31 May 2012

Halfords Group plc
Preliminary Results Financial Year 2012

Halfords Group plc, the UK's leading retailer of automotive and leisure products and leading independent operator in garage servicing and auto repair, today announces its preliminary results for the 52 weeks to 30 March 2012 ("the period"). All numbers shown in this statement are before non-recurring costs, unless otherwise stated.

Group Financial Summary

	FY12 £m	FY11 £m	Change
Total Group Revenue	863.1	869.7	-0.8%
UK/ROI Retail	*752.3*	*769.7*	*-2.3%*
Halfords Autocentres	*110.8*	*98.1*	*+12.9%*
Gross Margin			
UK/ROI Retail	*53.1%*	*54.5%*	*-140bps*
Halfords Autocentres	*65.9%*	*66.3%*	*-40bps*
Profit Before Tax, before non-recurring items	92.2	125.6	-26.6%
Basic Earnings Per Share, before non-recurring items	33.7p	43.2p	-22.0%
Profit Before Tax, after non-recurring items	94.1	118.1	-20.3%
Basic Earnings Per Share, after non-recurring items	34.2p	40.7p	-16.0%
Net Debt	139.2	103.2	
Full-Year Dividend Per Share	22.0p	22.0p	

The tough economic environment, which particularly impacted motorists, led to a subdued performance in Retail sales and margins in FY12, leading to a decline in Profit Before Tax.

- Our key areas of focus delivered encouraging growth in FY12:
  - Within Leisure, Cycling like-for-like revenues increased 9.7%, reflecting a strong performance in both Premium Bikes and Cycle Accessories
  - In-store service revenue rose by 22.6% as fitting penetration hit record levels
  - Autocentres revenue continued to grow strongly
- Stock and costs were managed well in an inflationary environment
- Continued cash generation underpinned the buyback of £62.3m of Halfords shares and maintenance of a strong full-year dividend

Current Trading

Retail sales in FY13 have been very disappointing so far. In particular we have not seen the usual seasonal demand for Cycling and Outdoor Leisure products. We believe some of these sales are deferred rather than cancelled, and we expect a stronger performance from these categories as the year progresses. Autocentres continues to grow.

Strategy for Growth

In the year ahead we are investing in our key areas of growth, Cycling, Fitting Services and Autocentres. This will accelerate our transition to a contemporary solutions provider and will create up to 1,000 new jobs.

David Wild, Chief Executive, commented on the results:

"In a challenging consumer environment we have made good progress in our key growth areas of Leisure, including Cycles, Fitting Services and Autocentres. Our success in these categories and our detailed market research demonstrates how customers appreciate the help and value we offer and our opportunity for further growth.

As a result we are evolving our strategy to focus on three strategic pillars so that we become the Friend of the Motorist, the Best Cycle Shop in Town and the Starting Point for Great Getaways. In each of these areas we believe we have a unique end to end solution and are well positioned to increase our share in significant markets.

We are investing in these opportunities, specifically in fitting resources, increased marketing and enhancing our multichannel offer. This will accelerate the evolution of Halfords from a traditional retailer to a contemporary solutions provider, will contribute to future growth and create up to 1,000 new jobs.

Halfords continues to be profitable and strongly cash generative and we are seeking to maximise our performance in this demanding retail environment."

Notes

1. Like-for-like sales represent revenues from UK and Irish stores trading for greater than 365 days. Where appropriate, revenues denominated in foreign currencies have been translated at constant rates of exchange.
2. All numbers shown in this statement are before non-recurring costs, unless stated otherwise. These costs include a provision for property leases for which Halfords was a guarantor, triggered by the demise of the Focus DIY retail chain in FY11.
3. The FY11 figures in the table above include the final contribution from the Central European operations, including revenue of £1.9m, unless stated otherwise.

Enquiries

Analysts and Investors:

Craig Marks, Head of Investor Relations	+44 (0)1527 513 113
Andrew Findlay, Group Finance Director	+44 (0)1527 513 113 (on the day)

Media (Maitland):

Neil Bennett	+44 (0) 207 379 5151
Sam Turvey	+44 (0) 207 379 5151

Results Presentation

A presentation for analysts and investors will be held today starting at 9am at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED. Attendance is by invitation. A webcast recording of the presentation will be available on www.halfordscompany.com later today, as will a video interview with David Wild, Chief Executive, and Andrew Findlay, Finance Director on http://www.halfordscompany.com/hal/pr/video/.

Forthcoming Newsflow

Halfords Group plc will publish its first-quarter interim management statement on 19 July 2012.

Notes to Editors

www.halfords.com
www.halfordscompany.com
www.halfordsautocentres.com

Halfords Group plc

The Group is the UK's leading retailer of automotive and leisure products and through Halfords Autocentres, also one of the UK's leading independent car servicing and repair operator. Halfords customers shop at 467 stores* in the UK and Republic of Ireland and at *halfords.com* for collection at their local store or direct home delivery. Halfords Autocentres operates from 260 sites* nationally and offers motorists dealership-quality MOTs, repairs and car servicing at affordable prices.

Halfords employs approximately 12,000 staff and sells around 10,000 different product lines in stores, increasing to around 16,000 lines at Halfords.com. The product offering encompasses significant ranges in car parts, cycles, in-car technology, child seats, roof boxes, outdoor leisure and camping equipment. Halfords own brands include the in-store *Bikehut* department, for cycles and cycling accessories, *Apollo* and *Carrera* cycles and exclusive UK distribution rights of the premium ranged *Boardman* cycles and accessories. In outdoor leisure, we sell a premium range of camping equipment, branded *URBAN Escape*. Halfords offers expert advice and a fitting service called "***we***fit" for car parts, child seats, satellite navigation and in-car entertainment systems, and a "***we***repair" service for cycles.

** at 30 March 2012*

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

Introduction

The last year continued to be a challenging time for the UK and ROI consumer sector. People had less disposable income and managed their discretionary spend tightly. Motorists particularly were affected by higher fuel prices and insurance costs.

Halfords' response has been to help customers by creating value through the quality and price of our products and the expertise and service of our colleagues. Our significant growth areas of Cycling, Fitting Services and Autocentres have all performed strongly.

We also continued our store portfolio refresh programme, invested for the future in IT infrastructure, introduced new products and developed our team. We have done this whilst managing costs sensibly.

