7 JUNE 2007

HALFORDS GROUP PLC

PRELIMINARY RESULTS ANNOUNCEMENT

Halfords Group plc, the UK's leading auto, leisure and cycling products retailer, announces its Preliminary Results for the 52 weeks ended 30 March 2007.

Financial Highlights

- Revenue £744.0m up 9.1%, (2006: £681.7m)
- Like-for-like sales up 6.0% (2006: 6.1%)
- Operating profit £93.5m (2006: £89.1m)
- Profit before tax and exceptional items £83.5m up 8.4% (2006: £77.0m)
- Profit before tax £80.9m (2006: £77.0m)
- Basic earnings per share before exceptional items 26.6p up 12.7% (2006: 23.6p)
- Basic earnings per share 25.8p (2006: 23.6p)
- Net debt, including finance leases, £180.0m (2006: £173.7m)
- The Board is recommending a final dividend of 9.50p, making a total of 13.85p per ordinary share (2006: 12.75p), up 8.6%
- Share buy-back: 9.0m shares purchased for an aggregate consideration of £30m (average price 333.2 pence per share). On target to buy back up to £50m of shares within two years from its announcement on 8 June 2006.

Business Highlights

- Growth in all key categories of Car Maintenance, Car Enhancement and Leisure
- Far East sourcing penetration increased to 20%
- Two standalone Bikehut stores opened in Brighton and Putney
- Partnership with Chris Boardman to launch new range of Boardman Bikes announced
- First Central European store opens in Prague on 29 June 2007
- 424 Halfords stores now trading following 23 new store openings
- During the nine-week period since the year-end sales have grown by 12.3%, 9.2% on a like-for-like basis

Commenting on the results, Ian McLeod, Chief Executive, said:

"These results demonstrate a further year of strong sales growth from Halfords; a positive momentum that has continued into the new financial year. A combination of sales and margin initiatives across all categories, investment in new stores and new formats, and the delivery of our unique service advantage through the hard work of our colleagues, continues to give us confidence in Halfords' growth prospects for the forthcoming financial year."

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Halfords Group plc

Halfords is the UK's leading auto, leisure and cycling products retailer, with 426 stores including; 15 smaller format, neighbourhood, stores and two standalone Bikehuts (located in Brighton and Putney) and employs 10,000 staff. Established in 1892 as F.W. Rushbrooke and subsequently renamed Halfords in 1907, the company was floated on the London Stock Exchange in June 2004. The Group sells 11,000 different product lines, ranging from car parts and cycles through to the latest in-car technology, alloy wheels, child seats, roof boxes and outdoor leisure and camping equipment. Halfords' own brands include *Ripspeed*, for car enhancement, and *Bikehut*, for cycles and cycling accessories, including the *Apollo* and *Carrera* brands. Stores offer a *"we fit"* service for car parts, child seats, satellite navigation and in-car entertainment systems, and a *“we repair”* service for cycles.

Cautionary Statement

This report contains certain forward-looking statements with respect to the financial condition, results of operations, and businesses of Halfords Group plc. These statements and forecasts involve risk, uncertainty and assumptions because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors which 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 Review

During the financial year, Halfords has continued to deliver further growth, demonstrating strong resilience to both a challenging retail environment and changing market dynamics through a combination of a differentiated offer, our unique service proposition and a pro-active trading approach.

The essence of Halfords' successful business model lies in our range differentiation and strong defensive characteristics. We are both market leader and store of first choice in each of our key markets. We have the UK's largest range of car parts, a third of the UK cycle market and are now clearly established as the UK's leading provider of In-Car Technology solutions. Our product offer is delivered from a portfolio of 426 stores, the significant majority of which are located in popular retail parks throughout the country.

Our breadth of range and scale of stores across the UK and within the Republic of Ireland, are underpinned by the competitive advantage provided by the informed service and product fitting capability of our store based colleagues. Halfords therefore possesses a combination of characteristics which continue to provide a strong defence against any material form of scale competition.

During the financial year, Halfords has built on its strong performance in previous years by delivering a year-on-year sales increase of 9.1% which includes growth across each of our key categories. As well as maintaining sales momentum through a similar sales growth profile in each half year, a proactive management of the product mix and supplier base has also enabled us to grow cash margin and significantly arrest the level of percentage margin dilution experienced in the previous financial year.

We continue to successfully focus on each of the four key elements of our business strategy:

- Investing in the store portfolio
- Leveraging the Halfords brand
- Improving the supply chain
- Marketing the Halfords service proposition

Investing in the store portfolio

In recent years our focus has been on reinvesting in the existing store estate, to ensure that our store environment remains contemporary and our customers are presented with our latest offer. This programme, involving varying degrees of re-invigoration, is now essentially complete.

A combination of investment in our existing stores, often increasing capacity through the addition of mezzanine floors, and the opening of new stores has added 32% of space to our portfolio since 2001. We believe our market leading position can be further enhanced by the development of at least 130 further stores across the UK and the Republic of Ireland. Our portfolio investment emphasis will now move towards a stronger store opening programme.

The Halfords Group now has 376 Superstores, with well over half in a mezzanine format and over 100 stores in a supermezzanine format, which remains our format of choice. As at 30

March 2007, Halfords Group had a total of 426 stores trading, including two stand-alone Bikehuts.

