halfords

HALFORDS GROUP PLC
PRELIMINARY RESULTS ANNOUNCEMENT

5 JUNE 2008

STRONG PERFORMANCE IN ALL KEY CATEGORIES AND WELL POSITIONED FOR CURRENT YEAR

Halfords Group plc, the UK's leading automotive and leisure products retailer, announces its Preliminary Results for the 52 weeks to 28 March 2008.

Financial Highlights

- Revenue £797.4m up 7.2% (2007: £744.0m)
- Like-for-like sales up 4.3% (2007: 6.0%)
- Operating profit £101.0m up 8.0% (2007: £93.5m), operating margin 12.7% (2007: 12.6%)
- Profit before tax and exceptional finance costs[1] £90.2m up 8.0% (2007: £83.5m)
- Profit before tax £90.2m up 11.5% (2007: £80.9m)
- Basic earnings per share before exceptional finance costs[1] 29.3p up 10.2% (2007: 26.6p)
- Basic earnings per share 29.3p up 13.6% (2007: 25.8p)
- Net debt, including finance leases, £181.7m (2007: £180.0m)
- The Board is recommending a final dividend of 10.35p, making a total of 15.10p per ordinary share (2007: 13.85p), up 9.0%
- Share buy-back: 9.5m shares purchased for an aggregate consideration of £30.3m (average price 319.6p per share). Since the inception of the buyback programme in June 2006, 21.5m shares have been purchased for a consideration of £68.7m

Note: 1. See note 4 to the Preliminary Results

Business Highlights

- Strong growth in all categories: Car Maintenance, Car Enhancement and Leisure
- ***we***fit and ***we***repair jobs increased by 13% to 1.3m
- 450 Halfords stores trading following 29 new store openings including five relocations
  - Three new stores opened in the Czech Republic
  - First Polish store scheduled to open Autumn 2008
  - Five standalone Bikehuts trading. Further stores and dedicated web-site planned for 2008.
- Successful launch of Boardman cycle range and Bikehut's sponsorship of the Great Britain cycling team, including during the Beijing Olympics, enhances premium cycling credentials
- Five-year programme to replace all business systems successfully completed
- Launch of "Reserve and Collect" accelerates growth of the multi-channel offer

Nick Wharton and Paul McClenaghan, acting joint Managing Directors, commented on the results:

"A successful year has seen strong sales growth in Halfords' traditional product areas of Car Maintenance and Cycling, with these results further demonstrating the resilience of the Halfords' business model. Automotive sales since the year-end have been in line with expectation, with sales of leisure products having gained momentum following the slow start to the season that was impacted by a cold and wet April. In comparison, the Easter period in 2007 benefited from warm, dry weather that helped to drive a strong sales performance. Ongoing product and service initiatives, and growth in store numbers provide the Board with confidence in Halfords' prospects for the current financial year."

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Forthcoming Newsflow

Halfords will be holding its Annual General Meeting at the Alveston Manor, Clopton Bridge, Stratford upon Avon, Warwickshire CV37 7HP at 12.30 pm on Wednesday, 23 July 2008. The meeting will include a first quarter trading update from the Company that will cover the 13 weeks from 29 March 2008 to 27 June 2008. In the comparable period last year the Company had total sales growth of 11.4% and like-for-like sales growth of 8.4%.

Notes to Editors:

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

Halfords Group plc

The Group employs in excess of 10,500 staff and sells over 10,000 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, *Bikehut*, for cycles and cycling accessories, including the *Apollo* and *Carrera* brands. Two further premium brands were added during 2008; *Boardman cycles* and accessories, where Halfords has exclusive UK distribution rights, and *URBAN Escape* for camping equipment. Operating from 450 stores, including three stores in the Czech Republic, 24 smaller format, neighbourhood stores and five standalone Bikehuts, Halfords offers 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 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

Halfords has a unique retail proposition; it is both store of first choice for its customers and market leader in each of three core product categories in which it participates. In each category Halfords' differentiation lies in the breadth of our range, innovation and the unique service proposition offered through the knowledge and fitting capability of our store based colleagues.

The Halfords customer offer covers an unrivalled spectrum of product; from the resilient and defensive characteristics of our needs driven, low average transaction value, car maintenance business through to the growth provided by a resurgent cycling market and the technological drivers within car enhancement.

Operating across a series of disparate markets, characterised by fragmentation of the competition, Halfords' turnover is more than 15 times greater than its nearest direct competitor. This scale advantage, further evidenced by Halfords national coverage in the UK of 430 stores located mainly on prime out of town retail parks, enables the Group to deliver outstanding value to its customers.

In an environment where consumers are becoming more selective with regard to higher ticket expenditure, the defensiveness of the Halfords business model together with ongoing effective trading strategies has delivered a further year of strong sales growth, with sales 7.2% higher than the previous financial year. Demonstrating the underlying resilience of our business this represents the 20th consecutive year of such growth, with sales growth over the last two decades, averaging more than 7% per annum.

Halfords continues to make good progress against each of the four elements of its business strategy:

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

and we believe that these financial results demonstrate that our strategy is being translated into improved profitability and shareholder value.

Investing in the store portfolio

Halfords traded at the end of the financial year from a total of 450 stores including 17 in the Republic of Ireland and three in the Czech Republic, after opening 29 stores during the period including five relocations.

Through the investment in superstores with mezzanine floors and developments of the neighbourhood store, we have clearly defined formats for both large and medium sized catchments respectively and we estimate that there is capacity for at least a further 100 Halfords stores across the UK and Republic of Ireland. Our focus on a strong store opening programme, taking advantage of improved availability of retail property, will see a further 15 to 20 new Halfords stores in the UK and Republic of Ireland during the current financial year.

