

7 November 2013

**Halfords Group plc**  
**Interim Results Financial Year 2014**

Halfords Group plc, the UK's leading retailer of automotive and leisure products and leading independent operator in garage servicing and auto repair, today announces its interim results for the 26-week period to 27 September 2013 ("the period") versus the 26 weeks ended 28 September 2012 ("the prior period"). All numbers shown in this statement are before non-recurring items, unless otherwise stated.

**Group Financial Summary:**

|   | H1 FY14<br>£m | H1 FY13<br>£m | %<br>change | Like-for-<br>Like<br>Revenues<br>("LFL")<br>% |
|---|---------------|---------------|-------------|---|
| <b>Total Group Revenue</b>                                  | 490.6         | 455.6         | +7.7        | +6.2  |
| <i>Retail</i>   | 424.0         | 393.0         | +7.9        | +7.7  |
| <i>Autocentres</i>  | 66.6          | 62.6          | +6.4        | -2.1  |
| <b>Gross Margin</b>   |               |               |             |   |
| <i>Retail</i>   | 51.2%         | 52.5%         | -124 bps    |   |
| <i>Autocentres</i>  | 65.0%         | 63.9%         | +114bps     |   |
| <b>Group EBITDA</b>   | 59.6          | 57.8          | +3.1        |   |
| <b>Profit Before Tax and non-recurring items</b>            | 44.6          | 41.9          | +6.4        |   |
| <b>Basic Earnings Per Share, before non-recurring items</b> | 17.6p         | 16.2p         | +8.6        |   |
| <b>Profit Before Tax, after non-recurring items</b>         | 44.6          | 42.4          | +5.2        |   |
| <b>Basic Earnings Per Share, after non-recurring items</b>  | 17.6p         | 16.4p         | +7.3        |   |
| <b>Net Debt</b>   | 57.5          | 107.9         | -46.7       |   |
| <b>Interim Dividend Per Share</b>                           | 5.2p          | 8.0p          | -35.0       |   |

**Key Points For The Half:**

- Strong Q1 for Retail followed by +6.6% LFL growth in Q2 despite the tough prior-year comparator
- Focus areas of Cycling and Car Maintenance performed particularly well
- Retail management team strengthened, including the addition of Emma Fox as Commercial Director
- The *Getting Into Gear* programme in Retail progressing well, including: the launch of new recruitment process and colleague training programme, a new *Halfords.com* website and a number of store refurbishments
- Autocentres performance driven by both market and operational challenges; new Autocentres CEO to be appointed
- Interim dividend of 5.2 pence per share, in line with prior guidance

**Matt Davies, Chief Executive, commented:**

"These are early days in our three-year transformation plan but it is encouraging to see the Retail business deliver a strong first-half performance. In Cycling we were helped by the better weather but made the most of it by ensuring we had the stock and compelling offers to meet demand. We have made a good start on many elements of our *Getting Into Gear* programme and now have a strong Retail management team in place. The performance in Autocentres by contrast was impacted by both operational and market challenges, although we have a clear investment plan in place to grow the business over the medium term."

### Analysts and Investors:

Craig Marks, Head of Investor Relations  
Andrew Findlay, Finance Director

+44 (0)1527 513 113  
+44 (0)1527 513 113 (on the day)

### Media (Maitland):

Neil Bennett  
Tom Eckersley

+44 (0) 207 379 5151  
+44 (0) 207 379 5151

## 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 numbers shown in this statement are before non-recurring items, unless stated otherwise.
4. EBITDA denotes earnings before net finance costs, tax, depreciation and amortisation.

## Quarterly Performance

|                         | H1 FY14<br>% change | Q1 FY14<br>% change | Q2 FY14<br>% change |
|-------------------------|---------------------|---------------------|---------------------|
| <b>TOTAL REVENUE</b>    |                     |                     |                     |
| <b>Halfords Group</b>   | <b>+7.7</b>         | <b>+8.8</b>         | <b>+6.6</b>         |
| Retail                  | +7.9                | +9.0                | +6.8                |
| Autocentres             | +6.4                | +7.8                | +5.3                |
| <b>LFL REVENUE</b>      |                     |                     |                     |
| <b>Halfords Group</b>   | <b>+6.2</b>         | <b>+7.5</b>         | <b>+5.1</b>         |
| Retail                  | +7.7                | +8.8                | +6.6                |
| <i>Cycling</i>          | +14.2               | +15.5               | +13.3               |
| <i>Car Maintenance</i>  | +8.8                | +11.8               | +5.8                |
| <i>Car Enhancement</i>  | +0.6                | +3.0                | -1.6                |
| <i>Travel Solutions</i> | +2.1                | -1.9                | +5.7                |
| Autocentres             | -2.1                | -0.9                | -3.4                |

## Results Presentation

A presentation for analysts and investors will be held today starting at 9.30am. The venue is JP Morgan Cazenove, De Vere Venues, 138-142 Holborn, London, EC1N 2NQ; attendance is by invitation. A live webcast of the presentation will be available on [www.halfordscompany.com](http://www.halfordscompany.com) and will remain accessible thereafter.

## Reporting Calendar

The Halfords Group third-quarter (15-week) interim management statement will be published on 16 January 2014.

## Notes to Editors

[www.halfords.com](http://www.halfords.com)

[www.halfordscompany.com](http://www.halfordscompany.com)

[www.halfordsautocentres.com](http://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 466 stores in the UK and Republic of Ireland and at halfords.com for pick-up at their local store or direct home delivery. Halfords Autocentres operates from around 300 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* plan 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
- 21<sup>st</sup> Century Infrastructure
- Click with the Digital Future

Halfords employs approximately 12,000 colleagues and sells around 10,000 product lines in stores, increasing to around 30,000 lines online. The product offering encompasses significant ranges in car parts, cycles, in-car technology, child seats, roof boxes, outdoor leisure and camping equipment. Halfords own brands include *Apollo* and *Carrera* cycles, augmented by exclusive UK distribution rights for the premium-ranged *Boardman* cycles and accessories. In outdoor leisure, we sell a premium range of camping equipment including brands such as *Gelert* and *Outwell*. Halfords offers customers expert advice and a fitting service called "**wefit**" for car parts, child seats, satellite navigation and in-car entertainment systems, and a "**werepair**" 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

## Introduction

Halfords Retail produced a strong sales performance in the first half. A key driver was the success of Cycling, with LFL revenues up by 14.2%. The other key focus category, Car Maintenance, grew by 8.8%. The performance in both categories reflected the continued momentum from our investments in marketing and in our colleagues. The overall LFL revenue growth in Retail of 7.7% and online growth of 16.9% reflected a number of actions including improved stock availability, stronger product ranges, a changed marketing approach as well as favourable weather conditions versus the prior period.

The Autocentres performance failed to reflect our market-share opportunities for growth, with LFL revenues declining by 2.1% in the half. A search is underway for a new Autocentres CEO and, to support future growth, our investment plan will continue as we open new centres and improve levels of in-centre service through better recruitment processes and colleague training.

## First Half FY14 Review

### Summary of Group Results

Sales of £490.6m were up 7.7% and up 6.2% on a LFL basis. Group gross margin fell by 94 basis points to 53.1%. Total operating costs rose by 5.5% primarily as a result of the increase in service and sales-based store colleague investment and incentives. We also continued to invest in the expansion of our Autocentres business, adding 13 centres (net). Group earnings before finance costs, tax and non-recurring items ("EBIT") were £47.8m, which compares with £44.5m in the prior period.

Earnings before non-recurring items, net finance costs, tax, depreciation and amortisation ("EBITDA") were up 3.1% to £59.6m. Profit before tax and non-recurring items was £44.6m and earnings per share before non-recurring items were 17.6p, up 6.4% and 8.6% respectively.

Group inventory and capital expenditure continued to be managed tightly, although the planned levels of additional Retail stock to improve on-shelf availability led to a 5.6% increase on the prior period; Autocentres inventory was flat on the prior year. The cashflow performance was robust with free cashflow of £73.2m generated against £59.5m in the prior year, reflecting some timing differences that will reverse out in the second half. Net debt at the end of the period was down £50.4m at £57.5m, with a non-lease-adjusted 12-month net debt: EBITDA ratio of 0.6:1 versus 1.0:1 in the prior period.

The Board has approved the payment of an interim dividend of 5.2 pence per share (H1 FY13: 8.0 pence), payable on 24 January 2014 to shareholders on the register at the close of business on 20 December 2013. The decrease of 35.0% is in line with prior guidance and has the effect of rebasing future dividends to a level more prudently covered by earnings. The Board continues to anticipate paying a full-year dividend this year of c.14 pence per share.

## Halfords Operational Review

During the half year under review Halfords built on the sales momentum from prior periods and produced a good Retail performance within the early days of our *Getting Into Gear* plan. This programme of execution in five key areas is designed to deliver a significantly-enhanced customer experience.

### Retail

Sales for the half were £424.0m, up 7.9% on the previous year and 7.7% on an LFL basis. Higher sales volumes in lower-margin premium bikes and other products, the launch of an extended range of Cycling Parts, Accessories and Clothing products ("PACs"), along with a more-aggressive clearance approach across the categories drove the anticipated reduction in margin.

