19 NOVEMBER 2009

HALFORDS GROUP PLC ("HALFORDS")

STRONG FIRST HALF DELIVERY DRIVES REVENUE, EARNINGS AND DIVIDEND GROWTH

Halfords, the UK's leading automotive and leisure products retailer, announces its Interim results for the 26 weeks to 2 October 2009.

Financial Highlights[1]:

- Revenue £425.1m up 3.8% (2008: £409.6m), with like-for-like[2] sales increase of 1.7%
- Gross profit percentage improves by 190 basis points to 53.3% (2008: 51.4%)
- Operating profit £62.0m up 12.9% (2008: £54.9m)
- Profit before tax £60.9m up 24.0% (2008: £49.1m)
- Basic earnings per share 20.6p up 23.4% (2008: 16.7p)
- Interim dividend 6.00p up 20.0% (2008: 5.00p)
- Operating cash flow of £112.3m reduces net debt to £106.0m, 0.78x EBITDA[4] (2008: £174.0m, 1.38x)

Business Highlights:

- Excellent performance in Leisure with market share growth and record camping season.
- Continued growth in car maintenance supported by 180,000 additional "***we***fit" transactions.
- Multi-channel sales increase by over 50% to 5.2% of sales.
- Gross and operating margin expansion continues, reflecting trading strategies and cost management.
- Group to deliver £4m from operating efficiencies, significantly mitigating underlying cost inflation.
- Lease secured on new core 320,000 sq ft distribution centre to secure further efficiencies from mid 2010.
- Disciplined approach to working capital, operating costs and capital expenditure contributes to a significant and sustainable reduction in operating net debt.
- Seven new stores opened in the period.

Commenting on the results, David Wild, Chief Executive, said:

We are very pleased with these results that clearly demonstrate the success of our four-point strategic growth plan. This strong first half profit, cash flow performance and our well-structured balance sheet, lay the foundation for the on-going development of our business.

Our market-leading core product areas, like car maintenance, performed well in the second quarter increasing market share and our leisure categories, of cycling and camping products exceeded our expectations. These strong sales compensated for the economic headwinds experienced in our international markets and for the decline in the Satellite Navigation sector.

Halfords is fast evolving into a true multi-channel retailer, with Halfords.com and our *"**we**fit"* services now making a significant contribution to overall sales and margins. Our approach of building on our unique market position with the addition of expert customer services is broadening our appeal to a wider consumer base, especially families. These opportunities provide the basis for long-term sustainable growth.

While we remain cautious on the consumer outlook for 2010, our continued confidence in ongoing earnings growth has led the board to increase the interim dividend by 20% to 6p

I would like to thank the Halfords team for delivering this performance."

Notes:

1. Prior year comparatives have been amended to reflect the restatement of non-sterling currency transactions.
2. Like-for-like sales represent revenues from stores trading for greater than 365 days. Where appropriate, revenues denominated in foreign currencies have been translated at constant rates of exchange.
3. Quarterly sales profile is as follows:

Sales Performance (%)		Qtr 1	Qtr 2	Qtr 3	Qtr 4
FY09	Total Growth	+1.7	+1.5	-5.8	-1.7
	Like-for-like	-1.1	-1.1	-7.8	-3.8
FY10	Total Growth	+3.1	+3.8	-	-
	Like-for-like	+1.3	+2.1	-	-

4. Debt ratios are calculated on rolling 52 week EBITDA basis.

Results Presentation

A presentation for analysts and investors will be held, today, from 9.30 a.m. at The City Presentation Centre, 4 Chiswell Street, London EC1Y 4UP.

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Forthcoming Newsflow

Halfords will be releasing its Interim Management Statement for the third quarter on 14 January 2010.

Notes to Editors:

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

Halfords Group plc

The Group employs approximately 10,000 staff and sells over 10,000 different product lines, ranging from car parts and cycles through to the latest in-car technology, child seats, roof boxes and outdoor leisure and camping equipment. Halfords' own brands include *Bikehut*, for cycles and cycling accessories, including the *Apollo* and *Carrera* brands and in the premium range exclusive UK distribution rights of *Boardman* cycles and accessories. In our outdoor leisure range *URBAN Escape* represents our premium range for camping equipment. Operating from 469 stores, including internationally, 23 stores in Republic of Ireland, five stores in the Czech Republic and one in Poland, and 33 smaller format, compact stores 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.

Chief Executive's Review

I am pleased to report that the first half-year has seen Halfords make considerable progress against both its trading objectives and each of the four elements of the Group's strategy. This has been achieved despite the challenging economic and consumer environment prevailing throughout the period.

Continuing the recent trend of quarter on quarter sales improvements and against challenging comparatives, revenue grew by 3.8% with encouraging sales and market share growth being achieved in our car maintenance and leisure categories. Gross margin per cent continued to increase year on year, improving by 190 basis points ("bps") against the prior period, reflecting the favourable mix towards higher margin categories and ongoing management strategies across the business.

Core operating costs remained under close scrutiny throughout the period to ensure that the cost reductions targeted from the actions taken in the second-half of the previous financial year were fully crystallised.

The combined benefit of sales and margin growth, operating cost discipline and reduced finance costs, resulted in a 24% increase in profit before tax to £60.9m, representing 14.3% of sales (2008: 12.0%).

As a consequence of higher profits, tight control of stock-holding and prudent management of capital expenditure, net debt reduced by £70.2m to £106.0m.

