10 June 2009

HALFORDS GROWS UNDERLYING EARNINGS THROUGH CORE SALES GROWTH, COST CONTROL AND MARGIN MANAGEMENT.

Halfords Group plc, the UK's leading automotive and leisure products retailer, announces its Preliminary Results for the 53 weeks to 3 April 2009.

Financial Summary

	2009 53 weeks Reported	2009 53 weeks Excl Exceptional[1]	2009 52 weeks Excl Exceptional[1]	2008 52 weeks
Revenue	£809.5m	£809.5m	£794.7m	£797.4m
Like-for-like Sales[2]	-3.3%	-3.3%	-3.3%	+4.3%
Operating Profit	£91.7m	£104.0m	£101.9m	£101.0m
Operating Margin	11.3%	12.8%	12.8%	12.7%
Profit Before Tax	£77.5m	£94.4m	£92.4m	£90.2m
Basic EPS	26.6p	32.5p	31.8p	29.3p
Net Debt	£176.2m	£169.3m	£164.0m	£181.7m

Financial Highlights

On a comparable 52-week basis, excluding exceptional items, the Group's performance is summarised:

- Basic earnings per share 31.8p up 8.5%
- Profit before tax £92.4m up 2.4%
- Operating profit £101.9m up 0.9%, representing 12.8% of sales
- Revenue £794.7m, 0.3% decline with like-for-like sales declining by 3.3%
- Gross margin per cent increased by 160bps year on year
- Net debt at £164.0m (2008: £181.7m) represents 1.3x EBITDA
- Recommended final dividend of 10.90p, making a total of 15.90p per ordinary share (2008:15.10p), up 5.3%

Business Highlights

- Continued strong sales growth in car maintenance and cycling, with improving sales trajectory
- Group gains market share and expands margin in all categories as active trading strategies achieve traction
- Service differentiation continues with strong growth in ***we***fit and ***we***repair jobs, increased by 25% to 1.5m
- *Reserve & Collect* success drives 90% growth in multi-channel revenue
- Portfolio development continues with 21 new store openings and 26 refurbishments
- Central European rollout commenced with two new stores in the Czech Republic and first Polish store opened in Wroclaw
- Success of *Boardman* cycle range supports integration of premium brands into superstore format

David Wild, Chief Executive, commented on the results:

"These results demonstrate Halfords' many strengths. At a time when much of the high street is impacted by the recession, we have delivered an 8.5% increase in underlying earnings per share from solid growth in both market share and margins, driven by our commitment to an unrivalled combination of value and service to our customers.

We continue to strengthen our offer across all categories and see significant opportunities for future growth within the UK business. Our market-leading ***we***fit proposition is attracting new customers who increasingly recognise the outstanding value that this service provides. We continue to manage the business proactively, intervening early to deliver sustainable reductions in operating costs. Progress on *halfords.com* has been most encouraging and provides future upside. Finally, we have also begun overseas expansion, which in the longer term will further accelerate growth.

We naturally remain cautious given the continued fragility of the economy and consumer confidence. There are however, clear indications that Halfords is well positioned to deliver further earnings growth in the year ahead. The proposed final dividend, is consistent with our progressive policy and reflects the Board's confidence in the Group's near and long term prospects.

I would like to thank all Halfords' colleagues for their continued efforts in this challenging environment."

Notes:

1. Exceptional items are described in note 4 to the Preliminary Statement.
2. Like-for-like sales represent revenues from stores trading for greater than 365 days. Where appropriate, revenues denominated in foreign currencies have been translated at constant rates of exchange.

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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, 29 July 2009. The meeting will include a first quarter trading update from the Company that will cover the 13 weeks from 4 April 2009 to 3 July 2009.

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 *Ripspeed*, for car enhancement and *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 466 stores, including internationally, 22 stores in Republic of Ireland, five stores in the Czech Republic and one in Poland, and 29 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.

BUSINESS REVIEW

Halfords achieved earnings growth despite the challenging trading conditions throughout the consumer sector. This performance reflects the strength of the Halfords' brand, which is long established with attributes that resonate strongly namely; quality, reliability and trust, and the combination of value and quality that we deliver to customers across all of our categories.

The retail sector was severely impacted during 2008, with a number of established, household brand names disappearing from the High Street. Halfords has not escaped the global recession and has itself experienced a year-on-year decline in revenues for the first time in over 20 years. Through proactive and decisive management throughout the business, however, the Group has delivered year-on-year underlying operating profit growth, particularly in its core UK operations, and has demonstrated that the Halfords business is adaptable, successful and resilient throughout the economic cycle.

The Group's success reflects its status as the natural destination for the automotive and leisure products and services that it offers. Over time, Halfords has consolidated product ranges from disparate markets to give a unique blend of categories in each of which we hold a leading position. These vary between the low average transaction values, needs-driven resilient core car maintenance area to the resurgent cycling market. In all of these we offer a great selection with exciting, seasonally relevant, sales promotions backed by excellent in-store customer service and fitting where appropriate. This offer provides both counter cyclical protection and all year round revenue.

The business clearly benefits from scale, offering unrivalled breadth and depth of product range, with a national portfolio of superstores that provides a natural barrier to entry. The Group constantly seeks to enhance its position as store of first choice in each of the markets that it serves. This is achieved through constant product innovation and a market leading service proposition that, through the training and development of knowledgeable store colleagues, ensures a fitting capability at a lower cost to our customers than that provided elsewhere.

Successful businesses must adapt to a changing environment. Early recognition by management of the position in the current economic cycle led to the Group developing a clear near-term plan to adapt, as part of a strategy to deliver sustainable earnings growth and value creation. This plan does not represent a re-think of the Group's strategic plan, rather a focus and emphasis in areas that will underpin Halfords' resilience now and enhance its' growth prospects and earnings in the future.

The four elements of the Group's strategy are:

- Extending range and service advantage
- Investing in the store portfolio
- Ongoing focus on cost control
- Leveraging the Halfords brand in multi-channel

Extending range and service advantage

Automotive

The automotive aftermarket is the largest market in which Halfords participates, being estimated at an addressable market of approximately £1bn, with positive long-term drivers. These core drivers; including the increasing number of cars in the UK, which has grown by 4.5% over the past four years, increased levels of private ownership and time spent in cars, each favourably impact across the Group's product range.

