10 June 2010

HALFORDS DELIVERS 25% EARNINGS PER SHARE GROWTH

Halfords Group plc, the UK's leading retailer of automotive and leisure products and leading operator in garage servicing and auto repair, announces its Preliminary Results for the 52 weeks to 2 April 2010.

Financial Summary

	2010 Excl Non-Recurring[1]	2009 52 weeks Excl Non-Recurring[1]	2010 Reported	2009 53 weeks Reported
Revenue	£831.6m	£794.7m	£831.6m	£809.5m
Like-for-like Sales[2]	1.3%	-3.3%	1.3%	-3.3%
Operating Profit	£119.7m	£101.9m	£112.3m	£91.7m
Operating Margin	14.4%	12.8%	13.5%	11.3%
Profit Before Tax	£117.1m	£92.4m	£109.7m	£77.5m
Basic EPS	39.7p	31.8p	36.8p	26.6p
Net Debt	£155.5m	£164.0m	£155.5m	£176.2m
Full Year Dividend	20.0p	15.9p	20.0p	15.9p

Financial Highlights

On a comparable 52-week basis[3], excluding non-recurring items, the Group's performance is summarised:

- Revenue £831.6m, 4.6% increase with underlying, Easter adjusted, like-for-like sales increasing by 0.7%
- Gross margin per cent increased by 230bps year on year to 54.4%
- Operating profit £119.7m up 17.5%, representing 14.4% of sales (2009: 12.8%)
- Profit before tax £117.1m up 26.7%
- Basic earnings per share 39.7p up 24.8%
- Operating cash flow[4] at £179.6m, (FY09: £114.2m), 125% of EBITDA
- Recommended final dividend 14.00p, making a total of 20.00p per ordinary share (2009:15.90p), up 25.8%
- Net debt, after funding the acquisition of Nationwide, at £155.5m (2009: £173.9m) represents 1.0x EBITDA

Business Highlights

- Continued strong sales and market share growth in car maintenance and cycling
- Margin gains reflect successful ongoing implementation of active trading strategies
- Service differentiation continues, with strong growth in ***we***fit and ***we***repair jobs, increasing by 40% to 2.1m
- Multi-channel revenue grew by 34% and accounts for 6% of total revenue
- Successful delivery of cost saving initiatives with £6m annualised cost reductions crystalising in 2010
- Acquisition and successful integration of Nationwide Autocentres, the UK's leading independent car servicing and repair operator

David Wild, Chief Executive, commented on the results:

"Halfords has had an excellent year. As a result of our disciplined growth strategy and a clear focus on the needs of our customers, our business continues to develop strongly. Sales growth in core areas, margin expansion and disciplined cost control has led to the delivery of 25% earnings growth.

In addition we made our first acquisition, Nationwide Autocentres, which represents a natural extension of Halfords service proposition in the car aftermarket and is already making a good contribution to the Group.

Looking ahead we will continue to expand our core retail business, double earnings from the Autocentre operations over the next three years and harness our strong cash flow to seek further acquisitions that meet our investment criteria. The aim of this strategy is to deliver sustainable earnings growth over the medium term of, on average, 15% per annum.

While we remain cautious about the current state of the wider UK economy and immediate outlook for consumer spending, we have a proven strategy, a resilient business, and significant opportunities. The Board is therefore confident that the Group will deliver further earnings growth in the year ahead.

The Group's success reflects the continued hard work and contribution made by all colleagues. I would like to thank them for their continued efforts."

Notes:
1. Non-recurring items are described in note 4 to the Preliminary Statement.
2. Like-for-like sales represent revenues from stores trading for greater than 365 days. Where appropriate, revenues denominated in foreign currencies have been translated at constant rates of exchange.
3. In order to be comparable on a calendar basis, balance sheet metrics are stated on a year-end basis.
4. Operating cash flow represents Net cash from operating activities adjusted for financing, tax flows and non-cash items.

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Results presentation

A presentation for analysts and investors will be held, today, at 9.30 a.m. at The City Presentation Centre, 4 Chiswell Street, London EC1Y 4UP. An audio cast and interview with David Wild will be available on the Halfords corporate website later today (www.halfordscompany.com/hal/pr/video).

Forthcoming Newsflow

Halfords Group will be holding its Annual General Meeting at the Alveston Manor, Clopton Bridge, Stratford upon Avon, Warwickshire CV37 7HP on Tuesday, 27 July 2010. The meeting will include a first quarter trading update from the Group that will cover the 13 weeks from 3 April 2010 to 2 July 2010.

Notes to Editors:

www.halfords.co.uk
www.halfordscompany.co.uk
www.nationwideautocentres.co.uk

Halfords Group plc

The Group is the UK's leading retailer of automotive, leisure and cycling products and through Nationwide Autocentres also the UK's leading independent car servicing and repair operator.

Halfords employs approximately 11,000 staff and sells over 12,000 different product lines with significant ranges in car parts, cycles, in-car technology, child seats, roof boxes, outdoor leisure and camping equipment. Halfords own brands include the in-store *Bikehut* department, for cycles and cycling accessories, *Apollo* and *Carrera* cycles and exclusive UK distribution rights of the premium ranged *Boardman* cycles and accessories. In outdoor leisure, we sell a premium range of camping equipment, branded *URBAN Escape*. Halfords offers customers expert advice and a fitting service called *"**we**fit"* for car parts, child seats, satellite navigation and in-car entertainment systems, and a *"**we**repair"* service for cycles.

Halfords customers shop at 469 stores in the UK and abroad and at halfords.com for direct home delivery or pick-up at their local store. Nationwide Autocentres operates from 224 sites nationally and offers motorists dealership quality MOTs, repairs and car servicing at affordable prices.

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.

BUSINESS REVIEW

The strong earnings growth delivered in 2010 reflects a number of contributory factors. Revenue increases were seen in the core categories of car maintenance and cycling. Gross margin enrichment as a result of mix, improved purchasing prices and a higher participation of the Halfords service offer was also evident. Finally, the successful implementation of a series of initiatives reduced the cost base.

Acquisition activity has been firmly established as an important component of the Group's future growth, following the purchase in February 2010 of Nationwide Autocentres ("Nationwide"). Car servicing and repair under the Halfords brand represents a significant earnings opportunity for the Group.

The lack of quality retail sites to facilitate the rapid scaling of our Central European operations, led to the decision to close these operations and signalled the Group's intention to focus its resources on UK growth opportunities in the near term.

The core UK retail ("Halfords Retail") operations have generated sustained high single digit operating profit growth, in the 5 years following Halfords flotation on the London Stock Exchange, despite changing consumer spending patterns. We are confident that this can be maintained. This confidence reflects the opportunity through our leading positions in strong markets, and the continued development of our multi-channel offer to grow like-for-like sales. This is backed by active gross margin management and tight cost control leading to increases in operating profit ahead of revenue.

When combined with the growth opportunity provided through Nationwide and from re-investing our strong free cash flow in similar opportunities, we believe the business is well positioned to deliver sustainable earnings growth, averaging 15% over the medium-term.

Group Strategy

The four elements of the Group's organic strategic growth plan are:
1. Extending range and service advantage
2. Investing in the store portfolio
3. Ongoing focus on cost control
4. Leveraging the Halfords brand in multi-channel

The strength of the Group's cash flows and balance sheet allows us to augment the above organic strategy through the acquisition of quality, adjacent, domestic businesses.

