6 November 2014

Halfords Group plc

Interim Results: Financial Year 2015

Halfords Group plc, the UK's leading retailer of automotive, cycling and leisure products and a leading independent operator in garage servicing and auto repair, today announces its interim results for the 26 weeks to 26 September 2014 ("the period"). All numbers shown in this statement are before non-recurring costs, unless otherwise stated.

Group Financial Summary

	H1 FY15 £m	H1 FY14 £m	% change	Like-for-Like Revenues ("LFL") %
Total Group Revenue	524.1	490.6	+6.8	
Retail	*451.9*	*424.0*	*+6.6*	*+6.8*
Autocentres	*72.2*	*66.6*	*+8.4*	*+4.4*
Gross Margin				
Retail	*50.6%*	*51.2%*	*-65bps*	
Autocentres	*63.8%*	*65.0%*	*-124bps*	
Group EBITDA	63.6	59.6	+6.7	
Profit Before Tax and non-recurring items	49.4	44.6	+10.8	
Basic Earnings Per Share, before non-recurring items	20.1p	17.6p	+14.2	
Profit Before Tax, after non-recurring items	49.6	44.6	+11.2	
Basic Earnings Per Share, after non-recurring items	20.2p	17.6p	+14.8	
Interim Dividend Per Share	5.5p	5.2p	+5.8	

Financial Highlights

- Group revenues +6.8% (Q2 Retail LFL sales +5.7%)
- Cycling sales +16.0% with growth in all Cycling categories
- Car Maintenance sales +7.1% in the second quarter
- Online Retail sales +13.7%
- Basic earnings per share before non-recurring items +14.2%
- Operating cashflow of £86.1m funding the acquisition of *Boardman Bikes* and an increase in cash capex
- Interim dividend per share of 5.5p, up 5.8% as the Group progresses to a 30:70 interim:final weighting

Business Highlights

- Further success of the *Getting Into Gear* Retail strategy: 46 stores traded under a refreshed format, successful trial of five days a week delivery to store and an essential SAP upgrade completed
- The launch of *Car Parts Direct*, strengthening Halfords' authority within the Auto category
- A new cycle brand, *13*, launched to complement a growing portfolio of performance brands
- The first steps of the rollout of *Cycle Republic*, a fresh cycling proposition in Britain's towns and cities
- The £14.0m acquisition of *Boardman Bikes*, taking one of the UK's fastest-growing cycle brands in-house

Matt Davies, Chief Executive, commented:

"This was a strong performance against particularly tough comparatives and we are pleased overall with the progress we are making under our *Getting Into Gear* Retail plan. A strengthened Cycling offer was underpinned by the acquisition of *Boardman Bikes* whilst Halfords continued to build its Auto credentials with the launch of *Car Parts Direct*. More Retail colleagues completed their *Gear-2* training, the supply-chain and IT infrastructure improved further and refreshed stores performed in line with expectations. Autocentres delivered an improved sales performance, with new management focused on the motorist experience. I look forward to a second half where we will continue to position Halfords to deliver sustainable profit growth."

Quarterly Performance

	H1 FY15 % change		Q1 FY15 % change	Q2 FY15 % change
TOTAL REVENUE				
Halfords Group	**+6.8**		**+7.9**	**+5.8**
Retail	+6.6		+7.7	+5.5
Autocentres	+8.4		+9.4	+7.2
LFL REVENUE				
Retail	+6.8		+7.9	+5.7
Cycling	*+16.0*		*+21.3*	*+11.3*
Car Maintenance	*+3.7*		*+0.5*	*+7.1*
Car Enhancement	*-1.4*		*+0.1*	*-2.9*
Travel Solutions	*+3.9*		*+4.2*	*+3.6*
Autocentres	+4.4		+4.3	+4.4

Total revenues include those emanating from the acquisition of Boardman Bikes on 4 June 2014.

FY15 Guidance (52 weeks)

	CURRENT	PREVIOUS
Retail Gross Margin	A decline of 25-75bps	A decline of 25-75bps
Retail Operating Costs	c.+5-6%	c.+4-5%
Retail Capital Expenditure	c.£35m	c.£35m
Autocentres EBITDA	Up on FY14	Up on FY14
Autocentres Capital Expenditure	c.£8m	c.£8m
Net Finance Costs	c.£3.5-4.5m	Down on FY14
Effective Tax Rate	21-22%	21-22%

FY15 is a 53 week period, but will be reported on both a 52 and 53-week basis. The 2015 Good Friday holiday will fall into the 53rd week.

Enquiries

Investors & Analysts (Halfords) **+44 (0) 1527 513 113**
Andrew Findlay, Chief Financial Officer
Craig Marks, Head of Investor Relations & Corporate Communications

Media (Maitland) **+44 (0) 207 379 5151**
Andy Donald
Neil Bennett

Notes

1. Where appropriate, revenues denominated in foreign currencies have been translated at constant rates of exchange.
2. Like-for-like sales represent revenues from UK stores and centres, as well as Irish stores, trading for greater than 365 days.
3. All profit numbers shown in this statement are before non-recurring items, unless stated otherwise.
4. EBITDA denotes earnings before net finance costs, tax, depreciation, amortisation and non-recurring items.
5. Q1 FY15 represents the 13-week period ending Friday 27 June 2014.

Results Presentation

A presentation for analysts and investors will be held today starting at 10am at JP Morgan, One John Carpenter Street, London EC4Y 0AR (near to Blackfriars station). Attendance is by invitation only. A live webcast of the presentation will be available at www.halfordscompany.com.

Forthcoming Newsflow

Halfords Group plc will publish its third-quarter interim management statement on 21 January 2015.

Notes to Editors

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

Halfords is the UK's leading retailer of automotive, cycling and leisure products and, through Halfords Autocentres, also one of the UK's leading independent car servicing and repair operators. Halfords customers shop at 465 stores in the UK and Republic of Ireland and at halfords.com for pick-up at their local store or direct home delivery. Halfords Autocentres operates from 298 sites nationally and offers motorists dealership-quality MOTs, repairs and car servicing at affordable prices.

The Halfords Group strategy is based on three pillars:

- *Supporting Drivers Of Every Car*
- *Inspiring Cyclists Of Every Age*
- *Equipping Families For Their Leisure Time*

The *Getting Into Gear* strategy for the Retail business is based on executing in five key areas in order to deliver a significantly-enhanced customer experience:

- *Service Revolution*
- *The H Factor*
- *Stores Fit to Shop*
- *21st Century Infrastructure*
- *Click with the Digital Future*

Halfords employs approximately 11,000 colleagues and sells around 9,000 product lines in store, increasing to around 160,000 Retail products online. The Retail offering encompasses significant ranges in car parts, cycling products, in-car technology, child seats, roof boxes and camping equipment. Halfords' own cycling brands include *Apollo, Carrera*, *Boardman* and *13* cycles, augmented by a range of other brands of cycles and accessories, including *Kona*, *Mongoose, Raleigh* and *Pinarello*. In Auto, the *Halfords Essentials* and *Halfords Advanced* ranges are sold alongside brands such as *Generic Electric, Bosch, Garmin* and *TomTom.* In Travel Solutions, Halfords sells a premium range of equipment including camping brands such as *CampinGaz* and *Outwell*. Halfords offers customers expert advice and a fitting service called '***we***fit' for car parts, child seats, satellite navigation and in-car entertainment systems, and a '***we***repair' service for cycles.