More specifically, clearly evidencing the natural protection that our broad product coverage provides, while higher ticket elements of the car enhancement category have been impacted by declining levels of consumer expenditure, the car maintenance market is presently benefiting from the ageing of the car parc as new car sales decline, reinforced by the economic migration towards do-it-yourself or, for less confident customers, to our ***we***fit proposition.

In each of its automotive categories, the Group continues to consolidate these highly fragmented markets as small, less financially strong independent retailers continue to exit.

Car maintenance

Ongoing active trading of this category ensured another successful year, delivering strong like-for-like sales growth, which saw Halfords continue to grow its market share.

The category is characterised by substantially “needs-driven”, low average transaction value products such as car bulbs, windscreen wiper blades and batteries. Halfords’ winning proposition is based on extended range, with products for the most popular 90% of vehicles ranged in each store, and excellent availability ensuring that customer needs are satisfied. Supported by knowledge based customer service and reflecting high participation of own-label product, this category yields above company average margin.

Excellent availability in a typical period of winter weather, during December and January, benefited the sales of relevant products such as anti-freeze, de-icer and scrapers, with a short demand spike that saw many of our competitors, with less sophisticated supply chains, running out of stock.

Range extensions and innovation lie at the heart of the Halfords’ offer in windscreen wiper blades, car bulbs and batteries, which together with an increase in the number of fittings has maintained Halfords as the UK’s number one parts retailer. Using our scale advantage, through such innovation we are able to introduce the latest technology, available on new cars, to the aftermarket.

This includes brighter bulbs that use Xenon gas technology and QR (quick response) brake lights that respond more quickly to braking thus enhancing safety. We have also enhanced our range of batteries, introducing a premium line that through higher calcium content delivers greater starting power and carries an extended four-year guarantee. This battery trades at an average £10 premium to the entry version and through colleague training and active promotion has seen participation increase by 800 basis points to 37% over the past year.

The take up of *Tradecard*, that provides access to a differentiated pricing structure to customers operating in the car trade, continues to grow with almost 100,000 active cards in circulation. This activity is an important development to Halfords as it represents incremental business delivering higher than corporate average average transaction values with sales growing year-on-year by over 10%.

Car enhancement

This category has seen the largest impact from the changing consumer spending patterns as consumers reduce their expenditure on higher ticket discretionary items. The broad range of this category covers staple products, such as car cleaning and car accessories, but the product assortments also contain the most discretionary across our product range, such as car-audio and sat-nav.

The largest impact from the decline in consumer spending has been seen in the area of in-car technology where Halfords remains the market leader and where revenue has been substantially impacted by the performance of satellite navigation devices. Excluding the benefit from the 53rd week, year-on-year satellite navigation unit volumes were broadly flat but were impacted by price deflation that averaged approximately 20% during the year, as the key manufacturers reduced their prices to facilitate significant range changes and reflect the backdrop of reduced discretionary consumer spending.

Despite the short-term decline in revenue, satellite navigation remains an attractive market in which Halfords through exclusive ranges and its unique “*set up and demo*” proposition has a clear point of difference to protect its market leading position.

Reflecting the declining value of the satellite navigation market at this time the Group has focused on improving levels of contribution. The margin improvements achieved reflect increased sell up and attachment of accessories that grew by almost 60% and continued reductions in product returns through the “*set-up and demo*” proposition that accompanies each sale.

We remain confident that further technology products will cascade to the car aftermarket and that the Group’s leadership position in this market will secure distribution and provide opportunities for further productive growth.

Leisure

The leisure category experienced mixed fortunes during the year. The cycling market in the UK continues its resurgence benefiting from participation for leisure, health, environment or increasingly economic reasons and the Group continues to expand its share. Sales of our camping ranges and travel accessories achieved record levels as we continue to develop our ranges in this category, although sales of travel solutions products, such as roof boxes, were dampened by the poor summer weather.

Cycling

The cycling category benefits from range development, Government initiatives and sustainable and positive market drivers. The cycle market, that is estimated in the UK to total approximately £350m, is seeing growth in both value and volume having been materially flat, in value terms, for the first half of the decade.

In 2008 particularly, this was enhanced by the success of Nicole Cooke's Olympic and world championship successes on a *Boardman* cycle and the broader achievements of the Halfords sponsored Team GB cycling team at the Beijing Olympics. The Group is proud to have been associated with the most successful Olympic cycle team ever.

Halfords is clearly the market leader in the UK selling over 1 million bikes per year representing approximately 1 in 3 of cycles bought in the UK. Halfords market proposition is at its most effective in the most significant product segment, family leisure, where Halfords' core own brands of *Apollo* and *Carrera* combined with strong pricing, promotional offers and customer service excellence particularly resonate. Halfords continues to strengthen its service proposition, both before and after purchase, with sales of the Group's Bike Care Plan, which provides customers with the certainty of labour free repairs for a year, increasing by 80% during the period.

While seeking to leverage its position in this core market still further, our focus in 2008 has been on growing market share in two segments where Halfords' share is significantly lower than the company average; children's and premium, specialist bikes.

Development of the children's ranges was undertaken ahead of the key Christmas trading period with an extension to the choice of licensed brands that are key to this market. New introductions such as *Bob the Builder, Thomas the Tank Engine* and *Bratz* are complemented by a complete range of similarly branded accessories, allowing children to personalise their cycles. The Group's licensed offer was supported by *Apollo*, the UK's leading bike brand, which is the only children's cycle range designed to comply fully with the stringent European Cycle Safety Standards. This combination of enhanced ranges, quality credentials, together with our service proposition ensuring key differentiation in this market have proved successful with a 22% uplift in sales of children's cycles, over the key Christmas period, and an increase in Halfords market share.

Our success within the broader cycling market reflects Halfords' core capability and market leading position that continues to deliver market share growth. Within the premium sector, these gains primarily reflect the success of our exclusively ranged *Boardman* brand and an ongoing programme of premium brand introductions within the Group's existing core superstores. We are also cognisant of the progressive migration of sales to the internet, particularly for accessories.

Consequently during the current financial year we will integrate many of the core extended ranges, such as premium cycles from *Pashley* and *Van Nicholas*, clothing ranges from *Gore* and accessories from *Rock Shok*, and services present within our standalone stores to our most successful superstores. We will also increase the range of cycle accessories available from our web site by approximately 2,000 lines over the forthcoming year.