1. Extending range and service advantage

Halfords Retail maintains market-leading positions across a unique blend of categories with ranges of unrivalled breadth and depth. Halfords constantly strives to enhance its position in each of its markets, seeking out product innovation and new ranges. To complement the product offer, store colleagues are trained to provide expert customer advice and deliver value-for-money ***we***fit services. These factors differentiate the offer from the competition and act as a barrier to market entry.

Car Maintenance

Halfords is the UK's number one parts retailer and a destination store for "needs-driven" transactions where customers are looking to purchase replacement products such as car bulbs, windscreen wiper blades and batteries ("3Bs"). Our strategy of introducing greater value, choice and service to our ranges has contributed to another successful year for this category, that represents approximately 30% of total revenue, with 8% growth in like-for-like sales and increased market share.

Our scale provides a unique ability to develop and source high quality, own brand alternatives to branded ranges, and to bring the latest "new car" technology quickly to the after sales market. Innovations include brighter bulbs that use Xenon gas technology and QR (quick response) brake lights that enhance safety. In addition to the existing Halfords three and four year warranty batteries, a top of the range Bosch car battery that generates up to 50% more starting power with a 5-year guarantee, has increased sales and margin through a 25% value premium to a standard battery.

Our *Tradecard* offer continues to be taken up by customers operating in the auto aftermarket trade. These customers are incremental and high spending, growing by a further 10% during 2010 to total 100,000.

The ***we***fit service proposition continues to gain traction with the consumer. Growing customer awareness of Halfords fitting of the 3Bs and high levels of in-store stock availability help to drive revenue, this was particularly evident when the UK experienced the sustained period of severe weather during December and January. This period also saw winter-related products such as anti-freeze, de-icer and scrapers sell in record volumes. Our level of in-store preparation and supply chain excellence helped us to meet customer needs fulfilling the heightened demand.

Car Enhancement

This category covers staple products, such as car cleaning and car accessories and larger ticket items like car audio and portable satellite navigation devices.

Halfords is the market leader in in-car technology, where our exclusive ranges and unique “set-up and demo” proposition provide a clear point of competitive differentiation. We firmly believe that the ongoing innovation of new technologies for use in the car will provide a constant source of new sales opportunities but equally recognise the natural and relatively short lifecycle of those products. Our revenue performance reflects this trend with strong progress from newer products such as hands-free devices, portable media and in-car DVDs more than offset by declining satellite navigation and CD Audio sales.

The market for satellite navigation devices is mature and although manufacturers continue to innovate, consumers have reduced spending on such discretionary purchases, significantly reducing sales volumes. Reduced revenues have been partly compensated through a focus on significantly increasing sales of higher margin satellite navigation accessories. Overall attachment grew across the year by 50%, with strong promotional activity around *Sendai*, Halfords own brand accessories, further strengthening margin as own brand grew to represent over 40% of accessory sales.

As referred to above, technology innovation provides a flow of important and high value products for the car aftermarket and Halfords’ leadership in this market means we can secure distribution from major manufacturers to capitalise on the next wave of development. Many see the introduction of digital (DAB) radio as being the next big opportunity and we are confident that Halfords will be well placed to serve this market and lead to further sales and margin growth.

Leisure

The leisure category continued to grow strongly and now accounts for almost 40% of total revenue, with both Cycling and Travel solutions delivering strong like-for-like sales growth during the year.

Cycling

Cycling is growing in popularity, powered by demand for a healthier lifestyle, environmental concerns and economic pressures. Our customers want to cycle during their leisure time, as part of everyday life and, supported by a government scheme providing tax relief on bike purchases, by cycling to work.

Halfords’ success in the Cycling category, that delivered 15% like-for-like growth in the year, is underpinned by its market leading own brands, including *Apollo* and *Carrera*, with *Apollo* remaining as the biggest selling bike brand in the UK, strong before and after sales service proposition and direct sourcing capability from the Far East.

Halfords’ cycle service proposition continues to be well received by customers, with more than 95% of the bikes we sell being built in-house. All new bikes purchased come with the offer of a free six-week check-up and we aim to develop an ongoing service and repair relationship through the sales of a Bike Care Plan, providing customers with the certainty of labour-free repairs. Sales of these plans increased by over 50% during the year and have contributed to a doubling of our service sales revenue.

Despite selling one in three bikes in the UK, this ratio has not been achieved in the areas of premium and children’s cycles. These two categories have been the subject of management focus over the last two years and have generated significant uplifts in cycle sales.

The *Boardman* range, designed by Olympic Champion Chris Boardman, leads our premium bike offer through an exclusivity agreement in the UK. The *Boardman* range has been widely acclaimed for its leading designs, construction and price competitiveness, and is further endorsed through use by World champion riders including Olympian Nicole Cooke and by Alistair Brownlee, the reigning World Triathlon champion. Sales have grown significantly since the launch two and a half years ago, to 21,000 units over the past year, a level that we believe to be in line with some of the more established premium brands distributed via independents.

Halfords had its best ever Christmas for cycle sales, building and selling almost 250,000 bikes in this key trading period. Halfords continued to grow its share of the children's cycle market through an improved range of licensed character bikes including *Ben 10*, *Power Rangers* and *Hello Kitty*. Importantly, these cycles were complemented by full ranges of similarly branded accessories so children could personalise their bikes, thereby increasing overall transaction values.

Travel Solutions

Halfords has established a reputation as the destination store for travel solutions. Products such as roof boxes and bars, cycle carriers and child seats help make our customers' journeys easier, while our camping range means they can enjoy their leisure time more actively. This fragmented market continues to expand through the popularity of domestic holidays, where 5 million families undertook a holiday in Britain in 2009, and provides a continued sales opportunity.

Within the core travel equipment area, changes to the price and range architecture for roof bars and roof boxes encouraged sales growth and improved profitability.

Camping had another successful year with record sales in key lines enabling a clean stock exit and achieving further gains in market share. Our direct sourcing capabilities allow us to provide customers with great value offers like our market leading family tent pack at £99.99. In the current financial year we are building on this success by doubling the number of lines of outdoor leisure products stocked both in-store and via halfords.com and with a further range expansion with brands including *Gelert* and *Wild Country* on offer.

The Group continues to grow its share in the child seat market, through a clear focus on ranging the leading brands and innovative products, such as ISOFIX seats. This range breadth is further enhanced online and supported, in store, by expert advice and fitting where over 2,000 colleagues are professionally trained and accredited by RoSPA to fit child seats to cars.

We have trialled and launched a new range of mobility aids, including scooters, wheelchairs and walking aids. The mobility market is valued at an estimated £500m in the UK and is set to grow with one in three people in the UK forecast to be over 60 years by 2024. In addition, there are currently 9 million permanently or temporarily disabled people in Britain, many of whom also need mobility aids. With a shortage of accessible retail outlets, selling mobility products at competitive prices, this initiative has been welcomed by customers and mobility represents a further opportunity for Halfords as a natural extension of our travel solution ranges.

Service

Expert knowledge, advice and service remain at the heart of the Halfords customer offer and specifically through fitting, differentiates and defends the Halfords offer and generates attractive levels of return.

Recognising that the economic outlook in 2009 made such a value proposition more attractive, we set stretching targets to increase awareness, uptake and service revenue. While all product categories include a core service element, for example Bike Care Plan, Free Bike Build (***we***build) and 6 week service (***we***check) within cycling and "Set-up and Demo" within technology, the foundation of the proposition remains, ***we***fit being the on-demand fitting of Car Bulbs, Windscreen Blades and Batteries ("3 Bs").