Summary of Group Results

Unaudited	**26 weeks to**		
	2 October 2009	**26 September 2008**	**Change %**
Revenue (£m)	425.1	409.6	+3.8%
Gross profit (£m)	226.6	210.5	+7.6%
Gross Profit (%)	*53.3%*	*51.4%*	*+190 bps*
Operating profit (£m)	62.0	54.9	+12.9%
Operating profit %	*14.6%*	*13.4%*	*+120 bps*
Profit before tax (£m)	60.9	49.1	+24.0%
Basic earnings per share	20.6 pence	16.7 pence	+23.4%
Dividend per share	6.00 pence	5.00 pence	+20.0%

Operating Review

Continued progress has been made against the Group's four key strategic initiatives:

Extending Range & Service Advantage

Halfords continued success reflects the unique product and service proposition within the automotive and leisure sectors, in which Halfords is the natural destination and clear market leader.

These markets provide sustainable long-term growth potential. In addition to the Group's unrivalled scale, range and product innovation the fitting capability of our store-based colleagues provides a key service based point of differentiation. We are confident that the Group will further consolidate share in these primarily fragmented markets.

The continued growth and ageing of the car parc within the UK, where over 10 million cars are more than nine years old, underpins the long-term growth opportunity presented by the car maintenance category. As a needs driven area, this category provides a resilient foundation for our business and revenues continue to grow as we continually re-invigorate the product offer through innovation and increased service penetration.

Sales and margin progression have benefited positively from the continued success of Halfords' fitting proposition, branded as **we***fit*, where the number of jobs completed has increased by over 25% to an annualised run rate of 1.75m. In addition to differentiating the Halfords offer from more mainstream competitors and building loyalty, **we***fit* is a cost effective proposition for our customers and highly economic for the Group, contributing at 100% at the gross margin level and generating average operating returns of approximately 40%. We intend to increase awareness of the Group's service proposition through a national radio campaign across the final quarter of the calendar year that represents the peak for this activity.

The Group's broadest category, car enhancement, contains some staple products such as car cleaning which share many of the characteristics of car maintenance and have recorded encouraging growth. In addition the continued migration of technology to the car provides a base for ongoing growth, but current sales continue to be adversely impacted by the decline in consumer spending. Despite the prevailing market conditions, Halfords retained its position as the UK's number one retailer of in-car technology products. In addition, through a focus on selling accessory products to accompany the core product, which within satellite navigation has seen attachment rates grow by over 100% during the period, the profit impact from reduced sales has been materially mitigated.

In our Leisure category, the cycle market continues to grow benefiting from a combination of leisure, environmental, fitness and economic drivers, all of which we believe to be sustainable. Halfords retains its clear market leadership position differentiating itself through a broad, primarily own brand assortment of cycles and accessories, and in-store service both before and after purchase. We have been particularly successful in increasing sales of the Group's Bike Care Plan and now supply Care Plans with some 20% of the one million cycles Halfords sells annually. Consistent with each of the Group's service initiatives, this repair warranty plan is both highly economic while also building loyalty.

In line with our strategy, the Group has been successful in increasing market share in areas where Halfords market share is below the 1 in 3 we achieve within the largest mainstream adult segment. Within the premium cycle sector, our exclusive *Boardman* range has become the fastest growing brand in this segment, increasing our share in the specialist segment significantly. In children's cycles, further extensions in licensed cycles and accessories have maintained the encouraging rate of sales growth achieved in the second half of the previous year.

The Group's core automotive travel solutions range, including roof boxes, bars and cycle carriers, benefited from improved early season weather and increased levels of domestic vacations. Our camping offer had its strongest season to date, with our emphasis on providing cost effective family camping equipment solutions resonating strongly with the increased consumer interest in "staycations". We believe this trend will sustain beyond the present recessionary environment. The sell through of core ranges before the end of the season both enhanced margin during the period and provides confidence for further growth in this attractive and largely fragmented market.

We continue to trial new product areas, within attractive markets, where the Halfords brand will resonate and the Group can obtain competitive advantage. Attracted by the ageing UK population presently served by fragmented independent retailers, our customer research has indicated an opportunity for a national retailer to provide a wide range of mobility products supported by expert advice and after sales support.

During the period, we introduced an extended trial in 60 stores and have seen a high level of interest in the range. As we understand more about these products, their customers and the market potential, we will decide whether to move to national launch.

Leveraging the Halfords Brand in Multi Channel

Multi-channel sales continue to expand rapidly, growing at approximately 50% year on year to approximately £22m and now represent over 5% of Group revenues. Our digital strategy seeks to place our highly accessible and therefore convenient stores at the centre of our multi-channel proposition while providing maximum shopping flexibility to our customers.

"Reserve (on-line) and Collect (in-store)" fits precisely with this model and our experience remains that our customers also prefer the option of shopping in store where they can take advantage of Halfords' service proposition. *"Reserve and Collect"* transactions now represent approximately 80% of all multi-channel transactions and provide the opportunity to enhance the value of each sale through, for example, accompanying accessories or fitting services.

We see further significant opportunities for incremental revenue from the use of the web as a cost effective marketing tool and in expanding range and domain without the significant inventory investment required for distribution across the Group's extensive store portfolio. As an initial step we have expanded by 2,000 our range of cycle accessories available via www.halfords.com.

In the second half-year we will further enhance our multi-channel proposition through the introduction of Order & Collect. This proposition will make the Groups' maximum product assortment, across all in store ranges and web exclusives, available for customers to order via the web for delivery and collection in any store of their choice.

Ongoing Focus on Cost Control

The Group remains focused on managing costs to ensure that they remain appropriate for each phase of the economic cycle and provide efficiencies to fund investments to support Halfords' future growth. We achieve this through ongoing discipline augmented by periodic, more significant, interventions to introduce operational leverage.

The first half-year has seen us realise the benefits from the reductions in core headcount during the previous financial year. The Group is on target to reduce annual operating costs by £4m from these activities, with such savings being sufficient to offset the underlying inflation within the business. We are particularly encouraged that core store labour costs have been reduced in absolute terms year on year while supporting increased service led sales and materially increasing revenues from the service element of our business. Further evidencing our success in this area, customer complaints have reduced year on year and customer praise letters have increased.