The progress in our growth areas both demonstrates how we are evolving Halfords from a traditional out-of-town retailer to a significant service provider and creating the route to strengthen our business further. We are planning to take advantage of these opportunities in the year ahead.

Review of Trading

In what has been a tough environment for customers the Group generated an underlying Profit before Tax of £92.2m and continued cash generation for shareholders through good cost management and margin control with free cash flow of £70.4m and paying dividends of £44.2m.

Group revenues were £863.1m, down 0.8% overall (Retail £752.3m; Autocentres £110.8m).

Within Retail, revenues across the year on a like-for-like basis ("LfL") were down 2.7%.

Sales of Car Maintenance products at -4.5% LfL, suffered as motorists drove fewer miles and reduced their spending on vehicles where possible. The lack of a prolonged spell of winter weather, as in the preceding year, also reduced demand for cold weather products like de-icers, screen wash and batteries.

The demand for "Do it For Me" fitting continues to build and our ***we***fit services have seen another year of strong growth. We now fit 26.2% of the bulbs, blades and batteries we sell, as we build on Halfords' unique customer offer and more customers look to us for expert help with basic car maintenance.

The decline in Car Enhancement sales continued as the markets for Sat Nav and Audio products contract. We have also seen falls in sales of Performance Styling and Car Cleaning products reflecting the pressure on motorists spending and the changing nature of the auto accessory market.

In Leisure we saw strong growth throughout the year, up 5.0% LfL, driven by increases in our cycling revenues through our relaunched ranges.

Halfords.com business, representing c.9% of total Retail sales, had a less buoyant year. While we had significantly more visitors to our site, fewer of these converted to sales. Cycle Accessories and in-car entertainment products performed well, but the sales of Sat Navs and Child Seats declined. During the year we have invested in better technology, site information and deals.

Sales at our Autocentres grew strongly by c.6% LfL and c.13% overall**,** driven by the growing awareness of the Halfords brand in the garage servicing sector and recognition by motorists of the value we offer. This performance is especially strong when compared to the overall auto aftercare market.

<u>Strategy</u>

Vision

Our customers lead busy lives and each year they make thousands of essential journeys. They need to keep moving for work and family and they want to travel for their holidays and enjoy active leisure time.

Halfords products and services are an essential part of the everyday life of millions of people; and we are evolving our offer in line with the changing nature of our customers' needs.

Our vision is to **Help and Inspire Customers with their Life on the Move**.

In the year ahead we plan to develop this vision to take advantage of the opportunities offered by our key growth areas and accelerate our transition from traditional retailer to a contemporary provider of products and services.

We have carried out detailed research to map our areas of strength against the requirements and aspirations of our customers. This work has identified, and confirmed, that we have a significant opportunity to grow in the medium to long term by building on and evolving our current offering and service capability. We have identified three areas where customers specifically want our help and which provide opportunities for growth and the development of our business.

These three strategic pillars are, the **Friend of the Motorist,** the **Best Cycle Shop in Town** and the **Starting Point for Great Getaways.**

In each of these areas Halfords can create value for our customers through a unique blend of the quality, innovation and the price of our products and the expertise and service of our colleagues.

Strategic Pillars

Friend of the Motorist

The last year has been a particularly challenging time for drivers who have faced higher costs. Halfords is uniquely placed to be the Friend of the Motorist by providing end-to-end solutions for their auto aftercare needs. Through the Car Maintenance parts in our Retail stores, in-store fitting services and Autocentres, we can provide real value through our products, services and the expertise required to take the hassle out of motoring and make driving more enjoyable. We can help motorists look after their cars, or we can take care of their cars for them.

We stock the widest selection of replacement car parts and accessories of any retailer. We can help motorists who do their own maintenance find the right part for their make and model and offer alternative price points through our good, better and best ranging.

Halfords also helps motorists with motoring consumables like screen-wash, de-icers and car-washing products, plus we are the market-leading destination for Sat Navs, Car Audio and Performance Styling. While the market for these products is declining, we have extended our leadership position and these sales continue to contribute to our overall performance.

There is a strong trend towards "Do it For Me" in Car Maintenance and Halfords has seen growing demand for our ***we***fit services. The foundation of our fitting proposition is the fitting of Car Bulbs, Windscreen Blades and Batteries ("3Bs"), by our trained in-store colleagues. During the year some 2m ***we***fit jobs were completed and 26.2% of all 3Bs sold were also fitted. This compares with 23.5% fitted in FY11.

The 3Bs market, selling both product and fitting, is estimated to be worth £950m and Halfords only has a small percentage share of the market while garages and dealerships have a 75% share. Our offer is unique, 7 days-a-week on demand fitting at the most competitive prices, so there is good potential to win sales and grow revenues. Fitting is also a high-margin revenue stream and an economically favourable one, as labour costs are based on retail wage rates as opposed to the mechanics rates that garages and dealers charge.

Our strategy is to maintain our DIY parts proposition while driving awareness and sales of our fitting capability. We have set stretching targets to increase uptake and this year we are budgeting for extra marketing, new point-of-sale materials, extra colleague hours and training. We are confident that because of the historic strong performance in this area, and the extra resources we are committing, that fitting is a significant avenue of growth for our business.

The final element of being the Friend of the Motorist is delivered through our Autocentres. We provide MOTs, car servicing and repairs and this is a natural extension of Halfords Retail service offer. This has been a year of significant progress for Halfords Autocentres. We now have 260 centres as at 30 March 2012 and since rebranding we have actively developed our offer and promoted Halfords Autocentres through a national radio campaign, online marketing and national TV advertising.

The results have been extremely encouraging and we have seen strong sales growth throughout the year as we win new customers. Our progress during a period when motorists are cutting back is a clear sign that the Halfords brand is increasingly viewed as the destination for all auto aftercare needs and as the Friend of the Motorist.

In the year Bill Duffy was promoted to CEO of Halfords Autocentres, and Simon Benson recruited as Operations Director. We have also relocated our Autocentres Head Office from Olton to our Group Head Office site in Redditch; this is already bringing benefits in cross-functional working.

The long-term growth opportunity of this business remains compelling. There are 32m cars on the UKs roads and the auto aftercare market is large and worth £8 - £10bn. Competition is fragmented; there are around 24,000 garage outlets in the UK but numbers are in long-term decline due to economic factors. Halfords Autocentres has a good opportunity to grow in this environment due to the strength of our proposition and the potential to leverage our brand.

