility in consumer confidence and weather. As macro-customer trends change, customers are seeking more convenience and cars are becoming more complex, accelerating the requirement for easily accessible Do It For Me (“DIFM”) services. We believe therefore, this is the right time to accelerate the growth of our existing services business by building on our growing and unique market position and leveraging the positive macro-customer trends to become a clear market leader.

Investment in the expansion of our motoring services business will enhance our differentiated position in the market and provide a less capital-intensive source of profitable growth. We believe our plan enables the business to **evolve into a consumer and B2B services-focused business, with a greater emphasis on motoring, generating higher and more sustainable financial returns**. Our motoring and cycling products businesses remain core but, beyond this, we need to deliver a substantial shift to services in order to drive growth and address the headwinds faced by retailers of products.

Over the medium-term, as our business evolves, service-related sales will double as a % of total Group sales and Autocentres will represent a materially larger proportion of our Group profit. As a result, motoring will inevitably grow in focus. Notwithstanding the early investment required to build a scaled services operation, the business will subsequently return to sustainable profit growth and return on invested capital ("ROIC") will improve as greater investment goes into businesses that naturally consume less capital.

Full year outlook and financial guidance

The Group reconfirms its guidance on FY20 Underlying Profit Before Tax (pre-IFRS 16), on a 52-week basis, to be within the range of £50m to £55m. Capital investment, previously guided at c.£35m for FY20, will increase by c.£11m, for the acquisitions of McConechy's Tyre Service Limited and Tyres on the Drive. Similarly, the exceptional costs of restructuring related to these two businesses will further impact cash flow by c.£2-3m in H2 FY20.

Looking forward, in order to support our plan, our capital expenditure guidance remains unchanged at between £40m and £60m per year over the medium-term. The Group may also consider appropriate acquisitions, to the extent they are in support of the strategy. The operational cost base in FY21, however, will increase as we upweight our relative investment in core infrastructure to support the services business, including a new customer contact strategy and investment in ensuring that we have the right number of appropriately trained colleagues to build a market leading services business.

Post the approval of the interim dividend, the Board considered the full year position and is expecting to recommend a final dividend of 8p per share, (FY19:12.39p). On this basis, the proposed full year dividend would be 14.18p (FY19: 18.57p). The reduction of the final dividend would have the effect of rebasing future dividend pay-outs, with the FY21 full-year dividend expected to be reset to c.12p per share.

The opportunities for growth, coupled with the results we have seen against key parts of our strategy have given us confidence to invest. The accelerated strategy will deliver an improvement in return on invested capital, targeting growth in less capital-intensive areas of the business. The resultant future cash generation will sustain the reset dividend going forward.

Graham Stapleton, Chief Executive Officer, commented:

"In a period where retail sales were impacted by weakened consumer confidence, we are pleased to have successfully increased gross margin, kept a tight control over costs, and seen growth from our strategic investment.

"Twelve months on from the launch of our strategy to inspire and support a lifetime of motoring and cycling, we have made encouraging early progress. Our Autocentres business delivered strong growth in the half, while new initiatives helped to drive top line momentum in Group Services, Online and B2B.

"We are clear that our service-led strategy is the right one for Halfords. Our unique position, growing services business and positive macro-customer trends, gives us confidence that this is the right time to accelerate investment, leveraging our trusted household brand to become a clear market leader in Motoring services.

"Over the medium-term, we expect service-related sales to double as a percentage of Group sales and Autocentres to represent a materially larger proportion of Halfords' profits. As a result, motoring will inevitably grow in focus for the Group. We are confident that this strategy will drive long-term sustainable growth."

Enquiries

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Financial Guidance reference

For ease of navigation, the following lists the references to financial guidance contained in this statement:

Results Presentation

A presentation for analysts and investors will be held today starting at 09:30am at Investec, 30 Gresham St, London, EC2V 7QP. Attendance is by invitation only. A live webcast of the presentation will be available at www.halfordscompany.com.

Forthcoming Newsflow

On 16 January 2020 we will report on trading for the 14 weeks to 3 January 2020, which includes the peak Christmas trading period.

Notes to Editors

www.halfords.com www.halfordscompany.com www.halfordsautocentres.com
www.cyclerepublic.com www.boardmanbikes.com www.tredz.co.uk

Halfords is the UK's leading provider of motoring and cycling services and products. Customers shop at 448 Halfords stores, 26 Performance Cycling stores (trading as Cycle Republic, Tredz, Boardman and Giant) and 317 garages (trading as Halfords Autocentres). Customers can also shop at halfords.com, cyclerepublic.com and tredz.co.uk for pick up at their local store or direct home delivery, as well as booking garage services online at halfordsautocentres.com.

Note: store and garage numbers as at 27 September 2019

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

Summary of Group Results

Group revenue of £582.7m reflected a like-for-like ("LFL") decline of -2.4%, with all areas of the Group in sales growth outside of Retail motoring. Retail performance was impacted by tougher weather comparators year-on-year and consumers delaying big-ticket discretionary purchases, reflecting the current economic and political uncertainty. Autocentres continued to deliver strong growth, with LFL sales of +2.1% in the period.

Gross margin improved by 70bps versus the prior year, with both Retail and Autocentres ahead. The improvement reflected several factors including buying efficiencies across the Group and better cycling margins delivered through an improved customer shopping experience and more focused promotions. These were partially offset by the mix effect of softer motoring sales and a small negative FX impact.

Group operating costs pre-IFRS 16 were broadly flat year-on-year (+0.1%). The increased focus on costs at the beginning of the year delivered strong results. Retail costs were down -0.7% reflecting a rigorous cost control programme across supply chain, Retail operations, property and utilities, to give just some examples. In line with our guidance, cost investment in the strategy was self-funded through efficiency savings across the Group.

Underlying Profit Before Tax pre-IFRS 16 was £25.9m, in line with expectations and £4.6m less than FY19, reflecting gross margin improvements and well controlled costs partially mitigating the impact of the sales shortfall. Underlying Basic Earnings per Share pre-IFRS 16 were 10.4p, down from 12.4p last year.

Cash generation was strong, with Free Cash Flow* of £44.2m, up £10.0m on H1 last year. The result reflects the positive impact of our working capital programme, including the impact of lower stock levels arising from cycling space optimisation. Group Net debt was £62.6m on a comparable basis*; the ratio of net debt on a comparable basis to the underlying EBITDA, pre-IFRS 16, was 0.7x at the period end (FY19: 0.7x).

The Board has approved an interim ordinary dividend of 6.18 pence per share, which is flat year-on-year (FY19 interim ordinary dividend: 6.18 pence). This will be paid on 17 January 2020 to shareholders on the register at the close of business on 6 December 2019.

After the balance sheet date, Halfords Autocentres, in line with our strategy, acquired 100% of the share capital of McConechy's Tyre Service Limited on 5 November 2019 for cash consideration of £8.5m. The acquisition increases our garages footprint by 60 sites and establishes strong coverage in Scotland and the North of England. On the 14 October 2019, we acquired the trade and assets of Victor Holdings Limited (trading as "Tyres on the Drive") for an immaterial balance. The acquisition secured the outright ownership of market leading mobile services software for Halfords Mobile Expert and acts as a significant enabler in the acceleration of our growing Halfords Mobile Expert business.

**after adjusting for post period end payment run*

Operational Review

Total Retail revenue was £500.0m, which was -3.1% down on a LFL basis. Cycling sales delivered LFL growth of +0.2% in the period, driven by performance ahead of expectations in the last six weeks and continued strong growth in electric bikes and kids bikes, which more than offset weaker sales of big-ticket discretionary mainstream cycling products. Our own-brand and exclusive ranges of electric bikes and kids scooters offer our customers unrivalled levels of choice at all price points.