### Cycling

Over the spring and summer, Halfords becomes much more of a Cycling business and the category was the standout performer in the first half, with LFL revenues up 14.2%. Successive wins for British competitors at major sporting events maintained the UK's significant interest in Cycling; Halfords took advantage of both this and what was undoubtedly better weather.

There were significant enhancements to the range in the period. This included a new *Pendleton*, launched alongside the great success of the *Somersby*. A high-specification carbon-fibre *Boardman* road bike, priced in the period under £1,000, sold well. *Apollo*, the UK's largest bike brand, added a road racer at just £200 and a popular new junior road racer within the *Carrera Zelos* range was priced at under £250.

Promotional events and spot buys augmented the strong performance. Up-weighted clearance activity was matched with spot buys under the *Carrera* and *Raleigh* brands and offers included 10% off all road bikes during the Tour de France and Olympic legacy events. Additional investments in stock were notable in Cycling to ensure that continually strong demand was met with good availability in store and online.

A new TV-advertising campaign that reflected a very different approach in our Cycling marketing strategy matched our desire to extend our community responsibilities. Halfords now partners with *Re-Cycle*, a charity which sends reconditioned bikes to Africa, where bikes are in significant demand. A summer bike trade-in event offered customers a 10% discount on a new bike when they brought in their old bike, collecting c.5,000 used bikes for shipment to our charity's partners in Africa in the process.

In our desire to support the resurging interest in Cycling amongst children, our store colleagues held kids' workshops on Cycle Repair, attended by around 10,000 children during the summer holidays.

Cycle Repair was a key focus, with sales up 27.7% in the first half. We helped profile our Cycle-Repair service by proudly partnering with *Sky* for their series of weekend *Sky Rides* around the country, providing assistance to thousands of participants. Our team of mechanics also attended other major Cycling events such as the *Deloitte Ride Across Britain* and many other local events.

### Car Maintenance

LFL sales of Car Maintenance products and services grew by 8.8% in the half. The sale and fitting of bulbs, blades and batteries ("3Bs") represents the largest single element of our Car Maintenance category and continued strong demand emanates from the growing awareness of our **wefit** service. In the second half of the prior year we began to significantly invest in training, payroll, colleague numbers and national marketing to fulfil 3Bs demand and make more customers aware of our unique offer. We will continue to invest in this category as more customers look to us for expert help with more-straightforward Car Maintenance solutions. It is this investment which helped to drive the number of 3B fitting jobs up 25.5% to around 1 million in the period.

### Car Enhancement

In the Car Enhancement category LFL revenues increased by 0.6%. Our Car Cleaning sales grew by 13.9%, boosted by drier weather and the re-merchandising of our range to emphasise the strength of our branded offer. We also targeted key price points to improve our value perception.

Audio revenues grew by 1.0%, underpinned by our growing presence in the in-car digital radio market, with the success of the exclusive *Pure* range particularly encouraging. Sat Nav sales declined by 6.0% though at a slower rate than the market as a whole as the category continued to face ongoing structural challenges; however our online Sat Nav sales grew by 5.1%. We also took the decision to focus our first-half marketing investments towards Cycling this year, leading to a lower marketing investment in Sat Nav versus the prior period.

#### *Travel Solutions*

Travel Solutions LFL revenues increased by 2.1%, with additional clearance and more compelling offers driving improved sales of camping and travel equipment. Our new price-matching approach was introduced in Child Car Seats during the period, leading to an improved sales performance in the second quarter.

#### *Online Retail*

Online Retail revenues grew by 16.9% and represented 11.5% of total Retail sales (H1 FY13: 10.5%). Our Car Maintenance category sales continued to see low single digit penetration online, whilst over half of our online Retail sales were represented by Cycling. A consistent 88% of online orders were collected in store during the period.

#### *In-Store Service Income*

In the period total in-store service income included within all of the above categories increased by 19.3% to £10.4m, with the majority of revenues emanating from 3Bs' fitting and Cycle Repair.

#### **Autocentres**

Total Autocentres revenues were up 6.4%, although down 2.1% on a LFL basis against comparative LFL sales growth of 10.8% in H1 FY13. This performance reflected operational and market challenges the business faced. We relied less on affiliate-driven tyre sales in the half and saw a decline in daily rental car servicing as older cars were churned for newer models. Despite market indications of deferred car-servicing spend, underlying core retail service, MOT and repair LFL revenues saw an uplift of 1.0% in the half.

14 new Autocentres were opened and one was closed in the period, taking the total number of Autocentre locations to 296. We are committed to the continued investment in the Autocentres business to secure medium-term growth and remain focused on opening 20-30 centres in FY14.

As Autocentres Chairman, Andrew Findlay continues his oversight of the business whilst we complete the search for a new Autocentres CEO. Our investment plan will continue as we open new centres and look to improve our consistency of in-centre service through better recruitment processes and colleague training.

#### **Operational Review Summary**

To conclude on trading, the Halfords Retail performance was strong as we took advantage of better weather conditions, particularly within the Cycling category. The results demonstrated how Halfords can build its proposition and provide a significantly-enhanced customer experience. Learnings will be taken from the Autocentres performance and, with new leadership and continued investment, we will deliver a more consistent experience for our Autocentre customers and look to grow the business over the medium term.

# Halfords Business Review

## Introduction

Our mission is to Help and Inspire Customers with their Life on the Move within the following three categories:

- *Supporting Drivers of Every Car*
- *Inspiring Cyclists of Every Age*
- *Equipping Families for their Leisure Time*

Our two critical categories are Auto and Cycling with the third giving us the flexibility to extend our range, introduce innovative products and leverage space. Ninety percent of our current focus is on Auto and Cycling as these markets are significant and, with strong execution, we see continued opportunities for growth.

At the start of the year we launched *Getting Into Gear*, a clear programme of operational plans designed to significantly improve our Retail customer experience. This programme focuses on:

- supporting our colleagues to deliver consistent, friendly expertise
- improving our store environment
- strengthening the authority of our product offer
- building our infrastructure and
- growing our online capabilities.

This plan is designed to deliver sustainable revenue growth and incremental profits, together with sustainable shareholder value.

Whilst much work has already begun within *Getting Into Gear*, these are early days and the complete programme will, as highlighted previously, take several years to fully deliver.

## ***Getting Into Gear***

The programme has the following key Retail elements:

1. **Service Revolution** - introducing a step change in customer service across Halfords stores
2. **The H Factor** - reasserting our proposition authority to *Support Drivers of Every Car, Inspire Cyclists of Every Age* and *Equip Families for their Leisure Time*
3. **Stores Fit to Shop** - investing to raise the Halfords store estate to a standard we are proud of
4. **21<sup>st</sup> Century Infrastructure** - systems and infrastructure to support service and sales
5. **Click with the Digital Future** - creating a service-led digital proposition

Highlights from activities undertaken in the first half include:

### *Service Revolution*

We launched a new recruitment process that involves centralised online application; telephone screening; interviews in store with role play and; an in-store audition before an appointment is made. Since launch we screened nearly 30,000 applicants for around 500 vacancies. This new approach has significantly raised the quality of new hires. The *3-Gears* training programme was launched with the vast majority of colleagues either progressing towards or having completed Gear 1. A number of colleagues have already begun Gear 2, the technical training module that specialises in Auto or Cycling.

We initiated a development programme in the first half called *Aspire*, for colleagues who want to become store managers or assistant managers. Customer feedback and mystery-shopping results are now core targets for colleagues and store incentives have been simplified to focus solely on sales and feedback from customers. We have also moved to allow our store managers to more simply focus on payroll hours rather than payroll cost, giving stores extra payroll hours if targets are surpassed. Minimum contract hours in store have been lengthened and further actions have been taken to support colleagues by changing rotas to better suit their circumstances.

## *Stores Fit to Shop*

We plan to upgrade every Cycling department in the next three years; 100 were re-segmented in the first half. This included a large number of changing rooms for the first time. We freed up space for more bikes and our extended PACs offer by moving child car seats downstairs. The entire look and feel of the Cycling department is now more upbeat with action backdrops for our premium range and there is additional help and advice for customers from new "How-To" guides in store.

Three completely refurbished stores were opened at the end of July 2013 (Evesham, Coventry and York) wherein we created a modern, engaging and friendlier store environment that encourages browsing and more interaction with colleagues. These are designed for customers to feel the warmth and personality of the Halfords brand and to find the products and services they need more easily. These stores bring our **wefit** and, in Cycling, **werepair** offers to life. Signage has been materially enhanced, with more space given over to Cycling. These are early days for the three stores, although we are pleased with the performance so far.

Moving forward, although we originally anticipated refurbishing 10-15 stores this year, an acceleration of the programme means we now plan to have in excess of 25 stores fully refurbished by the end of March 2014. Nevertheless this does not affect our overall Retail capital expenditure guidance for the year.

## *21<sup>st</sup> Century Infrastructure*

A key focus within the *Getting Into Gear* programme is our infrastructure, particularly across our IT systems and capability.