We are developing and investing in our Customer Relationship Management. Car MOTs and servicing are linked to the age and mileage of vehicles and this lends itself to advanced data management systems. A key way we can help customers is to anticipate their vehicle's needs and make the right marketing offer to take the stress out of vehicle maintenance and attract them to use our autocentres.

We intend to build on success through the roll-out of new centres. During the year we opened 20 new autocentres and we are targeting up to 30 more in FY13. Further growth opportunities exist from fleet customers and accelerating tyre sales. We will also continue to invest in growing awareness and developing our proposition through innovative products. For example our recently launched Brakes-4-Life offers customers free replacement brake parts once they have bought and had these parts fitted at Halfords.

Linking all the elements of our auto-aftercare offer together means that we can provide all aspects of car maintenance for our customers. Our products, services and value, backed by our trusted brand offer real help to drivers and underpin our ambition to be the Friend of the Motorist.

The Best Cycle Shop in Town

Our research shows that the cycle shop and its web offer are central to the enjoyment and experience of cycling. We recognise that although we are the biggest provider of cycles to the UK market, at a local level and online we are not necessarily always the best cycle shop in every town. This must be our aspiration.

The core of our strategy to be the Best Cycle Shop in Town is Halfords' own and exclusive ranges of cycles. We address the whole cycle market from entry level to high performance.

Our great value *Trax* range, that is sold boxed for self-assembly, gives Halfords a competitive offer against supermarkets and other non-specialist outlets.

Apollo is the UKs best-selling cycle brand and offers value, quality build and good components.

Carrera provides performance specification and contemporary design without the price tag associated with global brands.

Our exclusive *Voodoo* range is designed by Joe Murray, the award-winning American mountain biker, and is a premium product for the serious mountain biker.

Top of the Halfords bike range are *Boardman* cycles, designed exclusively in collaboration with Halfords by former Olympic Champion Chris Boardman. This range has been widely acclaimed for its leading designs, construction and price competitiveness and is endorsed by world famous riders such as Alistair Brownlee, the reigning World Triathlon champion.

During the year we redesigned and relaunched many of our cycles, including the entire *Carrera* range of 22 cycles and the *Voodoo* range of 10 cycles. It meant that at Christmas 2011 broadly half of our cycles were newly designed.

We will continue to develop and improve our existing brands and introduce new ones that offer value and appeal to our customers. A good example of this is the *Carrera Virago*, a carbon-fibre road racer for under £1,000, a competitive price for such a quality performance cycle. It has been extremely positively reviewed by both the mainstream media and specialised cycling press.

In addition, to take full advantage of the heightened interest in the Olympics, we have introduced limited edition, British-inspired, *Carrera* cycles. We have also launched an exclusive range of ladies cycles under the *Pendleton* brand designed by Olympic and World champion cyclist, Victoria Pendleton. These are aimed at women who want to incorporate some cycling into their everyday routine.

Our innovative and competitively-priced ranges mean that Halfords is uniquely positioned to compete strongly at all levels of the cycle market, providing customers with one of the best selections of designs and prices in any Cycle shop.

In addition to cycles we stock a wide range of cycle parts and accessories from locks and lights to high visibility jackets and cycling helmets. The Parts, Accessories and Clothing ("PACs") market is estimated to be worth £615m annually and we have a lower share of this market than our share of the cycle market. This offers Halfords a significant opportunity to grow in this higher margin area. A high proportion of PACs sales occur online so an important part of our strategy for growth will be to improve our range and order fulfilment for these products online. We are planning to develop this category to capture an increased share of this market.

We also support our cycle offer through the advice and service of our colleagues; c.95% of the cycles we sell we also build and we offer a free six-week first service. Our Bike Care Plan that provides repairs, free of labour charge, is another opportunity to develop a service based revenue stream.

In the last year we have grown cycling sales by c.10%, and gained share in a growing market. This demonstrates the strength of the Halfords brand and our cycling offer.

The cycle market is estimated to be currently worth £1.4bn. We now plan to take advantage of this opportunity to drive further growth in this category through the combination of great service, reliable maintenance and repair, the best value bike range in the UK and new ranges of PACs. Our ability to deliver our biggest ranges to our customers next day is a winning formula within our strategy to be - the Best Cycle Shop in town.

The Starting Point for Great Getaways

As well as essential travel, our customers also want to enjoy their active leisure time and use their cars to go on trips. Our range of products and services is designed to equip people for their journey and help them make the most of their time out of doors.

A great example is our exclusive ranges of *Exodus* roof boxes. These significantly increase the carrying capacity of a car. They create extra space for luggage and other holiday essentials and leave more room in the vehicle for the family. We also supply the roof bars and cycle carriers and have trained colleagues ready to fit everything for customers while they wait.

We stock all the products motorists need to reach their destination; tyre pumps, warning triangles and high visibility jackets. At our autocentres we can check and service cars before they set off on long journeys.

Halfords' offer extends beyond the journey. We also stock tents and a whole range of camping and outdoors equipment. These items provide the basis for the holiday itself. Halfords is helping with great value offers, like our 4-person family tent pack which contains a tent, sleeping bags, airbeds and a pump for less than £100.

It is predicted that this year more families than ever will holiday in Britain or look for lower cost ways of spending their vacation time. Thousands will come to Halfords as the starting point for their great getaway and catering for this demand provides a clear avenue for future growth.

In summary, through a focus on our three strategic pillars we plan to deliver sustainable revenue growth over the medium term. In the year ahead we intend to invest an additional c.£6m of Retail operating expenditure to create growth in these strategic areas. Of the total, £3.5m will be spent in support of our ambitions in Fitting, £1.0m to enhance our multichannel offer to complement our range and product development plans and £1.5m on training, capability and customer relationship management. These drivers will be broadly profit neutral in FY13 and will contribute to growth in top line and profitability from FY14.

Enablers

To deliver our strategic pillars we are focussed on 5 key areas of our business which are central to improving our customer proposition and hence the progress of our business.

Portfolio

Our stores and autocentres are the key ingredient of our multichannel customer proposition. Their location and layout are central to how we deliver our ambition and our promise.

We have 467 retail stores and 260 autocentres trading throughout the UK and Ireland. C.90% of our customers live within a 20-minute journey of our stores.

Through our store refresh programme we refurbished and reconfigured over 80 stores during the year. The sales uplifts achieved at these stores represent a good return on the invested capital and ensures a short payback period. Over 100 stores across the estate have now been refreshed over the last two years.