We continued to grow market share in our core motoring categories within a challenging market. LFL performance declined -5.3% year-on-year as growth in our core 3Bs (bulbs, blades and batteries), car cleaning and exclusive security ranges was offset by a weaker performance in big-ticket discretionary categories such as car technology and workshop. Tough weather comparators in the first 20 weeks of H1 saw camping and touring in decline year-on-year.

Retail gross margin increased by 40bps in the period. The improvement reflected several factors including buying efficiencies across both cycling and motoring, cycling margin improvement through investment in creating a better shopping experience for our customers and more focused promotions to protect margin in areas where demand has softened. These were partially offset by the mix effect of softer motoring sales and a small negative FX impact.

Retail operating costs pre-IFRS 16 were well controlled, reducing by -0.7% to £210.0m. Increased strategic investment was self-funded through rigorous cost efficiency plans driven by better procurement and operating efficiencies. Underlying cost inflation in H1 was partially offset by a one-off adjustment to the claims provision, driven by better visibility of the level of future claims.

Total Autocentres revenues were up +2.1% on a LFL basis, reflecting strong growth in sales of servicing, MOT and repair. Delivery of the Autocentres transformation plan, through the introduction of a new garage management system which enables enhanced technician scheduling and improved parts ordering, has not only improved financial performance but has also significantly improved the customer experience; NPS at 68 has improved by 5 points year-on-year. Our 8 Halfords Mobile Expert vans continue to provide best in class customer service, with a 4.8 out of 5 Trustpilot score. The financial performance of the 5 vans based in the Greenford regional hub is encouraging. EBIT pre- IFRS 16 in Autocentres increased significantly by 39.1% to £3.2m and a clear focus on the operating model, along with good revenue growth, means that Autocentres remains on track to deliver a third year of profit growth.

Group service-related sales, which consist of the revenue generated from paid fitting and repair services plus the associated product attached to the transaction, grew 2.2% year-on-year, through improved service penetration and the introduction of new *we*Check and cycle care services. We currently complete over 30,000 free *we*Check services a week, with the introduction of a premium paid-for service in October. The number of service jobs completed increased by 12% in the period. In Retail, nearly 40% of 3B's sold ("penetration") were fitted to customers' cars by our colleagues with penetration up 200bps year-on-year. This continues to reflect the increasing relevance of our services proposition to the growing proportion of 'do-it-for-me' customers.

Group online sales were up +10% in the period, with 22% of our total Group sales now being delivered through our online platform. In the period, we focused heavily on improving our search, navigation and store locator pages, making it easier for customers to find products, services, help & advice and information regarding their local store. The importance of our store network and service overlay continues to be highlighted by the strength of our click & collect proposition, with around 85% of Halfords.com online orders being collected in-store. The new Group web-platform remains on track for launch in Q4, transforming our digital experience and, for the first time, allowing customers to access an integrated services offer across mobile, stores and garages through one website.

B2B sales represent 15% of Group sales and delivered 24.4% growth year-on-year, following investment in our cross-group sales team and online platform. We continued to see good growth from all areas within B2B, which include Cycle2Work, Halfords for Business, Tradecard and Autocentres Fleet.

Sales through financial services, through a strengthened customer offer, delivered substantial double-digit growth year-on-year and attracted new customers.

Strategic Update

Context

Halfords Group plc is the UK's leading provider of motoring and cycling products and services. We have nationwide coverage and, today, our customers shop at 448 Halfords stores, 26 Performance Cycling stores (trading as Cycle Republic, Tredz, Boardman and Giant). 317 garages (trading as Halfords Autocentres) and 8 Halfords Mobile Expert Vans.

A year ago, we laid out our customer strategy 'To *Inspire* and *Support* a *Lifetime* of *motoring* and *cycling*'. The strategy emphasised the importance of product differentiation, the value of unique and convenient services and the need to build long term relationships with our customers. A year on, our strategy remains absolutely the right direction for our business and we have made significant progress against our objectives.

Within our Capital Markets day presentation, we highlighted the fragmented nature of the motoring services market, which, with no clear market leader, provided us with a significant opportunity to increase our market share. Over recent years we have invested in, and developed, a much more profitable garage operating model that we are confident we can scale. In addition, our motoring services business provides a clear source of differentiation against our competitors through a unique combination of stores, garages and mobile together with a trusted household brand. Equally, over the last year, our services business has delivered strong growth and has remained materially more resilient against the volatility in consumer confidence and weather. As macro-customer trends change, customers are seeking more convenience and cars are becoming more complex, accelerating the requirement for Do It For Me ("DIFM").

In summary, our unique market position, growing services business and the positive macro-customer trends gives us the confidence to accelerate investment in our service-led strategy.

Accelerating our Strategy

Evolving into a consumer and B2B services-focused business, with a greater emphasis on motoring, generating higher and more sustainable financial returns

To address the considerable market opportunity available to us, we will be accelerating investment in the following areas:

- Increasing our Autocentres garage footprint to 550 garages over the medium-term, growing both organically and via appropriate acquisition
- Growing our mobile services proposition to 200 Halfords Mobile Expert vans, providing a wider, more convenient, range of mobile services to our customers
- Investing in the provision of *we*Fit services in our Retail stores, enabled by a best in class customer contact strategy and the redeployment of labour in store to allow well trained colleagues to better service customer needs
- Trialling a more inspirational, convenient, integrated and digitally enabled shopping experience in two locations next year. This will encompass a new destination retail store, an updated Autocentres garage, a new format that will combine a garage with a small store for motoring products, and a Halfords Mobile Expert offer, all operating in conjunction across a major town or city. In addition to significantly improving the customer experience, the trial will also test whether we can deliver a similar, or greater, level of sales from a lower fixed cost base

Delivery of our objectives will require additional investment in the following:

- Investment in the infrastructure necessary to drive fast growth in our motoring services business, including a new customer contact strategy and investment in our store colleagues to deliver appropriately trained resource
- Improving our services customer experience through investment in a digital services management system; creating one seamless journey for all bookable services across the Group to support our customers and colleagues
- Continued investment in our B2B systems and infrastructure, maximising our growth potential by increasing our market share in known markets and, simultaneously, leveraging new opportunities
- Successfully consolidating and integrating the McConechy's Tyre Service Limited and Tyres on the Drive acquisitions
- Investment in marketing to drive awareness of our services, with an increased focus on social and digital marketing

Incremental investment required will be part-funded through further efficiency programmes:

- An increased focus on improving the profitability of our cycling businesses, through building on our existing GFR value chain workstream. Leveraging our sourcing partnership with Mobivia, with an initial focus on Far-East sourcing
- Continuation of our cost and efficiency programmes across the Group, with specific focus on supply chain, property costs and procurement practices across infrastructure costs

The direction laid out, we believe, exploits our market growth opportunities and builds on our successes delivered to date. The acceleration of investment in our services business will make us materially more resilient against external headwinds. The plan allows the business to ***evolve into a consumer and B2B services-focused business, with a greater emphasis on motoring, generating higher and more sustainable financial returns.*** Our motoring and cycling product businesses remain core but, over and above this, we need to deliver a substantial shift to services in order to drive growth and address the headwinds faced by retailers of products, such as secular trends and the impact of today's economic environment.

Over the medium-term, as our business evolves, service-related sales will double as a % of total Group sales, Autocentres will represent a materially larger proportion of our Group profit and, as a result, motoring will inevitably grow in focus. Notwithstanding the early investment required to build a more sustainable services operation, the business will return to sustainable profit growth and return on invested capital ("ROIC") will improve.