In advance of driving awareness we invested in colleague training, availability and visibility to ensure customer fitting requirements were met in real time. Our strategy to grow awareness of our fitting capability ensured all advertising contains reference to ***we***fit, together with a dedicated Autumn radio campaign. This holistic approach proved successful with penetration uplifts of 50% in our core 3 Bs, such that approximately 20% of all batteries, bulbs and wiper blades that are sold are also fitted by Halfords in-store colleagues.

While we are encouraged by the annualised run rate of *c.*1.7 million ***we***fit jobs, we are confident in further increasing fitting penetration. However, such progress requires continued strategic investment across the business to ensure that colleague capability is maintained and has included in 2009 an intense training programme for our 5,000 in-store experts — to equip them with the latest technical/product details and sales skills.

2. Investing in the store portfolio

The Group operates through two discrete store chains:

(1) Halfords Retail

The quality and layout of Halfords Retail 462 store estate is a key element of our customer proposition and a source of competitive advantage. This national scale also supports our position as the store of first choice, as 90% of our customers are with a 20-minute journey of one of our stores.

Accordingly, the Group's strategic focus remains in the development and progressive refurbishment of the two formats of choice, the superstore and the smaller format Compact store. Compact stores provide a comprehensive Halfords offer to smaller catchments, carrying some 6,000 of the 10,000 lines available within an average superstore.

(2) Nationwide

The Group also operates a national presence from its 224 Autocentres where the strategic focus is on expanding the chain.

United Kingdom & Republic of Ireland ("UK & ROI")

Halfords Retail operates from 462 stores in the UK and ROI including 403 superstores, 26 compact stores, together with 33 small format Metro stores located on busy high streets where no suitable edge of town retail opportunity is locally available. During the year, excluding the closure of *bikehut* stores, the Group increased its UK and ROI portfolio by four stores, having opened ten stores and closed six, mainly Metro, stores.

At the end of the year 240 stores traded with a mezzanine and we believe a further 100 stores have potential for conversion. The mezzanine is a highly cost-effective route to space expansion. It also enhances the store environment by creating a spacious, clearly defined area where we can display our cycle ranges for maximum impact.

The Group is confident that there is a long-term opportunity to grow the retail store portfolio in the UK and ROI and our intention is to open five to ten stores in the UK in the current financial year. The lack of quality, new development and the poor quality of recycled property, however, provides a challenge in developing new store opportunities.

In addition to new stores, Halfords Retail continues to invest in its existing estate to ensure that it remains contemporary and reflects the latest store navigation signposting and the latest product merchandising. During the year 48 stores were refurbished.

With the acquisition of Nationwide the Group operates garage servicing and auto repair from 224 autocentres. The Group has identified an opportunity to expand the autocentre chain with a further 200 centres in the medium term, with 80 centres anticipated to open in the next three years.

Central Europe

Following a strategic review, the Board decided to close the seven Halfords stores in Central Europe, the costs and impact of which are described in the Financial Results. Despite an improvement in recent performance and the possibility that the region could still prove attractive in the longer term, the continuing recession has severely limited the availability of suitable properties and therefore the opportunity to move the operation to a viable scale in the medium term.

Although an international strategy clearly represents an opportunity for future growth, the Board has decided that management time and financial resource are better devoted, at the present time, to the growth opportunities available in the core UK market.

3. Ongoing focus on cost control

We are committed to an ongoing focus on cost control. This ensures efficient use of resources, the correct operating base for the prevailing economic environment and provides headroom to fund strategic investments in future growth. We control costs, both through cross-functional initiatives as well a culture of cost awareness that provides a constant stream of improvement ideas.

We continue to increase the level of products sourced directly from manufacturers across Asia. Our Far East team operate an agile sourcing model, moving manufacture, of products designed by the Group's category management resource in the UK, between regions and countries as cost and duty profiles change. They also control all aspects of the supply chain to eliminate unnecessary costs in transport, shipping and stock holding and ensure a seamless coordination with our store operations.

During 2009 the Group progressed a key initiative to reconfigure its logistics infrastructure, replacing our existing three Distribution Centres. Central to the Group's new infrastructure is a new 320,000 sq ft national distribution centre (DC), at Coventry, which is our centre of gravity. This facility will commence operation in June 2010 and will become fully operational in September. The new DC is equipped with modern logistics technology such as radio frequency scanning and will ensure more efficient delivery of stock to Halfords stores. The reconfiguration will deliver annualised cost savings in excess of £4m, including rent savings, transport reductions and labour efficiencies. The final element of our revised logistics configuration will be a single warehouse, in Redditch, dedicated to cycles.

Following the initial improvements made to store colleague rotas in the final quarter of the 2009 financial year, a further efficiency programme in stores has been implemented which will result in improved colleague availability and better service for our customers. These improvements will, however, be achieved with a net reduction in colleague hours as resource is removed from low footfall periods and processes are made more efficient. The programme has realigned store grades, rostering and schedules across the store, week and network. The changes, which have impacted, in some way, the majority of store-based colleagues mean we can also provide clearer career paths for colleagues, strengthening our position in the recruitment market. These changes will also differentiate us from our competitors so we are in a strong position to further develop our business and continue to grow sales and operating profit.

The reduced operating profit stimulus from the slowdown in new store openings has been and is anticipated to be mitigated in the future by the favourable impact of rental negotiations at lease renewal ('regears'). From 2012 onward the Group has lease maturities at an average of 25 per annum where the strength of the Halfords covenant, together with reduced demand for such space, provides opportunity for either reduced headine rent or landlord investment for example in the form of a rent free period in order to secure continuity of tenure.

Naturally, our focus on cost control continues and we have identified a number of further areas, including the regear opportunity outlined above, that we plan to target in the current financial year.

4. Leveraging the Halfords brand in multi-channel

The Internet is changing the way that our customers shop and providing us with new opportunities to grow our business. Our strong brand, leading Internet site and focus on developing this channel have led us to grow our online business at twice the average market rate this year. Our online sales currently represent approximately 6% of Halfords Retail overall sales and we have ambitious plans to increase this share.

Our strategy is to seamlessly integrate halfords.com and store operations and, following the introduction of a dedicated website in ROI in early 2009, all of our retail territories are so structured. Whether for normally ranged products or for our increasing number of extended ranges held outside of stores, this intent mirrors our customer feedback, which tells us they like the convenience of buying online but also want to visit our stores for expert advice and recommendation and added value services such as fitting.

To cater for all demands we have introduced 3 ways to shop online

1. *Reserve and Collect*— a service where products researched online are reserved for collection at a nearby store. Eighty per cent of online sales now use this channel and more than 1.5 million products have been sold via this route.
2. *Order and Collect* — allows customers to order products from our more extensive online catalogue and have it delivered to their local store for collection free of charge.
3. *Direct delivery* — products ordered online are delivered direct to customers' homes.

In seeking to identify further innovative and convenient ways in which customers can interact with Halfords Retail, we also launched a *Text and Reserve* service so customers can text their car registration to us, to identify and reserve the correct replacement product for their vehicle.

Enhancing our online offer and further extending our multi-channel presence is a clear investment priority. In line with market trends, we continue to increase the amount of advertising dedicated to this medium and this year have added 40,000 customer ratings and reviews to the site together with an "Ask and Answer" facility to allow customers to tap into the expertise and experience of other users.