We are currently working with an experienced consultancy partner to identify further improvements that can be made during 2010 to our base store rotas. Based upon our initial analysis we are confident that we can deliver underlying store labour cost efficiencies of £2m in the next financial year.

We have made good progress with regard to the reconfiguration of the Group's distribution infrastructure that will be completed in the summer of 2010. While this is a material undertaking it is being managed with risk mitigation a clear focus and we are firmly on track to achieve the targeted benefits from this reconfiguration. This renewed configuration, which will benefit from appropriate mechanisation, is anticipated to deliver annual benefits of approximately £4m once completed in the summer of 2010. These include rent savings from enhanced cube, transport reductions from the superior location and labour efficiencies.

A lease has been signed for a new core 320,000 sq ft distribution centre, located near Coventry and in our centre of gravity, which will complement a single retained warehouse in Redditch that will be dedicated to cycles. Following a competitive tender process we have contracted for mechanical handling and other equipment core to achieving our targeted improvements in productivity. These will be implemented within the new distribution centre once physical occupation is achieved in early 2010.

Investing in the Store Portfolio

We remain committed to enhancing our market-leading position by the introduction of new stores, through either superstores with mezzanine floors or compact stores designed to serve large and medium sized catchments respectively.

We also continue to invest in existing stores, to ensure that they remain contemporary and take advantage of our latest format and merchandising developments. Approximately 40% of our UK stores are either new or have been remodelled within the last four years.

Despite the prevailing property conditions that are limiting the availability of good quality retail space, 7 new stores were opened in the first half-year, including one relocation, and 3 of our smaller format stores were closed, such that the Group now operates from 469 stores. We remain on target to open around 10 new stores during the current financial year and believe there remains a significant longer-term opportunity for further Halfords stores across the UK.

International Expansion

We continue to be confident in the significant opportunity to expand our international operations, completing our scale roll out in Republic of Ireland and progressively adding operational scale to our initial pilot within Central Europe. At the end of the period Halfords traded from 23 stores in Ireland, five stores in the Czech Republic and one store in Poland.

Republic of Ireland:

Following a period of rapid roll-out over the past four years, Halfords has developed clear market leadership in each of its core categories and a store portfolio that includes each of the Group's successful formats.

The challenging economic backdrop in the Republic of Ireland has continued to have an adverse impact on revenue with a like-for-like sales decline of 18%, though this trend improved towards the end of the half. However, recognising the long-term attractiveness of the market, the Group continued to invest in the market to strengthen our immediate and long term trading position.

These investments, that include the introduction of Reserve & Collect and Cycle2Work, have contributed to an indication of relative sales recovery towards the end of the first half. Our focus on retail cost disciplines, in combination with the strengthening Euro, has protected Group profits during this period of revenue decline.

Central Europe:

The trading conditions in Central Europe and most particularly the Czech Republic, whose economy is heavily reliant on car exports, continue to be the most challenging faced by the Group. The sales decline of 12% in the period reflects a sharp fall in discretionary expenditure and was largely concentrated in technology products. Despite the very challenging environment, cycling sales were like-for-like positive. Full year trading losses are currently anticipated to be similar to the previous financial year, at £3m.

Our focus is on adjusting our range, price and marketing proposition to resonate relevantly with customers and on opening new stores to increase scale where appropriate property developments arise. However, recognising the importance of location quality for the Halfords offer in Central Europe, we believe it is appropriate to be prudent at this time regarding new stores.

We intend to increase the scale of our operations to around 10 stores in the remainder of the year with the first new store opening in November in Plsen. This store will trade from a smaller footprint thereby improving operating economics and range density and will incorporate all of the marketing and assortment lessons learned to date.

Financial Review

Income Statement

Revenue for the 26 weeks to 2 October 2009 was £425.1m (2008: £409.6m) an increase of 3.8% on the comparable period last year, representing, on a constant currency basis, an increase in like-for-like sales of 1.7%. Reflecting the continued opportunity to increase the number of stores within each of our operating territories, the contribution from new stores was 1.7%, with the remaining growth of 0.4% reflecting the impact of re-stating non sterling currency transactions.

Gross profit at £226.6m (2008: £210.5m) was up 7.6% and gross margin at 53.3% represented a 190bps improvement compared to the prior year (2008: 51.4%). This performance reflects continued margin management across the Group, including the flow-through of sourcing benefits, sales growth in higher margin categories and the margin accretive attachment of accessories and fitting services.

Halfords continues to control operating costs in order to manage overall cost growth while funding investment in our growth initiatives. Significant progress has been made over the past year in both reducing the absolute level of our key cost elements, such as store labour, while also increasing their flexibility to respond to revenue opportunities. As an example, following interventions to store based structures made in the second half of the previous financial year, the ratio of store labour to sales has reduced by 80bps to 10.6% while increasing both absolute sales and the contribution from service related revenues.

The Group continues to experience upward cost pressure from its store portfolio. Business rates increased by 5% in April and while, the rate of rental settlement inflation continues to slow, it remains an upward pressure. Reflecting the more benign property environment and the quality of Halfords as a tenant we are adopting a more demanding stance on each rent review and expect rent inflation to slow further. In addition, we believe a more significant opportunity to achieve cost reductions in this area will arise at the point of lease expiry, where the Group has a significant number of such expiries in the next five to ten years.

The opportunity for Halfords to leverage value from its store portfolio through tactical re-sites and format re-configuration continues to exist although the current economic climate has meant that the opportunities are arising less frequently and there are no signs of any significant improvement in the property market. Landlord contributions during the period totalled £0.1m, compared to £1.0m last year and the Group's guidance is for a full year contribution of approximately £1.0m.