Superstores remain our preferred format, with a mezzanine floor being included wherever appropriate. Supermezzanine stores allow Halfords to trade from an additional floor level, which is dedicated to our cycling offer, and provides up to 40% extra sales space. This additional space enables optimal range breadth to be introduced to each store and for the full benefit of our *Bikehut*, Technology and Travel sub-shops to be achieved. Of the 29 stores opened during the year, 17 were superstores of which 13 were of supermezzanine format. At 28 March 2008, through a combination of new store development and conversion of stores within the existing Halfords estate, we had a total of 131 supermezzanine stores trading. While our focus remains on the opening of new stores we will continue with the store development programme to introduce supermezzanine floors to existing stores.

Neighbourhood stores meet the needs of customers located within smaller catchments, such as market towns or urban infill locations. These stores provide a comprehensive Halfords offer, carrying some 6,000-product lines compared to 10,000 within an average superstore, and provide a full range of our differentiating fitting services.

Having developed this format less than two years ago we are now rolling out neighbourhood stores to complement our more traditional superstore format. In this financial year, Halfords opened a further eight neighbourhood stores, and with one store conversion this brought the total number to 24, including our first neighbourhood store within the Republic of Ireland. Early indications from this store, which is located in Longford, support our confidence that there is strong potential for this format in the Republic of Ireland in addition to the potential for at least a further 40 stores across the UK.

Halfords continues to invest in its existing estate to ensure that the store environment is contemporary and benefits from the experience of the supermezzanine programme, particularly regarding effective use of space and improved product display and adjacencies. 38 space “rebalances” were completed during the financial year, which has enabled the optimisation of space dedicated to car maintenance, improved the projection of car enhancement to reflect its increasing prominence and provided more space and better visibility for newer categories such as active leisure.

During the year we successfully completed the “Inspire” project, resulting in the complete refresh of all Halfords in-store communication, from high level inspirational images and signs, to low level information and promotional messages. Inspire creates a more modern and fresh shopping environment, that has been specifically designed to help customers find what they need quickly, encourage wider purchasing opportunities and, through improved projection of our service and information messages, increase customer awareness of Halfords added value proposition.

Consumer research has been overwhelmingly positive, demonstrating that the above objectives are being met and this in-store communications treatment will now be introduced to all stores over the forthcoming year.

Stand alone *Bikehut*

The stand-alone *Bikehut* pilot continued with the launch of three new stores this year, bringing the total number of Bikehut stores to five. Performance remains encouraging with customer and supplier feedback and market research all indicating that our offer has wide appeal to the serious cycling enthusiast and that *Bikehut* has established itself as a credible retailer within the premium sector.

As the UK’s leading cycle retailer we remain confident that we can transfer our unrivalled capability in this area to compete extremely effectively in this market. Our offer is increasingly attracting prestigious cycle brands such as Condor, Pashley, Van Nicholas, Rocky Mountain and Merida that enable us to offer a comprehensive range that covers all cycling disciplines.

The accessories offer continues to go from strength to strength, with product offers from Shimano, Sram, Cateye, Gore and Endura amongst others. The range is under continual review to ensure it is fresh and competitive, and is supported by a customer order service that covers more than 50,000 products, mainly on a next day delivery basis. The latest aspirational brands to join the portfolio are Animal and Oakley, further enhancing this exciting customer offer.

The in-store workshop, under the Bike Doctor brand, is an essential part of the *Bikehut* proposition and is a significant revenue driver. Our service and repair menu offers both expertise and great value, with all work being carried out by trained cycle mechanics. Each store has rapidly established a reputation for high quality servicing within its market, becoming a destination store for service and repairs and establishing a loyal customer base.

In line with our development model, improvements from the original trial stores have increased sales and reduced investment costs. The store design has been refined to intensify merchandising and aid customer selection. This has allowed us to trade in a smaller store footprint without compromising the shopping experience.

We anticipate trading this format from 10 stores by the end of this year as the pilot is expanded nationally, supported by a dedicated web site. A satisfactory outcome to the evaluation of this pilot, we believe, will provide scope to roll out to at least 50 stores nationwide.

International

The Halfords brand continues to receive strong acceptance in each of the catchments we enter in the Republic of Ireland. During the financial year we opened a further five stores, each of which has performed strongly, growing the portfolio from its original two trial stores in spring 2005 to its present 17. Above average returns on investment continued to be generated and we remain confident in our ability to further grow our store portfolio. We now anticipate operating 25 superstores, compared to the up to 20 stores envisaged at the time of the last market report, in addition to the opportunity offered through the neighbourhood format.

After a detailed evaluation phase, the continued internationalisation of the Halfords brand saw Halfords open its first three stores in the Czech Republic during 2007, establish a regional office in Prague and complete the recruitment of a local management team with significant retail and buying expertise.

This team is responsible for tailoring the Halfords UK offer to ensure its acceptability to the Central European consumer. Reflecting continental norms, most significantly, this has involved the development of a fast fit garage operation to augment our retail offer. This operation enables our differentiating fitting offer to be delivered throughout the year, adds an additional source of revenue and allows Halfords to service the demand for seasonal tyre changes.

Halfords first store opened in Cestlice, southern Prague, in July 2007. This flagship store is in the supermezzanine format, while the second and third stores that opened in Letnany in the north of Prague in November, and in Pilsen during early December, are both single trading floor superstores.