In London our High Street format stores provide a potential route for further expansion in an area where there is a shortage of suitable superstore opportunities.

We have had considerable success during the year in our negotiations with landlords in reducing occupancy costs. Within our store portfolio our lease expiry profile means that we have c.130 leases expiring over the next five years, which provide the opportunity to accelerate our work on reducing occupancy costs.

The nature of the shopping trip is changing as customers combine online shopping, stock checking and research with more traditional store visits. At Halfords, our stores must also facilitate our fitting and cycle repair services. Stores in the future will need to combine all these elements to provide a seamless experience. To test ideas that could provide future solutions and an enhanced shopping experience for our customers we have opened three laboratory stores. These will be used to test concepts and, if successful, it may be appropriate to include some of these concepts in future store designs. In the meantime our store refresh programme is on hold pending the feedback from the laboratory stores.

Web

Our commitment is to be a true multichannel retailer, so that we seamlessly integrate our web offer with our in-store experience. Our development work is aimed to join together all aspects of the shopping trip and to leverage within that the growing power and use of the web as part of it. Enhancing our online offer and further extending our multichannel presence is an investment priority.

To drive our ambition we have appointed a dedicated Digital Director, Clive West, reporting to me. He is responsible for all aspects of our online offer from the online site to the delivery process for orders.

The launch of the mobile version of our site has been very successful. It enables our customers to research and purchase online while they are on the move. Mobile traffic and revenues experienced significant growth and almost a fifth of all visits and over 10% of our online sales are now through these devices.

The introduction of the Halfords App and offering quick response (“QR”) codes at the point of sale, are other mobile innovations that Halfords has introduced to enhance the shopping experience for our customers. Customers can scan barcodes and access rich content like videos and product information, or get help in finding the right part for their make and model of vehicle. We experienced over 370,000 visits to our App last year and over 15,000 QR codes were scanned.

We have also made considerable progress in enhancing our IT infrastructure and improving our on-site experience. We continue to develop the site with additional functionality aimed at improving our customer journey. We are focused on the entire customer journey from accessing the site to order fulfilment.

Our product mix lends itself to a multichannel offer as customers often want further advice, a demonstration or fitting. Online purchasing patterns reflect this, with 86% of sales on Halfords.com reserved and then collected from a store. We recently made a further improvement to this service. Customers who buy an item online before 6pm from the vast majority of Halfords 16,000 online product range can now choose to collect it the next day from their local store for free, even if that store does not normally stock the product. Direct delivery to home represents 14% of our online sales and we also continue to focus on improving this proposition for our customers. We now offer free delivery on a wide range of products, as well as Saturday delivery.

The Halfords Autocentres website has provided a significant route to grow our Autocentres business. In the fragmented garage sector the relaunched website, with improved functionality, has provided a point of difference and resonated with customers. The revenue derived from online bookings was up c.40%. Online bookings now account for 25% of all Autocentres bookings with 7% of bookings coming from the Halfords.com retail site. Further integration of the Retail and Autocentres websites is a focus. The Autocentres website has also successfully supported our ambition in tyre sales, with online tyre sales up 170% in the year.

Operations

While the sales performance has been challenging, the group has made significant operational progress this year. We have focused on enhancing customer service, reducing costs and continuing to build a solid platform for future growth.

Our new Distribution Centre at Coventry equipped with state-of-the-art logistics technology has operated smoothly and is a major contributor to good availability in our stores. One innovation has been the commissioning of 24 new double-decker lorry trailers. These can carry extra product, which helps decrease road miles and saves fuel.

To reduce the costs of goods not for resale we have implemented new processes. Some contracts have been renegotiated with specifications and suppliers changed. We have also appointed a new Head of Procurement responsible for goods not-for-resale buying to continue our focus on driving down costs in this area. One innovation is a new process for the recovery of the 3,000 tonnes of waste cardboard from our stores to our distribution centres, where it is baled and sold for recycling.

To fulfil our ambitions in fitting we are actively recruiting and training new colleagues. We have also put in place new programmes for customer engagement to improve the in store experience and the help we offer people when they visit a Halfords store.

Autocentres continued to develop and enhance the technical expertise of colleagues. This meant executing the tyre-sales opportunity whilst developing compelling offers such as Brakes-4-Life. Additional investment in centre capability was complemented by trials of extended hours and Sunday openings.

Marketing

Our new marketing campaign, *"that's helpful, that's Halfords"* has helped build awareness of the value we offer through great prices, quality and innovative products with the expert service of our colleagues. Our Christmas campaign was critically acclaimed and developed this theme highlighting the lasting value of Halfords' products like cycles which provide pleasure for years.

Our summer campaign demonstrates how Halfords has helped customers for many years make the most of their holidays. Using the strapline, **The Best Trips Last a Lifetime**, it focuses on how customers use our products to make the best of their summer holidays.

We also extended our national advertising of Autocentres from Radio to TV with a series of idents around the motoring programmes on the Dave channel. These illustrate the delighted response of motorists who have been helped by Halfords colleagues.

People

Our colleagues, in all areas of our business, are of paramount importance to help our customers. Their passion and abilities are central to the delivery of our strategic objectives and I am extremely proud of their commitment and enthusiasm.

In addition, their expert knowledge, advice and service differentiate us from our competition especially the online pure plays and generate attractive levels of return. In the year we have invested in extra training for colleagues through our programmes to encourage higher levels of engagement with customers. We are also investing in extra training to increase the number of colleagues who carry out fitting and cycle repair services.

We track our success in customer service through Empathica customer surveys and our detailed quarterly customer research, these show that increasingly customers recommend our service to others.

Values are central to all successful organisations and this year we have more clearly defined the central tenants of the way we want to work together. We launched these at our first company-wide managers’ conference. The values are:

In the year ahead we are running an engagement survey for all colleagues which will help us to understand how to support and offer the best training possible.

As well as the appointments already mentioned my executive team has been completed during the year with the promotion of Kevin Thomas as Retail Director and the appointment of Jonathan Crookall as Group HR Director.

I would like to thank all our colleagues for their hard work and their immense contribution to the progress of our business.

Summary and Outlook

Halfords continues to be highly profitable and strongly cash-generative, and is maximising its performance in a demanding retail environment.

While this is a challenging time, Halfords has delivered significant growth in Leisure, including cycles, Fitting Services and Autocentres throughout the past and prior years. This demonstrates how we are evolving our business from a traditional out-of-town product retailer to a significant service provider.