Focus for FY21

The focus for FY21 will be on continued delivery of our CMD strategy, targeting greater investment in our services business:

- Optimisation and further development of our integrated Group website
- Growing our Autocentres footprint to 400 garages, in part via the consolidation and integration of our McConechy's Tyre Service Limited acquisition
- Integrating our Tyres on the Drive acquisition and increasing our Halfords Mobile Expert offer to 100 vans
- Scaling our *we*Fit proposition in Retail stores, through increased investment in our customer contact strategy, increasing the number of trained colleagues and investing in a supporting digital services operating platform
- Trialling a more inspirational, convenient, integrated and digitally enabled shopping experience in two locations
- Strengthening and improving the profitability of our core motoring and cycling product offer
- Continued investment in our customer-led product development and innovation

To facilitate the investment required, we will be continuing to drive the cost and efficiency enablers of our plan.

Financial Outlook

The Group reconfirms its guidance on FY20 Underlying Profit Before Tax (pre-IFRS 16), on a 52-week basis, to be within the range of £50m to £55m. Capital investment, previously guided at c.£35m for FY20, will increase by c.£11m, for the acquisitions of McConechy's Tyre Service Limited and Tyres on the Drive. Similarly, the exceptional costs of restructuring related to these two businesses will further impact cash flow by c.£2-3m in H2 FY20.

Looking forward, in order to support our plan, our capital expenditure guidance remains unchanged at between £40m and £60m per year over the medium-term. The Group may also consider appropriate acquisitions, to the extent they are in support of the strategy. The operational cost base in FY21, however, will increase as we upweight our relative investment in core infrastructure to support the services business, including a new customer contact strategy and investment in ensuring that we have the right number of appropriately trained colleagues.

With regard to the full year dividend, the Board has considered the current market outlook, the need for investment in the business and the importance of the dividend payment to investors. In a challenging retail and consumer market, Group profitability has been lower and, as a consequence, operating cash flows have also reduced. Whilst the Group remains highly cash generative, the Board believes it is prudent to preserve cash in order to facilitate sufficient investment in business growth whilst, at the same time, maintaining a healthy balance sheet.

As a result, the Board is expecting to recommend a final dividend of 8p per share, (FY19:12.39p). On this basis, the proposed full year dividend would be 14.18p (FY19: 18.57p). The reduction in the final dividend would have the effect of rebasing future dividend pay-outs, with the FY21 full-year dividend expected to be reset to c.12p per share.

The opportunities for growth, coupled with the results we have seen against key parts of our strategy have given us confidence to invest. The accelerated strategy will deliver an improvement in return on invested capital, targeting growth in less capital-intensive areas of the business. The business will remain highly cash generative, supporting the reset dividend going forward.

Graham Stapleton
Chief Executive Officer, November 2019
Halfords Group plc's LEI code is 54930086FKBWWJIOB179

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 FY20" accounting period represents trading for the 26 weeks to 27 September 2019 ("the period"). The comparative period "H1 FY19" represents trading for the 26 weeks to 28 September 2018 ("the prior period"). The impact of IFRS 16 is shown in the table below and further details of this impact are provide later within this report.

Group Financial Results

	H1 FY20 £m	**H1 FY19 £m**	**Change (%)**
Group Revenue	582.7	599.9	-2.9%
Group Gross Profit	291.7	296.3	-1.6%
Underlying EBIT pre-IFRS 16*	27.1	32.0	-15.3%
Underlying EBITDA pre-IFRS 16*	44.9	49.8	-9.8%
Net Finance Costs	(1.2)	(1.5)	-20.0%
Underlying Profit Before Tax pre-IFRS 16*	**25.9**	**30.5**	**-15.1%**
Net non-underlying items	(2.7)	(2.3)	17.3%
Impact of adopting IFRS 16	4.3	-	-
Profit Before Tax	27.5	28.2	-2.5%
Underlying Basic Earnings per Share pre-IFRS 16*	10.4p	12.4p	-16.1%

** 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 15*

Group revenue in H1 FY20, at £582.7m, was down 2.9% and comprised Retail revenue of £500.0m and Autocentres revenue of £82.7m. This compared to H1 FY19 Group revenue of £599.9m, which comprised Retail revenue of £519.8m and Autocentres revenue of £80.1m. Group gross profit at £291.7m (H1 FY19: £296.3m) represented 50.1% of Group revenue (H1 FY19: 49.4%), reflecting an increase in the Retail gross margin of 40 basis points ("bps") to 47.0% and an increase in the Autocentres gross margin of 110 bps to 68.6%.

Total operating costs before non-underlying items and IFRS 16 were broadly flat on last year at £264.6m (H1 FY19: £264.3m) of which Retail comprised £210.0m (H1 FY19: £211.4m), Autocentres £53.5m (H1 FY19: £51.8m) and unallocated costs £1.1m (H1 FY19: £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, and Tredz and Wheelies in May 2016, which arise on consolidation of the Group.

Group Underlying EBITDA pre-IFRS 16 decreased 9.8% to £44.9m (H1 FY19: £49.8m), whilst net finance costs pre-IFRS 16 were £1.2m (H1 FY19: £1.5m).

Underlying Profit Before Tax before IFRS 16 for the period was down 15.1% at £25.9m (H1 FY19: £30.5m). Non-underlying items of £2.7m in the period (H1 FY19: £2.3m) related predominantly to organisational restructure and costs associated with strategic implementation.

After non-underlying items and including IFRS 16, Group Profit Before Tax was £27.5m (H1 FY19: £28.2m). The impact on the Group of adopting IFRS 16 in the period was a £4.3m net increase to Group Profit Before Tax. Further details on the impact of IFRS 16 is shown later in this report.

Retail

	H1 FY20	H1 FY19	Change
	£m	£m	(%)
Revenue	500.0	519.8	-3.8%
Gross Profit	235.0	242.2	-3.0%
Gross Margin	47.0%	46.6%	+40 bps
Operating Costs	(210.0)	(211.4)	-0.7%
Underlying EBIT pre- IFRS 16*	**25.0**	**30.8**	**-18.8%**
Non-underlying items	(2.5)	(2.3)	+8.7%
Impact of adopting IFRS 16	8.9	-	-
EBIT post- IFRS 16	**31.4**	**28.5**	**+10.1%**
Underlying EBITDA pre- IFRS 16*	**38.9**	**44.6**	**-12.8%**

** 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 15*

Revenue for the Retail business of £500.0m reflected, on a constant-currency basis, a like-for-like (LFL) sales decrease of -3.1%. Non LFL revenue in the period included sales from Cycle Republic stores that have been open for less than 12 months.

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 FY20 LFL (%)	H1 FY20 Total sales mix (%)	H1 FY19 Total sales mix (%)
Motoring	-5.3	57.5	58.8
Cycling	+0.2	42.5	41.2
Total	**-3.1**	**100.0**	**100.0**

Gross profit for the Retail business at £235.0m (H1 FY19: £242.2m) represented 47.0% of sales, 40bps up on the prior year (H1 FY19: 46.6%). This improvement reflected several factors including buying efficiencies across the Group, and space optimisation in Cycling. This was partially offset by a small negative FX impact and the mix effect of softer Motoring sales.

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

	FY19 full year $	FY20 full year (estimated) $
Average USD: GBP rate reflected in cost of sales	$1.32	$1.30
Year-on-year movement in rate	0.03	(0.02)

Retail operating costs before non-underlying items and IFRS 16 reduced by 0.7% to £210.0m (H1 FY19: £211.4m). This reflected tight cost control, offsetting cost inflation, and a one-off claims provision release, which was driven by better visibility over the likely level of future claims.