Customer feedback on this new highly differentiated retail proposition to the Czech market has been extremely positive, particularly in regard to our range, pricing and customer service. The financial performance of the trial operation is in line with our internal expectations, with the success of these stores to date, in particular in the key growth areas of technology and cycling, allied to strong performances in workshop and tools, child travel and car accessories providing confidence to accelerate our store opening programme. Plans are now in place to at least double the number of stores in the Czech Republic during the next financial year, and to introduce the concept to Poland.

Similar to other countries in Central Europe the Polish economy is fast growing, with a substantial and marginally older car parc than Western Europe. The population is approaching 40 million and has more than 40 catchments with greater than 100,000 population. Our first Polish store will open in Wroclaw, southern Poland, in the autumn of 2008.

Leveraging the Halfords' brand

Car maintenance

Our car maintenance business is largely made up of consumable products, including oil, car batteries, bulbs and wiper blades and represents the largest market in which we participate. Reflecting the needs driven nature of the majority of these purchases together with increasing numbers of cars in the UK and their increased mileage, car maintenance provides a consistent, resilient backbone to our business.

We have continued to increase sales and grow market share through a "back to basics" focus in our stores that successfully counters customers' perception of increasing complexity driven by the number of marque and model variants. Our offer provides unrivalled range and availability of replacement parts (either in store or via special order) that, combined with our unique fitting proposition, product innovation and high levels of colleague expertise ensure that the customer purchases the correct product for their vehicle and need.

On average a Halfords store will stock parts appropriate for over 90% of the cars in the UK, with the remainder available to order, often with a 24-hour turnaround. We work hard to maintain this market leading range authority and during the financial year, mirroring the trend of manufacturers introducing car specific formulations, we have introduced a number of new oils into our own brand portfolio to ensure we have the right oil for every car, every time. Most notably we have added specific oil for BMW, Audi and Volkswagen with further marques under development.

We also work closely with suppliers to bring the latest technology available on higher specification new cars to the aftermarket. During 2007 this included Extreme Brilliance bulbs offering up to 90% brighter vision versus standard headlight bulbs.

Our *Tradecard* offer, which provides a dedicated pricing structure to committed home mechanics and small garages that would traditionally not shop at Halfords, continues to grow encouragingly with 77,000 cardholders at the end of the financial year.

Car enhancement

Halfords' car enhancement range totals some 2,800 sku's ranging from car cleaning products, core accessories such as tax disc holders and car mats through to styling and technology products. The in-car technology market continues to grow with new and innovative products being introduced to the aftermarket. Halfords' importance as a point of distribution for such new technology helped Halfords retain its position as market leader for car enhancement products during the past year.

The market trend towards enhancing the interior of vehicles rather than the exterior continues. Reflecting this trend we have re-merchandised our car accessories offer to concentrate it within a single drive aisle rather than fragmented across the store. This development, completed during the second half of the financial year, has enabled our customers to more easily select from our full range of product, increasing conversion and sales.

Car cleaning products are an important element of our car enhancement offer providing a more frequent reason to visit Halfords. Our unrivalled range and breadth of product has been further augmented in the past year by the introduction of an environmentally friendly range of *Naturals* product into our car cleaning range and the relaunch of the *Halfords Advanced* range that is positioned against premium branded alternatives.

Reflecting ongoing manufacturer innovation and the relatively low level of car parc penetration, the satellite navigation market continues to grow year on year and Halfords remains the number one destination retailer for such solutions. Halfords' strength in this category has been delivered by ensuring that we are always offering the best range, exclusive products, market leading product knowledge as well as customer reassurance through our unique and free in car "set up and demo" proposition.

Halfords' strength of position in this market place is well demonstrated by our exclusive UK distribution of a number of products across a range of branded manufacturers including LG, Sony and the world's best selling satellite navigation unit, during 2007, the Garmin Nuvi 200.

Building on Halfords' strong satellite navigation credentials and its understanding, developed through the collaboration with Autobacs, of the evolution of this market in Japan, the Group has developed and introduced a product innovation to the UK market. Utilising the *Navsure* own brand marque, we have worked with hardware, mapping and software partners to introduce the UK's first affordable in dash satellite navigation unit. Offering a seven inch, motorised, touch screen this product offers customers a "factory fit" style satellite navigation experience, fully installed for a fraction of the price offered by a dealership or at any other retailer.

The trend towards digital music continues to progress and Halfords CD Audio solutions offer a substantial range of CD Audio head units that are able to connect to digital music devices, allowing customers to play their digital music through their car speakers.

Leisure

The majority of our leisure sales are driven by sales of cycles and cycle accessories. Once again Halfords maintains a leading position in this market, selling around one in three of the cycles in the UK.

This market leading position is achieved through offering the broadest range of cycles and accessories complemented by strong service differentiators. Through the expertise of our *Bikehut* colleagues we are able to provide fitting, build, maintenance and repair services to all customers, differentiating us from more mainstream multiples. We continually invest in colleague capability to maintain this service differential and will, in the forthcoming financial year, train the majority of our *Bikehut* specialists to meet the exemplar standard in this area, Cytech.

Our improving credentials within this market are evidenced by the performance of our own brands, whether targeted at the mainstream, premium or now, through the *Boardman* range, the prestige customer. Our own brand *Apollo* range continues to gain market share and is firmly established as the UK's biggest cycle brand whilst our *Carrera* brand leads the premium cycle market.

The new range of *Boardman* bikes, launched in June 2007 after more than two years of development with Britain's most successful cyclist, Chris Boardman MBE, has performed ahead of expectations with tremendous recognition from the specialist cycling media and new customers visiting Halfords to purchase their *Boardman* bike and related accessories.