The Halfords re-branding strategy is complete with all stores now in our orange livery (with the exception of three, which will close this year). We will continue to invest in our existing estate through ongoing mezzanine introduction, complemented by a series of refresher activity and space rebalancing programmes, to ensure that our current estate continues to benefit from improvements in product display and adjacency. 35 such space rebalances took place last year, with a similar level of activity planned for 2007/08.

Most of our store portfolio is located on prime retail parks with A1 consents, where an increasing number of retailers wish to participate. Given our destination store status, this additional demand enables us, in certain circumstances, to readjust our store size (by introducing a mezzanine for example) or by relocating completely. As this activity frees up incremental rental space within the park we are able to negotiate contributions from landlords to facilitate our portfolio programme.

Stores involved in such activity benefit from portfolio investment either as a newly built replacement store or receive an upgrade to the latest footprint. Significantly, each of the stores impacted by these changes in the last two years has remained located in its existing retail park, and achieved above average sales growth following the change.

Recognising the quality of our store portfolio and our destination status in the minds of our customers, we would envisage such opportunities continuing at a similar level for the foreseeable future.

Rental inflation has been accelerating in recent years, which has proved challenging given the inherent cost growth. However, it has become evident that rental inflation is now decelerating, which will clearly be beneficial at future rent reviews.

New formats

We continue to develop new store formats and have focused on two different consumer propositions:

- Neighbourhood stores
- Stand-alone Bikehut

Neighbourhood stores

Complementing Halfords traditional focus on full offer Superstores, we have developed a smaller store format, known internally as the Neighbourhood store. Stores of this nature typically operate from a retail footprint of 4,000 ft^2 and carry 6,000 product lines compared to 9,000 ft^2 and 10,000 lines in a Superstore.

These stores are proving successful in bringing the Halfords brand to smaller catchments, such as Midsummer Norton and Aberdare. The performance of the Neighbourhood stores opened to date has proved encouraging, generating payback periods very similar to our current Superstore portfolio. These stores will be located in either market towns or urban infill sites and we believe there are opportunities to develop about 60 stores in this format in the UK over time.

We have opened 15 of these stores to date, with a further six stores planned to open in the Neighbourhood format in the new financial year.

Stand-alone Bikehut

Halfords has steadily grown its cycle and cycle accessory business in recent years and established Bikehut as a credible sub-brand within the market.

Our Apollo and Carrera own brand cycles have developed considerably and now arguably lead the market in terms of value. We have successfully supported the product offer with the recruitment and training of specialist colleagues to advise customers and also build and safety check their bikes for them. In addition, Bikehut branded parts and accessories are now established as an authoritative range of private label products and an accredited cycle repair and full maintenance programme has also been introduced.

This has placed us in a strong position to launch a number of standalone specialist cycle shops under the Bikehut sub-brand. Our visible commitment to the premium sector of the market has also attracted a broader range of specialist cycling brands to be available in these stores, including Condor, De Rossa, Pashley, Marzocchi, Endura and Gore-Tex.

Two initial pilot stores have opened in Brighton (November 2006) and Putney (February 2007) with encouraging results. Compared to our overall market share, we are under represented in the premium cycle market, which is characterised by a fragmented population of independent specialist stores. We are confident we can compete very effectively and through Bikehut can grow share in this sector.

The store look and feel is completely different to a Halfords sub-shop. It has a clear individual identity and a large range which has a 60% difference to our superstore offering, in order to appeal to the specialist consumer.

We anticipate operating from six stores by the end of this year as an extended pilot project and assuming success, intend to roll out to approximately 50 stores across the country.

International developments

The Republic of Ireland has been a very successful market entry for Halfords with above average returns on investment being generated from those stores opened to date. From only two stores trading in January 2005, we are now trading from twelve, with four opening during the current financial year.

There is scope for approximately 20 Superstores in total with further potential provided by our Neighbourhood format for smaller catchments.

Building upon the success and learning from our expansion into the Republic of Ireland in recent years, this year has seen unprecedented levels of activity in pursuing opportunities to take the Halfords brand to new international markets.

Our first major step to the internationalisation of the Halfords brand has been the establishment of an office in Prague in the Czech Republic, complete with a local team with retail and buying expertise, supported by functional experts in the UK.

A full product offer has been created for the Central European market, with over 10,000 lines evaluated to meet the needs of the local market with product sourced either locally in Central Europe, or through our UK and global supply partners. A complementary in-country logistics infrastructure has been developed and systems implemented.

The first store will open in Prague in the first half of this financial year, to be followed by two further stores in the third quarter. The combination of our wide and extensive ranges, high levels of customer service and a full garage-servicing offer, will bring a highly differentiated retail proposition to the Czech market.

A programme of site identification and evaluation is underway to take advantage of the growing and attractive market in the Czech Republic and expansion in adjacent territories will follow after evaluation of the pilot stores.

Leveraging the Halfords brand

The Halfords product portfolio comprises three major categories: Car Maintenance (Car Parts and Servicing Consumables), Car Enhancement (In-Car Technology and Performance Styling) and Leisure (Cycling, Touring and Camping).