Some other areas of the business like Car Enhancement are shrinking while others like DIY Car Maintenance are mature and have been affected by the pressures on motorists and the reduction in mileages being driven.

The strong performance of Halfords growth areas is proof of the relevance of our offer in the busy lives of our customers. **By Helping and Inspiring our Customers with their Life on the Move** we play a vital role for millions of people. Our three strategic pillars, the **Friend of the Motorist**, the **Best Cycle Shop in Town**, and the **Starting Point for Great Getaways** – give us an attractive route to evolve our business over the longer term.

We plan to take advantage of these opportunities and to accelerate the transition through strategic investments in the year ahead. We anticipate that this will contribute to growth in our sales and profits in the medium term.

David Wild
Chief Executive Officer
30 May 2012.

FINANCE DIRECTOR'S REPORT

Halfords Group plc ("the Group" or "Group")

Reportable Segments

Halfords Group operates through two reportable business segments:

- Halfords Retail, operating in both the UK and Republic of Ireland; and
- Halfords Autocentres, operating solely in the UK.

All references to Group represent the consolidation of the Halfords ("Halfords Retail"/"Retail") and Halfords Autocentres ("Halfords Autocentres"/"Autocentres") trading entities.

Financial Results

	FY12 £m	FY11 £m	Change
Group Revenue	863.1	869.7	-0.8%
Group Gross Profit	472.8	485.0	-2.5%
Group Operating Profit	97.2	128.1	-24.1%
Net Finance Costs	(5.0)	(2.5)	-
Profit Before Tax, before non-recurring items	92.2	125.6	-26.6%
Profit Before Tax, after non-recurring items	94.1	118.1	-20.3%

All items above are shown before non-recurring items unless otherwise stated.

The "FY12" accounting period represented trading for the 52 weeks to 30 March 2012. The comparative period "FY11" represented trading for the 52 weeks to 1 April 2011.

Group revenue in FY12, at £863.1m, comprised Retail revenue of £752.3m and Autocentres revenue of £110.8m. This compared to FY11 Group revenues of £869.7m, comprising Retail revenue £771.6m and Autocentres revenue of £98.1m. Group revenues decreased by 0.8%, but when excluding the discontinued Central European revenues in the comparable period, the decrease was restricted to 0.5%.

Group gross profit at £472.8m (FY11: £485.0m) represented 54.8% of Group revenue (FY11: 55.8%). This reflected a decline in UK/ROI Retail business of 140 basis points ("bps") and gross margin of 65.9% (FY11: 66.3%) in the Autocentres business.

Total operating costs before non-recurring items increased to £375.6m (FY11: £356.9m), of which Retail represented £307.0m (FY11: £296.7m), Autocentres £66.4m (FY11: £58.0m) and unallocated expenses £2.2m (FY11: £2.2m). Unallocated expenses represented amortisation charges in respect of intangible assets acquired through business combinations (the acquisition of Nationwide Autocentres Ltd in February 2010), which arise on consolidation of the Group. Non-recurring income during the year of £1.9m represented the release of the Focus lease guarantee provision, recognised as a non-recurring cost in FY11, resulting from the better-than-anticipated settlements in the period.

Net finance costs for the period were £5.0m (FY11: £2.5m).

Group profit before tax and non-recurring items for the 52 weeks to 30 March 2012 was down 26.6% at £92.2m (FY11: £125.6m).

Group profit before tax for the 52 weeks to 30 March 2012 after non-recurring items was £94.1m (FY11: £118.1m), down 20.3%.

Halfords Retail
(before non-recurring items)

	FY12 £m			FY11 £m			UK/ROI % Change
	UK/ROI	Central Europe	Total	UK/ROI	Central Europe	Total	
Revenue	752.3	-	752.3	769.7	1.9	771.6	-2.3%
Gross Profit	399.8	-	399.8	419.9	0.1	420.0	-4.8%
Operating Costs	(307.0)	-	(307.0)	(296.2)	(0.5)	(296.7)	+3.6%
Operating Profit	92.8	-	92.8	123.7	(0.4)	123.3	-25.0%

Revenues for the UK/ROI business of £752.3m reflected, on a constant-currency basis, a like-for-like ("LfL") sales decline of 2.7%. This was partially offset by £3.7m of revenue from new space, reducing the sales deficit to 2.3%. By category, Car Maintenance and Car Enhancement LfL revenues were down 4.5% and 11.6% respectively, whilst Leisure LfL revenues were up 5.0%.

Proportion Of UK/ROI Retail Sales	FY12	FY11
Car Maintenance	30.8%	31.4%
Car Enhancement	25.9%	28.4%
Leisure	43.3%	40.2%

Gross profit for the UK/ROI business at £399.8m (FY11: £419.9m) represented 53.1% of sales, a 140 bps decline on the prior year (FY11: 54.5%). This reflected the continued focus on the delivery of cash returns within the business, increased levels of promotional participation by our customers, reduced sales of higher-margin ranges and the impacts from our focus on efficient stock clearance. The effect of these, together with the adverse result from product-cost inflation, was partially offset by the continuing increased penetration of our unique, high-margin ***we***fit and ***we***repair propositions and continued focus on maximising product-sourcing efficiencies.

Operating costs for the Retail business before non-recurring items were £307.0m, (FY11: £296.7m), up 3.6%. In FY11, UK/ROI operating costs before one-off store occupancy and support cost savings were c.£300m. Based on this, the underlying increase in UK/ROI Retail operating costs in the period was restricted to 2.3%. The increase reflected higher store and support costs, offset by savings in warehouse and distribution costs.

UK/ROI Retail Operating Costs	FY12 £m	FY11 £m	Change
Store Staffing	80.1	78.1	+2.6%
Store Occupancy	139.0	135.4	+2.7%
Warehouse & Distribution	25.9	27.5	-5.8%
Support Costs	62.0	55.2	+12.3%
Total	**307.0**	**296.2**	**+3.6%**

Store staffing costs rose 2.6%, which reflected the continued benefits of the restructuring of store labour rotas in the prior year and lower-than-forecast store colleague incentive payments, offset by inflationary and minimum-wage pay increases year-on-year. Store occupancy costs increased by 2.7%, reflecting c.£3m of one-off benefits in FY11, inflationary increases in rent, rates & utility costs and included the revenue costs associated with 83 store refreshes in the period.