The new *Apollo* adult range features class leading design with high quality branded componentry to ensure that the bike not only looks good but also performs. The launch of the *Apollo SE* range at £199 extended *Apollo* presence above the £150 price point for the first time.

A range of 31 *Apollo* children's bikes was launched in September 2007, engineered to comply with European Cycle Safety Standards. These standards are significantly more stringent than the British Standard equivalent and as the first retailer in the UK to ensure that all its own brand cycles achieve this standard we are uniquely positioned to give parents peace of mind and ensure that children gain the best possible cycling experience. In conjunction with these improved safety benefits, the range was supported by new in-store merchandising displays featuring "Info Zones" to help parents select the right bike for their child with colour coded layouts guiding customers through the range.

Development of Halfords' premium cycling sector also continued during 2007. In addition to the introduction of Voodoo branded cycles, an established top-end mountain bike brand from the United States, the award winning *Carrera* brand picked up further industry accolades with the range now including a full carbon fibre frame cycle extending the *Carrera* brand reach to £999.

Building upon the success of the *Carrera* adult brand and in response to customer feedback, the *Carrera* brand values of performance, innovation and design were applied for the first time to a range of eight children's bikes. These have performed ahead of our expectation reinforcing the appeal of the *Carrera* brand.

Despite the disappointing and unseasonal summer weather during 2007, our travel category delivered strong growth in both sales and profitability.

Our most significant development was the introduction of a dedicated sub-shop for this area. This development consolidated the whole category in one location with improved and more logical product adjacencies. Innovative displays promoted new ranges, and through strong new own label packaging and greater point of sale information improved the shopping experience enhancing conversion and trade up. Advances in product and merchandising were further underpinned by outstanding customer service with a store wide training campaign involving over 2,000 store colleagues.

Range development continued with the launch of our exclusive premium *URBAN Escape* camping brand and the new *Halfords Advanced* brand. Each proved successful in improving brand mix and increasing average transaction levels within tents, roof boxes, roof bars and cycle carriers.

Halfords multi-channel

The trend towards greater levels of on-line shopping in the UK was mirrored in Halfords. *halfords.com* is our biggest shop window with around 17 million visitors to the site each year and experienced encouraging growth supported by increased visitor numbers and improved conversion.

Despite the growth in the online shopping population, many of our customers still prefer the experience of shopping in stores, where they can take full benefit of our range breadth and service expertise.

We responded to this consumer enthusiasm for multi-channel shopping by launching a "Reserve & Collect" service before the Christmas trading period. With the comprehensive store network at the heart of our multi-channel strategy, Halfords is favourably positioned to provide a highly convenient service to customers. This was proven by the immediate success of "Reserve & Collect" that has seen over 150,000 reservations to date assisted by communication of the proposition in both press and TV advertising.

Enhancing our on-line offer and extending our multi-channel offer remains a clear investment priority. Improvements in 2007 included improved onsite search and better product imaging to help customers easily find product before buying on the site or in store and the introduction of more convenient delivery options, including the choice of next and named day deliveries. Recognising our intention that the same levels of service experienced in store are delivered to on-line customers, we have introduced new customer contact systems for customers who call or e-mail us in connection with their orders.

As part of our strategy of growing our on-line presence and developing targeted sub-brands, we also introduced a new dedicated web-site, *Ripspeed.com*, targeted at a younger car enhancement customer.

The current financial year will see further redesign of the core *halfords.com* site to improve the shopping experience, introduce customer reviews and ratings, more intuitive navigation and expand the content available to customers to support the online research process. We are confident that these improvements will deliver further growth in traffic and conversion.

Improving the supply chain

We continue to progress our stated strategy to increase the level of product sourced directly by Halfords without the cost of third party agents. Such a strategy delivers greater influence over manufacturers as well as improving cost prices that can be utilised to enhance profitability either directly, or through quality or specification improvements or improved retail prices to increase competitiveness.

Having achieved our initial goal of trebling the sales penetration of products directly sourced from the Far East from seven per cent in 2004, such sourcing has now become an operational norm for Halfords and we anticipate further increases in penetration in the medium term.

Business systems

During the year we completed a two-year project to implement a new generation of software and hardware in all Halfords stores. The project has transformed the technology in store from a disconnected and complex set of legacy applications to a modern suite of integrated systems, providing powerful new features to support our store colleagues in both customer facing and business facing activities.

We will more fully exploit the new system during 2008 as store colleagues' experience with the new system increases and as targeted efficiencies are delivered, greater colleague hours will be invested in customer service. The new system introduced numerous benefits including as examples the introduction of hand-held terminals for the first time into Halfords stores to increase the efficacy of inventory management and a new colleague scheduling and payment system will allow a greater level of visibility and control on individual store labour planning and spend.

The customer offer will also see improvements. Central to the new system is “product finder”; a system that uses the vehicle registration number to quickly and accurately identify the correct part or accessory for every car and customers will now also be in a position to order any product sold within Halfords from any of our stores.

This project also marks the completion of a five-year and four phase strategy to refresh all of Halfords core systems. This transformation from a largely bespoke platform to a modern, integrated set of leading software packages from premium software companies such as SAP and IBM leaves us well positioned to take advantage of this new technology.

Marketing the Halfords’ service proposition

Halfords continues to develop its unique service proposition, ensuring that each core category benefits from a core point of service difference versus the competition, and delivered another strong year of growth in its fitting and repair services. 1.3 million customers experienced our professional ***we****fit* and ***we****repair* services, an increase of 13% on 2007.