We have also extended significantly the range of products we offer in areas like bike parts, car seats and camping. In all we carry 2,000 more lines on halfords.com than we do in store. Much of the extra inventory is managed in partnership reducing stock costs and obsolescence risk. This approach provides the model for significant range extension going forward.

Acquisition

In addition to the significant organic growth opportunity provided by the core UK and ROI retail operation, Halfords has a clearly articulated acquisition strategy for assets that can provide additional avenues for significant growth. Our criteria are for quality, domestic businesses in adjacent markets where the Halfords brand would resonate strongly or where we can apply our core capabilities.

Nationwide Autocentres

During this period Halfords made its first significant acquisition, Nationwide Autocentres. Nationwide is a market leading, growing business operating from 224 centres nationally and provides motorists with a full range of auto servicing, MOTs and repairs for both the consumer and fleet markets. Nationwide is the only national operator that offers dealership quality service at more affordable prices.

Nationwide complements Halfords Retail closely and builds on our growing car parts and ***we***fit service business. The acquisition creates the largest specialised UK operator focused on the car maintenance, servicing and car repair market. Car aftercare is a large and highly attractive sector with a value of £9bn. Capacity is shrinking as the number of independent garages declines leading to increasing demand from motorists for a reliable, quality independent operator.

There is significant scope to grow the new Group and we intend to double Nationwide's operating profits in the third year of ownership. Operational scale will significantly increase by opening 200 further centres in key towns over the next seven years. Further growth opportunities exist from cross-marketing the Group's complementary customer base, increased fleet penetration and there will also be cost and purchasing synergies.

Nationwide's business will continue to be driven by their successful management team who have joined the Halfords Group. The first new centres have been launched under the Halfords Autocentre branding and the whole estate will be rebranded during the current year, after a trial to be conducted across May and June.

Summary and Outlook

Halfords retains clear leadership in its core retail markets of cycling and car maintenance, where it is delivering good like-for-like sale increases and growing market share. We continue to augment such incremental margin, through a continued focus on margin enhancement, operating cost control and capital discipline. Together, these factors mean we have continued to perform strongly, increasing profit before tax and non-recurring items by 26.7%.

Our performance through this period of recession emphasises the resilient quality and adaptability of the business. We believe Halfords' unique, market-leading position provides strong potential for us to consolidate further the fragmented markets in which we operate.

The acquisition of Nationwide Autocentres gives us a market leading entry point into a large and unconsolidated market and opens another exciting avenue of growth for Halfords.

We expect the consumer environment to remain challenging, but we have demonstrated that our business can make good progress in these conditions and improve operating returns. However, our strong market positions, ongoing actions to reduce costs and strong cash flow characteristics provide a solid platform for future sustainable earnings growth through our core strategic growth initiatives and acquisitions that meet our stringent criteria.

Through this focus on creating value for our customers and active management of the business, the Board believes the Group is well positioned to deliver earnings growth. In the year ahead this is anticipated to be in line with market expectations, with sustainable growth across the medium term anticipated to average approximately 15%.

FINANCIAL RESULTS

On 17 February 2010 the Group acquired 100 per cent of the issued share capital of Nationwide Autocentres Holdings Ltd ("Nationwide) for cash consideration of £74.9m. This Class 2 transaction has been accounted for by the purchase method of accounting, with the resultant goodwill arising on the acquisition being attributable to the anticipated future profitability and operating synergies from the combination.

Nationwide, the parent company of a Group of companies involved in car servicing and repair, contributed £13.5m revenue and £0.3m to the Group's profit before tax for the period between the date of acquisition and the Group's balance sheet date.

All references to Group represent the consolidation of the Halfords ("Retail") and Nationwide trading entities. Separate commentaries on the performance of the individual entities are not provided as the Group results are 99% attributable to the retail division.

Overview

The "2010" accounting period represents trading for the 52 weeks to 2 April 2010 with the comparative, "2009", data being for the 53 week financial period to 3 April 2009. Last year's 53rd week represented £14.8m of revenue, £2.1m of operating profit and £2.0m of profit before tax.

Group revenue for the 52 weeks to 2 April 2010 was £831.6m which compares to a 2009 52-week basis Group revenue of £794.7m. This increase of 4.6%, represents a like-for-like sales increase of 1.3%, where like-for-like sales represent those stores that had traded, within the Group, for more than 365 days.

Gross profit at £452.7m (2009: £421.4m) represents 54.4% as a percentage of revenue and compares to last year's figure of 52.1%. The 230 basis points ("bps") accretion in gross profit margin reflects trading strategies delivered by management within each category, including improved penetration of the Group's fitting services, increased accessory sales, and the flow-through of Far East sourcing benefits. Margin has been further enhanced by a continued beneficial mix effect delivered through the relative sales growth in higher margin core categories, such as car maintenance and cycling, compared to the sales decline in lower margin categories, most notably In-car technology.

This mix effect largely annualised during the third quarter and will therefore have a smaller overall impact in the financial year ended 1 April 2011 ("2011"). Despite the challenges provided by the dissipation of the mix effect and cost of goods pressures from the Group's dollar denominated purchases, we remain confident that the ongoing benefits attainable through the self-help measures noted above will contribute to margins being held broadly flat, in percentage terms, in the forthcoming financial year.

Operating expenses, excluding non-recurring costs, represented 40.0% of revenue (2009: 39.2%). The year-on-year increase of approximately 80 bps largely reflects a reduced level of landlord surrender payments, discussed later, together with the transition costs associated with a further tranche of store labour efficiencies executed in the fourth quarter of the year. Underlying operating costs as a percentage of sales were broadly flat year on year.

The Group remains focused on controlling day-to-day costs while delivering a number of strategic initiatives that will reduce costs more materially. The cost saving programmes announced in April 2009 have been successful in driving operating cost efficiency with headcount initiatives in both head office and store operations delivering the scheduled £4m annualised savings.

Specifically, in store, despite having increased service related revenues that carry a higher cost to serve, store labour costs as a percentage of revenue reduced by 60 bps during 2010, totalling 10.5% of revenue over the period. During the fourth quarter, store operations have undergone a further review of working practices, labour scheduling, store hierarchy and reward structures that will deliver cost improvements, totalling £2m, in 2011, while providing store colleagues with greater responsibility and opportunities for career progression.

The Group's year-long project to re-configure its' existing warehousing and distribution infrastructure remains on plan, with the new DC in Coventry scheduled to commence operations in June 2010. This significant project, which is being managed in a manner which minimises disruption to the core retail operation, is progressing in line with planned milestones and is on track to deliver annualised savings of £4.0m from the second half of 2011.

Net finance costs before non-recurring finance costs for the period were £2.6m (2009: £9.6m). Finance costs on bank borrowings were £6.7m lower than the prior year reflecting a prevailing lower level of average net debt and significantly lower LIBOR that followed the Base Rate reductions last year. The costs of forward exchange contracts are £1.1m lower than last year reflecting the shortening of forward purchases of US dollars, less volatile currency movements and narrower interest rate differentials.

Profit before tax and non-recurring items for the 52 weeks to 2 April 2010 was £117.1m (2009: £94.4m) On the more comparative period for the 52 weeks to 27 March 2009, 2010 performance represents an increase in profit before tax and non-recurring items of 26.7%. Profit before tax and non-recurring items as a percentage of revenue has increased by 250 bps to 14.1% from 11.6%.