Car Maintenance

Car Maintenance provides an underlying strength and stability to our business, given the needs-driven nature of the product ranges and we are pleased to see continued sales growth in this area.

Servicing consumables such as car bulbs, wiper blades, batteries and oils comprise the significant majority of sales within this category and benefit from two favourable dynamics. Firstly, they inevitably need replacing if the consumer wishes to maintain a legal and reliable vehicle on the road, providing Halfords with a dependable customer stream given our 'store of first choice' status and breadth of range. Secondly, these products are non-discretionary, needs-driven purchases with low price elasticity.

Our comprehensive stock of 3 million car parts (covering approximately 93% of cars in the UK) and our market leading authority ensures Halfords has the items in stock consumers wish to buy. A good example of our range authority is that we carry over 80 different product lines of oil, acting as a real competitive advantage as manufacturers become increasingly specific about the oil that they recommend to owners of their marque.

Car Enhancement

Car Enhancement continued to show growth during the year reflecting an increasing emphasis, particularly by the younger consumer, on enhancing the interior as opposed to the exterior of their vehicles.

Targeting those customers, we have introduced new and enhanced ranges aimed at broadening the appeal of our interior accessory offer and have benefited from encouraging sales growth as a result.

The changing dynamics of the in-car electronics market has also had a major impact, driven by innovation in technology and an increase in own brand products. Our combination of market leading range, knowledgeable colleagues and unique fitting capability ensures that Halfords has the right technology solution to meet customers' requirements. Reflecting this service advantage, across the total car enhancement category we fitted over 275,000 technology solutions into our customers' cars.

The trend towards digital music devices such as the iPod and MP3 players and the desire to use these devices in-car has been met with new product ranges being developed that allow the customer to play their digital music through their car speakers.

This changing technology mix increased average retail prices within this sector of the market in the second half of the year. Own label mix of business has also significantly increased year on year through the successful introduction of a number of own brand products, including satellite navigation, in-car DVD and CD players. Own brand accounted for over 20% of CD audio sales in the year, driven by Ripspeed, which is now a top 5 in-car technology brand in its own right.

New mobile phone legislation that came into effect at the end of February 2006 resulted in strong sales of hands free phone solutions. Motorists caught using a mobile phone in their car now risk a three points penalty and a £60 fine. Halfords range of Hands Free Phone Kits covers all solutions from bluetooth earpieces through to professionally, fully fitted hard wire solutions.

The satellite navigation market continued to grow strongly during the last twelve months and Halfords continues to be the pre-eminent retailer for these products, given our range strength, product knowledge and unique "Set Up and Demo" proposition.

We have enjoyed good relations with all key suppliers within this sector and our improved forward planning of range activity and marketing has enabled us to both grow sales and improve profitability. Industry estimates vary, but a consensus would place total car parc penetration for satellite navigation at approximately 10% of the 33 million cars on the road in the UK, indicating that a combination of market potential and product innovation will continue to drive growth in this category.

Leisure

Two thirds of leisure sales are driven from our Cycling category. Through Apollo, the UK's best selling bike brand and Carrera, the UK's leading premium cycle brand, our reputation for bikes and cycle accessories continues to be enhanced by the evolution and development of these private label products by our specialist cycle team.

During the year we continued to serve more customers, with one in three bikes bought in the UK being purchased from Halfords. Further development of our Apollo brand, across a number of consumer segments such as Kids, Junior, BMX, Adult and the recently introduced

Folding Bike ranges has been recognised by customers who have made Apollo the UK's best selling bike brand.

The Carrera range was relaunched in September 2006, with bold new designs and specifications designed around the needs of the enthusiast cyclist with greater choice across Road, Hybrid, Mountain and with more women specific variants. The Carrera range now includes carbon fibre frame components for the first time and a new All Terrain Mountain Bike – the Banshee X that takes Carrera above the £600 price point for the first time. The new Carrera Subway 1 was awarded 10/10 with a Best Buy Award by Cycling Plus Magazine in March 2007.

Working in collaboration with GT, a recognised worldwide premium cycle brand based in the US, a completely new and exclusive range of bikes was designed in direct discussion with Halfords and launched exclusively in our stores in October. The response from customers and specialist press has been excellent, with the new GT I Drive 5 XCR voted a test winner and receiving a Gold Award in What MTB magazine.

All these cycle ranges are good examples of our ability to source directly from the Far East with improved cost prices but also improved quality and specification of individual models as we have a direct influence on the final specification. This allows us to provide quality bikes that deliver both competitive retail prices and improved buying margins.

The continued roll out of the supermezzanine format has helped support additional product and brand choice within Bikehut at Halfords. Bikehut subshops are now in place in all of our 376 Superstores across the country. Each includes a bike workshop that adds credibility to the Bikehut sub–brand as a specialist bike retailer. An increasing number of customers are recognising the quality of bikes and service at Halfords, which is why more consumers purchased a bike from Halfords than from all the independent cycle retailers in the UK added together.