Operating expenses as a per cent of sales at 38.7% increased by 70bps versus the prior year (2008: 38.0%). This increase primarily reflects one off impacts from reduced level of landlord contributions, increased incentive costs across the organisation and a number of property related provisions. Adjusting for these items the underlying cost inflation experienced by the Group was 0.9%.

Finance Costs

Net finance costs for the half-year were £1.1m (2008: £5.8m) with finance costs on bank borrowings reducing significantly during the period from £5.4m reported in 2008 to £1.5m. This reduction reflects the benefits arising from the close-out of the interest rate swap at the end of the previous financial year, a low interest rate environment and, through strong revenue and capital management, particularly with regard to levels of inventory the Group has operated at significantly lower level of net debt.

In the Annual Report and Accounts for 2009 the Group noted that at forecast interest rates, the closing of the interest rate swap would reduce finance charges in the current financial year by approximately £2.0m. With interest being actively set using two-week LIBOR, the finance charge at LIBOR plus a margin at 45 bps has meant that the average rate was approximately 1% during the period.

Reflecting the weakening sterling environment towards historic price parity levels, forward purchases of US dollars have been shortened, such that, when combined with the stock of currency held, no new foreign exchange contracts were taken out during the first half of the year. The absence of any new currency contracts has meant that that there has been no corresponding charge for the period compared to £1.1m in 2008.

A full year net finance charge of approximately £4m is envisaged. This reflects the historic trend towards greater capital and working capital outflow in the second half, relative to the first, and plans to enter into new foreign exchange contracts during the second half of the year.

Taxation

The underlying taxation charge on trading in the 26 weeks to 2 October 2009 is 30.0% (2008: 29.6%) principally due to the non-deductibility of depreciation charged on capital expenditure in respect of mezzanine floors and other store infrastructure.

The effective tax rate of 29.2% (2008: 28.3%) is due to the release of provisions following the settlement of prior year capital allowance claims.

Balance Sheet and Cash Flow

Total net debt at 2 October 2009 was £106.0m (3 April 2009: £176.2m) and includes £12.1m (3 April 2009: £12.2m) in respect of the Head Office finance lease. The Group continues to generate strong net cash flows from operations, which were £112.3m for the 26 weeks to 2 October 2009 (2008: £72.5m).

Through tactical interventions and realising the benefits from the Group's investment in store technology, inventory levels have decreased by 12.9% compared to the stock held at 26 September 2008. This reduction reflects a marginal seasonal over-stock position in 2008 and also the need as a range retailer to maintain high stock availability in core areas such as parts and consumables. Nevertheless, we are confident that the Group can operate effectively at this lower level of inventory and working capital.

Capital expenditure during the first half of the year totalled £6.6m (2008: £9.8m) and the Group is forecast to spend approximately £25m for the full year (53 weeks to 3 April 2009: £19.4m). As previously announced the Group are currently re-configuring the Halfords distribution infrastructure and £7m of this total spend will be spent in support of this project. We continue to invest to support strategic growth, with £3.4m expended in the period on new and refurbished stores (2007: £4.7m), and £0.8m (2007: £1.5m) in respect of the ongoing development of our multi-channel proposition.

The Group's debt facility comprises a £180m five-year non-amortising loan, maturing with a "bullet" repayment on 13 July 2011 and a £120m revolving credit facility with the same maturity. The Group has sufficient headroom to enable it to conform to covenants on these existing borrowings and has sufficient working capital and undrawn financing facilities to service its operating activities and ongoing capital investments.

While, the Board's long term intention remains to maintain an efficient capital structure, in the period prior to the renegotiation of the Groups borrowing facility, the Board has a preference for financial flexibility and lower gearing whilst pursuing high return investments.

Dividend

The Company is committed to 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 has increased the Interim Dividend by 20% to 6.00 pence per share (2008: 5.00 pence per share), reflecting the Group's increased profitability, the consistent nature of the Group's earnings and strong underlying cash flow. In addition, the Board intends, over time, to increase the proportion of the full year dividend represented by the Interim Dividend to approximately 40%.

The dividend will be paid on 25 January 2010 to shareholders on the register on 18 December 2009.

Second Half Outlook

Trading in the short period since the end of the half-year has remained in line with management's expectation. While, we believe it appropriate to remain cautious about the economy and the impact upon consumer spending, particularly in early 2010, the Board has confidence that the Group will increase its profits year on year in the second half and that full year earnings will be in line with expectations.

Furthermore, the Board remains confident that the application of the Group's clear strategy and advantaged business model within the attractive markets in which it operates provides a solid foundation for sustainable earnings growth.

Third Quarter Interim Management Statement

Halfords will announce its interim management statement on 14 January 2010, covering trading for the 13 weeks ended 1 January 2010. Revenue is not critically dependent on this quarter as, typically, sales in each half of the year are broadly similar.

Principal risks and uncertainties

The Board considers risk assessment, identification of mitigating actions and internal control to be fundamental to achieving Halfords' strategic corporate objectives, and in the Annual Report 2009 it set out what it considers to be the principal commercial and financial risks to achieving the Group's objectives. The main areas of potential risk and uncertainty in the balance of the financial year are described in note 3 to the condensed consolidated interim financial statements.