We are confident that this approach will significantly accelerate our achievement of scale presence in the premiuim sector of the market, will enhance return on capital and will release management resource to focus on other, more significant, opportunities.

Travel solutions

As the Halfords brand becomes more established, its participation within the travel solutions market continues to expand, providing substantial market share opportunities in product categories, such as camping and child seats, where Halfords presence is relatively immature. Combined with the market growth opportunity provided by the anticipated increase in the level of domestic holidays during the current financial year, the Group is confident in achieving further sales growth from travel solutions in the current year.

Within the core travel equipment area, changes to the price and range architecture for roof bars and roof boxes, encouraged sales growth and improved profitability. In particular, the removal of the entry point "value" range from the principal roof carrying display within the store has assisted in improving the sales penetration in the core and premium elements of the range. Product innovation also continued with the introduction of a new range of half width roof boxes during the year. In addition to providing space on the roof of the vehicle for other loads, such as cycles, these boxes are more aerodynamic, reducing fuel consumption. Appreciating the clear consumer trend towards fuel economy and reduced carbon emissions, a range specifically designed for its improved drag coefficient will be introduced during the current financial year.

Having only participated in the mainstream camping equipment market for four years, and despite the poor weather throughout the summer, 2008 was Halfords most successful season to date with further gains in market share achieved. This success reflects the expansion of our core tent pack proposition to our premium *Urban Escape* brand and the strong levels of consumer take up of "when bought with" offers giving them access to discounted accessories at the time that they make their major purchase.

The Group will build on this success in 2009 with further range expansion, both in-store and via *halfords.com*, with, for example, a further 300 equipment lines from *Gelert* being introduced in advance of the key summer season.

The Group continues to grow its share in the child seat market, through a clear focus on the market segments in which the Halfords brand participates most strongly. These segments, being from infant to twelve years, are the largest element of the market, and represent the point where the bespoke combination of car seat and vehicle introduces a technical constituent where Halfords' reputation and knowledgeable colleagues resonate strongly.

With over 2,000 colleagues who are professionally trained and accredited by RoSPA to fit child seats to cars and continued product and marketing innovation, such as the introduction of a range of ISOFIX child seats, Halfords has driven a further increase in market share during the year under review.

Investing in the store portfolio

The Group operates from 466 stores and the strategic focus remains in the development of the two formats of choice, the Superstore and the smaller format Compact store, previously referred to as Neighbourhood. Compact stores provide a comprehensive Halfords offer, carrying some 6,000 of the 10,000 lines available within an average superstore, to smaller catchments.

We remain confident in the long-term economic prospects in each of the territories in which we currently operate and, reflecting the success of our first Compact store in the Republic of Ireland, believe that there is further potential for each core format in each market. While exercising a degree of executional prudence, our intention remains to open stores during the current financial year across all of our territories.

United Kingdom

The Group operates from 438 stores in the UK, including 375 superstores, 27 Compact stores, together with 28 small format Metro stores located on vibrant high streets where no suitable edge of town retail opportunity is locally available. During the year the Group increased its UK Halfords portfolio by nine stores, having opened 14 stores, including the re-site of two stores and closed three stores.

During the year the company has replaced and significantly enhanced its demographic modelling system. This new capability has confirmed our previous view that there are up to a further 60 new store opportunities within the UK and is critical to ensuring that we have a detailed understanding of catchment behaviour prior to investing in new stores.

While confident that there remains a material long-term store growth opportunity in the UK, our intention to open between 10 and 15 stores in the UK in the current financial year, reflects the lack of quality new development and the poor quality of recycled property.

At the end of the year 226 stores benefited from trading from a mezzanine. The mezzanine enhances the store environment by creating a spacious, clearly defined sub-shop for cycles, where Halfords market leading range and brands can be best presented. Approximately 100 further stores have potential for mezzanine introduction providing the opportunity for further highly cost effective space expansion.

In addition to new stores, Halfords continues to invest in its existing estate to ensure that it remains contemporary and that the offer reflects our latest learning, particularly in product merchandising, technology to assist selling and selection and adjacencies. We refurbished 26 stores during the year, meaning that 185 stores, of our total UK portfolio of 438, are either new or have been remodelled within the last four financial years.

Following a strategic review of the Group's participation within the premium cycle market, the Board has taken the decision to focus its efforts on gaining profitable market share in this segment through its existing infrastructure of core superstores and websites.

In line with the return on investment discipline adopted throughout the business the majority of existing standalone cycle stores, whether trading under the *Bikehut* or *Cycle Republic* brands, will be reconfigured to a full Halfords offer via the Metro format, where in common with our other small format stores we would anticipate that they will trade profitably.

International

Republic of Ireland

The four years following market entry has seen Halfords develop a portfolio of 22 stores in the Republic of Ireland and establish market-leading positions in each of its core categories. During the financial year Halfords opened a further four stores including the introduction of the Compact format that management believe will further extend the reach of the Halfords offer.

Despite the particularly tough economic environment within the Republic of Ireland, that has led to declines in underlying like-for-like sales averaging 25% across the second half of the financial period, the Group continues to invest in this territory to increase scale and improve operating returns.

Reflecting the strong performance base established since market entry and changes to the underlying cost base in response to a deteriorating sales environment, the Group's operations within the Republic of Ireland remain profitable. The strengthening Euro during 2008 has further augmented profit performance.

Central Europe

The economies of Central Europe have also been impacted by recession, with a downturn in sales over recent months, but the longer-term strategic factors that led to the selection of this region remain. The markets are material, having a population of approximately 50 million across Poland and the Czech Republic and a car parc numbering some 20 million, with relatively fast growing economies, though from a low base. During the last four years Gross Domestic Product has grown at twice the rate of the UK economy and forecasts indicate that recovery from the recession will be quicker with future growth at higher levels than that predicted for the UK.

The performance of the Group's Central European stores remains encouraging across a broad spectrum of measures and progress continues to be made. Growing own brand participation, which signals both increasing product and brand acceptance, is a particularly positive signal. The Group achieved its intended initial pilot scale during the year, operating from five stores in the Czech Republic and our first store in, Wroclaw, Poland. The initial sales performance from our store in Poland, which has benefited from our accumulated learning gathered to date, has been particularly pleasing.