Warehouse and distribution costs fell by 5.8%, driven by the expected improvements in efficiency being delivered following the move to the new Distribution Centre in Coventry in July 2010. Under the old distribution network, costs would have been approximately £3.8m higher than those reported.

The increase in support costs predominantly reflected our investment in colleagues ahead of FY13 through ensuring we have the right resources to drive sustainable growth in the key areas. As an example of this, we recently appointed our first Digital Director to maximise the multichannel opportunity ahead of us. We also invested in store colleague training and engagement to ensure we are equipped to drive additional in-store service revenues at our company-wide managers' conference. We also invested during the year to obtain a better understanding of our markets, customers and future growth opportunities. No Head Office performance bonus for the period was accrued.

In FY11, the Central European Retail operation generated revenue of £1.9m and a loss before taxation of £0.4m, after operating costs of £0.5m. The operations were fully wound down in FY11 and no revenues or costs associated with this operation were recognised during the period.

Halfords Autocentres

	FY12 £m	FY11 £m	Change
Revenue	110.8	98.1	+12.9%
Gross Profit	73.0	65.0	+12.3%
Underlying Operating Costs	(66.0)	(58.0)	+13.8%
Underlying Operating Profit	7.0	7.0	-
One-off Relocation Costs	(0.4)	-	-
Statutory Operating Profit	6.6	7.0	-5.7%

Autocentres generated total revenues of £110.8m in FY12 (FY11 £98.1m), an increase of 12.9% over the prior year, a like-for-like increase of 6.1%. 20 new Autocentres opened in the year, generating £2.2m of incremental revenue, which took the total number of Autocentre locations to 260 as at 30 March 2012. The increase in revenues from the existing 240 centres reflected the benefit of the UK-wide brand relaunch completed in April 2011, enhanced media support and growth in tyre sales, an area of opportunity for Autocentres.

Gross profit at £73.0m represented a gross margin of 65.9%, down 40 basis points on comparable FY11 levels driven by increased volumes of lower-margin tyre sales, partially offset by better parts-buying.

Before a one-off charge of £0.4m associated with the transfer of Autocentres Head Office from Olton to Redditch (completed in April 2012), Autocentres' operating profit was £7.0m (FY11: £7.0m) reflecting underlying operating costs of £66.0m (FY11: £58.0m). To secure long-term growth and profitability, investment in the business continued. A successful media campaign, investment in tyre training, rebrand depreciation and the impact of new-centre-opening activity contributed to the operating-cost increase.

Portfolio Management

The Group continued to manage actively its store and autocentre portfolio. During FY12, the Retail business opened three stores in London (Wood Green, Ilford, Ealing), closed two metro stores (Norwich, Haywards Heath) and refurbished 83 stores. Within Autocentres, 20 new centres were opened in the period.

With the exception of nine long-leasehold and two freehold properties within Autocentres, the Group's operating sites are occupied under operating leases, the majority of which are on standard lease terms, typically with a 15 to 25-year term from inception and with an average lease length of around 7 years.

During the year re-gear negotiations were completed on 14 stores, resulting in six contracts being exchanged on lease extensions, five downsizes and three relocations, resulting in lower ongoing rental payments.

Focus Leases

At the end of FY11, a non-recurring charge of £7.5m was recognised in respect of a provision for property leases for which Halfords was guarantor, triggered by the demise of the Focus DIY retail chain. At the end of FY12, the provision was £3.1m reflecting the settlement and exit of certain leases, resulting in non-recurring income of £1.9m during the year, and utilisation of the provision in respect of rent, insurance, service charges and legal fees incurred.

Finance Costs

Net finance costs were £5.0m (FY11: £2.5m). The higher charge in the period reflects a full year of loan facility non-utilisation fees, margins and arrangement-fee amortisation expense. A one-off benefit of £0.9m interest income was also recognised in the prior period relating to the settlement of amounts due from HMRC. Weighted average borrowings of £116.7m were £37.6m lower than last year.

Taxation

The taxation charge on profit for the financial year was £25.7m (FY11: £32.6m), including a £0.9m charge (FY11: £2.1m credit) in respect of the tax on non-recurring items. After non-recurring items, the full-year effective tax rate of 27.3% (FY11: 27.6%) differed from the UK corporation tax rate (26.0%) principally due to the non-deductibility of depreciation charged on capital expenditure, the reassessment of anticipated future tax deductions from employee share schemes and other permanent differences arising in the period. Before non-recurring items, the full-year effective tax rate in FY12 was 26.9%.

Earnings Per Share ("EPS")

Basic EPS before non-recurring items was 33.7 pence (FY11: 43.2 pence), a 22.0% decrease on the prior year. Basic EPS after non-recurring items for the period was 34.2 pence (FY11: 40.7 pence). Basic weighted average shares in issue during the year were 199.9m (FY11: 210.4m). During the year, 18,084,113 shares were acquired by the Company via the share buyback programme commenced in April 2011. Of these, 12,634,493 were cancelled, with 5,449,620 shares converted to treasury shares to be used by the Group to satisfy existing and future employee share schemes.

Dividend

The Board is recommending a final dividend of 14.0 pence per share (FY11: 14.0 pence), which, in addition to the interim dividend of 8.0 pence per share (FY11: 8.0 pence), generates a total dividend of 22.0 pence (FY11: 22.0 pence). This reflects the Board's recognition of the importance of dividends to shareholders and the continuing cash-generative capabilities of the business.

Subject to shareholder approval at the Annual General Meeting the final dividend will be paid on 3 August 2012 to shareholders on the register at the close of business on 6 July 2012.

Capital Expenditure

Capital investment in the period totalled £19.7m (FY11: £22.8m) comprising £15.2m in Retail and £4.5m in Autocentres. Consistent with prior periods, management has continued to adopt a prudent approach with regard to capital investment and has focused on investments generating material returns.

Within Retail, £11.5m was invested in stores, and included £1.2m in three new London stores, together with two completed store relocations. It also included £10.3m of investment in 83 store refreshes, the rightsizing of two stores, other expenditure covering general maintenance and the investment in three laboratory store formats opened recently. Additional investment in Retail infrastructure included a £2.4m investment in IT systems, including further development of the online customer proposition, £1.0m in logistics and £0.3m in central facilities.

A further £4.5m (FY11: £6.2m) was invested in Autocentres predominantly to drive the centre roll-out plan and upgrade centre equipment, especially in relation to the delivery of the tyre proposition.