New chip & PIN pads in over 300 stores saved our customers 19 seconds per transaction, meaning Halfords now has one of the fastest card transaction times in UK retail in these stores. To help our colleagues even further, the business is installing laptop computers into every store to make it easier to progress through the 3-Gears training programme.

An external provider has been appointed to both host and upgrade SAP in the New Year. The focus in the current year is on the technical upgrade, which is anticipated to be completed in the spring. The goal of *21<sup>st</sup> Century Infrastructure* is to ensure Halfords Retail has stable platforms, the right level of capacity for growth as well as the ability to materially improve both IT flexibility and our customers' experience.

## *Click with the Digital Future*

When *Getting Into Gear* was launched in May 2013, the goal of *Click with the Digital Future* was to create a much better online Retail experience. Phase One was launched at the start of the second half, with a different tone of voice to make the website more emotionally engaging and inspiring.

A new home page includes more-intuitive navigation to help all customers find what they are looking for more easily and with far fewer clicks. Customers will now be faced with just four product 'verticals' when entering the site: 'Cycling', 'Motoring', 'Sat Nav & Audio' and 'Camping & Touring'. The system of checkout has been reshaped to help customers complete their transaction more simply; this has been designed to reduce the risk of abandoned baskets. Customers also now pay for all of their *Click and Collect* transactions in store.

Content has been rewritten across the site, particularly in Cycling, with more-useful information and additional video content to help customers view the product or have specific features explained. 50 "How-To" guides via *YouTube* have been filmed and added, helping to show the customer the best way to select a bike, the differences between the variants and maintenance tips such as how to fix a puncture. Significantly more help and advice is now contained online, enhancing Halfords' specialist credentials.

Phase Two is anticipated to be completed by the end of March 2014, which will see many more social-network interactions and upgraded "My Account" functionality.



## **Autocentres**

Our investment plan continues as we open new centres and look to improve the consistency of in-centre service through better recruitment processes and colleague training. This plan is central to our strategy as we extend our differentiation from our key competition. We will also better leverage the relationship with our Retail stores.

Our key focus over the next six months is on freeing up valuable time for our centre managers to spend more time with our customers via simplified processes. New team and service-based incentives are also being introduced to focus more on customer-service metrics.

## **Current Activity**

Having performed strongly in the first half, there are further Cycling launches in the second half. In October 2013 we announced the extension of our exclusive partnership with *Boardman* for another 10 years. The announcement coincided with the launch of the *2014 Boardman Performance Series*, a new range of 25 bikes covering all disciplines. These bikes continue the *Boardman* tradition of cutting-edge designs and high specifications for the everyday cyclist. *Apollo* adult bikes have recently been re-launched. *Apollo* is the UK's biggest selling bike brand and the new range comprises 17 adult bikes. There is also a range of children's bikes that kids can personalise with their own names and a range of extras. Alongside this Halfords will launch girls' bikes under the *Pendleton* brand.

One of the significant areas of activity in the second half is the sale and fitting of 3Bs, supported by a material investment in marketing. This represents our biggest investment ever in 3Bs as we look to leverage our expertise during the dark winter days and cold, wet conditions. The up-weighted marketing is being supported by the appropriate level of payroll hours and enhanced expertise in store.

## **Conclusion**

Halfords Retail delivered a strong performance in the first half. The Retail top line was up by 7.9% in the half, leveraging 8.6% growth in earnings per share before non-recurring items. Cash generation remained strong, with a 23.0% increase in free cashflow.

The work we have undertaken on stock availability, the product ranges, marketing and events meant that we took advantage in the first half of what were undoubtedly more-favourable weather conditions for Cycling. Our Retail categories are in good shape and the Retail management team has been strengthened by the addition of Emma Fox, our new Commercial Director.

*Getting Into Gear* has got off to a busy start and the initial signs are encouraging; there will be much work to do over the coming years.

I look forward to working with a new CEO of Autocentres so that, in the fullness of time, we will offer an even better end-to-end customer experience and deliver profitable growth.

On behalf of the Board, I would like to thank all of our colleagues for their immense contribution and commitment to the progress of our business and the implementation of our plan to reposition Halfords. It has been a pleasure to lead this business over the past year.

*Matt Davies*  
**Chief Executive**  
**November 2013**

## FINANCE DIRECTOR'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.

All items in this report are shown before non-recurring items unless otherwise stated.

#### Financial Results

|  | <b>H1 FY14</b> | <b>H1 FY13</b> | <b>Change</b> |
|--|----------------|----------------|---------------|
|  | <b>£m</b>      | <b>£m</b>      |               |
| Group Revenue                                    | 490.6          | 455.6          | +7.7%         |
| Group Gross Profit                               | 260.6          | 246.3          | +5.8%         |
| Group EBIT*                                      | 47.8           | 44.5           | +7.4%         |
| Group EBITDA**                                   | 59.6           | 57.8           | +3.1%         |
| Net Finance Costs                                | (3.2)          | (2.6)          | +23.1%        |
| <b>Profit Before Tax and non-recurring items</b> | <b>44.6</b>    | <b>41.9</b>    | <b>+6.4%</b>  |
| Profit Before Tax, after non-recurring items     | 44.6           | 42.4           | +5.2%         |

\* EBIT denotes earnings before net finance costs and tax

\*\* EBITDA denotes earnings before net finance costs, tax, depreciation and amortisation

The H1 FY14 accounting period represents trading for the 26 weeks to 27 September 2013 ("the period"). The comparative period H1 FY13 represents trading for the 26 weeks to 28 September 2012 ("the prior period").

Group revenue in H1 FY14, at £490.6m, was up 7.7% and comprised Retail revenue of £424.0m and Autocentres revenue of £66.6m. This compared to H1 FY13 Group revenue of £455.6m, which comprised Retail revenue of £393.0m and Autocentres revenue of £62.6m. Group gross profit at £260.6m (H1 FY13: £246.3m) represented 53.1% of Group revenue (H1 FY13: 54.1%), reflecting a decrease in the Retail gross margin of 124 basis points ("bps") and a gross margin of 65.0% (H1 FY13: 63.9%) in the Autocentres business.

Total Operating Costs before non-recurring items increased to £212.8m (H1 FY13: £201.8m) of which Retail represented £171.0m (H1 FY13: £164.3m), Autocentres £41.0m (H1 FY13: £36.7m) and unallocated costs £0.8m (H1 FY13: £0.8m). Unallocated costs represent amortisation charges in respect of intangible assets acquired through business combinations (the acquisition of *Nationwide Autocentres Ltd* in February 2010), which arise on consolidation of the Group.

Net finance costs for the period were £3.2m (H1 FY13: £2.6m).

Group Profit Before Tax and non-recurring items for the period was up 6.4% at £44.6m (H1 FY13: £41.9m).

Non-recurring income in the prior period of £0.5m resulted from the partial release of the *Focus* lease guarantee provision, recognised as a non-recurring cost in FY11, resulting from the better than anticipated settlements. No such income was realised in the period.

Group Profit Before Tax in the period after non-recurring items was £44.6m (H1 FY13: £42.4m).

### **Halfords Retail**

|  | H1 FY14<br>£m | H1 FY13<br>£m | Change        |
|--|---------------|---------------|---------------|
| Revenue                                  | 424.0         | 393.0         | +7.9%         |
| Gross Profit                             | 217.3         | 206.3         | +5.3%         |
| Gross Margin                             | 51.2%         | 52.5%         | -124bps       |
| Operating Costs                          | (171.0)       | (164.3)       | +4.1%         |
| <b>EBIT before non-recurring items</b>   | <b>46.3</b>   | <b>42.0</b>   | <b>+10.2%</b> |
| Non-recurring income                     | -             | 0.5           | -             |
| EBIT after non-recurring items           | 46.3          | 42.5          | +8.9%         |
| <b>EBITDA before non-recurring items</b> | <b>55.7</b>   | <b>53.3</b>   | <b>+4.5%</b>  |

Revenue for the Retail business of £424.0m reflected, on a constant currency basis, a Like-for-Like (“LFL”) sales increase of 7.7%. Non-LFL stores contributed £2.7m revenue in the period, with total revenue increasing 7.9%.

Cycling LFL revenues were up 14.2% reflecting sustained interest in the sport and the benefit of focused marketing driving strong premium-bike and accessory sales; Cycle Repair sales increased by 27.7%. This performance also benefitted from warmer, drier and sunnier weather conditions compared to the prior period.

Car Maintenance LFL revenues sales increased by 8.8% in the period supported by the strong momentum in the sale of bulbs, blades and batteries (“3Bs”). The number of 3B fits was up 24.3% in the period with 3Bs-fitting revenues making up 32.0% of total in-store service income.

Car Enhancement LFL revenues were up 0.6%. Car Cleaning sales were up 13.9% supported by better merchandising, whilst Audio continued to grow. Sat Nav sales, at less than a third of overall Car Enhancement revenues, remained challenged, albeit Halfords’ value share in the year to September 2013 was up 3.6%

Travel Solutions LFL revenues increased by 2.1%, with enhanced clearance activity and more compelling offers driving improved sales of camping and travel equipment. A new price-parity approach was introduced in Child Car Seats during the period, leading to a flat Child Car Seats sales performance in the second quarter.