We remain committed to the longer-term opportunity present in these markets, which we estimate to be in excess of 150 stores, and will continue to invest through store openings and supporting infrastructure. During the financial year an experienced Executive was recruited to focus solely on our international development and we invested in a scalable and flexible systems infrastructure, centred on the core enterprise systems in use across the business, to enable such growth. Reflecting the investments referred to above and the slow down in sales in the second half year, the losses from our Central European operations were £3.2m (2008: £2.2m) in the financial period.

In the forthcoming financial year we plan to open up to ten further stores across Poland and Czech Republic, more than doubling our operational scale. In order to give us time to monitor the development of our Central European business and to ensure that we secure the optimal sites in both countries, we would not anticipate opening further stores until the Autumn.

Ongoing focus on cost control

Management continues to focus on cost control, to ensure that the operating base is appropriate for each phase of the economic cycle and provides efficiencies to fund strategic investments. Our approach to cost control is wide ranging and, by necessity in retail, granular to ensure that the more significant opportunities for operational leverage outlined below are complemented by a culture of cost awareness that provides a constant stream of improvement ideas.

We continue to increase the level of product sourced directly from manufacturers in Asia. Such a strategy delivers increased influence over specification as well as delivering source cost improvements. Having achieved the near term objective of 25% direct sourcing, the Group is now focusing on re-sourcing products to lower cost environments to further increase penetration. To this end, the Group has established a purchasing office in Shanghai to complement its existing sourcing base in Hong Kong.

The Group's agile sourcing model is complemented by an effective policy with regard to foreign currency hedging. In securing forward exchange rates for 75% of its US dollar denominated purchases over a year ahead, the Group has both planning certainty and in the current environment of sterling deflation a commercial advantage against significant portions of its competition.

During 2008 the business completed a detailed review of its operating cost base and has identified and executed two key elements of an ongoing plan that will deliver benefits progressively over the next two financial years and significantly increase profitability once completed.

The first of these resulted in a series of headcount reductions within stores and our head office in Redditch, which are anticipated to reduce annual operating costs by approximately £4m. These reflect, in part, the efficiencies across all parts of the business arising from our investment in core enterprise systems over the past four years. Examples include the elimination of an in-store administrative role previously dedicated to the management of inventory and cash and the reduction of core financial processing roles where data integration improvements enhance efficiency.

In addition to the reduction in core headcount, our new store based systems, that were implemented in the latter part of 2007 and completed in 2008, provide significantly enhanced capability that allow the organisation to more accurately match colleague resource levels across the week. Bespoke, optimal rotas have been established for each store and a formal consultation process has reduced colleague hours in times of low footfall. There has been some re-investment in busier periods where the opportunity exists to increase customer conversion or enhance service. Over 1,000 colleagues have been impacted by this change.

During the year the Group has also started the next phase of operational improvement which will re-configure and consolidate its distribution infrastructure. The Group currently operates from three distribution centres, of which two are managed in-house and located in Redditch, Worcestershire, with the third and largest distribution centre managed by a third party logistics partner in Cowley, Oxford.

Recognising the significant cost reduction opportunity available from the optimisation of the Group's logistics infrastructure but aware of the risk inherent within such a migration we have been actively managing towards this event. An initial step in this programme was to create a operational window when contractual relationships mature on existing warehouses.

During 2008 we have worked with a series of external logistics consultancies to identify the optimal distribution network to service the Group now and for the growth, both domestic and international, envisaged over the next ten years.

The migration to a new core distribution centre, located in our centre of gravity, has now started. When the project has been completed the new distribution centre will total approximately 320,000 sq ft and will complement a single retained warehouse in Redditch that will be dedicated to cycles.

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.

Similar to the successful approach to previous change programmes we will manage this transition to minimise the risk to the underlying base business. This will include the retention and involvement of advisors, expert and experienced in this area and avoiding activities that potentially conflict with times of peak trading.

<u>Leveraging the Halfords brand in multi-channel</u>

While customer enthusiasm for the convenience and value that multi-channel shopping provides continues to grow, many of Halfords customers prefer the experience of shopping in-store where they can take full advantage of our range breadth, colleague expertise and added value services such as fitting.

Through its comprehensive store portfolio, which puts 90% of consumers within the UK an average of 18 minutes drive from their nearest store, Halfords is uniquely able to deliver a shopping experience which provides the convenience of the web and the store based service for which Halfords is renowned.

Our "*Reserve & Collect*" service which allows for products researched on-line to be secured for collection from a specific store as little as one hour later has proven an instant and growing success following its nationwide introduction in the spring of 2008. To date, supported by TV and press advertising, customer reservations have totalled over 1,000,000 products and continue to grow quarter-on-quarter.

Recognising the resonance of "*Reserve & Collect*" with the consumer we intend to introduce this proposition in the Republic of Ireland during the first quarter of the current financial year via a new dedicated website *halfords.ie.*

Enhancing our online offer and further extending our multi-channel presence is a clear investment priority. During 2008 our web platform was renewed providing a far more contemporary, functional and user-friendly shopping experience. The impact of this renewal was immediately apparent from improvements in key performance metrics such as visitor numbers, dwell time and customer conversion. Average dwell time on our web site increased to 7 minutes and the average spend of customers who had researched on-line and then visited the store was £49, compared with £21 from customers who just visited the store.

During 2009 we will further enhance and expand our multi-channel offering through the introduction of "*Order & Collect*". This proposition, which will be in place in advance of the key Christmas trading period, will make our maximum range available to all stores by allowing customers to order from home or in-store any product sold by Halfords for delivery and collection in a store of their choice.

In parallel to this we intend to extend significantly the range of products available to customers. While holding stock centrally for subsequent delivery to store or home will allow inventory costs and obsolescence risk to be managed, material range extensions from both current and new suppliers are anticipated to provide further impetus to our multi-channel sales.

Summary and Outlook

Halfords continues to perform strongly, with healthy like-for-like sales increases from its core product areas of cycling and car maintenance. These markets continue to demonstrate strong potential and Halfords retains clear leadership in these fragmented markets and is growing share. Re-inforced by management actions to improve margins and control costs the delivery of year on year earnings growth, in the present economic turbulence, emphasises the resilient quality and adaptability of the business.

The early action taken by management to reduce costs and maintain a prudent balance sheet provides a solid platform for future earnings growth from Halfords' core strategic growth initiatives. The integration of the standalone cycle pilot into the main business signals the Group's intention to focus on enhancing shareholder value through the more material expansion opportunities presented by Central Europe and multi-channel activity, where significant sales growth continues to be generated.