Inventories

Group stock held at 30 March 2012 was £146.7m (1 April 2011: £147.6m), down 0.6% on the prior year. Within this, Autocentres stock was £1.4m, flat year-on-year. The management of inventory remains a key area of focus for the Retail business while the Autocentres business model is such that only small levels of inventory are held within the autocentres, with most parts being acquired on an as-needed basis.

Cashflow And Borrowings

The Group has continued its strong track record of cash generation. Net cash generated from operating activities in FY12 was £89.7m (FY11: £118.4m). Free cashflow of £70.4m is after taking into account taxation, capital expenditure and net finance costs.

Total net bank debt at 30 March 2012 was £127.7m (1 April 2011: £91.4m) after cash balances of £10.9m. Further borrowings of £11.5m (FY11: £11.8m), in respect of the Head Office finance lease, resulted in Group net debt at 30 March 2012 of £139.2m (1 April 2011: £103.2m), an increase of £36.0m. At this level net debt to EBITDA (earnings before non-recurring items, finance expense, depreciation and amortisation) was 1.1 times.

Following a review by the Board of the Group's capital structure and cash-generation capabilities, the Group commenced a share buyback programme with effect from 7 April 2011, with the intention to return up to £75m of cash to shareholders over the following 12 months. In FY12, £62.3m of shares were bought back via the purchase of 18.1m shares. As at 29 May 2012, a further £0.9m of shares were purchased in the new financial year.

Given the return to more normalised levels of gearing, the Board has resolved to bring the current buyback programme to an end and does not intend to undertake any further buyback activity in the new financial year.

Andrew Findlay
Finance Director
30 May 2012.

CONSOLIDATED INCOME STATEMENT

For the period		**52 weeks to 30 March 2012**			52 weeks to 1 April 2011		
		Before Non-recurring Items	**Non-recurring items (note 4)**	**Total**	Before Non-recurring Items	Non-recurring items (note 4)	Total
	Notes	**£m**	**£m**	**£m**	£m	£m	£m
Revenue		**863.1**	**-**	**863.1**	869.7	-	869.7
Cost of sales		**(390.3)**	**-**	**(390.3)**	(384.7)	-	(384.7)
Gross profit		**472.8**	**-**	**472.8**	485.0	-	485.0
Operating expenses	2	**(375.6)**	**1.9**	**(373.7)**	(356.9)	(7.5)	(364.4)
Results from operating activities	3	**97.2**	**1.9**	**99.1**	128.1	(7.5)	120.6
Finance costs	5	**(5.5)**	**-**	**(5.5)**	(4.3)	-	(4.3)
Finance income	5	**0.5**	**-**	**0.5**	1.8	-	1.8
Net finance expense		**(5.0)**	**-**	**(5.0)**	(2.5)	-	(2.5)
Profit before income tax		**92.2**	**1.9**	**94.1**	125.6	(7.5)	118.1
Income tax expense	6	**(24.8)**	**(0.9)**	**(25.7)**	(34.7)	2.1	(32.6)
Profit for the financial period attributable to equity shareholders		**67.4**	**1.0**	**68.4**	90.9	(5.4)	85.5
Earnings per share							
Basic	8	**33.7p**		**34.2p**	43.2p		40.7p
Diluted	8	**33.5p**		**34.0p**	42.7p		40.2p

All results relate to continuing operations of the Group.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**52 weeks to 30 March 2012 £m**	52 weeks to 1 April 2011 £m
Profit for the period		**68.4**	85.5
Other comprehensive income			
Foreign currency translation differences for foreign operations		**(0.5)**	0.1
Cash flow hedges:			
Fair value changes in the period		**(0.9)**	(4.2)
Transfers to inventory		**1.3**	(1.0)
Transfers to net profit:			
Cost of sales		**(0.2)**	1.6
Income tax on other comprehensive income	6	**(0.3)**	1.1
Other comprehensive income for the period, net of income tax		**(0.6)**	(2.4)
Total comprehensive income for the period attributable to equity shareholders		**67.8**	83.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 March 2012	1 April 2011
	£m	£m
Assets		
Non-current assets		
Intangible assets	**343.9**	346.7
Property, plant and equipment	**97.9**	102.6
Total non-current assets	**441.8**	449.3
Current assets		
Inventories	**146.7**	147.6
Trade and other receivables	**45.0**	42.0
Derivative financial instruments	**0.3**	0.3
Cash and cash equivalents	**13.4**	2.7
Total current assets	**205.4**	192.6
Total assets	**647.2**	641.9
Liabilities		
Current liabilities		
Borrowings	**(2.8)**	(7.6)
Derivative financial instruments	**(1.5)**	(2.3)
Trade and other payables	**(140.4)**	(142.0)
Current tax liabilities	**(24.8)**	(23.4)
Provisions	**(8.8)**	(10.4)
Total current liabilities	**(178.3)**	(185.7)
Net current assets	**27.1**	6.9
Non-current liabilities		
Borrowings	**(149.8)**	(98.3)
Accruals and deferred income – lease incentives	**(28.8)**	(27.7)
Provisions	**(2.5)**	(7.5)
Deferred tax liabilities	**(0.7)**	(0.3)
Total non-current liabilities	**(181.8)**	(133.8)
Total liabilities	**(360.1)**	(319.5)
Net assets	**287.1**	322.4
Shareholders' equity		
Share capital	**2.0**	2.1
Share premium	**151.0**	151.0
Investment in own shares	**(14.0)**	(0.6)
Other reserves	**(0.4)**	0.1
Retained earnings	**148.5**	169.8
Total equity attributable to equity holders of the Company	**287.1**	322.4