The extension of Bikehut from a retail brand to a product brand through a range of premium cycle accessories has been well received by customers who are looking for high quality accessories at affordable prices. The Bikehut brand is our fastest growing accessory brand with many products sourced directly through Halfords Asia which ensures direct control over product design and quality delivering competitive retail prices, strong buying margins and exclusivity. Sales of Bikehut accessories are now close to £10m, two years after their launch.

On 18 September 2006, legislation was introduced which made it a legal requirement to place all children under 12 years old or 135 cm in height on a booster seat in a car, as well as wearing a safety belt. Demand for such child seats increased considerably immediately prior to and also post the legislative change. In anticipation we increased our stocks of these products and reaped the sales benefit of the demand surge as a consequence. Clearly such sales were beneficial but, placed in context, child travel products still remain a relatively small proportion of our total sales mix.

Changes to our travel and camping ranges and managing the price architecture within travel products generated encouraging sales growth and improved profitability across these product areas. Travel has now been developed as a clearly defined sub-shop within the store in time for 2007 summer period and we would anticipate the category growth to continue.

Within Camping considerable effort was made to source products directly from the Far East that would appeal to the Halfords customer. Family tent packs were introduced under the Halfords brand name and sales exceeded our expectations. Equally, the move to private label enhanced profitability. On the back of 2006 success, we anticipate further growth in this attractive market and have further developed our range for 2007 with the introduction of our Urban Escape premium camping range.

Improving the supply chain

A further key element of the Halfords strategy has been to increase the proportion of product, predominantly private label, which is sourced directly from the Far East. This objective enables our sourcing teams both in the UK and in Asia to exercise far greater influence and control over the specification, quality and functionality of products, often influencing manufacturers in their own product development strategy, given the level of expertise and market understanding our trading teams possess.

A further material benefit is that by sourcing directly and avoiding the requirement to source through agents we also benefit from improved cost prices.

Price benefits are either reflected in our margin, or re-invested in price or product specification to grow sales and market share or a combination of both. Given the relatively low stock-turn of our product range some of these benefits agreed with suppliers during the last financial year will continue to flow during the forthcoming year as the new product becomes available.

In June 2004, our sales penetration of product directly sourced from the Far East was 7%. We set an initial target of 20% penetration within three years and have now achieved that target ahead of schedule. We now source directly from 8 different countries in the Far East.

In recent months we have recruited individuals with sourcing expertise in electronics and as a result we have been able to introduce a series of own brand in-car technology products, including Satellite Navigation, In-car DVD, and In-car CD players, which also include functionality to play music downloaded onto MP3 hardware (e.g. the iPod).

These new product developments, (often market leading) within in-car technology, have supported the early achievement of our penetration target and give us confidence that we can achieve greater levels of sales penetration in the future.

Marketing the Halfords proposition

Halfords continued to develop its service offering and delivered another strong year in its fitting and repair services. Almost 1.2 million customers experienced our professional "we fit" and "we repair" services, an increase of 13% over 2006. Further research conducted during the year confirmed the brand enhancement and loyalty-driving qualities of these services, with 70% of customers who had a product fitted by Halfords indicating a likelihood to visit Halfords more often in the future.

We continued to invest in store colleague training via the launch of our training stores network with 700 colleagues now capable of hardwire technology fitting and almost 2,000 trained to professionally and safely install child seats. We also now have over 1,500 colleagues trained to deliver our unique satellite navigation "Set up and Demo" service. Sales of our "Bike Care" bike maintenance and warranty product improved during the year, helping to deliver a 25% increase in repair jobs.

We also rolled out nationally our unique "Scratch, Chip and Dent" repair service, where customers can have minor bodywork marks repaired at a fraction of the cost of bodyshops, with pleasing levels of early customer uptake.

Developing and increasing the level of uptake for our services will remain a key focus for us in the coming year as we continue to differentiate ourselves in the retail marketplace.

Work was also undertaken during the year to align store team rotas to better meet customer demand patterns for our fitting services in order to deliver higher levels of "on demand" fitting for products such as wiper blades, bulbs and batteries.

A monitoring system was implemented within store operations, allowing us to interrogate current in store rota construction. We have re-engineered store rotas to optimise the percentage of hours available at weekends to meet customer footfall. All stores achieved their optimum rotas during the second quarter of the year and these have been maintained since that time.

The consumer trend towards greater levels of on-line usage seen in the retail and broader consumer market was also felt in Halfords with an extremely pleasing performance from Halfords.com. Significant growth was achieved in website visitors, as well as on-line sales and conversion. Improvements in our website navigation also help customers more easily research on-line before buying either on the site or in store.

During the year, we implemented a new e-commerce fulfilment system providing flexibility and scalability for future growth. With the internet continuing to influence a growing proportion of retail sales, we will continue to develop our site to ensure we meet the needs of Halfords' customers. Developments are planned to further improve our customers' research and shopping experience and we expect to introduce a "reserve on line, collect in store" service in 2007 as part of our plans for multi-channel development.

Environmental consideration

We are naturally aware of the increasing need for all companies to operate responsibly with regard to their impact on the environment. During the year, we have put in place a series of initiatives that will, over time, see further improvements and economies generated from Halfords operations. These initiatives include:

- improved efficiency of our transport fleet
- improvements in cardboard re-cycling
- improved energy efficiency from stores

During the course of the year, through a combination of engine selection on new tractor units, fuel consumption efficiency training for drivers, and more efficient vehicle loading, we have seen an increase in weight of product carried per kilometre by 6%. This means that fewer vehicles were required to deliver our product supply requirement to stores and also used less fuel doing so, as fuel efficiency improved by 7%.