LFL revenue for the Retail business is split by category below.

|                  | H1 FY14<br>(%) | H1 FY13<br>(%) |
|------------------|----------------|----------------|
| Cycling          | 34.9           | 32.9           |
| Car Maintenance  | 27.4           | 27.1           |
| Car Enhancement  | 23.5           | 25.1           |
| Travel Solutions | 14.2           | 14.9           |
| <b>Total</b>     | <b>100.0</b>   | <b>100.0</b>   |

Gross profit for the Retail business at £217.3m (H1 FY13: £206.3m) represented 51.2% of sales, 124 bps down on the prior period (H1 FY13: 52.5%) and was in line with expectations. Higher sales volumes in lower-margin premium bikes, the launch of third-party branded Cycling parts, accessories and clothing (“PACs”), along with a more-aggressive clearance and promotional approach across the categories drove the reduction in margin.

Full-year guidance of a 125-175 basis-point decline in the Retail gross margin versus the prior year remains unchanged. However, given the first-half performance we anticipate a final full-year Retail gross margin in the favourable half of the range.

Operating Costs before non-recurring items were £171.0m (H1 FY13: £164.3m), up 4.1% on the prior period. The breakdown is set out overleaf:

|   | H1 FY14<br>£m | H1 FY13<br>£m | Change       |
|---|---------------|---------------|--------------|
| Store Staffing  | 46.3          | 42.5          | +8.9%        |
| Store Occupancy   | 70.5          | 69.9          | +0.9%        |
| Warehouse & Distribution                                    | 16.9          | 14.8          | +14.2%       |
| Support Costs   | 37.3          | 37.1          | +0.5%        |
| <b>Total Operating Costs<br/>before non-recurring items</b> | <b>171.0</b>  | <b>164.3</b>  | <b>+4.1%</b> |

*Note: To align this period's cost breakdown, the above figures reflect a prior period re-allocation of carriage costs from Store Occupancy to Warehouse & Distribution upon the launch of the 24-hour Reserve & Collect fulfilment proposition, and a realignment of Warehouse & Distribution management costs from Support Costs to Warehouse & Distribution.*

Strong trading volumes resulted in investment in store hours and increased incentives and the uplift in national minimum wages also contributed to Store Staffing costs increasing by 8.9%.

Store Occupancy costs increased by 0.9% period on period. Inflationary increases in utilities were offset by continued savings from rent negotiations and depreciation, given the profile of the store portfolio.

Warehouse & Distribution costs increased by 14.2% driven by the expected increase in carriage costs associated with the enhanced 24-hour multichannel fulfilment offering launched in 2012, and a significant increase in volumes against the prior period. Online Retail revenues were up by 16.9% in the period.

Support Costs rose by 0.5%. This limited increase reflected the costs associated with improved capability of the multi-channel and IT teams. These enhancements primarily supported both the launch of an extended PACs range as well as the change programmes associated with *21<sup>st</sup> Century Infrastructure* and *Click with the Digital Future*. The increase also reflected the annualisation of headcount increases that occurred in the second half of FY13 as well as the strengthening of the senior management team implemented over the preceding twelve months. An increase in Support Costs was offset by the impact of timing of up-weighted marketing investment now planned for the second half of the year.

Original full-year guidance of up to 6% Retail operating-cost inflation has been revised to c.5-6% for FY14, given the impact of timing from the *3-Gears* training programme within the *Service Revolution* initiative, as well as the ongoing focus on cost control.

### **Halfords Autocentres**

|                 | H1 FY14<br>£m | H1 FY13<br>£m | Change        |
|-----------------|---------------|---------------|---------------|
| Revenue         | 66.6          | 62.6          | +6.4%         |
| Gross Profit    | 43.3          | 40.0          | +8.3%         |
| Gross Margin    | 65.0%         | 63.9%         | +114 bps      |
| Operating Costs | (41.0)        | (36.7)        | +11.7%        |
| <b>EBIT</b>     | <b>2.3</b>    | <b>3.3</b>    | <b>-30.3%</b> |
| <b>EBITDA</b>   | <b>3.9</b>    | <b>4.5</b>    | <b>-13.3%</b> |

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

Autocentres generated total revenues of £66.6m (H1 FY13: £62.6m), an increase of 6.4% on the prior period with an LFL decline of 2.1%.

LFL tyre revenues declined by 4.9% and represented 14.2% of total revenues, primarily due to the decision in the period to rely less on sales of lower-margin tyres via affiliates and instead leverage in-house tyre capability through the new Autocentres website. Core retail service, MOT and repair LFL revenues saw an uplift of 1.0% in the half.

Online bookings in the period grew 32.4% on H1 FY13 and represented around a quarter of H1 FY14 Autocentre retail revenues.

Gross profit at £43.3m (H1 FY13: £40.0m) represented a gross margin of 65.0% against a prior period margin of 63.9% driven by reduced affiliate-driven tyre sales and stronger core Service, MOT and Repair margins, underpinned by further improvements in parts buying.

Autocentres' operating profit was down 30.3% at £2.3m (H1 FY13 £3.3m) as a result of the LFL revenue decline and the investments we are making for future growth. Operating costs increased due to the centre-opening programme together with the related expansion of the support-centre structure. We are committed to the continued investment in the Autocentres business to secure long-term growth and remain focused on opening 20-30 centres in FY14.

Given the ongoing market challenges and the continued investment in the business, management now anticipates a decline in Autocentres' EBITDA in FY14 versus the prior year.

### **Portfolio Management**

The Retail store portfolio at the end of the period comprised 466 stores (end of H1 FY13: 466).

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

|                            | Number | Stores   |
|----------------------------|--------|--|
| <b>Relocated</b>           | -      | -  |
| <b>Leases renegotiated</b> | 6      | Dewsbury, Telford, South Shields, Wakefield, Trowbridge, Doncaster |
| <b>Downsized</b>           | -      | -  |
| <b>Opened</b>              | 1      | Sky shop   |
| <b>Closed</b>              | 1      | Felixstowe   |

14 new Autocentres were opened and one was closed in the period, taking the total number of Autocentre locations to 296 as at 27 September 2013.

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

### **Non-Recurring Income**

At the end of FY11, an exceptional charge of £7.5m was recognised in respect of a provision for property leases to which Halfords was a guarantor, triggered by the demise of the *Focus DIY* retail chain. At 29 March 2013 the provision was £1.0m, reflecting the settlement of a number of leases and utilisation for ongoing rent, insurance and service charges. Whilst there were ongoing associated rental costs, there was no release of the provision in the period and as a result, no non-recurring income was recognised.

### **Finance Expense**

The net finance expense for the period was £3.2m (H1 FY13: £2.6m). The expense includes £0.2m of accelerated amortisation of issue costs in the current period following completion of debt-facility refinancing in September 2013. The new, reduced revolving credit facility expires in November 2017. An element of the first-half net finance expense also relates to the crystallisation of a number of prior-year tax computations in the second half of the year.

Guidance on net finance expense remains unchanged; management continues to anticipate the net financing cost in FY14 to be marginally lower compared to FY13.

## **Taxation**

The taxation charge on profit for the financial period was £10.5m (H1 FY13: £10.5m), including a £nil charge (H1 FY13: £0.1m charge) in respect of the tax on non-recurring items. The effective tax rate of 23.6% (H1 FY13: 24.8%) differs from the UK corporation tax rate (23.0%) principally due to the non-deductibility of depreciation charged on capital expenditure and other permanent differences arising in the year.

The anticipation of an FY14 effective tax rate of 23-24% remains unchanged.

## **Earnings Per Share ("EPS")**

Basic EPS before non-recurring items was 17.6 pence (H1 FY13: 16.2 pence), an 8.6% increase on the comparable period. Basic EPS after non-recurring items was 17.6 pence (H1 FY13: 16.4 pence). Basic weighted-average shares in issue during the period were 193.9m (H1 FY13: 194.2m).

## **Dividend**

The Board has approved an interim dividend of 5.2 pence per share (H1 FY13: 8.0 pence). This will be paid on 24 January 2014 to shareholders on the register at the close of business on 20 December 2013.

## **Capital Expenditure**

Capital investment in the period totalled £14.2m (H1 FY13: £6.1m) comprising £11.5m in Retail and £2.7m in Autocentres. Consistent with prior periods, management has continued to adopt a prudent approach with regard to capital investment and has focused on investments generating material returns in line with the *Getting Into Gear* programme.

Within Retail, £5.4m was invested in stores, including three fully-refurbished stores; 100 Cycling department upgrades; relocations and right-size activity and; general capital spend relating to store roofing, flooring and security. Additional investments in Retail infrastructure included a £5.2m investment in IT systems, including development of the online Retail proposition, and £0.8m in logistics and the Support Centre.

The £2.7m investment in Autocentres primarily reflected new centres and in-centre equipment. 14 new centres were opened in the period (H1 FY13: five), with one centre closed.