Within our automotive categories the ***we****fit* service spans a wide range of products from car bulbs, wiper blades and batteries to hardwire fitting and set-up and demonstration of technology products. The ability of ***we****fit* to drive brand reputation and future loyalty is underlined by research which confirms that 70% of customers who had a product fitted by Halfords indicate a likelihood to visit Halfords more frequently in the future.

The ***we****repair* service is a key part of our *Bikehut* service advantage and spans an extensive bike servicing and repair menu complemented by our *Bike Care* bike maintenance plan, sales of which grew significantly during the year.

The fitting and repair capability of our store-based colleagues is key to professional delivery of our service offer, and we invest strongly in colleague training through our national training stores network. With support from external professional bodies such as The Institute Of The Motor Industry, Cytech and ROSPA, we now have over 750 colleagues capable of hardwire technology fitting, over 2,000 trained to professionally and safely install child seats, over 1,500 trained to deliver satellite navigation in car “set up and demo” and 800 fully trained bike mechanics.

Our "Scratch, Chip and Dent Repair" service continues to strengthen our foothold in this market. Customers are responding positively to the opportunity to have minor bodywork damage repaired by bodyshop trained technicians at a fraction of bodyshop costs.

Sponsorship

Halfords continues to use a series of sponsorship activities to cement our front of mind status with key customer groups. In addition to our eighth year as a sponsor of the British Touring Car Championships, Halfords has made history by signing the first ever commercial sponsorship deal with British Cycling. Through this relationship the entire Great Britain cycling squad, encompassing road, track, BMX and mountain bike riders, are now sporting the Halfords Bikehut brand on their racing kit. Many of the Great Britain cycling team are also members of the newly formed Team Halfords Bikehut race team, who exclusively ride the Boardman Pro road bike in all events including the Beijing Olympics.

In a further first for the Company, Halfords now sponsors all motoring related programmes on Dave. The purpose of this sponsorship is to communicate our complete service proposition through idents at the beginning and end of all the motoring programmes on this channel, primarily Top Gear repeats. The sponsorship has proved extremely successful and since the channel was re-branded Dave and made available via Freeview, over 25 million viewers have watched these programmes with very good reach amongst both our target audience and our most regular customers.

Summary and Outlook

The 52 weeks to 28 March 2008 has delivered strongly against both our financial and strategic objectives. Financially, we continued to deliver positive like-for-like sales growth, achieving growth across each of our core categories, and through effective trading strategies have maintained each of our gross and operating margins. Earnings per share have been further enhanced via our continued share buy-back programme.

While maintaining our disciplined investment policy, progress continues to be achieved against each of our four strategic goals. During the year we opened 29 stores including, as intended, our first three stores in Central Europe and further *Bikehut* stores to achieve our pilot scale. Our multi-channel offer has been significantly enhanced via the successful introduction of "Reserve and Collect" and the first of our intended dedicated web-sites, *Ripspeed.com*.

We have further differentiated our market leading positions by expanding the breadth of services offered to our customers and increasing the penetration of our existing ***we****fit* and ***we****repair* services.

We are encouraged by these results that further evidence Halfords' ability to remain resilient in more challenging economic conditions. We remain focused on our strategy and believe that the underlying strength of the Halfords brand, together with the continued, considered execution of the strategy provides confidence in Halfords' prospects for the current financial year.

FINANCE DIRECTOR'S REPORT

Financial results

Group sales for the 52 weeks to 28 March 2008 were £797.4m (2007: 744.0m), an increase of 7.2% on the comparable period last year and representing a like-for-like sales increase of 4.3%, where like-for-like sales are multi-channel sales and also those from stores that had traded for 12 months or more at the beginning of the financial year being reported.

Gross profit at £402.5m (2007: £376.1m) is 50.5% as a percentage of net sales and compares to last year's figure of 50.6%. The 10 basis points ("bps") dilution in gross profit per cent represents a further improvement in the quantum of dilution, with reported margin dilution in the first half of the year similar to the second half at 10 bps. This improvement in the rate of decline reflects effective trading strategies within each category, the flow-through of Far East sourcing benefits and continued sales growth in higher margin categories.

Operating expenses as a per cent of revenue is 20 bps lower than last year at 37.8% (2007: 38.0%). This performance reflects our intention, measured over the near term, to contain our cost growth in line with the growth in sales after absorbing the investment in multi-channel and pilot operations in each of stand-alone *Bikehut* and Central Europe. This goal has been achieved in this financial year, which has seen continued improvements in store labour productivity and a slow down in rental inflation more than offsetting costs associated with the introduction of new store based systems and the increase in administrative expenses driven by the full year costs associated with the Czech Republic pilot.

Net finance costs before exceptional items for the year were £10.8m (2007: £10.0m). The increased charge for the year is attributable to the non-cash costs associated with forward foreign exchange contracts and an increase in the cost of servicing debt as a result of an increase in the weighted average rate of interest, which has been partially offset by an increase in interest income.

Profit before tax was £90.2m compared with £80.9m in the prior year, an increase of 11.5%. After adjusting for the £2.6m exceptional finance costs incurred in the previous financial year, this year-on-year increase becomes 8.0%.

Landlord contributions

Halfords actively manages its store portfolio to maximise value creation through generating cash, making profits and reducing the ongoing rental charge. Landlord contributions from the seven transactions completed during the year totalled £4.5m, in line with that reported last year. While not requiring such planning consent for its customer offer, Halfords has over 220 stores on retail parks that carry A1 consent and Halfords has completed 22 such transactions to date centred on such locations. Ongoing demand for premium edge of town locations allied to Halfords' destination status provides further potential from these activities and the Group expects a comparable level of contributions, at approximately £4.5m, in the forthcoming financial 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 £818.6m (2007: £809.6m).