The cardboard recycling scheme was extended to all stores during the year, such that over 95% of all cardboard waste generated is recycled. We have also reduced the level of waste consigned to land fill year on year by around 35%.

Within our stores, a three year plan has been agreed in partnership with the Carbon Trust to reduce store emissions by a further 8% over that period.

Outlook

The financial year ended 30 March 2007 is the third year since Halfords listed as an independent company and in each of these years we have delivered like for like sales growth. Active margin management across all categories has arrested the margin dilution effect of the previous year and we expect to maintain a broadly neutral margin position in the forthcoming year, generating gross margins in excess of 50%.

Our strategic focus remains to consolidate our position further within our key markets, deliver additional growth from new product areas, proactively source product directly from manufacturers, wherever possible, and enhance our store portfolio through opening new stores across each of our formats as well as internationally.

We have a disciplined re-investment policy. Following on from the success of our investments in the Republic of Ireland we are on track to develop our international portfolio. Although at an early stage we also see clear potential for the success of new formats, such as Neighbourhood and our standalone bike retailing format, Bikehut.

The combination of our category sales and margin initiatives, our space growth and the unique service advantage pursued through the hard work of our colleagues continue to give us confidence in Halfords' future prospects and optimism for the delivery of further growth in the forthcoming year.

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Finance Director's Report

Financial results

Group sales for the 52 weeks ended 30 March 2007 were £744.0m (2006: £681.7m), an increase of 9.1% on the comparable period last year and representing a like-for-like sales increase of 6.0%. The absence of an Easter in the 52 weeks ended 31 March 2006 has meant that the underlying like-for-like sales performance was 5.3%.

Gross profit at £376.1m (2006: £346.7m) is 50.6% as a percentage of net sales and compares to last year's figure of 50.9%. The 30 basis points ("bps") dilution in gross profit per cent represents a significant improvement on the 260 bps dilution reported at the preliminary results last year. With reported margin dilution in the first half of the year at 40 bps there was a second half improvement, which saw year on year dilution of 20 bps. This improvement reflects active margin management; the flow-through of Far East sourcing benefits and continued sales growth in higher margin categories.

Operating expenses as a percentage of revenue are 20 bps higher than last year at 38.0% (2006: 37.8%). Continued improvements in store labour productivity and a slow down in rental inflation has been offset by the increase in administrative expenses driven by the costs associated with the three store Czech Republic pilot, increased costs of long and short term incentives and legal costs associated with the Group's capital restructure.

Net finance costs for the year excluding exceptional interest were £10.0m (2006: £12.1m). Exceptional finance costs totalling £2.6m were incurred as part of the debt re-financing exercise. The write-off of previously capitalised loan fees arising from the repayment of the Group's term debt totalled £1.5m and the cost of closing out of an interest rate swap was £1.1m.

Profit before tax was £80.9m compared with £77.0m in the prior year, an increase of 5.1%, which rises to a year-on-year increase of 8.4% when excluding the exceptional finance costs noted above.

Landlord contributions

Halfords actively manages its store portfolio to maximise value creation through generating cash, making profits and increasing the ongoing contribution from each store. Halfords high quality portfolio with 60% of its superstores on retail parks with A1 planning consents, together with it's destination status provides further potential from these activities and the Group anticipates a similar level of contributions in the current financial year. Landlord contributions during the year totalled £4.5m, compared to £6.9m last year.

Operating leases

All of the Group's stores 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 £810m (2006: £795m).

Taxation

The taxation charge on profit for the financial year was £23.5m (2006: £23.4m) resulting in a full year effective tax rate of 29.0% (2006: 30.4%). This tax rate has been driven by the treatment of intercompany Loan Notes raised at the time of the Group's refinancing. It should be noted that although there is expected to be a similar effective tax rate in 2007/08, the underlying tax rate is 31.6%, which reflects the non-deductibility of depreciation charged on capital expenditure in respect of mezzanine floors and other store infrastructure.

Earnings per share

Basic earnings per share (EPS) were 25.8 pence (2006: 23.6 pence). An alternative EPS measure, excluding exceptional items, reflects the Group's underlying performance. Consequently, basic EPS, excluding exceptional finance costs, were 26.6 pence (2006: 23.6 pence), a year on year increase of 12.7%. This level of EPS growth reflects the increase in earnings driven by a strong trading performance, a lower tax rate and the share buy back programme.

Capital expenditure

Capital investment in the period totalled £23.9m (2006: £27.5m), with a major focus on adding new selling space though expanding the store portfolio. The Group opened 25 new stores, of which 7 were relocations, growing the portfolio from 408 to 426 stores. This financial commitment underpins our strategy of expanding the Superstore portfolio and rolling out new formats, including the introduction of two stand-alone Bikehut stores in Brighton and Putney. As noted in last year's report the Group continues to invest in the development of its infrastructure and particularly new store systems. After a trial period these systems are being rolled out nationally, successfully concluding the Group's five year programme to replace all of the core retail, operational and financial systems.