HALFORDS GROUP PLC

Condensed consolidated income statement

For the 26 weeks to 2 October 2009

	Notes	**26 weeks to 2 October 2009 Unaudited £m**	26 weeks to 26 September 2008 Unaudited £m	53 weeks to 3 April 2009 £m
Revenue	6	**425.1**	409.6	809.5
Cost of sales		**(198.5)**	(199.1)	(388.1)
Gross profit		**226.6**	210.5	421.4
Operating expenses		**(164.6)**	(155.6)	(329.7)
Operating profit before non-recurring items		**62.0**	54.9	104.0
Non-recurring operating expenses	7	**-**	-	(12.3)
Results from operating activities		**62.0**	54.9	91.7
Finance costs	8	**(2.3)**	(7.2)	(16.5)
Finance income	8	**1.2**	1.4	2.3
Net finance costs		**(1.1)**	(5.8)	(14.2)
Profit before tax and non-recurring items		**60.9**	49.1	94.4
Non-recurring operating expenses	7	**-**	-	(12.3)
Non-recurring finance costs	7, 8	**-**	-	(4.6)
Profit before tax		**60.9**	49.1	77.5
Income tax expense	9	**(17.8)**	(13.9)	(26.3)
Income tax on non-recurring items		**-**	-	4.6
Profit for the period attributable to equity shareholders		**43.1**	35.2	55.8
Earnings per share				
Basic earnings per share	11	**20.6p**	16.7p	26.6p
Diluted earnings per share	11	**20.5p**	16.7p	26.6p

A final dividend of 10.90 pence per share for the 53 weeks to 3 April 2009 (2008: 10.35 pence per share) was paid on 5 August 2009. The directors have approved an interim dividend of 6.0 pence per share in respect of the 26 weeks to 2 October 2009 (2008: 5.0 pence per share).

HALFORDS GROUP PLC

Condensed consolidated statement of comprehensive income

For the 26 weeks to 2 October 2009

	26 weeks to 2 October 2009 Unaudited £m	26 weeks to 26 September 2008 Unaudited £m	53 weeks to 3 April 2009 £m
Profit for the period	**43.1**	35.2	55.8
Other comprehensive income			
Foreign currency translation differences for foreign operations	**1.7**	-	-
Cash flow hedges:			
Fair value (losses) / gains in the period	**(8.7)**	5.4	22.8
Transfers to inventory	**(8.1)**	(2.3)	(11.8)
Transfers to net profit:			
Cost of sales	**2.0**	(0.5)	(5.0)
Finance costs	**-**	1.1	4.6
Income tax on other comprehensive income	**0.1**	-	-
Other comprehensive income for the period, net of income tax	**(13.0)**	3.7	10.6
Total comprehensive income for the period attributable to equity shareholders	**30.1**	38.9	66.4

HALFORDS GROUP PLC

Condensed consolidated statement of financial position

For the 26 weeks to 2 October 2009

	Notes	**26 weeks to 2 October 2009 Unaudited**	26 weeks to 26 September 2008 Unaudited	53 weeks to 3 April 2009
Assets				
Non-current assets				
Goodwill	12	**253.1**	253.1	253.1
Other intangible assets	12	**6.5**	5.7	6.4
Property, plant and equipment	12	**102.8**	112.2	107.5
Derivative financial instruments		**-**	0.8	-
Deferred tax asset		**3.6**	-	2.7
Total non-current assets		**366.0**	371.8	369.7
Current assets				
Inventories		**142.6**	163.7	147.0
Trade and other receivables		**37.0**	44.5	37.6
Derivative financial instruments		**2.7**	5.7	14.0
Cash and cash equivalents	13	**85.7**	18.0	15.5
Total current assets		**268.0**	231.9	214.1
Total assets		**634.0**	603.7	583.8
Liabilities				
Current liabilities				
Borrowings	13	**(0.2)**	(0.5)	(0.2)
Derivative financial instruments		**(3.1)**	(0.2)	(0.3)
Trade and other payables		**(126.7)**	(141.2)	(94.1)
Current tax liabilities		**(18.4)**	(14.2)	(12.2)
Provisions		**(10.0)**	(2.0)	(8.0)
Total current liabilities		**(158.4)**	(158.1)	(114.8)
Net current assets		**109.6**	73.8	99.3
Non-current liabilities				
Borrowings	13	**(191.5)**	(191.5)	(191.5)
Derivative financial instruments		**-**	(0.4)	(0.4)
Deferred tax liabilities		**-**	(0.1)	-
Accruals and deferred income – lease incentives		**(28.0)**	(27.2)	(28.3)
Provisions		**(2.2)**	-	(4.4)
Total non-current liabilities		**(221.7)**	(219.2)	(224.6)
Total liabilities		**(380.1)**	(377.3)	(339.4)
Net assets		**253.9**	226.4	244.4
Shareholders' equity				
Share capital	14	**2.1**	2.1	2.1
Share premium account	14	**146.2**	145.6	145.6
Capital redemption reserve		**0.2**	0.2	0.2
Retained earnings		**105.4**	78.5	96.5
Total equity attributable to equity holders of the Company		**253.9**	226.4	244.4

Company No. 04457314

HALFORDS GROUP PLC

Condensed consolidated statement of changes in equity

For the 26 weeks to 2 October 2009

For the period ended 26 September 2008 (Unaudited)

	Attributable to the equity holders of the Company						
	Share capital £m	Share premium account £m	Translation reserve £m	Capital Redemption reserve £m	Hedging reserve £m	Retained earnings £m	**Total equity £m**
Balance at 28 March 2008	2.1	145.6	-	0.2	2.8	71.0	**221.7**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	35.2	**35.2**
Other comprehensive income							
Cash flow hedges:							
Fair value gains in the period	-	-	-	-	5.4	-	**5.4**
Transfers to inventory	-	-	-	-	(2.3)	-	**(2.3)**
Transfers to net profit:							
Cost of sales	-	-	-	-	(0.5)	-	**(0.5)**
Finance costs	-	-	-	-	1.1	-	**1.1**
Total comprehensive income for the period net of tax	-	-	-	-	3.7	35.2	**38.9**
Transactions with owners, recorded directly in equity							
Purchase of own shares – share buy-back	-	-	-	-	-	(13.1)	**(13.1)**
Share-based payment transactions	-	-	-	-	-	0.7	**0.7**
Dividends to equity holders	-	-	-	-	-	(21.8)	**(21.8)**
Total transactions with owners	-	-	-	-	-	(34.2)	**(34.2)**
Balance at 26 September 2008	2.1	145.6	-	0.2	6.5	72.0	**226.4**