Though management anticipates refurbishing in excess of 25 Retail stores in FY14 versus the prior guidance of 10-15, overall Group capital expenditure guidance for the full year remains at c.£38m.

## **Inventories**

Group inventory held at the period end was £140.3m (H1 FY13: £132.9m). Stock continued to be managed tightly and the planned levels of additional Retail stock to improve on-shelf availability led to a 5.6% increase in Group inventories on the prior period.

Autocentres inventory was £1.3m, flat on the prior period. The Autocentres business model is such that only small levels of inventory are held within the centres, with most parts being acquired on an as-needed basis.

## **Cashflow and Borrowings**

The Group has continued its track record of cash generation.

Cash generated from operating activities in the period was £92.2m (H1 FY13: £78.3m). This improvement primarily reflects the end-of-month timing of VAT and payroll payments (c.£20m combined). The overall favourable working-capital movement in the first half was £31.4m and given the timing effect, management expects a similar, opposite movement in the second half.

The cashflow performance also does not include the expected settlement of a number of prior-year outstanding tax computations, anticipated to crystallise in the second half. These account for c.£20m and are fully provided for within the balance sheet. A first tranche of £13.2m was paid in the first week following the end of the period.

The reported Group net debt of £57.5m (H1 FY13 £107.9m) represented a decline of 46.7% with a non-lease-adjusted 12-month net debt: EBITDA ratio of 0.6:1 versus 1.0:1 in the prior period. In light of the timing effects from working capital, the tax settlements and Retail capital investments, management expects the ratio to rise to between 0.8:1 and 1.2 to 1 for the full current financial year.

A new revolving credit facility agreement was signed in the period. The £200m facility expires in November 2017.

### **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 2013 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 interim financial statements. These include:

- Economic risks
- Business strategy risks
- Competitive risks
- Compliance
- Changing customer preferences
- Reputation
- Reliance on foreign manufacturers
- Product and service quality
- Information technology systems and infrastructure
- Dependence on key management personnel

Specific risks associated with the performance in the second half of the year include the impact of Christmas trading as well as winter weather-sensitive sales, particularly within the Car Maintenance category in the Retail business.

*Andrew Findlay*  
**Finance Director**  
**November 2013**

# HALFORDS GROUP PLC

## Condensed consolidated statement of changes in equity

For the 26 weeks to 27 September 2013

|  |       | <b>26 weeks to<br/>27 September<br/>2013<br/>Unaudited<br/>£m</b> | 26 weeks to<br>28 September<br>2012<br>Unaudited<br>£m | 52 weeks to<br>29 March<br>2013<br>£m |
|--|-------|---|--|---------------------------------------|
|  | Notes |   |  |                                       |
| <b>Revenue</b>   | 6     | <b>490.6</b>  | 455.6  | 871.3                                 |
| Cost of sales  |       | <b>(230.0)</b>  | (209.3)  | (394.2)                               |
| <b>Gross profit</b>  |       | <b>260.6</b>  | 246.3  | 477.1                                 |
| Operating expenses   |       | <b>(212.8)</b>  | (201.8)  | (400.0)                               |
| <hr/>  |       |   |  |                                       |
| Operating profit before non-recurring items                      |       | <b>47.8</b>   | 44.5   | 78.1                                  |
| Non-recurring operating income/(expenditure)                     | 7     | -   | 0.5  | (1.0)                                 |
| <b>Results from operating activities</b>                         |       | <b>47.8</b>   | 45.0   | 77.1                                  |
| Finance costs  | 8     | <b>(3.3)</b>  | (2.7)  | (6.3)                                 |
| Finance income   | 8     | <b>0.1</b>  | 0.1  | 0.2                                   |
| <b>Net finance costs</b>   |       | <b>(3.2)</b>  | (2.6)  | (6.1)                                 |
| <hr/>  |       |   |  |                                       |
| Profit before tax and non-recurring items                        |       | <b>44.6</b>   | 41.9   | 72.0                                  |
| Non-recurring operating income/(expenditure)                     | 7     | -   | 0.5  | (1.0)                                 |
| <b>Profit before tax</b>   |       | <b>44.6</b>   | 42.4   | 71.0                                  |
| Tax on recurring items   | 9     | <b>(10.5)</b>   | (10.4)   | (18.2)                                |
| Tax on non-recurring items                                       | 7     | -   | (0.1)  | (0.1)                                 |
| <b>Profit for the period attributable to equity shareholders</b> |       | <b>34.1</b>   | 31.9   | 52.7                                  |
| <hr/>  |       |   |  |                                       |
| <b>Earnings per share</b>  |       |   |  |                                       |
| Basic earnings per share   | 11    | <b>17.6p</b>  | 16.4p  | 27.2p                                 |
| Diluted earnings per share                                       | 11    | <b>17.3p</b>  | 16.4p  | 26.9p                                 |
| Basic earnings per share before non-recurring items              | 11    | <b>17.6p</b>  | 16.2p  | 27.7p                                 |
| Diluted earnings per share before non-recurring items            | 11    | <b>17.3p</b>  | 16.2p  | 27.5p                                 |

A final dividend of 9.10 pence per share for the 52 weeks to 29 March 2013 (2012: 14.00 pence per share) was paid on 2 August 2013. The directors have approved an interim dividend of 5.20 pence per share in respect of the 26 weeks to 27 September 2013 (2012: 8.00 pence per share).



# HALFORDS GROUP PLC

## Condensed consolidated statement of comprehensive income

For the 26 weeks to 27 September 2013

|  | <b>26 weeks to<br/>27 September<br/>2013<br/>Unaudited<br/>£m</b> | 26 weeks to<br>28 September<br>2012<br>Unaudited<br>£m | 52 weeks to<br>29 March<br>2013<br>£m |
|--|---|--|---------------------------------------|
| <b>Profit for the period</b>   | <b>34.1</b>   | 31.9   | 52.7                                  |
| <b>Other comprehensive income</b>  |   |  |                                       |
| Cash flow hedges:  |   |  |                                       |
| Fair value changes in the period   | <b>(3.5)</b>  | 0.6  | 2.8                                   |
| Transfers to inventory   | <b>(0.8)</b>  | (0.1)  | (0.7)                                 |
| Transfers to net profit:   |   |  |                                       |
| Cost of sales  | <b>1.7</b>  | 0.2  | (0.1)                                 |
| Tax on other comprehensive income  | <b>0.9</b>  | (0.2)  | (0.7)                                 |
| <b>Other comprehensive income for the period,<br/>net of tax</b>                         | <b>(1.7)</b>  | 0.5  | 1.3                                   |
| <b>Total comprehensive income for the period<br/>attributable to equity shareholders</b> | <b>32.4</b>   | 32.4   | 54.0                                  |

# HALFORDS GROUP PLC

## Condensed consolidated statement of financial position

For the 26 weeks to 27 September 2013

|   | Notes | 26 weeks to<br>27 September<br>2013<br>Unaudited<br>£m | 26 weeks to<br>28 September<br>2012<br>Unaudited<br>£m | 52 weeks to<br>29 March<br>2013<br>£m |
|---|-------|--|--|---------------------------------------|
| <b>Assets</b>   |       |  |  |                                       |
| <b>Non-current assets</b>   |       |  |  |                                       |
| Intangible assets   | 12    | 341.0  | 342.8  | 342.2                                 |
| Property, plant and equipment                                     | 12    | 93.3   | 91.4   | 90.6                                  |
| Deferred tax assets   |       | 0.9  | -  | 0.3                                   |
| <b>Total non-current assets</b>                                   |       | <b>435.2</b>   | <b>434.2</b>   | <b>433.1</b>                          |
| <b>Current assets</b>   |       |  |  |                                       |
| Inventories   |       | 140.3  | 132.9  | 133.2                                 |
| Trade and other receivables                                       |       | 59.5   | 53.3   | 53.8                                  |
| Derivative financial instruments                                  |       | -  | 0.1  | 1.9                                   |
| Cash and cash equivalents   | 13    | 5.8  | 28.5   | 7.9                                   |
| <b>Total current assets</b>                                       |       | <b>205.6</b>   | <b>214.8</b>   | <b>196.8</b>                          |
| <b>Total assets</b>   |       | <b>640.8</b>   | <b>649.0</b>   | <b>629.9</b>                          |
| <b>Liabilities</b>  |       |  |  |                                       |
| <b>Current liabilities</b>  |       |  |  |                                       |
| Borrowings  | 13    | (29.9)   | (29.2)   | (4.3)                                 |
| Derivative financial instruments                                  |       | (2.6)  | (1.0)  | (0.2)                                 |
| Trade and other payables  |       | (192.3)  | (153.9)  | (144.9)                               |
| Current tax liabilities   |       | (29.6)   | (27.1)   | (26.3)                                |
| Provisions  |       | (7.3)  | (8.4)  | (7.4)                                 |
| <b>Total current liabilities</b>                                  |       | <b>(261.7)</b>   | <b>(219.6)</b>   | <b>(183.1)</b>                        |
| <b>Net current (liabilities)/assets</b>                           |       | <b>(56.1)</b>  | <b>(4.8)</b>   | <b>13.7</b>                           |
| <b>Non-current liabilities</b>                                    |       |  |  |                                       |
| Borrowings  | 13    | (33.4)   | (107.2)  | (114.2)                               |
| Accruals and deferred income – lease incentives                   |       | (30.2)   | (27.9)   | (29.7)                                |
| Provisions  |       | (4.2)  | (1.9)  | (4.2)                                 |
| Deferred tax liabilities  |       | -  | (0.3)  | -                                     |
| <b>Total non-current liabilities</b>                              |       | <b>(67.8)</b>  | <b>(137.3)</b>   | <b>(148.1)</b>                        |
| <b>Total liabilities</b>  |       | <b>(329.5)</b>   | <b>(356.9)</b>   | <b>(331.2)</b>                        |
| <b>Net assets</b>   |       | <b>311.3</b>   | <b>292.1</b>   | <b>298.7</b>                          |
| <b>Shareholders' equity</b>                                       |       |  |  |                                       |
| Share capital   | 14    | 2.0  | 2.0  | 2.0                                   |
| Share premium account   | 14    | 151.0  | 151.0  | 151.0                                 |
| Investment in own shares  |       | (15.5)   | (14.0)   | (13.2)                                |
| Other reserves  |       | (0.8)  | 0.1  | 0.9                                   |
| Retained earnings   |       | 174.6  | 153.0  | 158.0                                 |
| <b>Total equity attributable to equity holders of the Company</b> |       | <b>311.3</b>   | <b>292.1</b>   | <b>298.7</b>                          |