Cautionary Statement

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

Chief Executive's Statement

Halfords Retail delivered a strong performance in the first half as the business repositions itself to offer a compelling customer experience. With the Cycling and Car Maintenance categories continuing to lead the way, the *Getting Into Gear* strategy progressed well, with more stores refreshed, an IT and supply infrastructure more able to cope with our growth ambitions and a digital platform built to accommodate rapidly-changing consumer preferences. New leadership at Halfords Autocentres established a strategy based on building customer trust as the business focuses on revenue growth accompanied by improved productivity and rates of utilisation.

The early signs for both Retail and Autocentres are encouraging as we look to offer consistently the expertise-based experience our customers deserve.

Summary of Group Results

Halfords Retail produced a strong sales performance with like-for-like ("LFL") revenue growth of 6.8% and online sales growth of 13.7%. The growth reflected a variety of factors including stronger product ranges and increasingly engaging offers for our customers, plus a growing authority in Auto and Cycling, underpinned by the impact of the *3-Gears* training programme. On average, weather conditions were also more favourable. Autocentres delivered consistent and improved sales growth across the first two quarters, with LFL revenues in the half up by 4.4%.

Group sales of £524.1m were up 6.8%, with Group gross profit up by 5.4%. Total operating costs rose by 5.1% reflecting strong sales volumes, an increase in depreciation, the strategic move to five-day-a-week delivery to store and the acquisition of *Boardman Bikes*. Group earnings before finance costs, tax and non-recurring items ("EBIT") were £51.2m, which compares with £47.8m in the prior period.

Earnings before non-recurring items, finance costs, depreciation and amortisation ("EBITDA") were up 6.7% to £63.6m. Profit before tax and non-recurring items was £49.4m and earnings per share before non-recurring items were 20.1p, up 10.8% and 14.2% respectively.

Group inventory and capital expenditure continued to be managed tightly, although the focus on improving product availability for our customers drove a 6.1% increase in Group inventories on the prior period; Autocentres inventory was unchanged year-on-year. Funding a significant uplift in cash capital investment and the £14.0m acquisition of *Boardman Bikes*, the cashflow performance was robust with operating cashflow of £86.1m. Net debt at the end of the period was £70.3m (H1 FY14: £57.5m).

The Board has approved an interim dividend of 5.5 pence per share (H1 FY14: 5.2 pence), an increase of 5.8%. This will be paid on 23 January 2015 to shareholders on the register at the close of business on 19 December 2014. The Board will continue to maintain its dividend policy of around two-times cover and growing full year dividends broadly in line with earnings per share.

Operational Review: Retail

Sales were £451.9m*, up 6.6% on the previous year and 6.8% on an LFL basis.

Cycling LFL revenues were up 16.0% in the period, driven not only by continued market growth and favourable weather, but also by our own actions. Along with Cycle Repair and Parts, Accessory and Clothing ("PACs") sales delivering double-digit growth, we were delighted to add *Kona* and *Mongoose* to the cycle portfolio and we were especially pleased to be confirmed as the largest European retailer of *Pinarello* bikes. These events were augmented by the acquisition of *Boardman Bikes*, a brand that continues to resonate with cyclists. Not only did this transaction make good financial sense, with significantly-reduced royalty payments, it also gives us a real opportunity to develop the brand even further with Chris Boardman and his team.

The creation and launch of our new *13* brand at the end of the period gives us further confidence in our ability to execute the rollout of *Cycle Republic* from December 2014, starting in London. *Cycle Republic* is an innovative new cycling-only store format that we plan to roll out in a number of Britain's towns and cities over the medium term.

LFL sales of Car Maintenance products and services grew by 3.7% in the first half. After the anniversary of challenging comparative sales in the first quarter, sales in the second quarter grew by 7.1%. Along with a 160 basis-point increase in the first-half fitting penetration in the sale of bulbs, blades and batteries (“3Bs”), we delivered record parts sales. Over 980,000 3Bs products were fitted in the half, an increase of 5.4% on the prior period. Our authority in the Auto category was strengthened further by the launch of *Car Parts Direct* in the summer, whilst Workshop sales continued to perform well.

Car Enhancement LFL revenues decreased by 1.4%, although Car Cleaning, which represents 28% of category sales, grew by 13.1% boosted by strong promotional offers and a focus on brands of choice. Halfords has the potential to be seen as a destination for in-car cameras, with initial sales up significantly in the period. Audio and Sat Nav sales continued to be impacted by structurally-declining markets, with sales down 8.0% and 6.8% respectively.

Travel Solutions LFL revenues increased by 3.9%, with more-compelling offers driving improved sales of camping and travel-equipment products. Continued improvements to our Child Car Seat proposition saw sales increase by 7.0% in the period. Travel equipment revenues increased by 5.3%, primarily reflecting cycle-carrier growth of over 38%.

Online Retail revenues grew by 13.7% and represented 12.2% of total Retail sales (H1 FY14: 11.5%). The continued strong growth was driven by the first phase of Halfords.com’s relaunch in November 2013, leading to a 19% improvement in online checkout conversion rates in that time. Whilst 59% of online Retail sales were represented by the Cycling category in the first half, 92% of online orders were collected in store as customers become more engaged in the service-based nature of our Click & Collect offer.

In the period total in-store service income, included within all of the above categories, increased by 9.4% to £11.4m, with the majority of revenues emanating from 3Bs fitting and Cycle Repair services.

**includes £0.7m of revenues from Boardman Bikes, acquired on 4 June 2014*

Operational Review: Autocentres

Total Autocentres revenues were up 8.4% and, on a LFL basis, 4.4%. Improvements in centre standards, incentive structures and the online offer were just some of the reasons for the improved trends. For example, the number of bookings via halfordsautocentres.com rose by over 24% in the period. MOT-based revenues encouragingly grew by 7.4% although a 25.5% growth in tyre sales drove a decline in the gross margin.

We continue to anticipate opening up to a further 10-15 Autocentres this year, though the first half saw a net decline of five centres as we exited sub-optimal locations.

Operational Review Summary

The performance in the period again reflected how we are developing our Auto and Cycling authority and are more consistently offering an expert-based experience for customers. With new management at Autocentres focusing on the enhancement of our service proposition, we will deliver a more consistent and engaging experience for our motoring customers.

Halfords Business Review

Retail

Halfords' mission is to *Help and Inspire Customers With Their Life on the Move* within the following categories: *Supporting Drivers of Every Car*, *Inspiring Cyclists of Every Age* and *Equipping Families for their Leisure Time*. Management's Retail focus remains in line with each category's sales participation.

The Retail strategy, *Getting Into Gear*, is based on the following five elements designed to significantly enhance the customer experience:

1. *Service Revolution*: introducing a step change in customer service across Halfords stores.

   More and more colleagues completed their specialist Gear-2 training as we look to leverage our sales and technical expertise. Halfords Retail also initiated a pilot of an apprenticeship programme in the period. 52 stores implemented a number of successful trial Cycle Repair initiatives, including training via five-day residential courses, the establishment of clear mechanic and technician roles, new back-of-house workstations and upweighted visibility of the offer. The success of the trial means we will roll out this new operating model across the majority of stores in the coming months.

2. *The H Factor*: reasserting the business' proposition authority to *Support Drivers of Every Car, Inspire Cyclists of Every Age* and *Equip Families for Their Leisure Time.*

   We developed our Auto offer in the period with the launch of *Car Parts Direct*, making more than 130,000 incremental car parts available to our customers and strengthened the Cycling proposition by expanding and upgrading the range of brands. The marketing of Auto continued as we began the trial of a new message for the fitting offer called 'Just Ask'. To augment the merchandising and positioning of our product offer in store we began the trial of a space-swap initiative where we're looking to further utilise our space in store and drive organic sales growth. Straddling both *H Factor* and *Stores Fit To Shop*, the space-swap trial will ensure we are more flexible in making our product ranges increasingly relevant to customers, depending on the location of the store, and allocating more space to growth categories.