HALFORDS GROUP PLC

Condensed consolidated statement of changes in equity

For the 26 weeks to 2 October 2009

For the period ended 2 October 2009 (Unaudited)

	Attributable to the equity holders of the Company						
	Share capital £m	Share premium account £m	Translation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	**Total equity £m**
Balance at 3 April 2009	2.1	145.6	-	0.2	13.4	83.1	**244.4**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	43.1	**43.1**
Other comprehensive income							
Foreign currency translation differences for foreign operations	-	-	1.7	-	-	-	**1.7**
Cash flow hedges:							
Fair value losses in the period	-	-	-	-	(8.7)	-	**(8.7)**
Transfers to inventory	-	-	-	-	(8.1)	-	**(8.1)**
Transfers to net profit:							
Cost of sales	-	-	-	-	2.0	-	**2.0**
Tax on other comprehensive income	-	-	-	-	0.1		**0.1**
Total other comprehensive income for the period net of tax	-	-	1.7	-	(14.7)	43.1	**30.1**
Transactions with owners, recorded directly in equity							
Issue of ordinary shares	-	0.6	-	-	-	-	**0.6**
Share-based payment transactions	-	-	-	-	-	1.6	**1.6**
Dividends to equity holders	-	-	-	-	-	(22.8)	**(22.8)**
Total transactions with owners	-	0.6	-	-	-	(21.2)	**(20.6)**
Balance at 2 October 2009	2.1	146.2	1.7	0.2	(1.3)	105.0	**253.9**

HALFORDS GROUP PLC

Condensed consolidated statement of cash flows

For the 26 weeks to 2 October 2009

	Notes	**26 weeks to 2 October 2009 Unaudited £m**	26 weeks to 26 September 2008 Unaudited £m	53 weeks to 3 April 2009 £m
Cash flows from operating activities				
Profit after tax for the period before non-recurring items		**43.1**	35.2	68.1
Non-recurring items		**-**	-	(12.3)
Profit after tax		**43.1**	35.2	55.8
Depreciation - property, plant and equipment		**10.4**	10.3	22.4
Amortisation - intangible assets		**1.1**	1.2	2.7
Foreign exchange loss		**0.7**	-	-
Net finance costs		**1.1**	5.8	14.2
Loss on sale of property, plant and equipment		**0.7**	0.3	0.3
Share option scheme charges		**1.6**	0.7	1.7
Fair value gain on derivative financial instruments		**(0.9)**	(1.7)	(2.3)
Income tax expense		**17.8**	13.9	21.7
(Increase)/decrease in inventories		**4.4**	(12.1)	4.6
(Increase)/decrease in trade and other receivables		**0.6**	(2.7)	3.8
Increase/(decrease) in trade and other payables		**31.9**	21.6	(21.1)
Increase/(decrease) in provisions		**(0.2)**	-	10.4
Finance income received		**1.2**	1.2	2.5
Finance costs paid before non-recurring swap close out costs		**(2.6)**	(6.7)	(12.8)
Swap close out costs		**-**	-	(4.6)
Taxation paid		**(12.5)**	(12.9)	(25.5)
Net cash from operating activities		**98.4**	54.1	73.8
Cash flows from investing activities				
Purchase of intangible assets		**(1.2)**	(3.2)	(5.4)
Purchase of property, plant and equipment		**(4.6)**	(8.8)	(17.3)
Net cash used in investing activities		**(5.8)**	(12.0)	(22.7)
Cash flows from financing activities				
Net proceeds from issue of ordinary shares		**0.6**	-	-
Purchase of own shares		**-**	(12.5)	(13.1)
Finance lease principal payments		**(0.2)**	(0.2)	(0.2)
Dividends paid to shareholders		**(22.8)**	(21.8)	(32.3)
Net cash used in financing activities		**(22.4)**	(34.5)	(45.6)
Net increase in cash and bank overdrafts	13	**70.2**	7.6	5.5
Cash and bank overdrafts at the beginning of the period	13	**15.5**	10.0	10.0
Cash and bank overdrafts at the end of the period	13	**85.7**	17.6	15.5

HALFORDS GROUP PLC

Notes to the condensed consolidated interim financial statements

For the 26 weeks to 2 October 2009

1. General information

Halfords Group plc (the "Company") together with its subsidiary undertakings (the "Group") are retailers of automotive and leisure products.

The Company is a limited liability company incorporated, domiciled and registered in England and Wales. Its registered office is Icknield Street Drive, Washford West, Redditch, Worcestershire, B98 0DE.

The Company is listed on the London Stock Exchange.

These condensed consolidated interim financial statements were approved by the Board of Directors on 19 November 2009.

2. Statement of compliance

These condensed consolidated interim financial statements for the 26 weeks to 2 October 2009 have been prepared in accordance IAS 34 'Interim financial reporting' as endorsed by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the 2009 Annual Reports and Accounts, which have been prepared in accordance with IFRSs as endorsed by the European Union.

The comparative figures for the financial period ended 3 April 2009 are not the Group's complete statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors at that time and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

3. Risks and uncertainties

The Directors consider that the principal risks and uncertainties which could have a material impact on the Group's performance in the remaining 26 weeks of the financial year remain the same as those stated on pages 22 and 23 of our Annual Report and Accounts for the 53 weeks to 3 April 2009, which are available on our website *www.halfordscompany.com.*

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

Economic and market conditions

The economy is a major influence on consumer spending. Trends in employment, inflation, taxation, consumer debt levels and interest rates impact consumer expenditure in discretionary areas. During the latter half of 2008 and into 2009 the global economy has experienced deep recession, which has resulted in an impact on consumer spending, with many retailers reporting substantial declines in like-for-like sales growth. The Group has demonstrated through its results that Halfords is able to be resilient to the economic downturn, although not immune, and whilst many of the products that we sell are of a non-discretionary nature some of the higher value items, such as in-car technology products, may be impacted as households become more prudent in their spending behaviour, and other products, such as children's cycles, face competition from alternative products. Halfords reflects the latest independently sourced estimates in its internal plans.