Taxation

The taxation charge on profit for the financial year was £26.2m (2007: £23.5m) resulting in a full year effective tax rate of 29.0% (2007: 29.0%). This tax rate has been driven by the treatment of intercompany loan notes raised at the time of the Group's re-finance in 2006. With the reduction, from April 2008, in the rate of Corporation Tax to 28% the underlying tax rate next year is expected to be around 29.5% and this rate reflects the non-deductibility of depreciation charged on capital expenditure in respect of mezzanine floors and other store infrastructure and the closure of the convertible loan note benefit.

Earnings per share

Basic earnings per share ("EPS"), excluding exceptional items, were 29.3 pence (2007: 26.6 pence), a year-on- year increase of 10.2%. Basic EPS was 29.3 pence (2007: 25.8 pence), a year-on-year increase of 13.6%. This level of EPS growth reflects the increase in earnings driven by a strong trading performance and the share buy back programme.

Capital expenditure

Capital investment in the period totalled £29.5m (2007: £23.9m). The Group continued its focus on adding new selling space through expanding the store portfolio, opening 29 new stores, and closing five stores, growing the portfolio from 426 to 450 stores. This financial commitment underpins our strategy of expanding the superstore portfolio and developing and rolling out new complementary formats with a further three stand-alone *Bikehut* stores opened during the year, taking the total to five. As noted in last year's report the Group continues to invest significantly in the development of its infrastructure, particularly on the national roll out of new store systems. This development successfully concludes the Group's ambitious programme to replace all of the core retail, operational and financial systems allowing the business to concentrate its efforts going forward on the realisation of the operational benefits these systems provide.

Cash flow, net debt and capital structure

The debt facility comprises a £180m five-year term non-amortising loan, falling due for repayment in July 2011, with a £120m revolving credit facility.

Total net debt at 28 March 2008 was £181.7m (2007: £180.0m) and includes £12.3m (2007: £12.4m) in respect of the Head Office finance lease.

The Group continues to generate strong net cash flows from operations, which were £111.6m to 28 March 2008 (2007: £112.6m), representing 91.2% (2007: 98.4%) of earnings before interest, tax, depreciation and amortisation ("EBITDA") and reflecting, in part, the timing of Easter included a working capital outflow of £11.7m (2007: £4.5m). The Group continues to invest in inventory to ensure high levels of availability and range breadth, with stock at 28 March 2008 of £151.6m (2007: £141.6m). Stock levels remain well managed, with the year-on-year increase of 7.1% generating an improvement in stock turn after the necessary stock investment in new stores.

Dividend and share buy back

Halfords remains strongly cash generative. The Company 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.

The Board is recommending a final dividend of 10.35 pence per share (2007: 9.50 pence per share), which, in addition to the interim dividend of 4.75 pence per share, generates a total dividend of 15.10 pence (2007: 13.85 pence), an increase of 9.0%.

Subject to shareholder approval at the Annual General Meeting the final dividend will be paid on 30 July 2008 to shareholders on the register at the close of business on 13 June 2008.

The share buy-back programme continues to progress. During the year, Halfords purchased 9.5m of its own shares at a consideration of £30.3m, an average of 319.6 pence per share and in the period from June 2006 to 28 March 2008 the Group purchased 18.5m shares for £60.3m, an average of 325.6 pence per share. With the completion of the £50m buy-back programme, announced in June 2006, and in accordance with the Board's intention to maintain an efficient capital structure and retain financial flexibility, the Group has continued to use share buy-back as a flexible tool in balance sheet management. While not setting an absolute target number of shares it is the Group's intention to operate key performance debt ratio indicators, consistent with optimising the balance sheet and enhancing shareholder returns.

On 3 April 2008 the Group announced that it had given an irrevocable instruction to its brokers to continue the buy-back process during the close period up to a maximum of £9.0m.

CONSOLIDATED INCOME STATEMENT

For the period	Notes	**52 weeks to 28 March 2008 £m**	52 weeks to 30 March 2007 £m
Revenue		**797.4**	744.0
Cost of sales		**(394.9)**	(367.9)
Gross profit		**402.5**	376.1
Operating expenses	2	**(301.5)**	(282.6)
Operating profit	3	**101.0**	93.5
Finance costs	4	**(13.5)**	(14.0)
Finance income	4	**2.7**	1.4
Profit before tax		**90.2**	80.9
Taxation	5	**(26.2)**	(23.5)
Profit attributable to equity shareholders		**64.0**	57.4

Earnings per share			
Basic	7	**29.3p**	25.8p
Diluted	7	**29.3p**	25.6p

All results relate to continuing operations of the Group.