3. *Stores Fit to Shop*: investing to raise the Halfords store estate to a standard the business is proud of.

   With 46 stores trading in a refreshed format by the end of the first half, we remain on track to see up to a total of up to 80 refreshed stores by the end of the second half. This, together with the ongoing space-swap trial and the rollout of the new Cycle Repair model means that the majority of stores will see an element of reformat over the next twelve months. We anticipate opening two or more *Cycle Republic* stores in London by the end of the financial year, including a store located at Euston Tower.

4. *21st Century Infrastructure* – systems and infrastructure to support service and sales.

   Our infrastructure continued to be upgraded in the period. Through virtualisation, we removed 4.5 tonnes of server hardware from the Support Centre. An essential SAP upgrade was completed in the period, facilitating the launch of *Car Parts Direct* and the movement from one-day-per-week delivery to store to five. More-frequent delivery to store will improve stock availability for our customers and gives us the opportunity, over time, to reduce recent incremental stock investments.

5. *Click with the Digital Future* – creating a service-led digital proposition.

   Our work under *Click with the Digital Future* progressed as colleague tablets were rolled out across the store estate, enabling the sale of extended ranges. Incremental improvements continued to be made to Halfords.com, from which our customers can choose from around 160,000 SKUs. The investment in our online proposition continued to pay back as the number of mobile/tablet sessions (visits) in the period increased by 37% and accounted for 55% of total sessions compared to 44% in the prior period.

Autocentres

Andy Randall joined Halfords Autocentres in March 2014 as Managing Director. His strategy for the business is formed around building trust with motorists and, like Retail, is focused on delivering EBITDA growth over the medium term.

To help Autocentres become the first choice for motorists, we will improve our online proposition. Over 15% of centre bookings are taken via the web, up by 2% on the prior period; growth is anticipated to accelerate. Via search-engine optimisation and less reliance on 'pay-per-click', our aim is to be near the top of the page of related web searches over the medium term. We launched the mobile-optimised Autocentre website yesterday as we look to improve the online-booking process to further increase the utilisation of valuable centre resources.

The milestone target of opening of up to 10-15 new, better quality centres per year remains unchanged. However the focus will expand to improve the standards and appearance of the majority of centre customer areas by the end of March 2017 and make the Autocentre experience more consistent and customer-friendly. This month we are opening a new concept centre in Croydon from which to learn and help inform the approach across the network. This investment will be funded from the capital expenditure as previously guided.

This month we are rolling out the latest diagnostic equipment to all centres which, together with an enhanced training programme to be implemented over the next 12 months, will materially improve our technicians' skills and capabilities to the extent they can talk about these to our customers with pride and be better equipped to deal with the latest technical queries. To underpin the customer offer and our greater focus on customer retention, colleagues will increasingly be rewarded on customer-service metrics.

There is a real opportunity to better leverage the Halfords brand with, for example, joint promotions, offering the customer around 750 locations throughout the UK to take advantage of compelling offers, including the current free five-point basic winter check – the first time the two businesses have been aligned on such a deal. Customers will see more of these over the coming months.

Finally, to better exploit economies of scale in the sourcing of parts, such as batteries and brake pads, Autocentres will increasingly use Halfords-branded products and utilise the supply-chain infrastructure within the Retail business to further improve service, MOT and repair profitability.

Summary

Halfords Retail becomes more of an Auto, kids-bike and gifting business in the second half of the year and the focus remains on developing our unique service and range advantages.

I am pleased with the progress we are making and over the next few months we will progress a number of initiatives such as *Cycle Republic*, logistics and supply-chain improvements, better space utilisation and Cycle Repair. Within Autocentres, Andy has made a good start, with the refreshed strategy already underway.

On behalf of the Board, I would like to thank all colleagues for their immense contribution and commitment to the progress of Halfords and the implementation of the plan to reposition the business. It has been a pleasure to work with every one of you over the last six months.

Matt Davies
Chief Executive, November 2014

CHIEF FINANCIAL OFFICER'S REPORT

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

Reportable Segments

Halfords Group operates through two reportable business segments:

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

All references to Group represent the consolidation of the Halfords ("Halfords Retail"/"Retail") and Halfords Autocentres ("Halfords Autocentres"/"Autocentres") trading entities. The Group acquired 100% of the ordinary shares of Boardman Bikes Limited and Boardman International Limited ("*Boardman Bikes*") on 4 June 2014. Since its acquisition *Boardman Bikes* has operated as part of the Retail business segment.

The "H1 FY15" accounting period represents trading for the 26 weeks to 26 September 2014 ("the period"). The comparative period "H1 FY14" represents trading for the 26 weeks to 27 September 2013 ("the prior period").

Financial Results

	H1 FY15 £m	H1 FY14 £m	Change
Group Revenue	524.1	490.6	+6.8%
Group Gross Profit	274.7	260.6	+5.4%
Group EBIT*	51.2	47.8	+7.1%
Group EBITDA**	63.6	59.6	+6.7%
Net Finance Costs	(1.8)	(3.2)	-43.8%
Profit Before Tax and non-recurring items	**49.4**	**44.6**	**+10.8%**
Profit Before Tax, after non-recurring items	49.6	44.6	+11.2%

** EBIT denotes earnings before net finance costs, tax and non-recurring items*
*** EBITDA denotes earnings before net finance costs, tax, depreciation, amortisation and non-recurring items*

Group revenue in H1 FY15, at £524.1m, was up 6.8% and comprised Retail revenue of £451.9m and Autocentres revenue of £72.2m. This compared to H1 FY14 Group revenue of £490.6m, which comprised Retail revenue of £424.0m and Autocentres revenue of £66.6m. Group gross profit at £274.7m (H1 FY14: £260.6m) represented 52.4% of Group revenue (H1 FY14: 53.1%), reflecting a decrease in the Retail gross margin of 65 basis points ("bps") to 50.6% and decrease in the Autocentres gross margin of 124 bps to 63.8%.

Total Operating Costs before non-recurring items increased to £223.5m (H1 FY14: £212.8m) of which Retail represented £178.4m (H1 FY14: £171.0m), Autocentres £44.5m (H1 FY14: £41.0m) and unallocated costs £0.6m (H1 FY14: £0.8m). Unallocated costs represent amortisation charges in respect of intangible assets acquired through business combinations, namely the acquisition of Nationwide Autocentres Limited in February 2010 and *Boardman Bikes* in June 2014, which arise on consolidation of the Group.

Group EBITDA before non-recurring items increased by 6.7% to £63.6m (H1 FY14: £59.6m), whilst net finance costs were £1.8m (H1 FY14: £3.2m). Group Profit Before Tax and non-recurring items for the period was up 10.8% at £49.4m (H1 FY14: £44.6m).

Non-recurring income of £0.2m (H1 FY14: £nil) during the period represented the release of an excess onerous lease provision in relation to the Wembley store as a final exit agreement has been reached for April 2015. This provision had been previously charged as a non-recurring item.

Group Profit Before Tax in the period after non-recurring items rose 11.2% to £49.6m (H1 FY14: £44.6m).

Halfords Retail

	H1 FY15 £m	H1 FY14 £m	Change
Revenue	451.9	424.0	+6.6%
Gross Profit	228.6	217.3	+5.2%
Gross Margin	50.6%	51.2%	-65bps
Operating Costs	(178.4)	(171.0)	+4.3%
EBIT before non-recurring items	**50.2**	**46.3**	**+8.4%**
Non-recurring income	0.2	-	-
EBIT after non-recurring items	50.4	46.3	+8.9%
EBITDA before non-recurring items	**60.2**	**55.7**	**+8.1%**

The Retail segment of the business incorporates the results of *Boardman Bikes* since its acquisition on 4 June 2014.