Profit before tax for the 52 weeks to 2 April 2010 after non-recurring items was £109.7m (2009: £77.5m).

Non-recurring items

As noted in the Business Review the decision was taken and announced in March to close the Group's seven-store pilot within Central Europe. Although international expansion remains on the Group's strategic agenda, the Board have stated that in the short to medium term management and financial resource will focus on the UK and ROI markets through retail offer expansion, both through new stores and online, developing and delivering the opportunity in garage servicing and identifying quality, domestic businesses with either brand or capability adjacencies for further value creating acquisitions.

The associated exit costs total £7.4m, of which £4.1m are non-cash costs. The principal areas of expenditure relate to asset write-off (£4.7m), vacant property and property exit costs (£2.4m) and redundancy costs (£0.4m).

The Central European operation, included within the 2010 Group Revenue Statement, generated revenues of £5.9m and a loss before taxation of £2.5m, after operating expenses of £4.7m. Consequently, the closure will generate annualised net savings of c. £2.8m, with the phased exit during the first quarter of the new financial year resulting in an anticipated saving of c. £2.0m impacting the Group's 2011 results.

Portfolio management

The Group continues to actively manage its store portfolio to maximise value creation through generating cash, making profits and reducing ongoing rental charges. However, the property market has proved challenging in 2010, limiting opportunities to both open new stores and to downsize stores where landlords will provide incentives to return excess space.

With regard to new stores, the economic recession has reduced fresh development, while overall market capacity has increased as a result of business failures, but not on the quality parks or locations that Halfords is targeting for future expansion.

Portfolio transactions still represent a sustainable opportunity for the Group, with in excess of 200 superstores located on A1 parks where demand remains relatively high. However until the economic recovery is more in evidence landlords are less likely to undertake speculative development in favour of back-to-back deals, which, by their nature, introduces delay in the contract exchange process. Accordingly, landlord surrender payments from the two transactions completed during the year totalled £1.1m (2009: £2.7m) and management expect a similar level of surrender payments in the forthcoming financial year.

Operating leases

With the exception of nine long leasehold and two freehold properties within Nationwide, the Group's operating sites are occupied under operating leases, the majority of which are on standard lease terms, typically with a 15-year term at inception. The Group has a total commitment under non-cancellable operating leases of £811.5m (2009: £776.1m).

Taxation

The taxation charge on profit for the financial year was £32.7m (2009: £21.7m), including a £1.4m credit (2009: £4.6m) in respect of the tax on non-recurring items, representing a full year effective tax rate of 29.8% (2009: 28.0%). The underlying tax rate was 29.4% (2009: 29.7%), principally due to the non-deductibility of depreciation charged on capital expenditure in respect of mezzanine floors and other store infrastructure.

The increase in the Group's effective tax rate, to a level more in line with the Group's underlying rate, reflects the relatively low level of credit in respect of favourable tax structures in place during the year. This position is expected to reverse in 2011.

Earnings per share ("EPS")

Basic EPS, excluding non-recurring items, was 39.7 pence (2009: 32.5 pence), a 22.2% increase on the reported prior year value. On a more comparative 52-week basis, basic EPS, excluding non-recurring items, increased by 23.8% from the prior year position of 31.8 pence.

Basic EPS for the 52 weeks to 2 April 2010 was 36.8 pence (2009: 26.6 pence), a 38.3% increase.

Capital expenditure

Capital investment in the period totalled £20.4m (2009: £19.4m). During 2010 management have continued to adopt a prudent approach with regard to capital investment and have focused on investments generating the highest returns.

Investment in new stores, where there has been a marked decline in the supply of quality locations, has reduced compared to recent years. However, management also continues to invest in the existing store portfolio, to ensure it remains contemporary, and despite a smaller level of new store openings, the Group has expended £7.4m on the store portfolio.

The largest single element of expenditure during 2010 has been the DC project, in which the Group has invested, in line with the plan, £6.7m. The Group continues to invest in its internal business systems, ensuring that it has the infrastructure to support the changing demands of the business and expanding the functionality of the Halfords website, which saw the successful introduction of the "Order and Collect" proposition.

The forthcoming financial year will see the completion of the DC project at an anticipated additional investment of £2m and will see the execution of the initial elements of the three year plan to significantly increase the scale of the Nationwide business. This will include the re-branding to Halfords Autocentres at a cost of c. £2.5m and the opening of between 12 and 15 centres.

Reflecting the capital "light" nature of Nationwide expansion, Group capital expenditure is anticipated to remain in line with historic norms at approximately £25m.

Inventories

The Group continues to manage its stock holding to ensure high levels of availability and range breadth, and inventories at 2 April 2010 were £138.5m (2009: £147.0m). Management has continued to implement the inventory control programmes that were developed in the previous financial year, and have achieved further reductions in stock with a consequential improvement in stock turn. Stock levels continue to be carefully managed and have reduced year-on-year by 6.7%, 7.2% after inventory investment in new stores and a limited investment in additional stock to ensure availability during the period of changeover in supply to the new distribution infrastructure.

Over the economic cycle the Group has stated its intention to increase stocks at approximately 50% of the rate of sales increase adjusted for the necessary inventory investment in new stores.

Cash flow, net debt and capital structure

The Group's debt facility comprises a £180m five-year term non-amortising loan, falling due for repayment in July 2011, together with a £120m revolving credit facility, which also falls due for renewal in July 2011.

The Group continues to generate strong operational net cash flows, which, in 2010, were £148.1m (2009: £73.8m), representing 103.0% (2009: 57.2%) of earnings before non-recurring items, interest, tax, depreciation and amortisation ("EBITDA"). The significant improvement in operational cashflow reflects the increase in the Group's profitability and a working capital inflow of £33.1m (2009: Outflow £19.0m), which reflects the inventory reduction and an increase in trade creditors.

Total net bank debt at 2 April 2010 was £143.5m (3 April 2009: £164.0m) and there are further borrowings of £12.0m (2009: £12.2m) in respect of the Head Office finance lease that in total generates net debt at £155.5m (2009: £176.2m). This reduction in net debt has been achieved after funding the acquisition of Nationwide for a consideration of £72.3m.

The Group is committed to both a progressive dividend policy and continued investment in the growth of the business, both through organic development and other business development opportunities as they might arise. It is also committed, over the long term, to maintaining an efficient balance sheet, returning any surplus capital not required to fund Group growth, to its shareholders.

As part of this capital structure, management are currently reviewing, with the Group's Brokers, the optimal capital structure for the enlarged Group that will provide the necessary flexible funding to deliver its strategic agenda. Management envisages that renewed debt facilities will be agreed and in place in the second half of the financial year ended 1 April 2011.

Dividend

In line with the Group's progressive dividend policy, the Board is recommending a final dividend of 14.00 pence per share (2009: 10.90 pence), which, in addition to the interim dividend of 6.00 pence per share (2009: 5.00 pence), generates a total dividend of 20.00 pence (2009: 15.90 pence), an increase of 25.8%.

Subject to shareholder approval at the Annual General Meeting the final dividend will be paid on 6 August 2010 to shareholders on the register at the close of business on 2 July 2010.