Competition

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

We aim to have a broad appeal in price, range and store format in a way that allows us to compete in different markets and to use service as a point of differentiation in each market segment.

4. Significant accounting policies

As required by the Disclosure and Transparency Rules of the Financial Services Authority, the interim condensed consolidated financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the 2009 Annual Reports and Accounts, which are published on the Halfords Group website, *www.halfordscompany.com*, except for the adoption of new standards and interpretations, noted below:

- IAS 1 "Presentation of Financial Statements (2007)" - The Group applied revised IAS 1, which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these condensed interim financial statements as of and for the six months period ended on 02 October 2009. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- IFRS 8 "Operating Segments" - The Board has reviewed the requirements of IFRS 8, including giving consideration to the results it reviews regularly to assess performance and make decisions about how resources are allocated. The Board has concluded that, as under IAS 14 "Segment Reporting", the Group has one operating and reporting segment.

- IFRS 2 (Amendment) "Share-based payments transactions" - This amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are either service or performance conditions only. Other features of a share-based payment would need to be included in the grant date fair value calculation for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendments to IFRS 2 will become mandatory for the Group's 2010 consolidated financial statements, with retrospective application. This will not have a material impact.

At 2 October 2009, as at the prior period ended 3 April 2009, the foreign exchange movements in relation to the Irish operation have been recorded in the respective line items to which they relate. The comparative half-year figures for 2008 have been restated to reflect Irish foreign exchange movements leading to a £2.5m increase in revenue, £2.0m increase in cost of sales, £0.6m increase in operating expenses and £0.1m increase in finance income.

5. Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 3 April 2009 and the 26 weeks ended 26 September 2008.

6. Operating segments

The Group has one reportable segment, which is retail, and which reflects the Group's management and internal reporting structure.

7. Non-recurring items

During 2008, the business completed a detailed review of its operating cost base and identified and executed two key elements of an ongoing plan which will deliver benefits progressively and significantly increase productivity once completed. The non-recurring items related to these initiatives instigated in 2008.

	26 weeks to 2 October 2009	26 weeks to 26 September 2008	53 weeks to 3 April 2009
	Unaudited	Unaudited	
	£m	£m	£m
Non-recurring operating expenses:			
Head Office rationalisation [(a)]	-	-	2.0
Store rationalisation [(a)]	-	-	0.8
Exit of standalone cycle store pilot [(b)]	-	-	1.2
Distribution and warehousing reorganisation [(c)]	-	-	8.3
Non-recurring operating expenses	-	-	12.3

(a) Cost of staffing reductions in Head Office and stores, to access efficiencies arising from the Group's investment in core enterprise systems over the past four years.

(b) Exit costs associated with the cessation of the Group's standalone cycle concept, including the closure of stores where necessary.

(c) Costs associated with the re-configuration and consolidation of the Group's distribution infrastructure.

8. Net Finance Costs

	26 weeks to 2 October 2009	26 weeks to 26 September 2008	53 weeks to 3 April 2009
	Unaudited	Unaudited	
	£m	£m	£m
Finance costs:			
Bank borrowings	**(1.5)**	(5.4)	(9.4)
Amortisation of issue costs on loans	**(0.1)**	(0.1)	(0.2)
Commitment and guarantee fees	**(0.1)**	(0.1)	(0.2)
Cost of forward foreign exchange contracts	**-**	(1.1)	(1.2)
Interest payable on finance leases	**(0.4)**	(0.4)	(0.9)
Interest payable on rent reviews	**(0.2)**	(0.1)	-
Finance costs before non-recurring finance costs	**(2.3)**	(7.2)	(11.9)
Non-recurring finance costs:			
Swap close out costs[1]	**-**	-	(4.6)
Finance costs	**(2.3)**	(7.2)	(16.5)
Finance income:			
Bank and similar income	**1.2**	1.4	2.3
Net finance costs	**(1.1)**	(5.8)	(14.2)

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

9. Income tax expense

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

The underlying tax charge on trading is 30.0% (2008: 29.6%), principally due to the non-deductibility of depreciation charged on capital expenditure in respect of mezzanine floors and other store infrastructure.

The lower actual tax rate of 29.2% for the 26 weeks to 2 October 2009 (2008: 28.3%) is due to a £0.5m provision release following the settlement of prior year capital allowance claims.

10. Dividends

During the period the Group paid a final dividend of 10.90 pence per share in respect of the 53 weeks to 3 April 2009 (2008: 10.35 pence per share), which absorbed £22.8m of shareholders' funds (2008: £21.8m).

The directors have approved an interim dividend of 6.0 pence per share for the 26 weeks to 2 October 2009 (2008: 5.0 pence per share), which equates to £12.6m (2008: £10.5m) and will be paid on 25 January 2010 to those shareholders on the share register at the close of business on 18 December 2009.

11. Earnings Per Share

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

For diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the 26 weeks to 2 October 2009.