Revenue for the Retail business of £451.9m reflected, on a constant-currency basis, a like-for-like ("LFL") sales increase of 6.8%. Non-LFL stores contributed less than £0.1m revenue in the period and third-party non-LFL sales from *Boardman Bikes* contributed £0.7m.

Cycling LFL revenues were up 16.0% in the period. This reflects strong performance across the category with Premium Bike sales up 40.4%, Kids Bikes sales up 16.4% and Cycle Repair up 12.4%. The sale of *Boardman* premium bikes continued to grow strongly, with revenues up 49.0% on the prior period. Cycle Repair sales growth was lower than anticipated and is an area of focus in the second half, with continued investment in equipment, capability and training.

Car Maintenance LFL revenues increased by 3.7%, supported by the strong Workshop category, in which sales were positively impacted by a stronger overall customer offer, including a new 200-piece tool set, and the relaunch of the Lifetime Guarantee on the Halfords Advanced range. The fitting penetration of bulbs, blades and batteries ("3Bs") was up 160 bps versus the prior period, whilst Retail's authority in Auto was further strengthened by the launch of *Car Parts Direct*.

Car Enhancement LFL revenues were down 1.4%. Audio and Sat Nav sales continued to be impacted by structurally-declining markets, with sales down 8.0% and 6.8% respectively. Car Cleaning sales were up 13.1% with a strongly-executed '3-4-2 on all*'* promotional offer and a focus on brands of choice.

Travel Solutions LFL revenues increased 3.9%, with improved merchandising and more-compelling offers driving growth in the sales of Travel Equipment and Child Travel and Safety.

Revenues for the Retail business (including *Boardman Bikes*) are split by category below:

	H1 FY15 (%)	H1 FY14 (%)
Cycling	38.0	34.9
Car Maintenance	26.6	27.4
Car Enhancement	21.7	23.5
Travel Solutions	13.7	14.2
Total	**100.0**	**100.0**

Gross profit for the Retail business at £228.6m (H1 FY14: £217.3m) represented 50.6% of sales, 65bps down on the prior period (H1 FY14: 51.2%), in line with full-year guidance. This reflected strong sales in Cycling and, in particular, lower-margin Premium Bikes. Up-weighted promotional activity also contributed to the reduction in margin.

Full-year guidance of a 25-75bps decline in the Retail gross margin versus the prior year remains unchanged.

Operating Costs before non-recurring items were £178.4m (H1 FY14: £171.0m). Their breakdown is set out below:

	H1 FY15 £m	H1 FY14 £m	Change
Store Staffing	49.2	46.3	+6.3%
Store Occupancy	68.6	70.5	-2.6%
Warehouse & Distribution	19.7	16.9	+16.8%
Support Costs	40.9	37.3	+9.7%
Total Operating Costs before non-recurring items	**178.4**	**171.0**	**+4.3%**

Strong trading volumes, particularly in bikes, led to incremental investment in store hours. This, together with the uplift in the national minimum wage, contributed to the increase in Store Staffing costs of 6.3%. The impact of the *3-Gears* training programme on Store Staffing costs began to accelerate towards the end of the period and will have a greater effect in the second half as more colleagues progress through Gear 2 and qualify for wage uplifts.

Store Occupancy costs decreased by 2.6%. Inflationary increases in utilities, investment in store repair and store-refresh costs were more than offset by £2.2m (H1 FY14: £1.0m) of landlord surrender premium income and lower asset write-off charges. Rental charges were in line with the prior period.

Warehouse & Distribution costs increased by 16.8%, primarily reflecting the increase in sales volumes. Sales mix also drove an adverse impact, both in terms of sales channel, with online becoming a growing proportion of our Retail revenues, and overall category mix with the shift into bulkier cycle sales. The increase was also influenced by the launch of 5 day-a-week deliveries to store, introduced at the end of the period.

Support Costs rose by 9.7%. The cost of the second year of the management-incentive arrangements and higher colleague-incentive accruals represented an increased charge in the period. Increased depreciation from IT investments, phasing of marketing investments, and annual pay increases also contributed to the uplift. Support Costs in the first half included the one-off transaction costs and on-going operating costs associated with *Boardman Bikes*, which together amounted to £0.6m.

Management now anticipates a c.5-6% increase in Retail operating costs in FY15. The increase compared to prior guidance is due to the strong Retail sales performance to date driving additional costs into Store Labour and Warehouse & Distribution, enhanced store-change activity, the acquisition of *Boardman Bikes* plus the decision to enhance colleague face-to-face training even further.

Halfords Autocentres

	H1 FY15 £m	H1 FY14 £m	Change
Revenue	72.2	66.6	+8.4%
Gross Profit	46.1	43.3	+6.5%
Gross Margin	63.8%	65.0%	-124bps
Operating Costs	(44.5)	(41.0)	+8.5%
EBIT	**1.6**	**2.3**	**-30.4%**
EBITDA	**3.4**	**3.9**	**-12.8%**

There were no non-recurring items related to the Autocentres business in either period presented.

Autocentres generated total revenues of £72.2m (H1 FY14: £66.6m), an increase of 8.4% on the prior period with a LFL revenue increase of 4.4%. LFL tyre revenues increased by 25.5% and represented 17.1% of total LFL revenues (H1 FY14: 14.2%). Online-booking volumes grew 24.3%.

Gross profit at £46.1m (H1 FY14: £43.3m) represented a gross margin of 63.8%; a decline of 124 bps on the prior period, driven by higher mix of lower-margin tyres. The gross margin of our Service, Maintenance and Repair work remained strong.

Autocentres' EBIT was down 30.4% at £1.6m (H1 FY14 £2.3m). We continue to anticipate full-year EBITDA growth versus FY14, dependent on strong second-half LFL sales.

Portfolio Management

The Retail store portfolio at the period end comprised 465 stores (end of H1 FY14: 466; end of FY14: 465).

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

	Number	Stores
Relocations	5	Nottingham, Workington, Thanet, Penrith, Dunfermline
Re-gears	9	Chesterfield, Horsham, Bangor, Northampton, Carlisle, Ellesmere Port, Great Yarmouth, Worksop, St Austell
Downsizes	3	Perth, Bedford, Southport

One new Autocentre (Chadwell Heath) was opened and six (Bedford, Southport, Moseley, Coventry, Telford, Burntwood) were closed in the period, taking the total number of Autocentre locations to 298 as at 26 September 2014. We continue to expect to open up to 10-15 new Autocentres in the year.

With the exception of eight long leasehold and two freehold properties within Autocentres, the Group's operating sites are occupied under operating leases, the majority of which are on standard lease terms, typically with a 5 to 15-year term at inception and with an average lease length of c.7 years.

Net Non-Recurring income

The following table outlines the non-recurring income recognised in the period:

	H1 FY15 £m	**H1 FY14 £m**
Onerous lease provision release	(0.2)	-
Net non-recurring income	**(0.2)**	**-**

In FY13 an onerous lease provision of £1.2m was created for two Retail stores, reflecting the challenging property market for vacant properties and the high cost to exit lease agreements. This provision had previously been charged as a non-recurring item. A final exit agreement in relation to the Wembley retail store was reached in the period, resulting in a provision release of £0.2m.

Finance Expense

The net finance expense for the period was £1.8m (H1 FY14: £3.2m). The prior period expense included one off charges in relation to accelerated amortisation of debt issue costs and the crystallisation of a number of prior period tax computations amounting to £1.0m. Lower drawdowns and favourable interest rates, following the debt facility refinancing in September 2013, also contributed to the reduced charge.