CONSOLIDATED INCOME STATEMENT

For the period		**52 weeks to 2 April 2010**			53 weeks to 3 April 2009		
		Before Non-recurring Items	**Non-recurring items (note 4)**	**Total**	Before Non-recurring items	Non-recurring items (note 4)	Total
	Notes	**£m**	**£m**	**£m**	£m	£m	£m
Revenue		**831.6**	**-**	**831.6**	809.5	-	809.5
Cost of sales		**(378.9)**	**-**	**(378.9)**	(388.1)	-	(388.1)
Gross profit		**452.7**	**-**	**452.7**	421.4	-	421.4
Operating expenses	2	**(333.0)**	**(7.4)**	**(340.4)**	(317.4)	(12.3)	(329.7)
Results from operating activities	3	**119.7**	**(7.4)**	**112.3**	104.0	(12.3)	91.7
Finance costs	5	**(4.6)**	**-**	**(4.6)**	(11.9)	(4.6)	(16.5)
Finance income	5	**2.0**	**-**	**2.0**	2.3	-	2.3
Net finance expense		**(2.6)**	**-**	**(2.6)**	(9.6)	(4.6)	(14.2)
Profit before income tax		**117.1**	**(7.4)**	**109.7**	94.4	(16.9)	77.5
Income tax expense	6	**(34.1)**	**1.4**	**(32.7)**	(26.3)	4.6	(21.7)
Profit for the financial period attributable to equity shareholders		**83.0**	**(6.0)**	**77.0**	68.1	(12.3)	55.8
Earnings per share							
Basic	8	**39.7p**		**36.8p**	32.5p		26.6p
Diluted	8	**39.4p**		**36.6p**	32.5p		26.6p

All results relate to continuing operations of the Group.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**52 weeks to 2 April 2010 £m**	53 weeks to 3 April 2009 £m
Profit for the period		**77.0**	55.8
Other comprehensive income			
Foreign currency translation differences for foreign operations		**0.4**	-
Cash flow hedges:			
Fair value changes in the period		**(5.1)**	22.8
Transfers to inventory		**(7.3)**	(11.8)
Transfers to net profit:			
Cost of sales		**1.5**	(5.0)
Finance costs		**-**	4.6
Income tax on other comprehensive income	6	**(0.6)**	-
Other comprehensive income for the period, net of income tax		**(11.1)**	10.6
Total comprehensive income for the period attributable to equity shareholders		**65.9**	66.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2 April 2010	3 April 2009
	£m	£m
Assets		
Non-current assets		
Intangible assets	**348.7**	259.5
Property, plant and equipment	**102.9**	107.5
Deferred tax asset	**-**	2.7
Total non-current assets	**451.6**	369.7
Current assets		
Inventories	**138.5**	147.0
Trade and other receivables	**42.9**	37.6
Derivative financial instruments	**3.0**	14.0
Cash and cash equivalents	**36.5**	15.5
Total current assets	**220.9**	214.1
Total assets	**672.5**	583.8
Liabilities		
Current liabilities		
Borrowings	**(0.2)**	(0.2)
Derivative financial instruments	**(0.8)**	(0.3)
Trade and other payables	**(131.5)**	(87.8)
Current tax liabilities	**(17.5)**	(12.2)
Provisions	**(20.5)**	(14.3)
Total current liabilities	**(170.5)**	(114.8)
Net current assets	**50.4**	99.3
Non-current liabilities		
Borrowings	**(191.8)**	(191.5)
Derivative financial instruments	**-**	(0.4)
Accruals and deferred income – lease incentives	**(28.0)**	(28.3)
Provisions	**(3.3)**	(4.4)
Deferred tax liabilities	**(0.5)**	-
Total non-current liabilities	**(223.5)**	(224.6)
Total liabilities	**(394.0)**	(339.4)
Net assets	**278.5**	244.4
Shareholders' equity		
Share capital	**2.1**	2.1
Share premium	**146.5**	145.6
Other reserves	**2.5**	13.6
Retained earnings	**127.4**	83.1
Total equity attributable to equity holders of the Company	**278.5**	244.4

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to the equity holders of the Company						
			Other reserves				
	Share capital £m	Share premium account £m	Translation reserve £m	Capital Redemption reserve £m	Hedging reserve £m	Retained earnings £m	**Total Equity £m**
Balance at 28 March 2008	2.1	145.6	-	0.2	2.8	71.0	**221.7**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	55.8	**55.8**
Other comprehensive income							
Cash flow hedges:							
Fair value gains in the period	-	-	-	-	22.8	-	**22.8**
Transfers to inventory	-	-	-	-	(11.8)	-	**(11.8)**
Transfers to net profit:							
Cost of sales	-	-	-	-	(5.0)	-	**(5.0)**
Finance costs	-	-	-	-	4.6	-	**4.6**
Total other comprehensive income for the period net of tax	-	-	-	-	10.6	-	**10.6**
Total comprehensive income for the period	-	-	-	-	10.6	55.8	**66.4**
Transactions with owners, recorded directly in equity							
Purchase of own shares – share buy-back	-	-	-	-	-	(13.1)	**(13.1)**
Share-based payment transactions	-	-	-	-	-	1.7	**1.7**
Dividends to equity holders	-	-	-	-	-	(32.3)	**(32.3)**
Total transactions with owners	-	-	-	-	-	(43.7)	**(43.7)**
Balance at 3 April 2009	2.1	145.6	-	0.2	13.4	83.1	**244.4**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	77.0	**77.0**
Other comprehensive income							
Foreign currency translation differences for foreign operations	-	-	0.4	-	-	-	**0.4**
Cash flow hedges:							
Fair value gains in the period	-	-	-	-	(5.1)	-	**(5.1)**
Transfers to inventory	-	-	-	-	(7.3)	-	**(7.3)**
Transfers to net profit:							
Cost of sales	-	-	-	-	1.5	-	**1.5**
Income tax on other comprehensive income	-	-	-	-	(0.6)	-	**(0.6)**
Total other comprehensive income for the period net of tax	-	-	0.4	-	(11.5)	-	**(11.1)**
Total comprehensive income for the period	-	-	0.4	-	(11.5)	77.0	**65.9**
Transactions with owners, recorded directly in equity							
Share options exercised	-	0.9	-	-	-	-	**0.9**
Share-based payment transactions	-	-	-	-	-	2.5	**2.5**
Income tax on share-based payment transactions	-	-	-	-	-	0.1	**0.1**
Dividends to equity holders	-	-	-	-	-	(35.3)	**(35.3)**
Total transactions with owners	-	0.9	-	-	-	(32.7)	**(31.8)**
Balance at 2 April 2010	2.1	146.5	0.4	0.2	1.9	127.4	**278.5**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**52 weeks to 2 April 2010 £m**	53 weeks to 3 April 2009 £m
Cash flows from operating activities			
Profit after tax for the period before non-recurring items		**83.0**	68.1
Non-recurring items	4	**(6.0)**	(12.3)
Profit after tax for the period		**77.0**	55.8
Depreciation - property, plant and equipment		**21.9**	22.4
Impairment charge		**5.0**	-
Amortisation - intangible assets		**2.2**	2.7
Foreign exchange loss		**0.6**	-
Net finance costs		**2.6**	14.2
Loss on sale of property, plant and equipment		**0.7**	0.3
Equity-settled share based payment transactions		**2.5**	1.7
Fair value gain on derivative financial instruments		**0.1**	(2.3)
Income tax expense		**32.7**	21.7
Decrease in inventories		**9.8**	4.6
Decrease in trade and other receivables		**0.5**	3.8
Increase/(decrease) in trade and other payables		**22.8**	(27.4)
Increase in provisions		**2.6**	16.7
Finance income received		**2.0**	2.5
Finance costs paid before non-recurring swap close out costs		**(4.5)**	(12.8)
Swap close out costs		**-**	(4.6)
Income tax paid		**(30.4)**	(25.5)
Net cash from operating activities		**148.1**	73.8
Cash flows from investing activities			
Acquisition of subsidiary undertaking, net of cash acquired	10	**(72.3)**	-
Purchase of intangible assets		**(3.5)**	(5.4)
Purchase of property, plant and equipment		**(15.6)**	(17.3)
		(91.4)	(22.7)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		**0.9**	-
Purchase of own shares		**-**	(13.1)
Payment of finance lease liabilities		**(0.2)**	(0.2)
Dividends paid		**(35.3)**	(32.3)
Net cash used in financing activities		**(34.6)**	(45.6)
Net increase in cash and bank overdrafts		**22.1**	5.5
Cash and cash equivalents at the beginning of the period	9	**15.5**	10.0
Effect of exchange rate fluctuations		**(1.1)**	-
Cash and cash equivalents at the end of the period		**36.5**	15.5