	26 weeks to 2 October 2009	26 weeks to 26 September 2008	53 weeks to 3 April 2009
	Unaudited	Unaudited	
	Number	Number	Number
	m	m	m
Weighted average number of shares in issue	**210.8**	211.5	210.6
Less: shares held by the Employee Benefit Trust	**(1.1)**	(1.1)	(1.1)
Weighted average number of shares for calculating basic earnings per share	**209.7**	210.4	209.5
Weighted average number of dilutive share options	**0.1**	0.1	0.3
Total number of shares for calculating diluted earnings per share	**209.8**	210.5	209.8

	26 weeks to 2 October 2009	26 weeks to 26 September 2008	53 weeks to 3 April 2009
	Unaudited	Unaudited	
	£m	£m	£m
Basic earnings attributable to equity shareholders	**43.1**	35.2	55.8
Non-recurring items:			
Operating expenses	**-**	-	12.3
Finance costs	**-**	-	4.6
Tax on non-recurring items	**-**	-	(4.6)
Underlying earnings before non-recurring items	**43.1**	35.2	68.1
Basic earnings per share	**20.6p**	16.7p	26.6p
Diluted earnings per share	**20.5p**	16.7p	26.6p
Basic earnings per share before non-recurring items	**20.6p**	16.7p	32.5p
Diluted earnings per share before non-recurring items	**20.5p**	16.7p	32.5p

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

12. Capital Expenditure – Tangible and Intangible Assets

	Unaudited
	£m
Net book value at 28 March 2008	373.0
Additions	9.8
Disposals	(0.3)
Depreciation, amortisation and impairments and other movements	(11.5)
Net book value at 26 September 2008	371.0

	Unaudited
	£m
Net book value at 3 April 2009	**367.0**
Foreign exchange movement	**1.0**
Additions	**6.6**
Disposals	**(0.7)**
Depreciation, amortisation and impairments and other movements	**(11.5)**
Net book value at 2 October 2009	**362.4**

The Group is expected to spend approximately £25m for the 52 weeks to 2 April 2010 (expenditure in the 53 weeks to 3 April 2009 was £19.4m). Of this expenditure £7.0m is associated with the re-configuration and consolidation of the Group's distribution infrastructure. At 2 October 2009 the Group had capital expenditure contracted, but not provided for, of £6.4m (2008: £2.4m).

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

	At 28 March 2008	Cash flow	Other non cash changes	At 26 September 2008
		Unaudited	Unaudited	Unaudited
	£m	£m	£m	£m
Cash in hand and at bank	10.0	8.0	-	18.0
Bank overdraft	-	(0.4)	-	(0.4)
	10.0	7.6	-	17.6
Debt due after one year	(179.3)	-	(0.1)	(179.4)
Total net debt excluding finance leases	(169.3)	7.6	(0.1)	(161.8)
Finance leases due within one year	(0.2)	0.2	(0.1)	(0.1)
Finance leases due after one year	(12.2)	-	0.1	(12.1)
Total finance leases	(12.4)	0.2	-	(12.2)
Total net debt	(181.7)	7.8	(0.1)	(174.0)

	At 03 April 2009	Cash flow	Other non cash changes	**At 2 October 2009**
		Unaudited	Unaudited	**Unaudited**
	£m	£m	£m	**£m**
Cash in hand and at bank	15.5	70.2	-	**85.7**
Debt due after one year	(179.5)	-	(0.1)	**(179.6)**
Total net debt excluding finance leases	(164.0)	70.2	(0.1)	**(93.9)**
Finance leases due within one year	(0.2)	0.2	(0.2)	**(0.2)**
Finance leases due after one year	(12.0)	-	0.1	**(11.9)**
Total finance leases	(12.2)	0.2	(0.1)	**(12.1)**
Total net debt	(176.2)	70.4	(0.2)	**(106.0)**

Non-cash changes relate to the finance costs of £0.1m (2008: £0.1m) in relation to the amortisation of capitalised debt issue costs.

The Group's debt facility comprises a £180m five-year non-amortising loan, maturing with bullet repayment on 13 July 2011 and a £120m revolving credit facility. The Group has sufficient headroom to enable it to conform to covenants on these existing borrowings and has sufficient working capital and undrawn financing facilities to service its operating activities and ongoing capital investments.

14. Share Capital

	Number of shares m	Share capital £m	Share premium account £m
As at 28 March 2008	214.3	2.1	145.6
Shares issued – employee options	0.1	-	-
Purchase of own shares	(4.6)	-	-
As at 26 September 2008	209.8	2.1	145.6

	Number of shares m	Share capital £m	Share premium account £m
As at 3 April 2009	209.8	2.1	145.6
Shares issued – employee options	0.2	-	0.6
Shares issued – employee LTIP	0.3	-	-
Purchase of own shares	-	-	-
As at 2 October 2009	**210.3**	**2.1**	**146.2**

During the 26 weeks to 2 October 2009, options exercised by employees resulted in 0.2m shares being issued for a total consideration of £0.6m. In addition to this, 0.3m shares were awarded under the Group’s Long Term Incentive Plan (“LTIP”) for nil consideration. In the 26 weeks to 26 September 2008 0.1m shares were awarded under the LTIP for nil cash consideration.

15. Seasonality

In general, the Group’s results are not seasonal with revenue in the first half broadly similar to that of the second, however sales of certain products tend to fluctuate by season. For example, sales of children’s cycles peak in the Christmas season and sales of adult cycles tend to peak in the summer. It should be noted that in the 52 weeks to 2 April 2010 there will be two Easter periods, whereas in the 53 weeks to 3 April 2008 there were no Easter periods.

16. Related Party Transactions

There were no related party transactions during the 26 weeks to 2 October 2009.

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

• the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as endorsed by the EU;

• the interim management report includes a fair review of the information required by:
(a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
(b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

David Wild, Chief Executive **Nick Wharton, Finance Director**

HALFORDS GROUP PLC

Interim Review Report to Halfords Group plc

For the 26 weeks to 2 October 2009

Independent Review Report to Halfords Group plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 26 October 2009 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.
As disclosed in note 4, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 2 October 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

G Watts
For and on behalf of KPMG Audit Plc
Chartered Accountants
Birmingham

19 November 2009