Management now anticipates the full year net finance expense to be in the range of c.£3.5m to £4.5m.

Taxation

The taxation charge on profit for the financial period was £10.4m (H1 FY14: £10.5m), including a £0.1m charge (H1 FY14: £nil) in respect of tax on non-recurring items. The effective tax rate of 21.0% (H1 FY14: 23.6%) is the same as the UK corporation tax rate (21.0%) as the net effects of non-deductible depreciation charged on capital expenditure, overseas tax rates, other permanent differences and prior year adjustments offset one another entirely.

The anticipation of an effective tax rate of 21-22% in FY15 remains unchanged.

Earnings Per Share ("EPS")

Basic EPS before non-recurring items was 20.1 pence (H1 FY14: 17.6 pence), a 14.2% increase on the prior period. Basic EPS after non-recurring items was 20.2 pence (H1 FY14: 17.6 pence). Basic weighted-average shares in issue during the period were 194.1m (H1 FY14: 193.9m).

Dividend

The Board has approved an interim dividend of 5.5 pence per share (H1 FY14: 5.2 pence), an increase of 5.8%. This will be paid on 23 January 2015 to shareholders on the register at the close of business on 19 December 2014.

As previously guided, in order to better match dividend payments with the operating cash flow profile of the business, the interim:final dividend ratio will transition to 30:70 over time.

The Board continues to target broadly a 2 times dividend cover and intends to grow full-year dividends broadly in line with earnings per share.

Capital Expenditure

Capital investment in the period totalled £12.5m (H1 FY14: £14.2m) comprising £11.3m in Retail and £1.2m in Autocentres. Consistent with prior periods, management has adopted a prudent approach with regard to capital investment and focused on investments generating material returns in line with the *Getting Into Gear* Retail strategy.

Within Retail, £6.9m (H1 FY14: £5.4m) was invested in stores, including 19 store refreshes. The investment also included 7 store relocations and right-sizes as well as general capital spend relating to roofing, flooring and security. By the end of H1 FY15, 46 stores were trading in a refreshed format in line with the *Stores Fit To Shop* initiative. Additional investments in Retail infrastructure included a £3.7m investment in IT systems, such as development of the online Retail proposition, the new parts database trading as *Car Parts Direct*, the move to 5-day-a-week deliveries to store as well as a significant upgrade of the core SAP operating system.

The £1.2m investment in Autocentres comprised new centres and in-centre equipment. One centre was opened in the period (H1 FY14: 14) with the rest of this year's 10-15 new centres expected to open in the second half of the year.

On a cash basis, capital expenditure in the period was £15.3m (H1 FY14: £11.3m).

Management continues to anticipate an investment of around £100m in Retail capital expenditure in the three-year period to the end of FY16 with FY15 capital expenditure for Retail and Autocentres remaining in line with prevailing guidance at circa £43m.

Inventories

Group inventory held at the period end was £148.9m (H1 FY14: £140.3m). All of the increase was within the Retail business and reflects improved in-store availability and the continued strong demand within the Cycling category. Autocentres' inventory was £1.3m (H1 FY14: £1.3m). The Autocentres business model is such that only modest levels of inventory are held within the centres, with most parts being acquired on an as-needed basis.

Cashflow and Borrowings

The Group continued its track record of robust cash generation. Cash generated from operating activities in the period was £86.1m (H1 FY14: £92.2m). The year-on-year reduction reflected prior-year working-capital timing differences. After taxation, net finance costs, the acquisition of *Boardman Bikes* and increased levels of cash capital expenditure, free cashflow of £47.1m (H1 FY14: £73.2m) was generated.

Group net debt was £70.3m (H1 FY14 £57.5m) with the non-lease-adjusted 12-month net debt: EBITDA ratio at 0.7:1.

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 period are described in note 3 to the condensed consolidated preliminary financial statements. These include:

- Economic risk
- Business strategy risks
- Competitive risks
- Compliance
- Changing customer preferences
- Reliance on foreign manufacturers
- 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.

Andrew Findlay
Chief Financial Officer, November 2014

HALFORDS GROUP PLC

Condensed consolidated income statement

For the 26 weeks to 26 September 2014

	Notes	**26 weeks to 26 September 2014 Unaudited £m**	26 weeks to 27 September 2013 Unaudited £m	52 weeks to 28 March 2014 £m
Revenue	6	**524.1**	490.6	939.7
Cost of sales		**(249.4)**	(230.0)	(435.5)
Gross profit		**274.7**	260.6	504.2
Operating expenses		**(223.5)**	(212.8)	(426.4)
Operating profit before non-recurring items		**51.2**	47.8	77.8
Non-recurring operating income/(expenditure)	7	**0.2**	-	(0.2)
Results from operating activities		**51.4**	47.8	77.6
Finance costs	8	**(1.9)**	(3.3)	(5.2)
Finance income	8	**0.1**	0.1	0.2
Net finance costs		**(1.8)**	(3.2)	(5.0)
Profit before tax and non-recurring items		**49.4**	44.6	72.8
Non-recurring operating income/(expenditure)	7	**0.2**	-	(0.2)
Profit before tax		**49.6**	44.6	72.6
Tax on recurring items	9	**(10.3)**	(10.5)	(17.0)
Tax on non-recurring items	7	**(0.1)**	-	(0.1)
Profit for the period attributable to equity shareholders		**39.2**	34.1	55.5

Earnings per share				
Basic earnings per share	11	20.2p	17.6p	28.6p
Diluted earnings per share	11	19.8p	17.3p	28.2p
Basic earnings per share before non-recurring items	11	20.1p	17.6p	28.8p
Diluted earnings per share before non-recurring items	11	19.7p	17.3p	28.4p

A final dividend of 9.10 pence per share for the 52 weeks to 28 March 2014 (2013: 9.10 pence per share) was paid on 1 August 2014. The directors have approved an interim dividend of 5.50 pence per share in respect of the 26 weeks to 26 September 2014 (2013: 5.20 pence per share).

HALFORDS GROUP PLC

Condensed consolidated statement of comprehensive income

For the 26 weeks to 26 September 2014

	26 weeks to 26 September 2014 Unaudited £m	26 weeks to 27 September 2013 Unaudited £m	52 weeks to 28 March 2014 £m
Profit for the period	**39.2**	34.1	55.5
Other comprehensive income			
Cash flow hedges:			
Fair value changes in the period	**1.9**	(3.5)	(3.0)
Transfers to inventory	**1.4**	(0.8)	1.1
Transfers to net profit:			
Cost of sales	**(0.7)**	1.7	(0.1)
Tax on other comprehensive income	**(0.8)**	0.9	0.8
Other comprehensive income for the period, net of tax	**1.8**	(1.7)	(1.2)
Total comprehensive income for the period attributable to equity shareholders	**41.0**	32.4	54.3