Autocentres

	H1 FY20 £m	H1 FY19 £m	Change (%)
Revenue	82.7	80.1	+3.2%
Gross Profit	56.7	54.1	+4.8%
Gross Margin	68.6%	67.5%	+ 110 bps
Operating Costs	(53.5)	(51.8)	+3.3%
Underlying EBIT pre- IFRS 16*	**3.2**	**2.3**	**+39.1%**
Non-underlying items	(0.2)	-	-
Impact of adopting IFRS 16	0.8	-	-
EBIT post- IFRS 16	**3.8**	**2.3**	**+65.2%**
Underlying EBITDA pre- IFRS 16*	**6.0**	**5.2**	**+15.4%**

** 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 15*

Autocentres generated total revenues of £82.7m (H1 FY19: £80.1m), an increase of 3.2% on the prior period with a LFL increase of 2.1%.

The increase in revenues from the existing centres reflected growth in repair, MOT and servicing sales, offset by declines in tyres and air conditioning jobs.

Gross profit at £56.7m (H1 FY19: £54.1m) represented a gross margin of 68.6%; an increase of 110 bps on the prior period, reflecting continued focus on the operating model via technology enabled efficiency programmes and growth in higher margin revenue streams.

Autocentres' Underlying EBITDA before IFRS 16 of £6.0m (H1 FY19: £5.2m), was 15.4% higher than H1 FY19, and Underlying EBIT before IFRS 16 was £0.9m higher than H1 FY19 at £3.2m (H1 FY19: £2.3m).

Portfolio Management

The Retail store portfolio at 27 September 2019 comprised 474 stores (end of H1 FY19: 478; end of FY19: 476).

The following table outlines the changes in the Retail store portfolio over the 26-week period:

	Number
Relocations	1
Leases re-negotiated	9
Rightsized	0
Openings	0
Closed	2

One Autocentre was opened, and one was closed in the period, making the total number of Autocentre locations 317 as at 27 September 2019 (end of H1 FY19: 316; end of FY19: 317).

Net Non-Underlying items

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

	H1 FY20 £m	H1 FY19 £m
Organisational restructure costs	1.2	0.2
Group-wide strategic review	0.8	2.1
Provision for expected settlement of an ongoing legal case	0.7	-
Net non-underlying items	**2.7**	**2.3**

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

Current period costs comprised:

- Redundancy and transition costs of £0.6m relating to roles which have been outsourced or otherwise will not be replaced (H1 FY19: £0.2m)
- £0.6m of asset write-offs, principally resulting from the strategic decision to re-platform the Retail and Autocentres websites (H1 FY19: £nil)

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

- £0.2m of external consultant costs (H1 FY19: £2.0m)
- £0.6m of store labour costs, point of sale equipment and other associated costs in completing the cycling space relay across the store estate (FY19: £nil).

Prior period costs also included £0.1m of warehouse and distribution costs in order to align our network with the new strategy.

During the period a £0.7m provision was created for expected costs of settling an ongoing legal case. 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 slightly lower year-on-year at £1.2m (H1 FY19: £1.5m).

Taxation

The taxation charge on profit for the financial period was £5.6m (H1 FY19: £5.7m). The effective tax rate before non-underlying items of 20.2% (H1 FY19: 21.3%) differs from the UK corporation tax rate (19%) principally due to non-deductible amortisation charged on intangible fixed assets.

The full year FY20 effective tax rate is expected to be c.16%.

Earnings Per Share ("EPS")

Underlying Basic EPS before IFRS 16 was 10.4 pence and after non-underlying items 9.3 pence (H1 FY19: 12.4 pence, 11.4 pence after non-underlying items), a 16.1% and 18.4% decrease on the prior period. Basic weighted-average shares in issue during the period were 197.0m (H1 FY19: 197.2m).

Dividend ("DPS")

The Board has approved an interim dividend of 6.18 pence per share (H1 FY19: 6.18 pence), which is flat year-on-year. This will be paid on 17 January 2020 to shareholders on the register at the close of business on 6 December 2019.

Capital Expenditure

Capital investment in the period totalled £16.6m (H1 FY19: £16.5m) comprising £14.7m in Retail and £1.9m in Autocentres.

Within Retail, £9.2m (H1 FY19: £5.6m) was invested in stores, the majority of which related to LED lighting being installed and the optimisation of Cycling space, both implemented across the whole Retail estate. Additional investments in Retail infrastructure included a £4.0m investment in IT systems, including the development of the new website. The balance of £1.5m was invested in other smaller support centre upgrades/projects, and a small amount within Tredz & Wheelies.

The £1.9m (H1 FY19: £2.2m) capital expenditure in Autocentres principally related to the replacement of garage equipment and replacement of fixtures and fittings.

On a cash basis, total capital expenditure in the period was £16.0m (H1 FY19: £13.9m).

Inventories

Group inventory held as at the period end was £188.5m (H1 FY19: £193.3m). Retail inventory decreased to £187.2m (H1 FY19: £191.8m), reflecting continued working capital efficiencies.

Autocentres' inventory was £1.3m (H1 FY19: £1.5m). 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.

Cashflow and Borrowings

Adjusted Operating Cash Flow during the period pre-post period end payment run, was £74.7m (H1 FY19: £58.5m). After acquisitions, taxation, capital expenditure and net finance costs, Free Cash Flow* of £44.2m (H1 FY19: £34.2m) was generated in the period. Group net debt on a comparable basis* was £62.6m (H1 FY19: £77.2m), with the Net Debt: Underlying EBITDA ratio at 0.7:1. All these numbers are pre-IFRS 16.

**after adjusting for post period end payment run*

Adoption of IFRS 16 "Leases"

The Group has initially applied IFRS 16 "Leases" as at 30 March 2019. A right-of-use asset and a lease liability is included on the balance sheet, and depreciation and interest has been charged to the income statement instead of existing rental charges and operating expenses.

Discount rates ranging between 1.14% and 3.94% have been applied based on UK Government Gilt rates of an appropriate duration and adjusted by an indicative credit premium.

The Group has adopted the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in Retained earnings at the date of initial application.

A summary of the impact on the Group income statement and balance sheet is as follows:

Impact on the Group income statement:	**H1 FY20**	**H1 FY19**
	£m	**£m**
Operating costs:		
Rent	45.9	-
Depreciation	(36.2)	-
Net reduction to Operating costs	9.7	-
Finance costs (interest)	(5.4)	-
Net increase to Profit Before Tax	**4.3**	**-**

The £9.7m net impact on Operating costs is comprised of £8.9m for Retail and £0.8m for Autocentres as shown above. As leases renew, we would expect the P&L impact of IFRS 16 to reduce by year-end.

Impact on the Group balance sheet:	**H1 FY20**	**H1 FY19**
	£m	**£m**
Right-of-use asset	370.0	-
Lease liability	(427.1)	-
Retained Earnings	27.0	-

Brexit and impact of movements in foreign currency exchange rates

At the date of finalising this report, there remains considerable uncertainty around the timing and nature of the UK's exit from the European Union. We have prepared for a "no deal", however, there is corresponding uncertainty around the impact on the Halfords Group.

1) Impact on exchange rates. The Group buys a significant proportion of its goods in US dollars; between $200m and $300m a year. As previously guided, the majority of our US dollar sourcing is for cycling products.

2) Prolonged uncertainty over exit terms and continued weakness in Sterling could lead to a slowdown in the UK economy and, consequently, a further weakening of consumer confidence, impacting trading conditions for the Group. Working groups have been held throughout the year to identify, assess and implement mitigations for the risks of a "no deal" Brexit. However, Halfords has strong positions in fragmented Motoring and Cycling markets, and a service-led offer that differentiates us from our competitors, through both physical stores and online.