Management continues to target operating cost improvements and over the next two financial years will deliver further cost efficiencies through the re-configuration of the Group's currently sub-optimal distribution facilities.

While prudent to forecast a consumer environment that will remain challenging, we believe Halfords' unique, market-leading position will allow us to consolidate further the fragmented markets in which we operate. When combined with the ongoing active management of the business to improve operating returns, the Board believes the Group to be well positioned to deliver further earnings growth in the year ahead.

FINANCIAL RESULTS

Every fifth year the Group reports on a 53-week financial period. In the financial period to 3 April 2009, the 53rd week represented £14.8m of revenue, £2.1m of operating profit and £2.0m of profit before tax. Throughout the Finance Director's Report, all references to 2009 relate to the 53 weeks ended 3 April 2009 and for 2008, relate to the 52 weeks ended 28 March 2008, unless otherwise stated.

Group revenue for the 53 weeks to 3 April 2009 was £809.5m. On a 52-week basis group revenue was £794.7m (2008: £797.4m), a decrease of 0.3%, representing a like-for-like sales decrease of 3.3%, where like-for-like are sales from those stores that had traded for more than 365 days.

Gross profit at £421.4m (2008: £402.5m) is 52.1% as a percentage of revenue and compares to last year's figure of 50.5%. The 160 basis points ("bps") accretion in gross profit margin reflects the continued mix effect delivered through the relative sales growth in higher margin categories, such as car maintenance and cycling, compared to the sales decline in lower margin categories, most notably In-car technology. This benefit has been further enhanced by the trading strategies delivered by management within each category, including, increased accessory sales, the flow-through of Far East sourcing benefits and improved penetration of the Group's fitting services.

Operating expenses, excluding exceptional costs, as a per cent of revenue are 140 bps higher than last year at 39.2% (2008: 37.8%). Management recognise that cost control is imperative at this stage of the economic cycle, where retail sales are forecast to either decline or grow at rates lower than historic levels, which for Halfords had seen revenue, until 2008, grow at an average of 7% over a 20 year period. This becomes particularly pertinent where the two biggest cost components store payroll, driven by the increase in the national minimum wage, and store rent and rates, with the majority of stores located on premium park locations, grew significantly above the rate of retail price inflation. Ongoing operational productivity improvements, which have seen our underlying labour costs as a percentage of sales reduce by 40 bps during 2008, together with the close scrutiny of cost throughout the Group, have ensured that underlying costs, excluding the impact of new space, have reduced year-on-year.

Management intervention has now also been undertaken to deliver a further step change in the cost base and the details of the measures taken are included in the exceptional items section below.

Net finance costs before exceptional finance costs for the year were £9.6m (2008: £10.8m). Finance costs on bank borrowings were £1.5m lower than the prior year reflecting a lower level of average net debt and the fall in LIBOR, during the second half of the year, in response to Base Rate reductions. Similarly falling LIBID rates have impacted finance income, which has fallen to £2.3m from last year's reported £2.7m.

Profit before tax and exceptional items for the 53 weeks to 3 April 2009 was £94.4m. On a 52-week basis, profit before tax and exceptional items for the 52 weeks to 27 March 2009 was £92.4m, an increase of 2.4% on the previous year's £90.2m. Profit before tax for the 53 weeks to 3 April 2009 after exceptional items was £77.5m (2008: £90.2m).

Exceptional items

As noted above in the Business Review, 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 over the next two financial years and significantly increase profitability once completed. The costs associated with these initiatives, which have been accounted for as exceptional items in the 53 weeks to 3 April 2009, total £16.9m and are represented by the following:

Headcount reductions announced in November 2008 were completed to plan, with a further tranche of store-based reductions implemented during the fourth quarter of the financial year. These changes reflect, in part, the efficiencies arising from our investment in core enterprise systems over the past four years. The cost of these staffing reductions was £2.8m, with the associated full year reduction in operating costs in excess of £4m, being delivered in the financial year ended 2 April 2010.

The Group has commenced the next phase of operational improvement, to re-configure and consolidate its' distribution infrastructure. This programme will incur restructuring costs of approximately £8.3m with anticipated efficiencies from space and transport and improved labour productivity reducing annual distribution costs by approximately £4m from the financial year ended 31 March 2012.

The decision to integrate the Group's premium cycle offer into its existing superstore portfolio has led to exceptional costs associated with the closure of the standalone cycle stores. Recognising Halfords disciplined approach to such investments, exit costs total £1.2m, and include costs associated with exiting leases and asset impairment.

As a consequence of the current low interest rate environment and given the medium term forecasts for Base Rate, prior to the year-end, the Group closed out its existing interest rate hedging instruments, which were contracted until 2011. At anticipated future interest rates, this will reduce finance charges in the current financial year by approximately £2.0m. The exceptional cost associated with the close out of these instruments was £4.6m.

Landlord contributions

The Group continues to actively manage its store portfolio to maximise value creation through generating cash, making profits and reducing the ongoing rental charge. Landlord contributions from the five transactions completed during the year totalled £2.7m (2008: £4.5m). The year-on-year decline in quantum reflects a reduction in the risk profile of landlords who are now less likely to undertake speculative development in favour of back-to-back deals, which, by their nature, introduces delay in the contract exchange process. This activity still represents a sustainable opportunity for the Group, with in excess of 200 superstores located on A1 parks where demand remains high. The Group expects a similar level of contributions 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 £778.5m (2008: £818.6m).

Taxation

The taxation charge on profit for the financial year was £21.7m (2008: £26.2m), including a £4.6m credit in respect of the tax on exceptional items, and results in a full year effective tax rate of 28.0% (2008: 29.0%). In this financial period the UK corporation tax standard rate was reduced by 2% to 28% and the Group's tax rate was further reduced due to the release of prior year tax liabilities following the favourable settlement of prior years tax computations.

The underlying tax rate was 29.7% (2008: 31.7%), principally due to the non-deductibility of depreciation charged on capital expenditure in respect of mezzanine floors and other store infrastructure.

Earnings per share ("EPS")

Basic EPS, excluding exceptional items, for the 53 weeks to 3 April 2009 was 32.5 pence, a 10.9% increase on the prior year (2008: 29.3pence). On a 52-week basis, basic EPS, excluding exceptional items, was 31.8 pence (2008: 29.3 pence), a year-on-year increase of 8.5%. Basic EPS for the 53 weeks to 3 April was 26.6 pence (2008: 29.3 pence).