HALFORDS GROUP PLC

Condensed consolidated statement of financial position

For the 26 weeks to 26 September 2014

	Notes	**As at 26 September 2014 Unaudited**	As at 27 September 2013 Unaudited	As at 28 March 2014
Assets		**£m**	£m	£m
Non-current assets				
Intangible assets	12	**357.6**	341.0	342.2
Property, plant and equipment	12	**93.2**	93.3	95.2
Deferred tax assets		**3.2**	0.9	4.4
Total non-current assets		**454.0**	435.2	441.8
Current assets				
Inventories		**148.9**	140.3	150.2
Trade and other receivables		**63.5**	59.5	52.8
Derivative financial instruments		**2.1**	-	-
Cash and cash equivalents	13	**3.7**	5.8	5.3
Total current assets		**218.2**	205.6	208.3
Total assets		**672.2**	640.8	650.1
Liabilities				
Current liabilities				
Borrowings	13	**(31.4)**	(29.9)	(10.3)
Derivative financial instruments		**-**	(2.6)	(2.1)
Trade and other payables		**(185.2)**	(192.3)	(159.5)
Current tax liabilities		**(13.9)**	(29.6)	(10.4)
Provisions		**(10.0)**	(7.3)	(9.0)
Total current liabilities		**(240.5)**	(261.7)	(191.3)
Net current (liabilities)/assets		**(22.3)**	(56.1)	17.0
Non-current liabilities				
Borrowings	13	**(42.5)**	(33.4)	(94.6)
Accruals and deferred income – lease incentives		**(30.0)**	(30.2)	(28.8)
Provisions		**(8.6)**	(4.2)	(9.3)
Total non-current liabilities		**(81.1)**	(67.8)	(132.7)
Total liabilities		**(321.6)**	(329.5)	(324.0)
Net assets		**350.6**	311.3	326.1
Shareholders' equity				
Share capital	14	**2.0**	2.0	2.0
Share premium account	14	**151.0**	151.0	151.0
Investment in own shares		**(14.1)**	(15.5)	(14.3)
Other reserves		**1.5**	(0.8)	(0.3)
Retained earnings		**210.2**	174.6	187.7
Total equity attributable to equity holders of the Company		**350.6**	311.3	326.1

HALFORDS GROUP PLC

Condensed consolidated statement of changes in equity

For the 26 weeks to 26 September 2014

For the period ended 27 September 2013 (Unaudited)

	Attributable to the equity holders of the Company						
				Other reserves			
	Share capital £m	Share premium account £m	Investment in own shares £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	**Total equity £m**
Balance at 29 March 2013	2.0	151.0	(13.2)	0.3	0.6	158.0	**298.7**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	34.1	**34.1**
Other comprehensive income							
Cash flow hedges:							
Fair value changes in the period	-	-	-	-	(3.5)	-	**(3.5)**
Transfers to inventory	-	-	-	-	(0.8)	-	**(0.8)**
Transfers to net profit:							
Cost of sales	-	-	-	-	1.7	-	**1.7**
Tax on other comprehensive income	-	-	-	-	0.9	-	**0.9**
Total other comprehensive income for the period net of tax	-	-	-	-	(1.7)	34.1	**32.4**
Transactions with owners, recorded directly in equity							
Share options exercised	-	-	0.9	-	-	-	**0.9**
Share-based payment transactions	-	-	-	-	-	0.2	**0.2**
Purchase of own shares	-	-	(3.2)	-	-	-	**(3.2)**
Tax on share-based payment transactions	-	-	-	-	-	(0.1)	**(0.1)**
Dividends to equity holders	-	-	-	-	-	(17.6)	**(17.6)**
Total transactions with owners	-	-	(2.3)	-	-	(17.5)	**(19.8)**
Balance at 27 September 2013	2.0	151.0	(15.5)	0.3	(1.1)	174.6	**311.3**

HALFORDS GROUP PLC

Condensed consolidated statement of changes in equity (continued)

For the 26 weeks to 26 September 2014

For the period ended 26 September 2014 (Unaudited)

	Attributable to the equity holders of the Company						
				Other reserves			
	Share capital £m	Share premium account £m	Investment in own shares £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	**Total equity £m**
Balance at 28 March 2014	2.0	151.0	(14.3)	0.3	(0.6)	187.7	**326.1**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	39.2	**39.2**
Other comprehensive income							
Cash flow hedges:							
Fair value changes in the period	-	-	-	-	1.9	-	**1.9**
Transfers to inventory	-	-	-	-	1.4	-	**1.4**
Transfers to net profit:							
Cost of sales	-	-	-	-	(0.7)	-	**(0.7)**
Tax on other comprehensive income	-	-	-	-	(0.8)	-	**(0.8)**
Total other comprehensive income for the period net of tax	-	-	-	-	1.8	39.2	**41.0**
Transactions with owners, recorded directly in equity							
Share options exercised	-	-	0.2	-	-	-	**0.2**
Share-based payment transactions	-	-	-	-	-	1.1	**1.1**
Purchase of own shares	-	-	-	-	-	-	**-**
Tax on share-based payment transactions	-	-	-	-	-	(0.1)	**(0.1)**
Dividends to equity holders	-	-	-	-	-	(17.7)	**(17.7)**
Total transactions with owners	-	-	0.2	-	-	(16.7)	**(16.5)**
Balance at 26 September 2014	**2.0**	**151.0**	**(14.1)**	**0.3**	**1.2**	**210.2**	**350.6**

HALFORDS GROUP PLC

Condensed consolidated statement of cash flows

For the 26 weeks to 26 September 2014

	Notes	**26 weeks to 26 September 2014 Unaudited £m**	26 weeks to 27 September 2013 Unaudited £m	52 weeks to 28 March 2014 £m
Cash flows from operating activities				
Profit after tax for the period before non-recurring items		**39.0**	34.1	55.8
Non-recurring items		**0.2**	-	(0.3)
Profit after tax for the period		**39.2**	34.1	55.5
Depreciation - property, plant and equipment		**9.8**	8.9	18.0
Impairment charge		**-**	-	0.4
Amortisation - intangible assets		**2.6**	2.9	5.3
Net finance costs		**1.8**	3.2	5.0
Loss on disposal of property, plant and equipment		**0.5**	0.9	2.1
Equity settled share based payment transactions		**1.1**	0.2	1.0
Fair value loss/(gain) on derivative financial instruments		**(0.8)**	1.7	1.4
Corporation tax expense		**10.4**	10.5	17.1
(Increase)/decrease in inventories		**1.3**	(7.1)	(17.0)
Increase in trade and other receivables		**(10.7)**	(5.6)	1.0
Increase in trade and other payables		**30.0**	44.2	10.7
(Decrease)/increase in provisions		**0.3**	(0.1)	6.7
Finance income received		**0.1**	0.1	0.2
Finance costs paid		**(1.7)**	(1.8)	(4.6)
Corporation tax paid		**(7.4)**	(7.0)	(35.3)
Net cash from operating activities		**76.5**	85.1	67.5
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired		**(14.0)**	-	-
Purchase of intangible assets		**(4.1)**	(1.6)	(5.3)
Purchase of property, plant and equipment		**(11.2)**	(9.7)	(21.4)
Net cash used in investing activities		**(29.3)**	(11.3)	(26.7)
Cash flows from financing activities				
Net proceeds from issue of ordinary shares		**0.2**	0.9	2.1
Purchase of own shares		**-**	(3.2)	(3.2)
Proceeds from loans, net of transaction costs		**91.0**	95.7	305.7
Repayment of borrowings		**(143.0)**	(177.0)	(326.0)
Payment of finance lease liabilities		**(0.3)**	(0.2)	(0.3)
Dividends paid to shareholders	10	**(17.7)**	(17.6)	(27.7)
Net cash used in financing activities		**(69.8)**	(101.4)	(49.4)
Net decrease in cash and bank overdrafts	13	**(22.6)**	(27.6)	(8.6)
Cash and cash equivalents at the beginning of the period	13	**(4.7)**	3.9	3.9
Cash and cash equivalents at the end of the period	13	**(27.3)**	(23.7)	(4.7)

Notes to the condensed consolidated interim financial statements (continued)

For the 26 weeks to 26 September 2014

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 5 November 2014.

2. Basis of preparation

These condensed consolidated interim financial statements for the 26 weeks to 26 September 2014 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 2014 Annual Report and Accounts, which have been prepared in accordance with IFRSs as adopted by the European Union.