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 50 of the 2019 Annual Report and Accounts, and all are considered relevant to the H1 FY20 reporting. These include:

- Economic risks; including market risks
- Business strategy risks
- Competitive risks
- Compliance
- Supply chain disruption
- Product and service quality
- Information technology systems and infrastructure
- Dependence on key management personnel

Specific risks associated with performance 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, November 2019
Halfords Group plc's LEI code is 54930086FKBWWJIOB179

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.

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 period 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 is 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 FY20 £m	H1 FY19 £m
Cash and cash equivalents	20.5	18.5
Borrowings – current*	(17.8)	(17.3)
Borrowings – non-current**	(35.3)	(78.4)
Net Debt	**(32.6)**	**(77.2)**
Post period end payment run***	30.0	-
Comparable Net Debt	**(62.6)**	**(77.2)**

*Borrowing – current post IFRS 16 (£16.3m) less IFRS 16 adjustment (£1.5m)

**Borrowing – non-current post IFRS 16 (£26.9m) less IFRS 16 adjustment (£8.4m)

***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

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 FY20 £m	H1 FY19 £m
Underlying EBIT	27.1	32.0
Depreciation and Amortisation pre IFRS 16	17.8	17.8
Underlying EBITDA	44.9	49.8
Non-underlying operating expenses	(2.7)	(2.3)
EBITDA	**42.2**	**47.5**
Share-based payment transactions	1.1	1.0
Loss on disposal of property, plant & equipment	1.6	2.2
Working capital movements (excluding post period end payment run adjustment - £30.0m)	33.5	7.2
Provisions movement & other	(3.7)	0.6
Adjusted Operating Cash Flow	**74.7**	**58.5**

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

	H1 FY20 £m	H1 FY19 £m
Adjusted Operating Cash Flow	74.7	58.5
Capital expenditure	(16.0)	(13.9)
Net finance costs*	(1.0)	(1.5)
Taxation	(12.5)	(6.3)
Exchange movements	(1.0)	(2.3)
Arrangement fees on loans	-	(0.3)
Free Cash Flow	**44.2**	**34.2**

*Net finance costs post IFRS 16 (£6.6m) less IFRS 16 adjustment (£5.6m)

Condensed consolidated income statement

For the 26 weeks to 27 September 2019

	Notes	**26 weeks to 29 September 2019 Unaudited* £m**	26 weeks to 28 September 2018 Unaudited £m	52 weeks to 29 March 2019 £m
Revenue	7	**582.7**	**599.9**	1,138.6
Cost of sales		**(291.0)**	**(303.6)**	(559.6)
Gross profit		**291.7**	**296.3**	579.0
Operating expenses		**(257.6)**	**(266.6)**	(524.6)
Operating profit before non-underlying items and IFRS 16		**27.1**	**32.0**	62.2
Non-underlying operating expenditure	9	**(2.7)**	**(2.3)**	(7.8)
IFRS 16 operating expenditure	2	**9.7**	**-**	-
Results from operating activities		**34.1**	**29.7**	54.4
Finance costs	10	**(6.6)**	**(1.6)**	(3.4)
Finance income	10	**-**	**0.1**	-
Net finance costs		**(6.6)**	**(1.5)**	(3.4)
Profit before tax, IFRS 16 and non-underlying items		**25.9**	**30.5**	58.8
Non-underlying operating expenditure	9	**(2.7)**	**(2.3)**	(7.8)
IFRS 16 operating expenditure and finance costs	4	**4.3**	**-**	-
Profit before tax		**27.5**	**28.2**	51.0
Tax on underlying items	11	**(6.1)**	**(6.1)**	(10.5)
Tax on non-underlying items	9	**0.5**	**0.4**	1.4
Profit for the period attributable to equity shareholders		**21.9**	**22.5**	41.9
Earnings per share				
Basic earnings per share pre/post IFRS 16	14	9.3p/11.1p	11.4p	21.2p
Diluted earnings per share pre/post IFRS 16	14	9.3p/11.1p	11.3p	21.0p
Basic underlying earnings per share pre/post IFRS 16	14	10.4p/12.2p	12.4p	24.5p
Diluted underlying earnings per share pre/post IFRS 16	14	10.4p/12.2p	12.2p	24.2p

A final dividend of 12.39 pence per share for the 52 weeks to 29 March 2019 (2018: 12.03 pence per share) was paid on 30 August 2019. The directors have approved an interim dividend of 6.18 pence per share in respect of the 26 weeks to 27 September 2019 (2018: 6.18 pence per share).

The notes on pages 22 to 35 are an integral part of these condensed consolidated interim financial statements.

**The Group has initially applied IFRS 16 at 30 March 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in Retained earnings at the date of initial application (see note 4).*

Halfords Group plc

Condensed consolidated statement of comprehensive income

For the 26 weeks to 27 September 2019

	26 weeks to 27 September 2019 Unaudited*	26 weeks to 28 September 2018 Unaudited	52 weeks to 29 March 2019
	£m	£m	£m
Profit for the period	**21.9**	22.5	41.9
Other comprehensive income			
Cash flow hedges: fair value changes in the period	**4.7**	8.8	7.4
Change in fair value of investment	**-**	-	(8.1)
Other comprehensive income for the period, net of tax	**4.7**	8.8	(0.7)
Total comprehensive income for the period attributable to equity shareholders	**26.6**	31.3	41.2

*The Group has initially applied IFRS 16 at 30 March 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in Retained earnings at the date of initial application (see note 4).

The notes on pages 22 to 35 are an integral part of these condensed consolidated interim financial statements.

Halfords Group plc

Condensed consolidated statement of financial position

As at 27 September 2019

	Notes	As at 27 September 2019 Unaudited* £m	As at 28 September 2018 Unaudited £m	As at 29 March 2019 £m
Assets				
Non-current assets				
Intangible assets	15	**386.1**	391.7	387.4
Property, plant and equipment	15	**89.7**	99.9	97.3
Right-of-use assets	15	**370.0**	-	-
Deferred tax asset		**8.9**	-	-
Investments	16	**-**	8.1	-
Total non-current assets		**854.7**	499.7	484.7
Current assets				
Inventories**		**188.5**	193.3	173.7
Trade and other receivables		**48.8**	58.4	59.1
Derivative financial instruments		**6.9**	4.8	3.2
Cash and cash equivalents	17	**20.5**	18.5	9.8
Total current assets		**264.7**	275.0	245.8
Total assets		**1,119.4**	774.7	730.5
Liabilities				
Current liabilities				
Borrowings	17	**(16.3)**	(17.3)	(18.5)
Derivative financial instruments		**(0.9)**	(0.3)	(1.4)
Lease liabilities	4	**(76.6)**	-	-
Trade and other payables		**(251.6)**	(209.4)	(176.4)
Current tax liabilities		**1.8**	(3.1)	(3.3)
Provisions		**(7.8)**	(13.5)	(15.1)
Total current liabilities		**(351.4)**	(243.6)	(214.7)
Net current liabilities/assets		**(86.7)**	31.4	31.1
Non-current liabilities				
Borrowings	17	**(26.9)**	(78.4)	(73.1)
Lease liabilities	4	**(350.5)**	-	-
Trade and other payables		**(3.6)**	(31.3)	(28.1)
Deferred tax liability		**-**	(3.3)	(0.1)
Provisions		**(4.4)**	(4.3)	(5.2)
Total non-current liabilities		**(385.4)**	(117.3)	(106.5)
Total liabilities		**(736.8)**	(360.9)	(321.2)
Net assets		**382.6**	413.8	409.3
Shareholders' equity				
Share capital	18	**2.0**	2.0	2.0
Share premium account	18	**151.0**	151.0	151.0
Investment in own shares		**(10.0)**	(9.1)	(10.0)
Other reserves		**3.6**	3.9	1.9
Retained earnings**		**236.0**	266.0	264.4
Total equity attributable to equity holders of the Company		**382.6**	413.8	409.3

*The Group has initially applied IFRS 16 at 30 March 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in Retained earnings at the date of initial application (see note 4).
** See note 8
The notes on pages 22 to 35 are an integral part of these condensed consolidated interim financial statements.