Cash flow, net debt, and capital structure

Having undertaken a comprehensive review of the Group's capital structure, the Board took the decision to undertake a debt re-financing exercise, which was completed on 14 July 2006. The debt facility now comprises a £180m five-year term non-amortising loan, with a £120m revolving credit facility.

Total net debt at 30 March 2007 was £180.0m (2006: £173.7m) and includes £12.4m (2006: £12.5m) in respect of the head office finance lease.

The Group continues to generate strong net cash flows from operations, which were £112.6m to 30 March 2007 (2006: £100.9m) and included a working capital outflow of £4.5m (2006: £11.5m). Stock levels remain well managed at £141.6m (2006: £127.2m), an increase of 11.3%. This increase reflects stock investment in new stores, together with the seasonal stock build ahead of Easter, which fell in the second week of the new financial year.

Dividend and share buy back

The Board is recommending a final dividend of 9.50 pence per share (2006: 8.75 pence per share), which, in addition to the interim dividend of 4.35 pence per share, generates a total dividend of 13.85 pence (2006: 12.75 pence).

Subject to shareholder approval at the Annual General Meeting the final dividend will be paid on 1 August 2007 to shareholders on the register at the close of business on 29 June 2007.

At the preliminary results presentation on 8 June 2006, Halfords announced a share buy back programme to purchase, for cancellation, up to £50m of share capital over a two year period. The strongly cash generative nature of the business allows the Group to maintain its investment in new stores and other strategic opportunities, while improving capital efficiency and total shareholder returns via this share buy back. In the period from 8 June 2006 to 30 March 2007, Halfords purchased 9.0m of its own shares for an aggregate consideration of £30.0m, at an average of 333.2 pence per share.

Consolidated Income Statement

For the period	Notes	**52 weeks to 30 March 2007 £m**	52 weeks to 31 March 2006 £m
Revenue		**744.0**	681.7
Cost of sales		**(367.9)**	(335.0)
Gross profit		**376.1**	346.7
Operating expenses	2	**(282.6)**	(257.6)
Operating profit	3	**93.5**	89.1
Finance costs	4	**(14.0)**	(12.5)
Finance income	4	**1.4**	0.4
Profit before tax		**80.9**	77.0
Taxation	5	**(23.5)**	(23.4)
Profit attributable to equity shareholders		**57.4**	53.6

Earnings per share			
Basic	7	**25.8p**	23.6p
Diluted	7	**25.6p**	23.6p

All results relate to continuing operations of the Group.

Consolidated Balance Sheet

	30 March 2007	31 March 2006
	£m	**£m**
Assets		
Non-current assets		
Goodwill	**253.1**	253
Other intangible assets	**4.7**	5
Property, plant and equipment	**107.5**	104
Derivative financial instruments	**1.3**	-
	366.6	362
Current assets		
Inventories	**141.6**	127
Trade and other receivables	**32.6**	29
Derivative financial instruments	**-**	1
Cash and cash equivalents	**24.8**	1
	199.0	159
Total assets	**565.6**	522
Liabilities		
Current liabilities		
Borrowings	**(13.3)**	(63
Derivative financial instruments	**(2.3)**	-
Trade and other payables	**(113.5)**	(101
Current tax liabilities	**(13.4)**	(13
Provisions	**(1.6)**	(1
	(144.1)	(179
Net current assets/(liabilities)	**54.9**	(20
Non-current liabilities		
Borrowings	**(191.5)**	(111
Derivative financial instruments	**(0.1)**	(2
Deferred tax liabilities	**(0.9)**	(3
Accruals and deferred income	**(25.9)**	(22
	(218.4)	(140
Total liabilities	**(362.5)**	(319
Net assets	**203.1**	202
Shareholders' equity		
Share capital	**2.2**	2
Share premium account	**133.2**	133
Capital redemption reserve	**0.1**	-
Retained earnings	**67.6**	67
Total equity	**203.1**	202

Consolidated Statement of Changes in Shareholders' Equity

	Shar capita £r	Share premium account £m	Capital redemption reserve £m	Hedging reserve (retained earnings) £m	Retained earnings £m	Total equity £m
Balance at 1 April 2005		132.9	-	(2.9)	40.5	**172**
Profit for the period		-	-	-	53.6	**53**
Shares issued		0.3	-	-	-	**0**
Cash flow hedges:			-			
Fair value gains in the period		-	-	3.2	-	**3**
Transfers to inventory		-	-	(0.8)	-	**(0**
Transfers to net profit		-	-	(0.3)	-	**(0**
Employee share options		-	-	-	1.3	**1**
Deferred tax on employee share options		-	-	-	0.4	**0**
Dividends		-	-	-	(28.0)	**(28**
Balance at 31 March 2006		133.2	-	(0.8)	67.8	**202**
Profit for the period		-	-	-	57.4	**57**
Purchase of own shares	(	-	0.1	-	(30.0)	**(30**
Cash flow hedges:						
Fair value losses in the period		-	-	(5.6)	-	**(5**
Transfers to inventory		-	-	3.5	-	**3**
Transfers to net profit		-	-	2.3	-	**2**
Employee share options		-	-	-	2.1	**2**
Deferred tax on employee share options		-	-	-	0.4	**0**
Dividends		-	-	-	(29.5)	**(29**
Balance at 30 March 2007		133.2	0.1	(0.6)	68.2	**203**