The comparative figures for the financial period ended 28 March 2014 are not the Group's statutory accounts for that financial period. Those accounts have been reported on by the Group's auditors and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

3. Risks and uncertainties

The Directors consider that the principal risks and uncertainties which could have a material impact on the Group's performance in the remaining 26 weeks of the financial year remain the same as those stated on pages 64 to 67 of our Annual Report and Accounts for the 52 weeks to 28 March 2014, which are available on our website *www.halfordscompany.com.*

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

Economic and market conditions

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

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

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

Competition

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

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

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

4. Significant accounting policies

As required by the Disclosure and Transparency Rules of the Financial 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 2014 Annual Reports and Accounts, which are published on the Halfords Group website, *www.halfordscompany.com.*

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.

Several new standards and amendments apply for the first time in 2014. However, there are none that would be expected to have a material impact on the Group. The nature and impact of each new standard/amendment is described below:

- IFRS 10 'Consolidated financial statements' replaces the guidance of control and consolidation in IAS 27 and SIC 32: Consolidation – special purpose entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they were a single entity remains unchanged, as do the mechanics of the consolidation.
- IFRS 11 'Joint arrangements' requires joint arrangements to be accounted for as a joint operation or as a joint venture depending on the rights and obligations of each party to the arrangement. Proportionate consolidation for joint ventures will be eliminated and equity accounting will be mandatory.
- IFRS 12: 'Disclosure of interests in other entities' requires enhanced disclosures of the nature, risks and financial effects associated with the Group's interests in subsidiaries, associates, joint arrangements and unconsolidated structures entities.

There are no other new standards, amendments to existing standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

5. Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the 52 week period ended 28 March 2014 and the 26 weeks ended 27 September 2013.

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. As of the 4 June 2014 the Retail business acquired two companies, Boardman Bikes Limited and Boardman International Limited. The operation of these companies includes the sale of cycles and cycling accessories and forms part of the Retail segment and does not form a new segment for the purposes of reporting. The operations of the Car Servicing reporting segment comprise car servicing and repair performed from Autocentres.

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

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

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

Income statement	**Retail Unaudited £m**	**Car Servicing Unaudited £m**	**26 weeks to 26 September 2014 Total Unaudited £m**	26 weeks to 27 September 2013 Total Unaudited £m
Revenue	**451.9**	**72.2**	**524.1**	490.6
Segment result before non-recurring items	**50.2**	**1.6**	**51.8**	48.6
Non-recurring items	**0.2**	**-**	**0.2**	-
Segment result	**50.4**	**1.6**	**52.0**	48.6
Unallocated expenses [1]			**(0.6)**	(0.8)
Operating profit			**51.4**	47.8
Net financing expense			**(1.8)**	(3.2)
Profit before tax			**49.6**	44.6
Tax			**(10.4)**	(10.5)
Profit after tax			**39.2**	34.1

[1] Unallocated expenses have been disclosed to reflect the format of the internal management reports reviewed by the Chief Operating Decision maker and include an amortisation charge of (£0.6m) in respect of assets acquired through business combinations (2013: (£0.8m)).

Income statement	**Retail £m**	**Car Servicing £m**	**52 weeks to 28 March 2014 Total £m**
Revenue	803.1	136.6	939.7
Segment result before non-recurring items	75.2	4.3	79.5
Non-recurring items	(0.2)	-	(0.2)
Segment result	75.0	4.3	79.3
Unallocated expenses[1]			(1.7)
Operating profit			77.6
Net financing expense			(5.0)
Profit before tax			72.6
Taxation			(17.1)
Profit after tax			55.5

[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 (£1.7m) in respect of assets acquired through business combinations (2013: (£1.8m)).

Other segment items:	**Retail Unaudited £m**	**Car Servicing Unaudited £m**	**26 weeks to 26 September 2014 Total Unaudited £m**	26 weeks to 27 September 2013 Total Unaudited £m
Capital expenditure	**11.3**	**1.2**	**12.5**	14.2
Depreciation expense	**8.0**	**1.8**	**9.8**	8.9
Amortisation expense	**2.0**	**-**	**2.0**	2.1

Other segment items:	Retail £m	Car Servicing £m	52 weeks to 28 March 2014 Total £m
Capital expenditure	24.4	6.0	30.4
Depreciation expense	14.8	3.2	18.0
Impairment expense	0.4	-	0.4
Amortisation expense	3.6	-	3.6

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

7. Non-recurring items

	26 weeks to 27 September 2014 Unaudited £m	26 weeks to 27 September 2013 Unaudited £m	52 weeks to 28 March 2014 £m
Non-recurring operating expenses:			
Lease guarantee provision[1]	-	-	(0.2)
Onerous lease provision[2]	(0.2)	-	-
Impairment of Property, Plant and Equipment[3]	-	-	0.4
Non-recurring items before tax	**(0.2)**	-	**0.2**
Tax on non-recurring items	0.1	-	0.1
Non-recurring (income)/expense after tax	**(0.1)**	-	**0.3**

[1]A non-recurring expense of £7.5m was incurred in 2011. This expense related to the creation of a provision for the potential liabilities arising from lease guarantees provided by Halfords prior to July 1989. In prior years the settlement of these obligations has resulted in a partial release of the original amounts provided. There have been no further settlements in the current period.

[2]A charge incurred in prior periods relating to stores where the present value of expected future cash flows is deemed to be insufficient to cover the lower of cost of exit or value-in-use. The release in the current year is reflective of a finalised deal to exit one of these stores, the cost of which is less than the provision being maintained.

[3]Impairment charge in respect of property, plant and equipment where the carrying amount of these assets has been deemed to exceed the recoverable amount.

8. Net Finance Costs

	26 weeks to 26 September 2014	26 weeks to 27 September 2013	52 weeks to 28 March 2014
	Unaudited	Unaudited	
	£m	£m	£m
Finance costs:			
Bank borrowings	**(0.7)**	(0.6)	(1.3)
Amortisation of issue costs on loans	**(0.3)**	(0.7)	(1.0)
Commitment and guarantee fees	**(0.4)**	(0.7)	(1.1)
Cost of forward foreign exchange contracts	**(0.1)**	(0.1)	(0.3)
Interest payable on finance leases	**(0.4)**	(0.4)	(0.7)
Other interest payable	**-**	(0.8)	(0.8)
Finance costs	**(1.9)**	(3.3)	(5.2)
Finance income:			
Bank and similar income	**0.1**	0.1	0.2
Finance income	**0.1**	0.1	0.2
Net finance costs	**(1.8)**	(3.2)	(5.0)

Other interest payable in the prior periods included £0.8m relating to interest on tax amounts due to HMRC.

9. Income tax expense

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

The effective tax rate before non-recurring items for the 26 weeks to 26 September 2014 is 21.0% (HY14: 23.6%). The net effects of non-deductible depreciation charged on capital expenditure, overseas tax rates, other permanent differences and prior year adjustments offset one another entirely causing the effective tax rate to be in line with the UK corporation tax rate (21%).

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 26 September 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date. It has not yet been possible to quantify the full anticipated effect of the announced further rate reduction.

10. Dividends

During the period the Group paid a final dividend of 9.10 pence per share in respect of the 52 weeks to 28 March 2014 (2013: 9.10 pence per share), which absorbed £17.7m of shareholders' funds (2013: £17.6m).

The directors have approved an interim dividend of 5.50 pence per share for the 26 weeks to 26 September 2014 (2013: 5.20 pence per share), which is expected to be £10.7m (2013: £10.1m) and will be paid on 23 January 2015 to those shareholders on the share register at the close of business on 19 December 2014.

11. Earnings Per Share

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

For diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the 26 weeks to 26 September 2014.