Capital expenditure

Capital investment in the period totalled £19.4m (2008: £29.5m). The Group remains committed to operating at an average level of capital expenditure at £25m per annum, with the peak level of expenditure in financial year 2008, reflecting the investment in completing the roll out of new store based systems, together with a higher level of store openings achieved in a more benign property environment. In 2008, reflecting worsening economic conditions, a prudent approach with regard to capital investment has seen a step-up in management focus on investments generating the highest returns. This includes reduced investment in new stores within the UK where, as noted in the portfolio section of the Business Review, the marked decline in the supply of quality locations and expected improvement in commercial terms over time each favour a reduced capital programme at this time.

Inventories

The Group continues to manage its stock holding to ensure high levels of availability and range breadth and inventories at 3 April 2009 were £147.0m (2008: £151.6m). Over the economic cycle the Group would intend to increase stocks at approximately 50% of the rate of sales increase adjusted for the necessary inventory investment in new stores. In the current economic climate the Group will seek to reduce inventories in order to protect against obsolescence and enhance working capital. Stock levels have been carefully managed and have reduced year-on-year by 3.0%, 5.7% after inventory investment in new stores, with a consequential improvement in stock turn.

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, which also falls due for renewal in July 2011.

Total net bank debt at 3 April 2009 was £164.0m (28 March 2008: £169.3m) and there are further borrowings of £12.2m (2008: £12.4m) in respect of the Head Office finance lease. The Group continues to generate strong net cash flows from operations, which were £114.2m in the 53 weeks to 3 April 2009 (2008: £111.6m). After adjusting for cash flows of £2.3m in respect of exceptional items, this represents 90.2% (2008: 91.2%) of earnings before exceptional items, interest, tax, depreciation and amortisation ("EBITDA") and after a working capital outflow of £12.7m (2008: £12.1m).

Reflecting the significant cash outflows in the 53rd week of the financial year, total net bank debt at 27 March 2009, which provides a more appropriate comparison to the prior year, was £154.1m (28 March 2008: £169.3m). Excluding cash outflows related to the exceptional items outlined above, total net bank debt at 27 March 2009, was £151.8m. Net cash flow from operations for this more comparable 52 week period to 27 March 2009 totalled £121.8m (2008: £111.6m) representing 95.9% of EBITDA.

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 10.90 pence per share (2008: 10.35 pence), which, in addition to the interim dividend of 5.00 pence per share (2008: 4.75 pence), generates a total dividend of 15.90 pence (2008: 15.10 pence), an increase of 5.3%.

Subject to shareholder approval at the Annual General Meeting the final dividend will be paid on 5 August 2009 to shareholders on the register at the close of business on 18 June 2009.

During the year, Halfords purchased 4.7m of its own shares at a consideration of £13.1m, an average of 276.9 pence per share. In the period from June 2006, when the share buy back programme commenced, to 3 April 2009 the Group has purchased 23.1m shares at an average of 315.7 pence per share. The Board's intention remains to maintain an efficient capital structure. In the current economic climate, the Board has a preference for financial flexibility and lower gearing, whilst pursuing high return investments. The Board has therefore decided, in the short term, to suspend the share buy back programme, by which excess capital has been returned to shareholders.

CONSOLIDATED INCOME STATEMENT

For the period		53 weeks to 3 April 2009			52 weeks to 28 March 2008		
		Before exceptional items	**Exceptional items (note 4)**	**Total**	Before exceptional items	Exceptional items (note 4)	Total
	Notes	**£m**	**£m**	**£m**	£m	£m	£m
Revenue		**809.5**	**-**	**809.5**	797.4	**-**	797.4
Cost of sales		**(388.1)**	**-**	**(388.1)**	(394.9)	**-**	(394.9)
Gross profit		**421.4**	**-**	**421.4**	402.5	**-**	402.5
Operating expenses	2	**(317.4)**	**(12.3)**	**(329.7)**	(301.5)	**-**	(301.5)
Operating profit	3	**104.0**	**(12.3)**	**91.7**	101.0	**-**	101.0
Finance costs	5	**(11.9)**	**(4.6)**	**(16.5)**	(13.5)	**-**	(13.5)
Finance income	5	**2.3**	**-**	**2.3**	2.7	**-**	2.7
Profit before tax		**94.4**	**(16.9)**	**77.5**	90.2	**-**	90.2
Taxation	6	**(26.3)**	**4.6**	**(21.7)**	(26.2)	**-**	(26.2)
Profit attributable to equity shareholders		**68.1**	**12.3**	**55.8**	64.0	**-**	64.0
Earnings per share							
Basic	8	**32.5p**		**26.6p**	29.3p		29.3p
Diluted	8	**32.5p**		**26.6p**	29.3p		29.3p

All results relate to continuing operations of the Group.

CONSOLIDATED BALANCE SHEET

	3 April 2009	28 March 2008
	£m	£m
Assets		
Non-current assets		
Goodwill	**253.1**	253.1
Other intangible assets	**6.4**	3.7
Property, plant and equipment	**107.5**	116.2
Deferred tax asset	**2.7**	-
	369.7	373.0
Current assets		
Inventories	**147.0**	151.6
Trade and other receivables	**37.6**	41.6
Derivative financial instruments	**14.0**	1.9
Cash and cash equivalents	**15.5**	10.0
	214.1	205.1
Total assets	**583.8**	578.1
Liabilities		
Current liabilities		
Borrowings	**(0.2)**	(0.2)
Derivative financial instruments	**(0.3)**	(0.3)
Trade and other payables	**(94.1)**	(121.3)
Current tax liabilities	**(12.2)**	(12.3)
Provisions	**(8.0)**	(2.0)
	(114.8)	(136.1)
Net current assets	**99.3**	69.0
Non-current liabilities		
Borrowings	**(191.5)**	(191.5)
Derivative financial instruments	**(0.4)**	-
Deferred tax liabilities	**-**	(1.0)
Accruals and deferred income – lease incentives	**(28.3)**	(27.8)
Provisions	**(4.4)**	-
	(224.6)	(220.3)
Total liabilities	**(339.4)**	(356.4)
Net assets	**244.4**	221.7
Shareholders’ equity		
Share capital	**2.1**	2.1
Share premium account	**145.6**	145.6
Capital redemption reserve	**0.2**	0.2
Retained earnings	**96.5**	73.8
Total equity	**244.4**	221.7