NOTES TO THE PRELIMINARY RESULTS

1. Basis of preparation

The summary financial statements of Halfords Group plc and its subsidiary undertakings (together "the Group") are prepared on a going concern basis and under the historical cost convention, except where International Financial Reporting Standards require an alternative treatment. The principal variations relate to financial instruments (IAS 39 "Financial instruments: recognition and measurement") and share based payments (IFRS 2 "Share-based payment").

The Group has a syndicated five-year term facility totaling £300m that provides the Group with committed bank facilities until July 2011. The Board is currently reviewing, with the Group's Brokers, the optimal capital structure for the enlarged Group that will provide the necessary flexible funding to deliver its strategic agenda. The Board envisages that renewed debt facilities will be agreed and in place in the second half of the financial year ended 1 April 2011.

The accounts of the Group are prepared for the period up to the Friday closest to 31 March each year. Consequently, the summary financial statements for the current period cover the 52 weeks to 2 April 2010, whilst the comparative period covered the 53 weeks to 3 April 2009.

The preparation of summary financial statements in conformity with Generally Accepted Accounting Principles requires the use of accounting estimates and management to exercise its judgement in the process of applying the Group's accounting policies. These judgements and estimates are based on historical experience and management's best knowledge of the amounts, events or actions under review and the actual results may ultimately differ from these estimates. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are, where necessary, disclosed separately.

2. Operating expenses

For the period	**52 weeks to 2 April 2010 £m**	53 weeks to 3 April 2009 £m
Selling and distribution costs before non-recurring items	**280.2**	271.3
Non-recurring selling and distribution costs	**6.8**	10.3
	287.0	281.6
Administrative expenses before non-recurring items	**52.8**	46.1
Non-recurring administrative expenses	**0.6**	2.0
	53.4	48.1
	340.4	329.7

3. Operating profit

For the period	**52 weeks to 2 April 2010 £m**	53 weeks to 3 April 2009 £m
Operating profit is arrived at after charging/(crediting) the following expenses/(incomes) as categorised by nature:		
Operating lease rentals:		
- plant and machinery	**1.8**	1.3
- property rents	**82.9**	82.1
- rentals receivable under operating leases	**(7.1)**	(7.6)
Landlord surrender payments	**(1.1)**	(2.7)
Loss on disposal of property, plant and equipment	**0.7**	0.3
Amortisation of intangible assets	**2.2**	2.7
Depreciation of:		
- owned property, plant and equipment	**21.4**	21.8
- assets held under finance leases	**0.5**	0.6
Impairment of property, plant and equipment	**5.0**	-
Trade receivables impairment	**0.2**	0.1
Staff costs	**126.5**	128.9
Cost of inventories consumed in cost of sales	**369.0**	379.2

4. Non-recurring items

For the period	**52 weeks to 2 April 2010 £m**	53 weeks to 3 April 2009 £m
Non-recurring operating expenses:		
Head Office rationalisation [(a)]	-	2.0
Store rationalisation [(a)]	-	0.8
Exit of standalone cycle store pilot [(b)]	-	1.2
Distribution and warehousing reorganisation [(c)]	-	8.3
Central Europe closure [(d)]	**7.4**	-
Non-recurring operating expenses	**7.4**	12.3
Non-recurring finance costs:		
Swap close out costs [(e)]	-	4.6
	-	4.6
Non-recurring items before tax	**7.4**	16.9
Tax on non-recurring items [(f)]	**(1.4)**	(4.6)
Non-recurring items after tax	**6.0**	12.3

(a) Cost of staffing reductions in Head Office and stores, to access efficiencies arising from the Group's investment in core enterprise systems over the past four years.
(b) Exit costs associated with the cessation of the Group's standalone cycle concept, including the closure of stores where necessary.
(c) Costs associated with the re-configuration and consolidation of the Group's distribution infrastructure.
(d) Exit costs associated with the closure of all seven stores in Central Europe. Results for Central Europe for the period are as follows:

	52 weeks to 2 April 2010 £m	53 weeks to 3 April 2009 £m
Revenue	**5.9**	4.4
Operating loss before non-recurring items	**(2.5)**	(3.2)

(e) On 1 April 2009, the Group closed out its existing interest rate hedging instruments, which were contracted until 2011, at a cost of £4.6m.

(f) This represents the tax credit on these non-recurring costs; this credit is lower than the UK corporation tax standard rate of 28% due to the non-deductibility of certain legal expenses and depreciation associated with store infrastructure.

Non-recurring operating expenses of £7.4m (2009: £12.3m) consisted of £0.4m (2009: £6.0m) redundancy costs, £5.3m (2009: £0.8m) in respect of property, plant and equipment and inventory, £2.4m (2009: £2.3m) onerous lease costs and £0.5m (2009: £3.2m) of other costs offset by £1.2m foreign currency translation gains.

5. Finance income and costs

Recognised in profit or loss for the period	**52 weeks to 2 April 2010 £m**	53 weeks to 3 April 2009 £m
Finance costs:		
Bank borrowings	**(2.7)**	(9.4)
Amortisation of issue costs on loans	**(0.5)**	(0.2)
Commitment and guarantee fees	**(0.2)**	(0.2)
Costs of forward foreign exchange contracts	**(0.1)**	(1.2)
Interest payable on finance leases	**(0.8)**	(0.9)
Interest payable on rent reviews	**(0.3)**	-
Finance costs before non-recurring finance costs	**(4.6)**	(11.9)
Non-recurring finance costs:		
Swap close out costs[1]	**-**	(4.6)
Finance costs	**(4.6)**	(16.5)
Finance income: Bank and similar interest	**2.0**	2.3
Net finance costs	**(2.6)**	(14.2)

[1]On 1 April 2009, the Group closed out its existing interest rate hedging instruments, which were contracted until 2011, at a cost of £4.6m.

6. Taxation

For the period	**52 weeks to 2 April 2010 £m**	53 weeks to 3 April 2009 £m
Current taxation		
UK corporation tax charge for the period	**35.5**	27.6
Adjustment in respect of prior periods	**(1.1)**	(2.2)
	34.4	25.4
Deferred taxation		
Origination and reversal of timing differences	**(2.5)**	(4.2)
Adjustment in respect of prior periods	**0.8**	0.5
	(1.7)	(3.7)
Total tax charge for the period	**32.7**	21.7

The tax charge is reconciled with the standard rate of UK corporation tax as follows:

For the period	**52 weeks to 2 April 2010 £m**	53 weeks to 3 April 2009 £m
Profit before tax	**109.7**	77.5
UK corporation tax at standard rate of 28% (2009: 28%)	**30.7**	21.7
Factors affecting the charge for the period:		
Depreciation on expenditure not eligible for tax relief	**1.8**	0.9
Employee share options	**(0.2)**	0.2
Other disallowable expenses	**0.7**	0.6
Adjustment in respect of prior periods	**(0.3)**	(1.7)
Total tax charge for the period	**32.7**	21.7

In this financial period, the UK corporation tax standard rate was 28%.