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Consolidated Cash Flow Statement

	Notes	**52 weeks to 30 March 2007 £m**	52 weeks to 31 March 2006 £m
Cash flows from operating activities			
Cash generated from operations	8	**112.6**	100.9
Finance income received		**1.0**	0.4
Finance costs paid		**(9.3)**	(11.0)
Cost of forward foreign exchange contracts		**-**	(0.9)
Taxation paid		**(25.4)**	(24.8)
Net cash from operating activities		**78.9**	64.6
Cash flows from investing activities			
Purchase of intangible assets		**(0.7)**	(1.4)
Purchase of property, plant and equipment		**(23.2)**	(26.1)
Net cash used in investing activities		**(23.9)**	(27.5)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**-**	0.3
Purchase of own shares		**(30.0)**	-
Repayment of bank borrowings		**(144.0)**	(12.0)
Proceeds from new bank borrowings		**180.0**	-
Issue costs of new bank borrowings		**(1.0)**	-
Finance lease principal payments		**(0.3)**	(0.3)
Dividends paid to shareholders		**(29.5)**	(28.0)
Net cash used in financing activities		**(24.8)**	(40.0)
Net increase/(decrease) in cash and bank overdrafts	9	**30.2**	(2.9)
Cash and bank overdrafts at the beginning of the period		**(18.4)**	(15.5)
Cash and bank overdrafts at the end of the period	9	**11.8**	(18.4)

Notes to the Preliminary Results

1. Basis of preparation

The consolidated financial statements of Halfords Group plc (the "Company") and its subsidiary undertakings (the "Group") are prepared under the historical cost convention, except where IFRS requires an alternative treatment. The principal variations relate to financial instruments (IAS39 "Financial instruments: recognition and measurement") and share based payments (IFRS 2 "Share-based payment").

The financial instruments are prepared in accordance with International Financial Reporting Standards ("IFRS") and International Finance Reporting Interpretation Committee ("IFRIC") interpretations as adopted by the European Union and with those parts of the Companies Act 1985 applicable to those companies reporting under IFRS.

The preparation of consolidated 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 30 March 2007 £m**	52 weeks to 31 March 2006 £m
Selling and distribution costs	**240.1**	221.5
Administrative expenses	**42.5**	36.1
	282.6	257.6

3. Operating profit

For the period	**52 weeks to 30 March 2007 £m**	52 weeks to 31 March 2006 £m
Operating profit is arrived at after charging/(crediting):		
Operating lease rentals:		
- plant and machinery	**1.0**	0.8
- property rents	**70.9**	66.3
- rentals receivable under operating leases	**(9.8)**	(10.7)
Landlord contributions	**(4.5)**	(6.9)
Loss on disposal of property, plant and equipment	**0.2**	0.5
Amortisation of intangible assets	**1.7**	1.9
Depreciation of		
- owned property, plant and equipment	**18.6**	18.9
- assets held under finance leases	**0.6**	0.7
Net foreign exchange gains	**-**	(2.0)
Trade receivables impairment	**0.2**	-

4. Net finance costs

For the period	**52 weeks to 30 March 2007 £m**	52 weeks to 31 March 2006 £m
Finance costs:		
Bank borrowings	**(10.0)**	(9.7)
Amortisation of issue costs on loans	**(0.3)**	(0.7)
Commitment and guarantee fees	**(0.2)**	(0.3)
Cost of forward foreign exchange contracts	**-**	(0.9)
Interest payable on finance leases	**(0.9)**	(0.9)
Finance costs before exceptional finance costs	**(11.4)**	(12.5)
Exceptional finance costs:		
Accelerated amortisation of issue costs on loans[1]	**(1.5)**	-
Swap close out costs[2]	**(1.1)**	-
	(2.6)	-
Finance costs	**(14.0)**	(12.5)
Finance income: Bank and similar interest	**1.4**	0.4
Net finance costs	**(12.6)**	(12.1)

1. On 14 July 2006 the Group replaced its existing borrowings with a five-year tem loan of £180m and a revolving credit facility of £120m. As a consequence, a charge of £1.5m was made in respect of the accelerated amortisation of the issue costs associated with the original borrowings.

2. On 29 September 2006 the Group closed out its existing interest rate swap at a cost of £1.1m. On the same date, the interest on the £180m term loan was fixed for a three-month period. On 29 December 2006 the Group entered into a new interest rate swap for £70m for the length of the new facility.