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings (hedging reserve) £m	Retained earnings £m	Total equity £m
Balance at 30 March 2007	2.2	133.2	0.1	(0.6)	68.2	**203.1**
Profit for the period	-	-	-	-	64.0	**64.0**
Shares issued	-	12.4	-	-	-	**12.4**
Purchase of own shares – share buy back	(0.1)	-	0.1	-	(30.3)	**(30.3)**
Purchase of shares for Employee Trust	-	-	-	-	(0.6)	**(0.6)**
Cash flow hedges:						
Fair value losses in the period	-	-	-	(1.2)	-	**(1.2)**
Transfers to inventory	-	-	-	3.2	-	**3.2**
Transfers to net profit:						
Cost of sales	-	-	-	0.2	-	**0.2**
Finance costs	-	-	-	1.2	-	**1.2**
Employee share options	-	-	-	-	1.0	**1.0**
Tax on employee share options	-	-	-	-	0.1	**0.1**
Dividends	-	-	-	-	(31.4)	**(31.4)**
Balance at 28 March 2008	**2.1**	**145.6**	**0.2**	**2.8**	**71.0**	**221.7**
Profit for the period	-	-	-	-	55.8	**55.8**
Purchase of own shares – share buy back	-	-	-	-	(13.1)	**(13.1)**
Cash flow hedges:						
Fair value gains in the period	-	-	-	22.8	-	**22.8**
Transfers to inventory	-	-	-	(11.8)	-	**(11.8)**
Transfers to net profit:						
Cost of sales	-	-	-	(5.0)	-	**(5.0)**
Finance costs	-	-	-	4.6	-	**4.6**
Employee share options	-	-	-	-	1.7	**1.7**
Dividends	-	-	-	-	(32.3)	**(32.3)**
Balance at 3 April 2009	**2.1**	**145.6**	**0.2**	**13.4**	**83.1**	**244.4**

CONSOLIDATED CASH FLOW STATEMENT

	Notes	**53 weeks to 3 April 2009 £m**	52 weeks to 28 March 2008 £m
Cash flows from operating activities			
Cash generated from operations	9	**114.2**	111.6
Finance income received		**2.5**	2.9
Finance costs paid before exceptional swap close out costs		**(12.8)**	(12.3)
Swap close out costs		**(4.6)**	-
Taxation paid		**(25.5)**	(27.1)
Net cash generated from operating activities		**73.8**	75.1
Cash flows from investing activities			
Purchase of intangible assets		**(5.4)**	(1.7)
Purchase of property, plant and equipment		**(17.3)**	(25.0)
Net cash used in investing activities		**(22.7)**	(26.7)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**-**	12.4
Purchase of own shares		**(13.1)**	(30.9)
Finance lease principal payments		**(0.2)**	(0.3)
Dividends paid to shareholders		**(32.3)**	(31.4)
Net cash used in financing activities		**(45.6)**	(50.2)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	10	**5.5**	(1.8)
Cash, cash equivalents and bank overdrafts at the beginning of the period		**10.0**	11.8
Cash, cash equivalents and bank overdrafts at the end of the period	10	**15.5**	10.0

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 53 weeks to 3 April 2009, whilst the comparative period covered the 52 weeks to 28 March 2008.

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	**53 weeks to 3 April 2009 £m**	52 weeks to 28 March 2008 £m
Selling and distribution costs before exceptional items	**271.3**	256.7
Exceptional selling and distribution costs	**10.3**	-
Selling and distribution costs	**281.6**	256.7
Administrative expenses before exceptional items	**46.1**	44.8
Exceptional administrative expenses	**2.0**	-
Administrative expenses	**48.1**	44.8
	329.7	301.5

3. Operating profit

For the period	53 weeks to 3 April 2009 £m	52 weeks to 28 March 2008 £m
Operating profit is arrived at after charging/(crediting) the following expenses/(incomes) as categorised by nature:		
Operating lease rentals:		
- plant and machinery	**1.3**	0.8
- property rents	**82.1**	74.8
- rentals receivable under operating leases	**(7.6)**	(8.2)
Landlord contributions	**(2.7)**	(4.5)
Loss on disposal of property, plant and equipment	**0.3**	0.4
Amortisation of intangible assets	**2.7**	2.2
Depreciation of :		
- owned property, plant and equipment	**21.8**	18.5
- assets held under finance leases	**0.6**	0.7
Trade receivables impairment	**0.1**	0.1
Staff costs	**128.9**	124.5
Cost of inventories consumed in cost of sales	**379.2**	391.1

4. Exceptional items

For the period	53 weeks to 3 April 2009 £m	52 weeks to 28 March 2008 £m
Exceptional 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**	-
Exceptional operating expenses	**12.3**	-
Exceptional finance costs:		
Swap close out costs [d]	**4.6**	-
	4.6	-
Exceptional items before tax	**16.9**	-
Tax on exceptional items [e]	**(4.6)**	-
Exceptional items after tax	**12.3**	-

(a) Cost of staffing reductions in head office and stores, to access efficiencies arising from the Group's investment in core enterprise systems over the past four years.
(b) Exit costs associated with the cessation of the Group's standalone cycle concept, including the closure of stores where necessary.
(c) Costs associated with the re-configuration and consolidation of the Group's distribution infrastructure.
(d) 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.
(e) This represents the tax credit on these exceptional costs; this credit is lower than the UK corporation tax standard rate of 28% due to the non-deductibility of certain legal expenses and depreciation associated with store infrastructure.

The above £12.3m exceptional operating expenses consists of £6.0m redundancy costs, £0.8m impairment charges, £2.3m onerous costs and £3.2m of other costs.