The underlying tax rate on trading was 29.4% (2009: 29.7%), principally due to the non-deductibility of depreciation charged on capital expenditure in respect of mezzanine floors and other store infrastructure. This level of tax non-deductibility is anticipated for the foreseeable future.

The higher tax rate of 29.8% compared to the prior year (2009: 28.0%) is mainly due to the release of tax provisions in the prior year following the favourable settlement of tax computations, in particular relating to capital allowance claims.
The tax charge of £32.7m (2009: £21.7m) includes a £1.4m (2009: £4.6m) credit in respect of the tax on non-recurring costs, as detailed in note 4.

Income tax of £0.6m on other comprehensive income relates to the fair value of forward currency contracts outstanding at the year end. No other items within other comprehensive income have an income tax impact.

7. Dividends

For the period	**52 weeks to 2 April 2010 £m**	53 weeks to 3 April 2009 £m
Equity – ordinary shares		
Final for the 53 weeks to 3 April 2009 – paid 10.90p per share (2009: 10.35p)	**22.8**	21.8
Interim for the 52 weeks to 2 April 2010 – paid 6.0p per share (2009: 5.0p)	**12.5**	10.5
	35.3	32.3

In addition, the directors are proposing a final dividend in respect of the financial period ended 2 April 2010 of 14.0p per share (2009: 10.90p per share), which will absorb an estimated £29.3m (2009: £22.8m) of shareholders' funds. It will be paid on 6 August 2010 to shareholders who are on the register of members on 2 July 2010.

8. Earnings per share

Basic earnings per share are calculated by dividing the profit 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 an Employee Benefit Trust and has been adjusted for the issue/purchase 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 52 weeks to 2 April 2010.

For the period	**52 weeks to 2 April 2010 Number of shares m**	53 weeks to 3 April 2009 Number of shares m
Weighted average number of shares in issue	**210.2**	210.6
Less: shares held by the Employee Benefit Trust	**(1.1)**	(1.1)
Weighted average number of shares for calculating basic earnings per share	**209.1**	209.5
Weighted average number of dilutive shares	**1.5**	0.3
Total number of shares for calculating diluted earnings per share	**210.6**	209.8

For the period	**52 weeks to 2 April 2010 £m**	53 weeks to 3 April 2009 £m
Basic earnings attributable to equity shareholders	**77.0**	55.8
Non-recurring items (see note 5):		
Operating expenses	**7.4**	12.3
Finance costs	**-**	4.6
Tax on non-recurring items	**(1.4)**	(4.6)
Underlying earnings before non-recurring items	**83.0**	68.1

Earnings per share is calculated as follows:

For the period	**52 weeks to 2 April 2010**	53 weeks to 3 April 2009
Basic earnings per ordinary share	**36.8p**	26.6p
Diluted earnings per ordinary share	**36.6p**	26.6p
Basic earnings per ordinary share before non-recurring items	**39.7p**	32.5p
Diluted earnings per ordinary share before non-recurring items	**39.4p**	32.5p

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.

9. Analysis of movements in the Group's net debt in the period

	At 3 April 2009 £m	Cash flow £m	Other non-cash changes £m	**At 2 April 2010 £m**
Cash and cash equivalents at bank and in hand	15.5	22.1	(1.1)	**36.5**
Debt due after one year	(179.5)	-	(0.5)	**(180.0)**
Total net debt excluding finance leases	(164.0)	22.1	(1.6)	**(143.5)**
Finance leases due within one year	(0.2)	0.2	(0.2)	**(0.2)**
Finance lease due after one year	(12.0)	-	0.2	**(11.8)**
Total finance leases	(12.2)	0.2	-	**(12.0)**
Total net debt	(176.2)	22.3	(1.6)	**(155.5)**

Non-cash changes include finance costs of £0.5m in relation to the amortisation of capitalised debt issue costs, £1.1m effect of exchange rate fluctuations and changes in classification between amounts due within and after one year.

10. Acquisition of subsidiary undertaking

On 17 February 2010 the Group acquired 100 per cent of the issued share capital of Nationwide Autocentres Holdings Limited and subsidiary undertakings ("Nationwide Autocentres") for cash consideration of £74.9m (including transaction costs of £2.6m). Nationwide Autocentres is group of companies involved in car servicing and repair. This transaction has been accounted for by the purchase method of accounting.

Consideration transferred

	£m
Cash	69.7
Deferred consideration	0.9
Contingent consideration	1.7
	72.3

Contingent consideration

The cash consideration payable for the acquisition was reduced by £1.7m to reflect additional cash consideration payable to certain shareholders remaining as Directors, contingent on their remaining as employees of the Group as of the first and second anniversary of the acquisition or, in the event of any of them having terminated their employment, said employment having been terminated in circumstances of being a 'good leaver'. The additional cash consideration is payable at a rate of £1m on 17 February 2011 and £0.7m on 17 February 2012.

The deferred consideration has been settled since the year end.

Identifiable assets acquired and liabilities assumed:

	Book value £m	Fair value adjustments £m	Final fair value £m
Property, plant and equipment	5.4	(0.2)	5.2
Intangible assets	-	18.2	18.2
Inventories	1.2	-	1.2
Trade and other receivables	5.7	-	5.7
Trade and other payables	(16.6)	(0.4)	(17.0)
Provisions	(0.9)	(1.5)	(2.4)
Current tax liabilities	(0.9)	(0.4)	(1.3)
Deferred tax liabilities	0.3	(4.7)	(4.4)
	(5.8)	**11.0**	**5.2**

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

	£m
Total consideration transferred	72.3
Associated costs	2.6
Less fair value of identifiable assets	(5.2)
Goodwill	**69.7**

The goodwill arising on the acquisition of the Nationwide Autocentres is attributable to a) future income to be generated from new retail, fleet customer contracts and related relationships, b) the Nationwide workforce, c) the value of immaterial other intangible assets and d) operating synergies.

Nationwide Autocentres contributed £13.5m revenue and £0.3m to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition of Nationwide Autocentres had been completed on the first day of the financial year, group revenues for the period would have been £97.3m higher and group profit attributable to equity holders of the parent would have been £4.9m higher (pre amortisation of Intangible assets arising on consolidation).

11. Other information

The financial information set out above does not constitute the Company's statutory accounts for the 52 weeks ended 2 April 2010 or the 53 weeks ended 3 April 2009 but is derived from those accounts. Statutory accounts for 2009 have been delivered to the registrar of companies, and those for 2010 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237 (2) or (3) of the Companies Act 1985 in respect of the accounts for 2009 nor a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2010.

Halfords will be holding its Annual General Meeting at the Alveston Manor, Clopton Bridge, Stratford upon Avon, Warwickshire CV37 7HP on Tuesday, 27 July 2010. The meeting will include a first quarter trading update from the Company that will cover the 13 weeks from 3 April 2010 to 2 July 2010.