5. Taxation

For the period	**52 weeks to 30 March 2007 £m**	52 weeks to 31 March 2006 £m
Current taxation		
UK corporation tax charge for the period	**26.1**	25.8
Adjustment in respect of prior periods	**(0.4)**	(1.2)
	25.7	24.6
Deferred taxation		
Origination and reversal of timing differences	**(1.9)**	(1.5)
Adjustment in respect of prior periods	**(0.3)**	0.3
	(2.2)	(1.2)
Total tax charge for the period	**23.5**	23.4

5. Taxation (cont)

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

For the period	**52 weeks to 30 March 2007 £m**	52 weeks to 31 March 2006 £m
Profit before tax	**80.9**	77.0
UK corporation tax at standard rate of 30% (2006:30%)	**24.3**	23.1
Factors affecting the charge for the period:		
Depreciation on expenditure not eligible for tax relief	**0.7**	1.1
Deduction for employee share options	**-**	(0.3)
Impact of intra-group financing	**(1.4)**	-
Other disallowable expenses	**0.6**	0.4
Adjustment in respect of prior periods	**(0.7)**	(0.9)
Total tax charge for the period	**23.5**	23.4

6. Dividends

For the period	**52 weeks to 30 March 2007 £m**	52 weeks to 31 March 2006 £m
Equity – ordinary shares		
Final for the 52 weeks ended 31 March 2006 – paid 8.75p (2006: 8.30p)	**19.8**	18.9
Interim – paid 4.35p (2006: 4.00p)	**9.7**	9.1
	29.5	28.0

In addition, the Board are proposing a final dividend in respect of the financial year ended 30 March 2007 of 9.50 pence per share, which will absorb an estimated £20.8m of shareholders' funds. It will be paid on 1 August 2007 to shareholders who are on the register of members on 29 June 2007.

7. Earnings per share

Basic earnings per share are 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 an 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 52 weeks to 30 March 2007.

7. Earnings per share (cont)

For the period	**52 weeks to 30 March 2007 Number (million)**	52 weeks to 31 March 2006 Number (million)
Weighted average number of shares in issue	**223.8**	228.0
Less: shares held by the Employee Benefit Trust	**(0.9)**	(0.9)
Weighted average number of shares for calculating basic earnings per share	**222.9**	227.1
Weighted average number of dilutive shares	**0.9**	0.2
Total number of shares for calculating diluted earnings per share	**223.8**	227.3

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

For the period	**52 weeks to 30 March 2007 £m**	52 weeks to 31 March 2006 £m
Basic earnings attributable to equity shareholders	**57.4**	53.6
Exceptional items:		
Finance costs (see note 4)	**2.6**	-
Tax on exceptional finance costs	**(0.8)**	-
Underlying earnings before exceptional items	**59.2**	53.6

Earnings per share is calculated as follows:

For the period	**52 weeks to 30 March 2007**	52 weeks to 31 March 2006
Basic earnings per ordinary share	**25.8p**	23.6p
Diluted earnings per ordinary share	**25.6p**	23.6p
Basic earnings per ordinary share before exceptional items	**26.6p**	23.6p
Diluted earnings per ordinary share before exceptional items	**26.5p**	23.6p

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8. Cash generated from operations

For the period	**52 weeks to 30 March 2007 £m**	52 weeks to 31 March 2006 £m
Operating profit	**93.5**	89.1
Depreciation - property, plant and equipment	**19.2**	19.6
Amortisation - intangible assets	**1.7**	1.9
Loss on sale of property, plant and equipment	**0.2**	0.5
Share option scheme charges	**2.1**	1.3
Fair value loss on derivative financial instruments	**0.4**	-
Increase in inventories	**(14.4)**	(18.9)
Increase in trade and other receivables	**(2.8)**	(5.8)
Increase in trade and other payables	**12.3**	13.6
Increase/(decrease) in provisions	**0.4**	(0.4)
	112.6	100.9

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

	At 31 March 2006 £m	Cash flow £m	Other non cash changes £m	**At 30 March 2007 £m**
Cash in hand and at bank	1.5	23.3	-	**24.8**
Bank overdraft	(19.9)	6.9	-	**(13.0)**
	(18.4)	30.2	-	**11.8**
Debt due within one year	(43.3)	44.0	(0.7)	**-**
Debt due after one year	(99.0)	(79.0)	(1.1)	**(179.1)**
Total net debt excluding finance leases	(160.7)	(4.8)	(1.8)	**(167.3)**
Finance leases due within one year	(0.3)	0.3	(0.3)	**(0.3)**
Finance lease due after one year	(12.7)	-	0.3	**(12.4)**
Total finance leases	(13.0)	0.3	-	**(12.7)**
Total net debt	(173.7)	(4.5)	(1.8)	**(180.0)**

Non-cash changes relate to finance costs of £1.8m in relation to the amortisation of capitalised debt issue costs.

10. Other information

These results for the 52 weeks to 30 March 2007 together with the corresponding amounts for the 52 weeks to 31 March 2006 are extracts from the Group Annual Report and Accounts and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 (as amended).

The Group Annual Report and Accounts for the 52 weeks to 30 March 2007, on which the auditors have issued a report that does not contain a statement under section 237(2) or (3) of the Companies Act 1985, will be posted to shareholders by 28 June 2007 and will be delivered to the Registrar of Companies in due course. Copies will be available from The Company Secretary, Halfords Group plc, Icknield Street Drive, Washford West, Redditch, Worcestershire, B98 0DE.

The Annual General Meeting will be held at the Alveston Manor, Clopton Bridge, Stratford upon Avon, Warwickshire CV37 7HP at 12.30 pm on Wednesday, 25 July 2007.