5. Net finance costs

For the period	**53 weeks to 3 April 2009 £m**	52 weeks to 28 March 2008 £m
Finance costs:		
Bank borrowings	**(9.4)**	(10.9)
Amortisation of issue costs on loans	**(0.2)**	(0.2)
Commitment and guarantee fees	**(0.2)**	(0.2)
Costs of forward foreign exchange contracts	**(1.2)**	(1.2)
Interest payable on finance leases	**(0.9)**	(0.8)
Interest payable on rent reviews	**-**	(0.2)
Finance costs before exceptional finance costs	**(11.9)**	(13.5)
Exceptional finance costs:		
Swap close out costs[a]	**(4.6)**	-
	(4.6)	-
Finance costs	**(16.5)**	(13.5)
Finance income: Bank and similar interest	**2.3**	2.7
Net finance costs	**(14.2)**	(10.8)

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

6. Taxation

For the period	**53 weeks to 3 April 2009 £m**	52 weeks to 28 March 2008 £m
Current taxation		
UK corporation tax charge for the period	**27.6**	27.4
Adjustment in respect of prior periods	**(2.2)**	(0.5)
	25.4	26.9
Deferred taxation		
Origination and reversal of timing differences	**(4.2)**	(0.6)
Adjustment in respect of prior periods	**0.5**	(0.1)
	(3.7)	(0.7)
Total tax charge for the period	**21.7**	26.2

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

For the period	**53 weeks to 3 April 2009 £m**	52 weeks to 28 March 2008 £m
Profit before tax	**77.5**	90.2
UK corporation tax at standard rate of 28% (2008: 30%)	**21.7**	27.1
Factors affecting the charge for the period:		
Depreciation on expenditure not eligible for tax relief	**0.9**	0.9
Employee share options	**0.2**	0.2
Impact of intra-group financing	**-**	(1.8)
Other disallowable expenses	**0.6**	0.5
Change in deferred tax rate to 28%	**-**	(0.1)
Adjustment in respect of prior periods	**(1.7)**	(0.6)
Total tax charge for the period	**21.7**	26.2

In this financial period the UK corporation tax standard rate was reduced by 2% to 28%. The underlying tax rate on trading was 29.7% (2008: 31.7%), principally due to the non-deductibility of depreciation charged on capital expenditure in respect of mezzanine floors and other store infrastructure. This level of tax non-deductibility is anticipated for the foreseeable future.

The lower tax rate of 28.0% (2008: 29.0%) in this financial period is mainly due to the release of prior year tax provisions following the favourable settlement of prior years tax computations, in particular relating to capital allowance claims. The lower tax rate in the previous financial period was mainly due to the financing structure put in place as part of the re-finance on 14 July 2006, the benefit of which ceased on 15 November 2007.

The tax charge of £21.7m includes a £4.6m credit in respect of the tax on exceptional costs, as detailed in note 4.

7. Dividends

For the period	**53 weeks to 3 April 2009 £m**	52 weeks to 28 March 2008 £m
Equity – ordinary shares		
Final for the 52 weeks to 28 March 2008 – paid 10.35p (2008: 9.5p)	**21.8**	21.0
Interim for the 53 weeks to 3 April 2009 – paid 5.0p (2008: 4.75p)	**10.5**	10.4
	32.3	31.4

In addition, the directors are proposing a final dividend in respect of the financial period ended 3 April 2009 of 10.90p per share (2008: 10.35p per share), which will absorb an estimated £22.7m (2008: £21.8m) of shareholders' funds. It will be paid on 5 August 2009 to shareholders who are on the register of members on 18 June 2009.

8. 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 53 weeks to 3 April 2009.

For the period	**53 weeks to 3 April 2009 Number m**	52 weeks to 28 March 2008 Number m
Weighted average number of shares in issue	**210.6**	219.3
Less: shares held by the Employee Benefit Trust	**(1.1)**	(0.9)
Weighted average number of shares for calculating basic earnings per share	**209.5**	218.4
Weighted average number of dilutive shares	**0.3**	-
Total number of shares for calculating diluted earnings per share	**209.8**	218.4

For the period	53 weeks to 3 April 2009 £m	52 weeks to 28 March 2008 £m
Basic earnings attributable to equity shareholders	**55.8**	64.0
Exceptional items (see note 4):		
Operating expenses	**12.3**	-
Finance costs	**4.6**	-
Tax on exceptional items	**(4.6)**	-
Underlying earnings before exceptional items	**68.1**	64.0

Earnings per share is calculated as follows:

For the period	53 weeks to 3 April 2009	52 weeks to 28 March 2008
Basic earnings per ordinary share	**26.6p**	29.3p
Diluted earnings per ordinary share	**26.6p**	29.3p
Basic earnings per ordinary share before exceptional items	**32.5p**	29.3p
Diluted earnings per ordinary share before exceptional items	**32.5p**	29.3p

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

In the 52 weeks to the 27 March 2009 the Group's underlying earnings before exceptional items was £66.7m. This converts to basic earnings per ordinary share before exceptional items, using a consistent number of shares in issue, of 31.8 pence (2008: 29.3 pence).

9. Cash generated from operations

For the period	53 weeks to 3 April 2009 £m	52 weeks to 28 March 2008 £m
Operating profit before exceptional items	**104.0**	101.0
Exceptional operating items	**(12.3)**	-
Operating profit	**91.7**	101.0
Depreciation - property, plant and equipment	**22.4**	19.2
Amortisation – intangible assets	**2.7**	2.2
Loss on sale of property, plant and equipment	**0.3**	0.4
Share based payments	**1.7**	1.0
Fair value gain on derivative financial instruments	**(2.3)**	(0.5)
Decrease/(increase) in inventories	**4.6**	(10.0)
Decrease/(increase) in trade and other receivables	**3.8**	(9.2)
(Decrease)/increase in payables	**(21.1)**	7.1
Increase in provisions	**10.4**	0.4
	114.2	111.6

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

	At 28 March 2008 £m	Cash flow £m	Other non-cash changes £m	**At 3 April 2009 £m**
Cash at bank and in hand	10.0	5.5	-	**15.5**
Debt due after one year	(179.3)	-	(0.2)	**(179.5)**
Total net debt excluding finance leases	(169.3)	5.5	(0.2)	**(164.0)**
Finance leases due within one year	(0.2)	0.2	(0.2)	**(0.2)**
Finance lease due after one year	(12.2)	-	0.2	**(12.0)**
Total finance leases	(12.4)	0.2	-	**(12.2)**
Total net debt	(181.7)	5.7	(0.2)	**(176.2)**

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.

11. Other information

These results for the 53 weeks to 3 April 2009 together with the corresponding amounts for the 52 weeks to 28 March 2008 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 53 weeks to 3 April 2009, 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 29 June 2009 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, 29 July 2009.