CONSOLIDATED BALANCE SHEET

	28 March 2008	30 March 2007
	£m	£m
Assets		
Non-current assets		
Goodwill	**253.1**	253.1
Other intangible assets	**3.7**	4.7
Property, plant and equipment	**116.2**	107.5
Derivative financial instruments	**-**	1.3
	373.0	366.6
Current assets		
Inventories	**151.6**	141.6
Trade and other receivables	**41.6**	32.6
Derivative financial instruments	**1.9**	-
Cash and cash equivalents	**10.0**	24.8
	205.1	199.0
Total assets	**578.1**	565.6
Liabilities		
Current liabilities		
Borrowings	**(0.2)**	(13.3)
Derivative financial instruments	**(0.3)**	(2.3)
Trade and other payables	**(121.3)**	(113.5)
Current tax liabilities	**(12.3)**	(13.4)
Provisions	**(2.0)**	(1.6)
	(136.1)	(144.1)
Net current assets	**69.0**	54.9
Non-current liabilities		
Borrowings	**(191.5)**	(191.5)
Derivative financial instruments	**-**	(0.1)
Deferred tax liabilities	**(1.0)**	(0.9)
Accruals and deferred income	**(27.8)**	(25.9)
	(220.3)	(218.4)
Total liabilities	**(356.4)**	(362.5)
Net assets	**221.7**	203.1
Shareholders' equity		
Share capital	**2.1**	2.2
Share premium account	**145.6**	133.2
Capital redemption reserve	**0.2**	0.1
Retained earnings	**73.8**	67.6
Total equity	**221.7**	203.1

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Shar capita £r	Share premium account £m	Capital redemption reserve £m	Retained earnings (hedging reserve) £m	Retained earnings £m	equity £m
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:						
Cost of sales		-	-	1.2	-	**1**
Finance costs		-	-	1.1	-	**1**
Employee share options		-	-	-	2.1	**2**
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**
Profit for the period		-	-	-	64.0	**64**
Shares issued		12.4	-	-	-	**12**
Purchase of own shares – share buy back	(	-	0.1	-	(30.3)	**(30**
Purchase of shares for Employee Trust		-	-	-	(0.6)	**(0**
Cash flow hedges:						
Fair value losses in the period		-	-	(1.2)	-	**(1**
Transfers to inventory		-	-	3.2	-	**3**
Transfers to net profit:						
Cost of sales		-	-	0.2	-	**0**
Finance costs		-	-	1.2	-	**1**
Employee share options		-	-	-	1.0	**1**
Tax on employee share options		-	-	-	0.1	**0**
Dividends		-	-	-	(31.4)	**(31**
Balance at 28 March 2008		**145.6**	**0.2**	**2.8**	**71.0**	**221**

CONSOLIDATED CASH FLOW STATEMENT

	Notes	**52 weeks to 28 March 2008 £m**	52 weeks to 30 March 2007 £m
Cash flows from operating activities			
Cash generated from operations	8	**111.6**	112.6
Finance income received		**2.9**	1.0
Finance costs paid		**(12.3)**	(9.3)
Taxation paid		**(27.1)**	(25.4)
Net cash generated from operating activities		**75.1**	78.9
Cash flows from investing activities			
Purchase of intangible assets		**(1.7)**	(0.7)
Purchase of property, plant and equipment		**(25.0)**	(23.2)
Net cash used in investing activities		**(26.7)**	(23.9)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**12.4**	-
Purchase of own shares		**(30.9)**	(30.0)
Repayment of bank borrowings		**-**	(144.0)
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		**(31.4)**	(29.5)
Net cash used in financing activities		**(50.2)**	(24.8)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	9	**(1.8)**	30.2
Cash, cash equivalents and bank overdrafts at the beginning of the period		**11.8**	(18.4)
Cash, cash equivalents and bank overdrafts at the end of the period	9	**10.0**	11.8

Notes to the Preliminary Results

1. Basis of preparation

The consolidated financial statements of Halfords Group plc ("the Company") and its subsidiary undertakings (together "the Group") are prepared under the historical cost convention, except where International Financial Reporting Standards ("IFRSs") require 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 statements are prepared in accordance with IFRSs and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as adopted by the European Union and with those parts of the Companies Act 1985 applicable to those companies reporting under IFRSs.

The accounts of the Group are prepared for the period up to the Friday closest to 31 March each year. Consequently, the financial statements for the current period cover the 52 weeks to 28 March 2008, whilst the comparative period covered the 52 weeks to 30 March 2007.

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 28 March 2008 £m**	52 weeks to 30 March 2007 £m
Selling and distribution costs	**256.7**	240.1
Administrative expenses	**44.8**	42.5
	301.5	282.6

3. Operating profit

For the period	**52 weeks to 28 March 2008**	52 weeks to 30 March 2007
Operating profit is arrived at after charging/(crediting) the following expenses/(incomes) as categorised by nature:	**£m**	£m
Operating lease rentals:		
- plant and machinery	**0.8**	1.0
- property rents	**74.8**	70.9
- rentals receivable under operating leases	**(8.2)**	(9.8)
Landlord contributions	**(4.5)**	(4.5)
Loss on disposal of property, plant and equipment	**0.4**	0.2
Amortisation of intangible assets	**2.2**	1.7
Depreciation of		
- owned property, plant and equipment	**18.5**	18.6
- assets held under finance leases	**0.7**	0.6
Trade receivables impairment	**0.1**	0.2
Staff costs	**116.5**	109.8
Cost of inventories consumed in cost of sales	**391.1**	364.1

4. Net finance costs

For the period	**52 weeks to 28 March 2008 £m**	52 weeks to 30 March 2007 £m
Finance costs:		
Bank borrowings	**(10.9)**	(10.0)
Amortisation of issue costs on loans	**(0.2)**	(0.3)
Commitment and guarantee fees	**(0.2)**	(0.2)
Costs of forward foreign exchange contracts	**(1.2)**	-
Interest payable on finance leases	**(0.8)**	(0.9)
Interest payable on rent reviews	**(0.2)**	-
Finance costs before exceptional finance costs	**(13.5)**	(11.4)
Exceptional finance costs:		
Accelerated amortisation of issue costs on loans[1]	**-**	(1.5)
Swap close out costs[2]	**-**	(1.1)
	-	(2.6)
Finance costs	**(13.5)**	(14.0)
Finance income: Bank and similar interest	**2.7**	1.4
Net finance costs	**(10.8)**	(12.6)

1. On 14 July 2006 the Group replaced its existing borrowings with a five-year term 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 28 March 2008 £m**	52 weeks to 30 March 2007 £m
Current taxation		
UK corporation tax charge for the period	**27.4**	26.1
Adjustment in respect of prior periods	**(0.5)**	(0.4)
	26.9	25.7
Deferred taxation		
Origination and reversal of timing differences	**(0.6)**	(1.9)
Adjustment in respect of prior periods	**(0.1)**	(0.3)
	(0.7)	(2.2)
Total tax charge for the period	**26.2**	23.5

In addition to the above a £0.9m (2007: £nil) current tax credit and a £0.8m (2007: £0.4m) deferred tax debit (2007: credit) is recognised in reserves in relation to employee share options.