Halfords Group plc

Condensed consolidated statement of changes in equity

For the 26 weeks to 27 September 2019

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*	**2.0**	**151.0**	**(10.0)**	**0.3**	**1.6**	**237.4**	**382.3**
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**
Income tax on other comprehensive income	-	-	-	-	-	-	**-**
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**	**236.0**	**382.6**

*The Group has initially applied IFRS 16 at 30 March 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in Retained earnings at the date of initial application (see note 4).
** See note 8

The notes on pages 22 to 35 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity (continued)

For the 26 weeks to 27 September 2019

For the period ended 28 September 2018 (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 30 March 2018	**2.0**	**151.0**	**(9.4)**	**0.3**	**(3.2)**	**269.5**	**410.2**
Adjustment on initial application of IFRS 15	**-**	-	-	-	-	(3.3)	**(3.3)**
Opening balance at 31 March 2018	**2.0**	**151.0**	**(9.4)**	**0.3**	**(3.2)**	**266.2**	**406.9**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	22.5	**22.5**
Other comprehensive income							
Cash flow hedges: fair value changes in the period	-	-	-	-	8.8	-	**8.8**
Total other comprehensive income for the period net of tax	-	-	-	-	8.8	-	**8.8**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	8.8	22.5	**31.3**
Hedging gains and losses and costs of hedging transferred to the cost of inventory	**-**	**-**	**-**	**-**	(2.0)	-	**(2.0)**
Transactions with owners							
Share options exercised	-	-	0.3	-	-	-	**0.3**
Share-based payment transactions	-	-	-	-	-	1.0	**1.0**
Dividends to equity holders	-	-	-	-	-	(23.7)	**(23.7)**
Total transactions with owners	-	-	0.3	-	-	(22.7)	**(22.4)**
Balance at 28 September 2018	**2.0**	**151.0**	**(9.1)**	**0.3**	**3.6**	**266.0**	**413.8**

** See note 8

The notes on pages 22 to 35 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 27 September 2019

	Notes	**26 weeks to 27 September 2019 Unaudited £m**	26 weeks to 28 September 2018 Unaudited £m	52 weeks to 29 March 2019 £m
Cash flows from operating activities				
Profit after tax for the period before non-underlying items		**24.1**	24.4	48.3
Non-underlying items	9	**(2.2)**	(1.9)	(6.4)
Profit after tax for the period		**21.9**	22.5	41.9
Depreciation and impairment		**11.9**	11.6	23.0
Amortisation of right-of-use asset		**36.2**	-	-
Amortisation		**5.9**	6.3	13.0
Net finance costs		**6.6**	1.5	3.4
Loss on disposal of property, plant and equipment		**1.6**	2.2	5.5
Equity-settled share-based payment transactions		**1.1**	1.0	0.3
Exchange movement		**(1.0)**	(2.3)	(0.3)
Income tax expense		**5.6**	5.7	9.1
(Increase)/decrease in inventories		**(14.8)**	(7.7)	11.9
Decrease/(increase) in trade and other receivables		**10.3**	(2.4)	(3.1)
Increase/(decrease) in trade and other payables		**50.2**	17.3	(19.2)
(Decrease)/increase in provisions		**(2.3)**	0.3	2.7
Finance income received		**-**	0.1	-
Finance costs paid		**(6.4)**	(1.4)	(3.1)
Corporation tax paid		**(12.5)**	(6.3)	(12.7)
Net cash from operating activities		**114.3**	48.4	72.4
Cash flows from investing activities				
Purchase of investment		**-**	(0.5)	(0.5)
Purchase of intangible assets		**(4.8)**	(4.0)	(11.0)
Purchase of property, plant and equipment		**(11.2)**	(9.9)	(18.4)
Net cash used in investing activities		**(16.0)**	(14.4)	(29.9)
Cash flows from financing activities				
Net proceeds from share options and purchase of own shares		**-**	0.3	(0.6)
Proceeds from loans, net of transaction costs		**446.0**	445.7	1,138.7
Repayment of borrowings		**(483.0)**	(461.0)	(1,159.0)
Payment of capital element of leases		**(25.3)**	(0.3)	(0.6)
Dividends paid	13	**(24.4)**	(23.7)	(35.9)
Net cash used in financing activities		**(86.7)**	(39.0)	(57.4)
Net increase / (decrease) in cash and bank overdrafts	17	**11.6**	(5.0)	(14.9)
Cash and cash equivalents at the beginning of the period	17	**(7.4)**	7.5	7.5
Cash and cash equivalents at the end of the period	17	**4.2**	2.5	(7.4)

The notes on pages 22 to 35 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

For the 26 weeks to 27 September 2019

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 7 November 2019.

2. Statement of compliance

These condensed consolidated interim financial statements for the 26 weeks to 27 September 2019 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 2019 Annual Report and Accounts, which have been prepared in accordance with IFRSs as adopted by the European Union.

This is the first set of the Group's financial statements where IFRS 16 has been applied. Changes to significant accounting policies and other adjustments are described in Note 4 and 8.

The comparative figures for the financial period ended 29 March 2019 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 majority of 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 50 to 58 of our Annual Report and Accounts for the 52 weeks to 29 March 2019, which are available on our website www.halfordscompany.com.

4. Significant accounting policies

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 the foreseeable future.

Except for the first time adoption of IFRS 16 detailed below, 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 2019 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 3 April 2020.

Other than IFRS 16, there are no new or amended standards effective in the period which has had a material impact on the interim consolidated financial information.

IFRS 16 'Leases'

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

(a) Transition Method and Practical Expedients Utilised

The Group has applied IFRS 16 using the modified retrospective transition approach, with recognition of transitional adjustments on the date of initial application (30 March 2019), without restatement of comparative figures.

Previously, the Group determined at the inception of a contract whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient allowing the standard to be applied only to contracts that were previously identified as leases under IAS17 and IFRIC 4. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 30 March 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- Reliance on previous assessments on whether leases are onerous;
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At the commencement date of property leases the Group determines the lease term to be the full term of the lease, assuming that any option to break or extend the lease is unlikely to be exercised. Leases are regularly reviewed and will be revalued if it becomes likely that a break clause or option to extend the lease is exercised.

(b) Right of use assets

The Group recognises a right-of-use asset at the lease commencement date. The right-of- use assets are measured at either:

- Their carrying amount as if IFRS 16 has been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to the majority of the Retail property portfolio; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

Subsequent to measurement right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter.

(c) Lease liabilities

The lease liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 30 March 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. Judgement is required to determine an approximation, calculates based on UK Government Gilt rates of an appropriate duration and adjusted by an indicative credit premium and a lease specific adjustment. The range of rates applied was 1.14% to 3.94%.

Subsequently, the lease liability is increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured if there is a modification, a change in lease term or a changed in the fixed lease payments.

(d) Impacts on the financial statements

The group leases many assets including properties, cars and other equipment.

As a lessee, the Group previously classified leases as operating lease or finance lease based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases, except for short-term leases and leases of low-value assets.