# HALFORDS GROUP PLC

## Condensed consolidated statement of changes in equity

For the 26 weeks to 27 September 2013

For the period ended 28 September 2012 (Unaudited)

|   | Attributable to the equity holders of the Company |                             |                                |                                  |                       |                         | Total equity<br>£m |
|---|---|-----------------------------|--------------------------------|----------------------------------|-----------------------|-------------------------|--------------------|
|   | Share capital<br>£m                               | Share premium account<br>£m | Investment in own shares<br>£m | Other reserves                   |                       | Retained earnings<br>£m |                    |
|   |   |                             |                                | Capital redemption reserve<br>£m | Hedging reserve<br>£m |                         |                    |
| <b>Balance at 30 March 2012</b>                                   | 2.0   | 151.0                       | (14.0)                         | 0.3                              | (0.7)                 | 148.5                   | <b>287.1</b>       |
| <b>Total comprehensive income for the period</b>                  |   |                             |                                |                                  |                       |                         |                    |
| Profit for the period   | -   | -                           | -                              | -                                | -                     | 31.9                    | <b>31.9</b>        |
| <b>Other comprehensive income</b>                                 |   |                             |                                |                                  |                       |                         |                    |
| Cash flow hedges:   |   |                             |                                |                                  |                       |                         |                    |
| Fair value changes in the period                                  | -   | -                           | -                              | -                                | 0.6                   | -                       | <b>0.6</b>         |
| Transfers to inventory  | -   | -                           | -                              | -                                | (0.1)                 | -                       | <b>(0.1)</b>       |
| Transfers to net profit:  |   |                             |                                |                                  |                       |                         |                    |
| Cost of sales   | -   | -                           | -                              | -                                | 0.2                   | -                       | <b>0.2</b>         |
| Tax on other comprehensive income                                 | -   | -                           | -                              | -                                | (0.2)                 | -                       | <b>(0.2)</b>       |
| <b>Total other comprehensive income for the period net of tax</b> | -   | -                           | -                              | -                                | 0.5                   | 31.9                    | <b>32.4</b>        |
| <b>Transactions with owners, recorded directly in equity</b>      |   |                             |                                |                                  |                       |                         |                    |
| Share options exercised   | -   | -                           | -                              | -                                | -                     | -                       | -                  |
| Share-based payment transactions                                  | -   | -                           | -                              | -                                | -                     | 0.7                     | <b>0.7</b>         |
| Purchase of own shares  | -   | -                           | -                              | -                                | -                     | (0.9)                   | <b>(0.9)</b>       |
| Tax on share-based payment transactions                           | -   | -                           | -                              | -                                | -                     | -                       | -                  |
| Dividends to equity holders                                       | -   | -                           | -                              | -                                | -                     | (27.2)                  | <b>(27.2)</b>      |
| <b>Total transactions with owners</b>                             | -   | -                           | -                              | -                                | -                     | (27.4)                  | <b>(27.4)</b>      |
| <b>Balance at 28 September 2012</b>                               | 2.0   | 151.0                       | (14.0)                         | 0.3                              | (0.2)                 | 153.0                   | <b>292.1</b>       |

# HALFORDS GROUP PLC

## Condensed consolidated statement of changes in equity (continued)

For the 26 weeks to 27 September 2013

For the period ended 27 September 2013 (Unaudited)

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

# HALFORDS GROUP PLC

## Condensed consolidated statement of cash flows

For the 26 weeks to 27 September 2013

|  | 26 weeks to<br>27 September<br>2013<br>Unaudited | 26 weeks to<br>28 September<br>2012<br>Unaudited | 52 weeks to<br>29 March<br>2013 |
|--|--|--|---------------------------------|
| Notes  | £m   | £m   | £m                              |
| <b>Cash flows from operating activities</b>                |  |  |                                 |
| Profit after tax for the period before non-recurring items | 34.1   | 31.5   | 53.8                            |
| Non-recurring items  | -  | 0.4  | (1.1)                           |
| Profit after tax for the period                            | 34.1   | 31.9   | 52.7                            |
| Depreciation - property, plant and equipment               | 8.9  | 10.7   | 19.9                            |
| Impairment charge  | -  | -  | 0.8                             |
| Amortisation - intangible assets                           | 2.9  | 2.6  | 5.4                             |
| Net finance costs  | 3.2  | 2.6  | 6.1                             |
| Loss on disposal of property, plant and equipment          | 0.9  | 0.4  | 1.7                             |
| Equity settled share based payment transactions            | 0.2  | 0.7  | 0.1                             |
| Fair value loss/(gain) on derivative financial instruments | 1.7  | 0.5  | (0.9)                           |
| Corporation tax expense                                    | 10.5   | 10.5   | 18.3                            |
| <br>   |  |  |                                 |
| (Increase)/decrease in inventories                         | (7.1)  | 13.8   | 13.5                            |
| Increase in trade and other receivables                    | (5.6)  | (8.4)  | (8.9)                           |
| Increase in trade and other payables                       | 44.2   | 14.5   | 6.6                             |
| (Decrease)/increase in provisions                          | (0.1)  | (1.0)  | 0.3                             |
| <br>   |  |  |                                 |
| Finance income received                                    | 0.1  | 0.2  | 0.3                             |
| Finance costs paid   | (1.8)  | (2.2)  | (4.2)                           |
| Corporation tax paid                                       | (7.0)  | (8.8)  | (18.2)                          |
| <b>Net cash from operating activities</b>                  | <b>85.1</b>                                      | <b>68.0</b>                                      | <b>93.5</b>                     |
| <b>Cash flows from investing activities</b>                |  |  |                                 |
| Purchase of intangible assets                              | (1.6)  | (1.6)  | (3.7)                           |
| Purchase of property, plant and equipment                  | (9.7)  | (6.5)  | (16.7)                          |
| <b>Net cash used in investing activities</b>               | <b>(11.3)</b>                                    | <b>(8.1)</b>                                     | <b>(20.4)</b>                   |
| <b>Cash flows from financing activities</b>                |  |  |                                 |
| Net proceeds from issue of ordinary shares                 | 0.9  | -  | 0.8                             |
| Purchase of own shares                                     | (3.2)  | (0.9)  | (0.9)                           |
| Proceeds from loans, net of transaction costs              | 95.7   | 97.0   | 202.0                           |
| Repayment of borrowings                                    | (177.0)  | (140.0)  | (239.0)                         |
| Payment of finance lease liabilities                       | (0.2)  | (0.1)  | (0.3)                           |
| Dividends paid to shareholders                             | 10   | (27.2)   | (42.7)                          |
| <b>Net cash used in financing activities</b>               | <b>(101.4)</b>                                   | <b>(71.2)</b>                                    | <b>(80.1)</b>                   |
| <br>   |  |  |                                 |
| Net decrease in cash and bank overdrafts                   | 13   | (27.6)   | (11.3)                          |
| Cash and cash equivalents at the beginning of the period   | 13   | 3.9  | 10.9                            |
| <b>Cash and cash equivalents at the end of the period</b>  | <b>13</b>  | <b>(23.7)</b>                                    | <b>3.9</b>                      |

# HALFORDS GROUP PLC

## Notes to the condensed consolidated interim financial statements (continued)

For the 26 weeks to 27 September 2013

### 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 6 November 2013.

### 2. Statement of compliance

These condensed consolidated interim financial statements for the 26 weeks to 27 September 2013 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 2013 Annual Reports and Accounts, which have been prepared in accordance with IFRSs as adopted by the European Union.