	26 weeks to 26 September 2014	26 weeks to 27 September 2013	52 weeks to 28 March 2014
	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	**(5.0)**	(5.2)	(5.1)
Weighted average number of shares for calculating basic earnings per share	**194.1**	193.9	194.0
Weighted average number of dilutive share options	**4.0**	3.0	2.9
Total number of shares for calculating diluted earnings per share	**198.1**	196.9	196.9

	26 weeks to 26 September 2014	26 weeks to 27 September 2013	52 weeks to 28 March 2014
	Unaudited	Unaudited	
	£m	£m	£m
Basic earnings attributable to equity shareholders	**39.2**	34.1	55.5
Non-recurring items:			
Operating (income)/expenses	**(0.2)**	-	0.2
Tax charge on non-recurring items	**0.1**	-	0.1
Underlying earnings before non-recurring items	**39.1**	34.1	55.8
Basic earnings per share	**20.2p**	17.6p	28.6p
Diluted earnings per share	**19.8p**	17.3p	28.2p
Basic earnings per share before non-recurring items	**20.1p**	17.6p	28.8p
Diluted earnings per share before non-recurring items	**19.7p**	17.3p	28.4p

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

12. Capital Expenditure – Tangible and Intangible Assets

	Unaudited
	£m
Net book value at 29 March 2013	432.8
Additions	14.2
Disposals	(0.9)
Depreciation, amortisation, impairments and other movements	(11.8)
Net book value at 27 September 2013	**434.3**

	Unaudited
	£m
Net book value at 28 March 2014	**437.4**
Additions	**12.5**
Assets acquired through business combination -	**13.8**
Disposals	**(0.5)**
Depreciation, amortisation, impairments and other movements	**(12.4)**
Net book value at 26 September 2014	**450.8**

During the period Halfords Retail acquired two companies, Boardman Bikes Limited and Boardman International Limited, which resulted in recognition of goodwill of £10.7m and a brand name intangible of £3.1m.

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

	At 29 March 2013	Cash flow	Other non-cash changes	**At 27 September 2013**
		Unaudited	Unaudited	**Unaudited**
	£m	£m	£m	**£m**
Cash in hand and at bank	3.9	(27.6)	-	**(23.7)**
Debt due after one year	(103.3)	81.3	(0.7)	**(22.7)**
Total net debt excluding finance leases	(99.4)	53.7	(0.7)	**(46.4)**
Finance leases due within one year	(0.3)	0.2	(0.3)	**(0.4)**
Finance leases due after one year	(10.9)	-	0.2	**(10.7)**
Total finance leases	(11.2)	0.2	(0.1)	**(11.1)**
Total net debt	(110.6)	53.9	(0.8)	**(57.5)**

	At 28 March 2014	Cash flow	Other non-cash changes	**At 26 September 2014**
		Unaudited	Unaudited	**Unaudited**
	£m	£m	£m	**£m**
Cash in hand and at bank	(4.7)	(22.6)	-	**(27.3)**
Debt due after one year	(84.0)	52.0	(0.3)	**(32.3)**
Total net debt excluding finance leases	(88.7)	29.4	(0.3)	**(59.6)**
Finance leases due within one year	(0.3)	0.2	(0.3)	**(0.4)**
Finance leases due after one year	(10.6)	-	0.3	**(10.3)**
Total finance leases	(10.9)	0.2	-	**(10.7)**
Total net debt	(99.6)	29.6	(0.3)	**(70.3)**

Non-cash changes comprise finance costs in relation to the amortisation of capitalised debt issue costs of £0.3m and changes in classification between amounts due within and after one year. Cash and cash equivalents at the period end consist of £3.7m of liquid assets and £31.0m of bank overdrafts.

14. Share Capital

	Number of shares m	Share capital £m	Share premium account £m
As at 29 March 2013 and 27 September 2013	199.1	2.0	151.0

	Number of shares m	Share capital £m	Share premium account £m
As at 28 March 2014 and 26 September 2014	**199.1**	**2.0**	**151.0**

During the 26 weeks to 26 September 2014 there were no movements in the Company share capital. During the 26 weeks to 27 September 2013, the Group repurchased 1.0m shares, all of which were retained as treasury shares. The shares held in treasury are used to meet options under the Company's share options schemes.

15. Contingent liability

The Group's banking arrangements include the facility for the bank to provide a number of guarantees in respect of liabilities owed by the Group during the course of its trading. In the event of any amount being immediately payable under the guarantee, the bank has the right to recover the sum in full from the Group. The total amount of guarantees in place at 26 September 2014 amounted to £4.4m.

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.

Following the judgment passed by an Employment Appeal Tribunal on 4 November 2014 regarding the inclusion of overtime in holiday pay calculations, the Group has a potential liability for any claims made by employees for underpayment of holiday pay. Given the unclear ruling regarding retrospective / prospective application of the ruling (and the likelihood of appeal), no charge has been made for this potential liability in the half year. Given the lack of clarity, at this moment in time no accurate estimate can be made.

16. Seasonality

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

17. Related Party Transactions

There were no related party transactions during the 26 weeks to 26 September 2014.

18. Acquisition of subsidiary

On 4 June 2014 the Group acquired 100% of the issued share capital of Boardman Bikes Limited and Boardman International Limited ("*Boardman Bikes*") for cash consideration of £14.7m (excluding transaction costs). *Boardman Bikes* sell cycles and cycle accessories under the brand name 'cBoardman' nationally and internationally. The purpose of this acquisition was to benefit from operating synergies. This transaction has been accounted for using the acquisition method of accounting.

The acquisition had the following effect on the Group's assets and liabilities:

	Book value £m	**Fair value adjustment £m**	**Final fair value £m**
Boardman net assets at the acquisition date			
Intangible assets	0.2	(0.2)	-
Inventories	0.7	-	0.7
Trade and other receivables	3.7	(0.4)	3.3
Cash	0.7	-	0.7
Trade and other payables	(3.0)	-	(3.0)
Current tax liabilities	(0.2)	-	(0.2)
Boardman net assets	**2.1**	**(0.6)**	**1.5**

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

	£m
Total consideration	14.7
Less fair value of identifiable assets	(1.5)
Goodwill and intangible assets	**13.2**
Brand name intangible	3.1
Deferred tax liability	(0.6)
Goodwill	**10.7**

The goodwill arising on the acquisition of *Boardman Bikes* is attributable to: a) operating synergies and increased control of operations; b) the value of immaterial other intangible assets; and c) future income to be generated from new retail customer contracts and related relationships. None of the goodwill is expected to be deductible for income tax purposes.

The fair value adjustments relate to the best estimate of the contractual trade receivable cash flows not expected to be collected and aligning intangible asset policies with the Halfords Group.

The results of Boardman Bikes Limited and Boardman International Limited, which exclude the sales of Performance Series cycles by the existing Retail business, contributed £0.7m revenue and a loss of £0.4m to the Group's profit before tax for the period between the date of acquisition and the balance sheet date. In addition, the existing Retail business has benefitted by £0.8m due to the change in royalty arrangements following acquisition.

If the acquisition of Boardman Bikes Limited and Boardman International Limited had been completed on the first day of the financial year, Group revenues for the period would have been £2.2m higher and Group profit attributable to equity holders of the parent would have been £0.1m higher (pre amortisation of intangible assets arising on consolidation).

Notes to the condensed consolidated interim financial statements (continued)

For the 26 weeks to 26 September 2014

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

Matt Davies, Chief Executive **Andrew Findlay, Chief Financial Officer**

November 2014

INDEPENDENT REVIEW REPORT TO HALFORDS GROUP PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 26 September 2014 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 26 September 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Peter Meehan
for and on behalf of KPMG LLP
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

November 2014