(i) Balance Sheet

The impact on the balance sheet on transition is summarised below:

	30 March 2019 £m
Right-of-use assets	389.1
Lease Liabilities	(448.8)
Deferred tax asset	6.7
Prepayments	(13.0)
Accruals	39.0
Retained Earnings	27.0

The table below shows a reconciliation from the total operating lease commitment as disclosed at 30 March 2019 to the total lease liabilities recognised in the accounts immediately after transition:

	30 March 2019 £m
Operating lease commitment at 29 March 2019 as disclosed in the Group's consolidated financial statements	507.6
Discounted using the incremental borrowing rate at 30 March 2019	(58.9)
Recognition exemption for lease of low-value assets / short-term leases	0.1
Finance lease liabilities recognised at 29 March 2019 under IAS 17	10.6
Total lease liabilities recognised at 30 March 2019	459.4

The Group presents right-of-use assets separately in the consolidated balance sheet.

The carrying amounts of right-of-use assets are as below:

In thousands	Property, Plant and Equipment £m
Balance at 30 March 2019	389.1
Balance at 27 September 2019	370.0

The Group presents lease liabilities separately in the consolidated balance sheet.

(ii) Income statement

The Group has recognised depreciation and interest costs in respect of leases that were previously classified as operating leases in the income statement for the period, rather than rental charges. During the period ended 27 September 2019, the Group recognised £36.2m of additional depreciation charges and £5.4m of additional interest costs in respect of these leases.

(iii) Reserves

Where the group has chosen to implement IFRS 16 using the modified transition approach, whereby the initial right-of-use asset values were equal to the present value of the remaining lease payments there is no impact on reserves at the date of transition.

Where the cumulative approach has been adopted the mismatch between the liability and asset value at transition is taken to reserves. The Group has taken £27.0m to reserves at the start of the period.

5. Estimates and judgements

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the 52 week period ended 29 March 2019 and the 26 weeks ended 28 September 2018, except where the implementation of IFRS 16 discussed above required a different approach to the accounting previously applied. Significant estimates and judgements that have been required for the implementation of this new standard are the determination of the incremental borrowing rate used to measure lease liabilities.

6. Operating segments

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

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

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 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*			**4.3**
Net financing expense			**(1.2)**
Profit before tax			**27.5**
Taxation			**(5.6)**
Profit after tax			**21.9**

*See note 4

Income statement	**Retail £m**	**Car Servicing £m**	**26 weeks to 28 September 2018 Total Unaudited £m**
Revenue	519.8	80.1	599.9
Segment result before non-underlying items	30.8	2.3	33.1
Non-underlying items	(2.3)	-	(2.3)
Segment result	28.5	2.3	30.8
Unallocated expenses[1]			(1.1)
Operating profit			29.7
Net financing expense			(1.5)
Profit before tax			28.2
Taxation			(5.7)
Profit after tax			22.5

[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 £1.1m in respect of assets acquired through business combinations (2018: £1.1m).

Income statement	Retail £m	Car Servicing £m	52 weeks to 29 March 2019 Total £m
Revenue	977.2	161.4	1,138.6
Segment result before non-underlying items	58.8	5.5	64.3
Non-underlying items	(8.7)	0.9	(7.8)
Segment result	50.1	6.4	56.5
Unallocated expenses[1]			(2.1)
Operating profit			54.4
Net financing expense			(3.4)
Profit before tax			51.0
Taxation			(9.1)
Profit after tax			41.9

[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 £2.1m in respect of assets acquired through business combinations (2018: £2.1m).

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	26 weeks to 28 September 2018 Total Unaudited £m
Capital expenditure	14.3	2.2	16.5
Depreciation expense	9.2	2.4	11.6
Amortisation expense	5.8	0.5	6.3

Other segment items:	Retail £m	Car Servicing £m	52 weeks to 29 March 2019 Total £m
Capital expenditure	26.3	4.7	31.0
Depreciation expense	18.6	4.4	23.0
Amortisation expense	9.7	1.2	10.9

There have been no significant transactions between segments in the 26 weeks ended 27 September 2019 (2018: £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. Inventories

Inventories at 27 September 2019 include a right to recover returned goods amounting to £1.9m (29 March 2019: £1.8m 28 September 2018: £1.8m). These are measured by reference to the former carrying amount of the sold inventories.

Following a review of inventory costing during the period, the Group concluded that the historic inclusion of certain distribution centre costs within the cost of inventories and the treatment of such distribution centre costs as an operating expense rather than a cost of sale was not in line with the Group's accounting policy. The amount of such distribution centre costs included within inventories (net of any provision to adjust to net realisable value) as at 27 September 2019 was £11.7m. This is, broadly, the same amount of such distribution centre costs that was included within inventories as at the prior year end 29 March 2019, at the prior period end 28 September 2018 and at the prior year end 30 March 2018.

In the condensed consolidated statement of financial position, inventories at 27 September 2019, 29 March 2019 and 28 September 2018 are stated after adjusting for this amount, and consequently retained earnings and net assets have been reduced by £11.7m. In correcting this misapplication, there is no impact on reported gross profit, operating expenses or other items in the condensed consolidated income statement or in the condensed consolidated statement of cash flows for the current or comparative periods.

9. Non-underlying items

	26 weeks to 27 September 2019	26 weeks to 28 September 2018	52 weeks to 29 March 2019
	Unaudited	Unaudited	
	£m	£m	£m
Non-underlying operating expenses:			
Organisational restructure costs (a)	**1.2**	0.2	6.8
Group-wide strategic review (b)	**0.8**	2.1	2.4
Provision for expected settlement of an ongoing legal case (c)	**0.7**	-	-
One-off royalty income (d)	**-**	-	(1.6)
Acquisition and investment-related fees (e)	**-**	-	0.2
Non-underlying items before tax	**2.7**	2.3	7.8
Tax on non-underlying items (f)	**(0.5)**	(0.4)	(1.4)
Non-underlying items after tax	**2.2**	1.9	6.4

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

Current period costs comprised:

- Redundancy and transition costs of £0.6m relating to roles which have been outsourced or otherwise will not be replaced (H1 FY19: £0.2m, FY19 full year: £1.5m)
- £0.6m of asset write-offs, principally resulting from the strategic decision to re-platform the Retail and Autocentres websites (H1 FY19: £nil, FY19 full year: £5.3m)

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

Current period costs comprised:

- £0.2m of external consultant costs (H1 FY19: £2.0m, FY19 full year: £2.0m)
- £0.6m of store labour costs, point of sale equipment and other associated costs in completing the cycling space relay across the store estate (FY19: £nil).

Prior period costs also included £0.4m (H1 FY19: £0.1m) of warehouse and distribution costs in order to align our network with the new strategy.

(c) During the period a provision was created for expected costs of settling an ongoing court case. The size and nature of the settlement is outside the normal experience of the Group.
(d) A one-off royalty income was received in the prior period in relation to the use of a software license.
(e) £0.2m of costs were incurred in the prior period in relation to the investment in Tyres On the Drive and costs relating to a potential acquisition which did not progress.
(f) The tax credit in H1 FY20 represents a tax rate of 19.0% applied to non-underlying items (H1 FY19: 19.0%, FY19 full year: 18.0%).

10. Net Finance Costs

	26 weeks to 27 September 2019	26 weeks to 28 September 2018	52 weeks to 29 March 2019
	Unaudited	Unaudited	
	£m	£m	£m
Finance costs:			
Bank borrowings	**(0.4)**	(0.8)	(1.6)
Amortisation of issue costs on loans	**(0.2)**	(0.2)	(0.4)
Commitment and guarantee fees	**(0.3)**	(0.3)	(0.6)
Interest payable on finance leases	**(0.3)**	(0.3)	(0.8)
IFRS 16 interest charge*	**(5.4)**	-	-
Finance costs	**(6.6)**	(1.6)	(3.4)
Finance income:			
Bank and similar interest	**-**	0.1	-
Finance income	**-**	0.1	-
Net finance costs	**(6.6)**	(1.5)	(3.4)

* The Group has initially applied IFRS 16 at 30 March 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in Retained earnings at the date of initial application (see note 4).