The comparative figures for the financial period ended 29 March 2013 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 52 to 55 of our Annual Report and Accounts for the 52 weeks to 29 March 2013, 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.

# HALFORDS GROUP PLC

## Notes to the condensed consolidated interim financial statements (continued)

For the 26 weeks to 27 September 2013

### 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 applying the accounting policies and presentation that were applied in the preparation of the 2013 Annual Reports and Accounts, which are published on the Halfords Group website, [www.halfordscompany.com](http://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 amendment apply for the first time in 2013. 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:

- IAS 1 'Presentation of Financial Statements' (Amendment) – the amendments introduce a grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified.
- IAS 34 'Interim Financial Reporting' (Amendment) – the amendment clarifies the requirements of IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 'Operating Segments'.
- IFRS 13 'Fair Value Measurement' – provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

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.

# HALFORDS GROUP PLC

## Notes to the condensed consolidated interim financial statements (continued)

For the 26 weeks to 27 September 2013

### 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 29 March 2013 and the 26 weeks ended 28 September 2012.

### 6. Operating segments

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

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

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

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



# HALFORDS GROUP PLC

## Notes to the condensed consolidated interim financial statements (continued)

For the 26 weeks to 27 September 2013

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.

|   |                             |                                    | <b>26 weeks to<br/>27 September<br/>2013</b> | 26 weeks to<br>28 September<br>2012 |
|---|-----------------------------|------------------------------------|--|-------------------------------------|
|   | <b>Retail<br/>Unaudited</b> | <b>Car Servicing<br/>Unaudited</b> | <b>Total<br/>Unaudited</b>                   | Total<br>Unaudited                  |
| <b>Income statement</b>                   | <b>£m</b>                   | <b>£m</b>                          | <b>£m</b>                                    | <b>£m</b>                           |
| <b>Revenue</b>                            | <b>424.0</b>                | <b>66.6</b>                        | <b>490.6</b>                                 | 455.6                               |
| Segment result before non-recurring items | <b>46.3</b>                 | <b>2.3</b>                         | <b>48.6</b>                                  | 45.3                                |
| Non-recurring items                       | -                           | -                                  | -  | 0.5                                 |
| <b>Segment result</b>                     | <b>46.3</b>                 | <b>2.3</b>                         | <b>48.6</b>                                  | 45.8                                |
| Unallocated expenses <sup>1</sup>         |                             |                                    | <b>(0.8)</b>                                 | (0.8)                               |
| <b>Operating profit</b>                   |                             |                                    | <b>47.8</b>                                  | 45.0                                |
| Net financing expense                     |                             |                                    | <b>(3.2)</b>                                 | (2.6)                               |
| <b>Profit before tax</b>                  |                             |                                    | <b>44.6</b>                                  | 42.4                                |
| Tax                                       |                             |                                    | <b>(10.5)</b>                                | (10.5)                              |
| <b>Profit after tax</b>                   |                             |                                    | <b>34.1</b>                                  | 31.9                                |

<sup>1</sup> 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 (£0.8m) in respect of assets acquired through business combinations (2012: (£0.8m)).

|   |                      |                             | <b>52 weeks to<br/>29 March<br/>2013</b> |
|---|----------------------|-----------------------------|--|
|   | <b>Retail<br/>£m</b> | <b>Car Servicing<br/>£m</b> | <b>Total<br/>£m</b>                      |
| <b>Income statement</b>                   |                      |                             |  |
| <b>Revenue</b>                            | 745.5                | 125.8                       | 871.3                                    |
| Segment result before non-recurring items | 73.6                 | 6.3                         | 79.9                                     |
| Non-recurring items                       | (1.0)                | -                           | (1.0)                                    |
| <b>Segment result</b>                     | 72.6                 | 6.3                         | 78.9                                     |
| Unallocated expenses <sup>1</sup>         |                      |                             | (1.8)                                    |
| <b>Operating profit</b>                   |                      |                             | 77.1                                     |
| Net financing expense                     |                      |                             | (6.1)                                    |
| <b>Profit before tax</b>                  |                      |                             | 71.0                                     |
| Taxation                                  |                      |                             | (18.3)                                   |
| <b>Profit after tax</b>                   |                      |                             | 52.7                                     |

<sup>1</sup> 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 (£1.8m) in respect of assets acquired through business combinations (2012: (£2.2m)).

# HALFORDS GROUP PLC

## Notes to the condensed consolidated interim financial statements (continued)

For the 26 weeks to 27 September 2013

|                             |                           |                                  | 26 weeks to<br>27 September<br>2013 | 26 weeks to<br>28 September<br>2012 |
|-----------------------------|---------------------------|----------------------------------|-------------------------------------|-------------------------------------|
|                             | Retail<br>Unaudited<br>£m | Car Servicing<br>Unaudited<br>£m | Total<br>Unaudited<br>£m            | Total<br>Unaudited<br>£m            |
| <b>Other segment items:</b> |                           |                                  |                                     |                                     |
| Capital expenditure         | 11.5                      | 2.7                              | 14.2                                | 6.1                                 |
| Depreciation expense        | 7.3                       | 1.6                              | 8.9                                 | 10.7                                |
| Amortisation expense        | 2.1                       | -                                | 2.1                                 | 1.7                                 |

|                             |              |                     | 52 weeks to<br>29 March<br>2013 |
|-----------------------------|--------------|---------------------|---------------------------------|
|                             | Retail<br>£m | Car Servicing<br>£m | Total<br>£m                     |
| <b>Other segment items:</b> |              |                     |                                 |
| Capital expenditure         | 13.2         | 5.6                 | 18.8                            |
| Depreciation expense        | 17.4         | 2.5                 | 19.9                            |
| Impairment expense          | 0.8          | -                   | 0.8                             |
| 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<br>27 September<br>2013 | 26 weeks to<br>28 September<br>2012 | 52 weeks to<br>29 March<br>2013 |
|--|-------------------------------------|-------------------------------------|---------------------------------|
|  | Unaudited<br>£m                     | Unaudited<br>£m                     | £m                              |
| <b>Non-recurring operating expenses:</b>                 |                                     |                                     |                                 |
| Lease guarantee provision <sup>1</sup>                   | -                                   | (0.5)                               | (1.0)                           |
| Onerous lease provision <sup>2</sup>                     | -                                   | -                                   | 1.2                             |
| Impairment of Property, Plant and Equipment <sup>3</sup> | -                                   | -                                   | 0.8                             |
| <b>Non-recurring items before tax</b>                    | -                                   | <b>(0.5)</b>                        | <b>1.0</b>                      |
| Tax on non-recurring items <sup>4</sup>                  | -                                   | 0.1                                 | 0.1                             |
| <b>Non-recurring (income)/expense after tax</b>          | -                                   | <b>(0.4)</b>                        | <b>1.1</b>                      |

<sup>1</sup>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.

<sup>2</sup>A charge incurred in the prior period 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.

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

<sup>4</sup>The charge for the prior period arose from a change in approach to settling the Group's guarantor obligations.

# HALFORDS GROUP PLC

## Notes to the condensed consolidated interim financial statements (continued)

For the 26 weeks to 27 September 2013

### 8. Net Finance Costs

|  | <b>26 weeks to<br/>27 September<br/>2013</b> | 26 weeks to<br>28 September<br>2012 | 52 weeks to<br>29 March<br>2013 |
|--|--|-------------------------------------|---------------------------------|
|  | <b>Unaudited<br/>£m</b>                      | Unaudited<br>£m                     | £m                              |
| <b>Finance costs:</b>                      |  |                                     |                                 |
| Bank borrowings                            | <b>(0.6)</b>                                 | (1.2)                               | (2.1)                           |
| Amortisation of issue costs on loans       | <b>(0.7)</b>                                 | (0.5)                               | (1.7)                           |
| Commitment and guarantee fees              | <b>(0.7)</b>                                 | (0.6)                               | (1.2)                           |
| Cost of forward foreign exchange contracts | <b>(0.1)</b>                                 | -                                   | (0.1)                           |
| Interest payable on finance leases         | <b>(0.4)</b>                                 | (0.4)                               | (0.7)                           |
| Other interest payable                     | <b>(0.8)</b>                                 | -                                   | (0.5)                           |
| <b>Finance costs</b>                       | <b>(3.3)</b>                                 | (2.7)                               | (6.3)                           |
| <b>Finance income:</b>                     |  |                                     |                                 |
| Bank and similar income                    | <b>0.1</b>                                   | 0.1                                 | 0.2                             |
| <b>Finance income</b>                      | <b>0.1</b>                                   | 0.1                                 | 0.2                             |
| <b>Net finance costs</b>                   | <b>(3.2)</b>                                 | (2.6)                               | (6.1)                           |

Other interest payable in the period includes £0.8m relating to accrued interest on 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 27 September 2013 is 23.6% (2012: 24.8%). This rate differs from the UK corporation tax rate (23%) principally due to the non-deductibility of depreciation charged on capital expenditure and other permanent differences arising in the period.