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

For the period	**52 weeks to 28 March 2008 £m**	52 weeks to 30 March 2007 £m
Profit before tax	**90.2**	80.9
UK corporation tax at standard rate of 30% (2007: 30%)	**27.1**	24.3
Factors affecting the charge for the period:		
Depreciation on expenditure not eligible for tax relief	**0.9**	0.7
Employee share options	**0.2**	-
Impact of intra-group financing	**(1.8)**	(1.4)
Other disallowable expenses	**0.5**	0.6
Change in deferred tax rate to 28%	**(0.1)**	-
Adjustment in respect of prior periods	**(0.6)**	(0.7)
Total tax charge for the period	**26.2**	23.5

The underlying tax rate was 31.7% (2007: 31.6%), principally due to the non-deductability of depreciation charged on capital expenditure in respect of mezzanine floors and other store infrastructure. The lower tax rate of 29.0% (2007: 29.0%) in this financial year is mainly due to the financing structure put in place as part of the re-finance on 14 July 2006. This benefit ceased on 15 November 2007.

6. Dividends

For the period	**52 weeks to 28 March 2008 £m**	52 weeks to 30 March 2007 £m
Equity – ordinary shares		
Final for the 52 weeks to 30 March 2007 – paid 9.5p (2007: 8.75p)	**21.0**	19.8
Interim – paid 4.75p (2007: 4.35p)	**10.4**	9.7
	31.4	29.5

In addition, the directors are proposing a final dividend in respect of the 52 weeks to 28 March 2008 of 10.35p per share (2007: 9.50p per share), which will absorb an estimated £22.2m of shareholders' funds. It will be paid on 30 July 2008 to shareholders who are on the register of members on 13 June 2008.

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 28 March 2008.

For the period	**52 weeks to 28 March 2008 Number m**	52 weeks to 30 March 2007 Number m
Weighted average number of shares in issue	**219.3**	223
Less: shares held by the Employee Benefit Trust	**(0.9)**	(0
Weighted average number of shares for calculating basic earnings per share	**218.4**	222
Weighted average number of dilutive shares	**-**	0
Total number of shares for calculating diluted earnings per share	**218.4**	223

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 28 March 2008 £m**	52 weeks to 30 March 2007 £m
Basic earnings attributable to equity shareholders	**64.0**	57
Exceptional items:		
Finance costs (see note 4)	**-**	2
Tax on exceptional finance costs	**-**	(0
Underlying earnings before exceptional items	**64.0**	59

Earnings per share is calculated as follows:

For the period	**52 weeks to 28 March 2008**	52 weeks to 30 March 2007
Basic earnings per ordinary share	**29.3p**	25.8p
Diluted earnings per ordinary share	**29.3p**	25.6p
Basic earnings per ordinary share before exceptional items	**29.3p**	26.6p
Diluted earnings per ordinary share before exceptional items	**29.3p**	26.5p

8. Cash generated from operations

For the period	**52 weeks to 28 March 2008 £m**	52 weeks to 30 March 2007 £m
Operating profit	**101.0**	93.5
Depreciation - property, plant and equipment	**19.2**	19.2
Amortisation – intangible assets	**2.2**	1.7
Loss on sale of property, plant and equipment	**0.4**	0.2
Share option scheme charges	**1.0**	2.1
Fair value (gain)/loss on derivative financial instruments	**(0.5)**	0.4
Increase in inventories	**(10.0)**	(14.4)
Increase in trade and other receivables	**(9.2)**	(2.8)
Increase in payables	**7.1**	12.3
Increase in provisions	**0.4**	0.4
	111.6	112.6

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

	At 30 March 2007 £m	Cash flow £m	Other non-cash changes £m	**At 28 March 2008 £m**
Cash in hand and at bank	24.8	(14.8)	-	**10.0**
Bank overdraft	(13.0)	13.0	-	**-**
	11.8	(1.8)	-	**10.0**
Debt due within one year	-	-	-	-
Debt due after one year	(179.1)	-	(0.2)	**(179.3)**
Total net debt excluding finance leases	(167.3)	(1.8)	(0.2)	**(169.3)**
Finance leases due within one year	(0.3)	0.3	(0.2)	**(0.2)**
Finance lease due after one year	(12.4)	-	0.2	**(12.2)**
Total finance leases	(12.7)	0.3	-	**(12.4)**
Total net debt	(180.0)	(1.5)	(0.2)	**(181.7)**

Non-cash changes relate to finance costs of £0.2m in relation to the amortisation of capitalised debt issue costs and changes in classification between amounts due within and after one year.

10. Other information

These results for the 52 weeks to 28 March 2008 together with the corresponding amounts for the 52 weeks to 30 March 2007 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 28 March 2008, 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 23 June 2008 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, 23 July 2008.