11. 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 27 September 2019 is 20.2% (H1 2019: 21.3%). The effective tax rate is higher than the UK corporation tax rate principally due to non-deductible amortisation charged on intangible fixed assets.

12. Financial Instruments and Related Disclosures

Accounting classifications and fair values

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

27 September 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.

28 September 2018	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	4.8	-	-	-	4.8
Equity investments	-	8.1	-	-	8.1
	4.8	8.1	-	-	12.9
Financial assets not measured at fair value					
Trade and other receivables*	-	-	35.6	-	35.6
Cash and cash equivalents	-	-	18.5	-	18.5
	-	-	54.1	-	54.1
Financial liabilities measured at fair value					
Forward exchange contracts used for hedging	(0.3)	-	-	-	(0.3)
	(0.3)	-	-	-	(0.3)
Financial liabilities not measured at fair value					
Borrowings	-	-	-	(84.5)	(84.5)
Finance lease liabilities	-	-	-	(11.2)	(11.2)
Trade and other payables**	-	-	-	(142.2)	(142.2)
	-	-	-	(237.9)	(237.9)

* Prepayments and accrued income of £22.8m are not included as a financial asset.
** Other taxation and social security payables of £14.1m, deferred income of £29.2m, accruals of £41.0m and other payables of £14.2m 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 finance 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 finance 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, except for the equity investments, as shown in Note 16, which is valued at Level 3. 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.

13. Dividends

During the period the Group paid a final dividend of 12.39p pence per share in respect of the 52 weeks to 29 March 2019 (2018: 12.03 pence per share), which absorbed £24.4m of shareholders' funds (2018: £23.7m).

The directors have approved an interim dividend of 6.18 pence per share for the 26 weeks to 27 September 2019 (2018: 6.18 pence per share), which is expected to be £12.2m (2018: £12.2m) and will be paid on 17 January 2020 to those shareholders on the share register at the close of business on 6 December 2019.

14. 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 27 September 2019.

	26 weeks to 27 September 2019	26 weeks to 28 September 2018	52 weeks to 29 March 2019
	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)**	(1.9)	(2.0)
Weighted average number of shares for calculating basic earnings per share	**197.0**	197.2	197.1
Weighted average number of dilutive share options	**0.7**	2.1	2.1
Weighted number of shares for calculating diluted earnings per share	**197.7**	199.3	199.2

	26 weeks to 27 September 2019	26 weeks to 28 September 2018	52 weeks to 29 March 2019
	Unaudited	Unaudited	
	£m*	£m	£m
Basic earnings attributable to equity shareholders before IFRS 16	**17.6**	22.5	41.9
Basic earnings attributable to equity shareholders	**21.9**	22.5	41.9
Non-underlying items:			
Operating expenses	**2.7**	2.3	7.8
Tax charge on non-underlying items	**(0.5)**	(0.4)	(1.4)
Underlying earnings before non-underlying items and IFRS 16	**19.8**	24.4	48.3
Basic earnings per share*	**9.3p**	11.4p	21.2p
Diluted earnings per share*	**9.3p**	11.3p	21.0p
Basic underlying earnings per share*	**10.4p**	12.4p	24.5p
Diluted underlying earnings per share*	**10.4p**	12.2p	24.2p
Post IFRS 16 (comparatives numbers are un-changed)			
Basic earnings per share	**11.1p**	11.4p	21.2p
Diluted earnings per share	**11.1p**	11.3p	21.0p
Basic underlying earnings per share	**12.2p**	12.4p	24.5p
Diluted underlying earnings per share	**12.2p**	12.2p	24.2p

*These numbers are quoted pre IFRS 16 (applying IAS 17) and related tax charges (HY20: £0.7m) in order to show comparability with the prior period.

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.

15. Capital Expenditure – Tangible and Intangible Assets

	Tangible and Intangible Assets Unaudited
	£m
Net book value at 30 March 2018	495.2
Additions	16.5
Disposals	(11.1)
Depreciation, amortisation and impairment	(9.0)
Net book value at 28 September 2018	491.6

	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

* The Group has initially applied IFRS 16 at 30 March 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in Retained earnings at the date of initial application (see note 4).

16. Investments

	Unaudited
	£m
Investments at 29 March 2019 and 27 September 2019	-
Investment at 28 September 2018	8.1

In February 2019 Tyres On the Drive went into administration. Tyres On the Drive sold its entire trade and assets to Victor Holdings Limited (or its subsidiaries). This left the business with no value. Therefore, the original value of the investment was derecognised in FY19 resulting in a debit to OCI as a result of the irrevocable election taken under IFRS 9 to account for the investment as FVOCI.

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

	At 29 March 2019	Cash flow Unaudited	Other non-cash changes Unaudited	At 27 September 2019 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)
Finance leases due within one year*	(1.3)	25.3	(100.6)	(76.6)
Finance leases due after one year*	(9.3)	-	(341.2)	(350.5)
Total finance leases	(10.6)	25.3	(441.8)	(427.1)
Total net debt	(81.8)	73.9	(441.9)	(449.8)

* The Group has initially applied IFRS 16 at 30 March 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in Retained earnings at the date of initial application (see note 4). This requires the recognition of lease liabilities on the balance sheet for lease contracts that were previously classified as operating leases.

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

	At 30 March 2018 Unaudited	Cash flow Unaudited	Other non-cash changes Unaudited	**At 28 September 2018 Unaudited**
	£m	£m	£m	**£m**
Cash in hand and at bank	7.5	(5.0)	-	**2.5**
Debt due after one year	(83.7)	15.3	(0.1)	**(68.5)**
Total net debt excluding finance leases	(76.2)	10.3	(0.1)	**(66.0)**
Finance leases due within one year	(1.3)	0.3	(0.3)	**(1.3)**
Finance leases due after one year	(10.3)	-	0.4	**(9.9)**
Total finance leases	(11.6)	0.3	0.1	**(11.2)**
Total net debt	(87.8)	10.6	-	**(77.2)**

18. Share Capital

	Number of shares	Share capital	Share premium account
	m	£m	£m
As at 30 March 2018 and 28 September 2018	199.1	2.0	151.0

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

During the 26 weeks to 27 September 2019 and 28 September 2018, 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.

19. Contingent liability

The Group's banking arrangements include the facility for the bank to provide a number of guarantees in respect of liabilities owed by the Group during the course of its trading. In the event of any amount being immediately payable under the guarantee, the bank has the right to recover the sum in full from the Group. The total amount of guarantees in place at 27 September 2019 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.

20. 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 99 to 108 of the Group 2019 Annual Report and Accounts.

During the period 984,783 share options were granted to directors in relation to the Performance Share Plan ("PSP") and 818 share options were granted in relation to the Deferred Bonus Plan ("DBP").

21. Post balance sheet events

After the balance sheet date on 14 October 2019 Halfords Autocentres acquired the trade and assets of Victor Holdings Limited (trading as "Tyres on the Drive") for an immaterial consideration. On 5 November 2019 Halfords Autocentres acquired 100% of the share capital of McConechy's Tyre Service Limited for cash consideration of £8.5m. The initial accounting for the business combination has not been completed for the time these financial statements have been issued, to include goodwill and fair value calculations. Full disclosure will be made in the annual accounts.

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

6 November 2019

Independent review report to Halfords Group plc

For the 26 weeks to 27 September 2019

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 27 September 2019 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 six months ended 27 September 2019 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
6 November 2019
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).