The Finance Act 2012 included legislation to reduce the main rate of corporation tax from 26% to 24% from 1 April 2012 and to 23% from 1 April 2013. In the December 2012 Budget statement it was announced that the rate would be reduced from 23% to 21% from 1 April 2014 and in the March 2013 Budget statement it was announced that the rate would be further reduced to 20% by 1 April 2015. These further rate reductions were substantively enacted by the interim balance sheet date and are therefore included in this interim financial information.

The deferred tax asset at 27 September 2013 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, although this will reduce the Company's future current tax charge and reduce the Company's deferred tax asset accordingly.

# HALFORDS GROUP PLC

## Notes to the condensed consolidated interim financial statements (continued)

For the 26 weeks to 27 September 2013

### 10. Dividends

During the period the Group paid a final dividend of 9.10 pence per share in respect of the 52 weeks to 29 March 2013 (2012: 14.00 pence per share), which absorbed £17.6m of shareholders' funds (2012: £27.2m).

The directors have approved an interim dividend of 5.20 pence per share for the 26 weeks to 27 September 2013 (2012: 8.00 pence per share), which is expected to be £10.1m (2012: £15.5m) and will be paid on 24 January 2014 to those shareholders on the share register at the close of business on 20 December 2013.

### 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 27 September 2013.

|  | <b>26 weeks to<br/>27 September<br/>2013</b> | 26 weeks to<br>28 September<br>2012 | 52 weeks to<br>29 March<br>2013 |
|--|--|-------------------------------------|---------------------------------|
|  | <b>Unaudited</b>                             | Unaudited                           |                                 |
|  | <b>Number</b>                                | Number                              | Number                          |
|  | <b>m</b>                                     | m                                   | m                               |
| Weighted average number of shares in issue                                 | <b>199.1</b>                                 | 199.1                               | 199.1                           |
| Less: shares held by the Employee Benefit Trust                            | <b>(5.2)</b>                                 | (4.9)                               | (4.8)                           |
| Weighted average number of shares for calculating basic earnings per share | <b>193.9</b>                                 | 194.2                               | 194.3                           |
| Weighted average number of dilutive share options                          | <b>3.0</b>                                   | 0.2                                 | 1.5                             |
| Total number of shares for calculating diluted earnings per share          | <b>196.9</b>                                 | 194.4                               | 195.8                           |

|   | <b>26 weeks to<br/>27 September<br/>2013</b> | 26 weeks to<br>28 September<br>2012 | 52 weeks to<br>29 March<br>2013 |
|---|--|-------------------------------------|---------------------------------|
|   | <b>Unaudited</b>                             | Unaudited                           |                                 |
|   | <b>£m</b>                                    | £m                                  | £m                              |
| Basic earnings attributable to equity shareholders    | <b>34.1</b>                                  | 31.9                                | 52.7                            |
| Non-recurring items:                                  |  |                                     |                                 |
| Operating (income)/expenses                           | -  | (0.5)                               | 1.0                             |
| Tax charge on non-recurring items                     | -  | 0.1                                 | 0.1                             |
| Underlying earnings before non-recurring items        | <b>34.1</b>                                  | 31.5                                | 53.8                            |
| Basic earnings per share                              | <b>17.6p</b>                                 | 16.4p                               | 27.2p                           |
| Diluted earnings per share                            | <b>17.3p</b>                                 | 16.4p                               | 26.9p                           |
| Basic earnings per share before non-recurring items   | <b>17.6p</b>                                 | 16.2p                               | 27.7p                           |
| Diluted earnings per share before non-recurring items | <b>17.3p</b>                                 | 16.2p                               | 27.5p                           |

## HALFORDS GROUP PLC

### Notes to the condensed consolidated interim financial statements (continued)

For the 26 weeks to 27 September 2013

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<br>£m |
|--|-----------------|
| Net book value at 30 March 2012                                    | 441.8           |
| Additions  | 6.1             |
| Disposals  | (0.4)           |
| <u>Depreciation, amortisation, impairments and other movements</u> | <u>(13.3)</u>   |
| Net book value at 28 September 2012                                | 434.2           |

|  | Unaudited<br>£m      |
|--|----------------------|
| Net book value at 29 March 2013                                    | <b>432.8</b>         |
| Additions  | <b>14.2</b>          |
| Disposals  | <b>(0.9)</b>         |
| <u>Depreciation, amortisation, impairments and other movements</u> | <u><b>(11.8)</b></u> |
| <b><u>Net book value at 27 September 2013</u></b>                  | <b><u>434.3</u></b>  |

# HALFORDS GROUP PLC

## Notes to the condensed consolidated interim financial statements (continued)

For the 26 weeks to 27 September 2013

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

|  | At<br>30 March<br>2012 | Cash flow<br>Unaudited | Other non-cash<br>changes<br>Unaudited | At 28<br>September<br>2012<br>Unaudited |
|--|------------------------|------------------------|--|---|
|  | £m                     | £m                     | £m                                     | £m                                      |
| Cash in hand and at bank                       | 10.9                   | (11.3)                 | -                                      | (0.4)                                   |
| Debt due after one year                        | (138.6)                | 43.0                   | (0.5)                                  | (96.1)                                  |
| <b>Total net debt excluding finance leases</b> | <b>(127.7)</b>         | <b>31.7</b>            | <b>(0.5)</b>                           | <b>(96.5)</b>                           |
| Finance leases due within one year             | (0.3)                  | 0.1                    | (0.1)                                  | (0.3)                                   |
| Finance leases due after one year              | (11.2)                 | -                      | 0.1                                    | (11.1)                                  |
| <b>Total finance leases</b>                    | <b>(11.5)</b>          | <b>0.1</b>             | <b>-</b>                               | <b>(11.4)</b>                           |
| <b>Total net debt</b>                          | <b>(139.2)</b>         | <b>31.8</b>            | <b>(0.5)</b>                           | <b>(107.9)</b>                          |

|  | At<br>29 March<br>2013 | Cash flow<br>Unaudited | Other non-cash<br>changes<br>Unaudited | At 27<br>September<br>2013<br>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)                                  |
| <b>Total net debt excluding finance leases</b> | <b>(99.4)</b>          | <b>53.7</b>            | <b>(0.7)</b>                           | <b>(46.4)</b>                           |
| 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)                                  |
| <b>Total finance leases</b>                    | <b>(11.2)</b>          | <b>0.2</b>             | <b>(0.1)</b>                           | <b>(11.1)</b>                           |
| <b>Total net debt</b>                          | <b>(110.6)</b>         | <b>53.9</b>            | <b>(0.8)</b>                           | <b>(57.5)</b>                           |

Non-cash changes comprise finance costs in relation to the amortisation of capitalised debt issue costs of £0.7m and changes in classification between amounts due within and after one year. Cash and cash equivalents at the period end consist of £5.8m of liquid assets and £29.5m of bank overdrafts.

### 14. Share Capital

|  | Number of<br>shares<br>m | Share<br>capital<br>£m | Share<br>premium<br>account<br>£m |
|--|--------------------------|------------------------|-----------------------------------|
| As at 30 March 2012                    | 199.4                    | 2.0                    | 151.0                             |
| Purchase of own shares – share buyback | (0.3)                    | -                      | -                                 |
| <b>As at 28 September 2012</b>         | <b>199.1</b>             | <b>2.0</b>             | <b>151.0</b>                      |

|  | Number of<br>shares<br>m | Share<br>capital<br>£m | Share<br>premium<br>account<br>£m |
|--|--------------------------|------------------------|-----------------------------------|
| <b>As at 29 March 2013 and 27 September 2013</b> | <b>199.1</b>             | <b>2.0</b>             | <b>151.0</b>                      |

## HALFORDS GROUP PLC

### Notes to the condensed consolidated interim financial statements (continued)

For the 26 weeks to 27 September 2013

During the 26 weeks to 27 September 2013 the Group, through the Employee Benefit Trust, repurchased 1.0m shares, all of which were retained as treasury shares. During the 26 weeks to 28 September 2012, the Group repurchased and cancelled 0.3m shares. The shares held in treasury will be 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 27 September 2013 amounted to £4.1m.

The Group's banking arrangements are subject to a netting facility whereby credit balances may be offset against the indebtedness of other Group companies.

#### **16. Seasonality**

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

#### **17. Related Party Transactions**

There were no related party transactions during the 26 weeks to 27 September 2013.

#### **18. Post-balance sheet event**

Subsequent to the reporting period the Group paid an amount of £13.2m in partial settlement of an existing provision in relation to a number of tax computations dating back to 2006. It is anticipated that settlement of the remaining amount of c£7m will crystallise in FY14.

# HALFORDS GROUP PLC

## Notes to the condensed consolidated interim financial statements (continued)

For the 26 weeks to 27 September 2013

### 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, Finance Director**

**6 November 2013**



## **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 27 September 2013 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.

# HALFORDS GROUP PLC

## Notes to the condensed consolidated interim financial statements (continued)

For the 26 weeks to 27 September 2013

### 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 27 September 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

**Greg Watts**

**For and on behalf of KPMG LLP**

*Chartered Accountants*

*One Snowhill*

*Snow Hill Queensway*

*Birmingham*

*B4 6GH*

6 November 2013