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to the equity holders of the Company							
				Other reserves				
	Share capital £m	Share premium account £m	Investment in own shares £m	Translation reserve £m	Capital Redemption reserve £m	Hedging reserve £m	Retained earnings £m	**Total Equity £m**
Balance at 2 April 2010	2.1	146.5	(0.6)	0.4	0.2	1.9	128.0	**278.5**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	85.5	**85.5**
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	0.1	-	-	-	**0.1**
Cash flow hedges:								
Fair value changes in the period	-	-	-	-	-	(4.2)	-	**(4.2)**
Transfers to inventory	-	-	-	-	-	(1.0)	-	**(1.0)**
Transfers to net profit:								
Cost of sales	-	-	-	-	-	1.6	-	**1.6**
Income tax on other comprehensive income	-	-	-	-	-	1.1	-	**1.1**
Total other comprehensive income for the period net of tax	-	-	-	0.1	-	(2.5)	-	**(2.4)**
Total comprehensive income for the period	-	-	-	0.1	-	(2.5)	85.5	**83.1**
Transactions with owners								
Share options exercised	-	4.5	-	-	-	-	-	**4.5**
Share-based payment transactions	-	-	-	-	-	-	2.4	**2.4**
Income tax on share-based payment transactions	-	-	-	-	-	-	0.1	**0.1**
Dividends to equity holders	-	-	-	-	-	-	(46.2)	**(46.2)**
Total transactions with owners	-	4.5	-	-	-		(43.7)	**(39.2)**
Balance at 1 April 2011	2.1	151.0	(0.6)	0.5	0.2	(0.6)	169.8	**322.4**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	68.4	**68.4**
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	(0.5)	-	-	-	**(0.5)**
Cash flow hedges:								
Fair value changes in the period	-	-	-	-		(0.9)	-	**(0.9)**
Transfers to inventory	-	-	-	-	-	1.3	-	**1.3**
Transfers to net profit:								
Cost of sales	-	-	-	-	-	(0.2)	-	**(0.2)**
Income tax on other comprehensive income	-	-	-	-	-	(0.3)	-	**(0.3)**
Total other comprehensive income for the period net of tax	-	-	-	(0.5)	-	(0.1)	-	**(0.6)**
Total comprehensive income for the period	-	-	-	(0.5)	-	(0.1)	68.4	**67.8**
Transactions with owners								
Share options exercised	-	-	4.6	-	-	-	(2.5)	**2.1**
Share-based payment transactions	-	-	-	-	-	-	2.1	**2.1**
Purchase of own shares	(0.1)	-	(18.0)	-	0.1	-	(44.7)	**(62.7)**
Income tax on share-based payment transactions	-	-	-	-	-	-	(0.4)	**(0.4)**
Dividends to equity holders	-	-	-	-	-	-	(44.2)	**(44.2)**
Total transactions with owners	(0.1)	-	(13.4)	-	0.1	-	(89.7)	**(103.1)**
Balance at 30 March 2012	**2.0**	**151.0**	**(14.0)**	**-**	**0.3**	**(0.7)**	**148.5**	**287.1**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	52 weeks to 30 March 2012 £m	52 weeks to 1 April 2011 £m
Cash flows from operating activities			
Profit after tax for the period before non-recurring items		**67.4**	90.9
Non-recurring items		**1.0**	(5.4)
Profit after tax for the period		**68.4**	85.5
Depreciation - property, plant and equipment		**21.1**	20.4
Amortisation - intangible assets		**4.9**	4.6
Foreign exchange (gain)/loss		**(0.5)**	0.5
Net finance costs		**5.0**	2.5
Loss on sale of property, plant and equipment		**1.2**	0.1
Equity-settled share based payment transactions		**2.4**	2.4
Fair value (gain)/loss on derivative financial instruments		**(0.9)**	0.6
Income tax expense		**25.7**	32.6
Decrease/(increase) in inventories		**0.9**	(9.1)
(Increase)/decrease in trade and other receivables		**(3.0)**	0.8
Increase in trade and other payables		**0.2**	11.1
Decrease in provisions		**(6.6)**	(5.8)
Finance income received		**0.4**	1.5
Finance costs paid		**(4.9)**	(3.6)
Income tax paid		**(24.6)**	(25.7)
Net cash from operating activities		**89.7**	118.4
Cash flows from investing activities			
Acquisition of subsidiary undertaking, net of cash acquired		**(0.7)**	(1.9)
Purchase of intangible assets		**(2.1)**	(2.6)
Purchase of property, plant and equipment		**(17.2)**	(19.5)
Net cash used in investing activities		**(20.0)**	(24.0)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		**2.1**	4.5
Purchase of own shares		**(62.7)**	-
Proceeds from loans, net of transaction costs		**353.0**	86.4
Repayment of borrowings		**(302.1)**	(180.0)
Payment of finance lease liabilities		**(0.3)**	(0.2)
Dividends paid		**(44.2)**	(46.2)
Net cash used in financing activities		**(54.2)**	(135.5)
Net increase/(decrease) in cash and bank overdrafts		**15.5**	(41.1)
Cash and cash equivalents at the beginning of the period	9	**(4.6)**	36.5
Cash and cash equivalents at the end of the period		**10.9**	(4.6)

1. **Basis of preparation**

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

The financial statements are presented in millions of UK pounds, rounded to the nearest £0.1m.

The accounts of the Group are prepared for the period up to the Friday closest to 31 March each year. Consequently, the financial statements for the current period cover the 52 weeks to 30 March 2012, whilst the comparative period covered the 52 weeks to 1 April 2011.

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

2. **Operating expenses**

For the period	**52 weeks to 30 March 2012 £m**	52 weeks to 1 April 2011 £m
Selling and distribution costs before non-recurring items	**318.2**	306.5
Non-recurring selling and distribution costs	**-**	-
	318.2	306.5
Administrative expenses before non-recurring items	**57.4**	50.4
Non-recurring administrative expenses	**(1.9)**	7.5
	55.5	57.9
	373.7	364.4

3. **Operating profit**

For the period	**52 weeks to 30 March 2012 £m**	52 weeks to 1 April 2011 £m
Operating profit is arrived at after charging/(crediting) the following expenses/(income) as categorised by nature:		
Operating lease rentals:		
- plant and machinery	**1.9**	2.2
- property rents	**90.1**	87.4
- rentals receivable under operating leases	**(6.4)**	(7.2)
Landlord surrender payments	**(2.0)**	(0.6)
Loss on disposal of property, plant and equipment	**1.2**	0.1
Amortisation of intangible assets	**4.9**	4.6
Depreciation of:		
- owned property, plant and equipment	**20.6**	19.9
- assets held under finance leases	**0.5**	0.5
Trade receivables impairment	**0.1**	0.1
Staff costs	**155.8**	144.2
Cost of inventories consumed in cost of sales	**384.7**	375.6

4. Non-recurring items

For the period	**52 weeks to 30 March 2012 £m**	52 weeks to 1 April 2011 £m
Non-recurring operating expenses:		
Lease guarantee provision[a]	**(1.9)**	7.5
Non-recurring items before tax	**(1.9)**	7.5
Tax on non-recurring items [b]	**0.9**	(2.1)
Non-recurring items after tax	**(1.0)**	5.4

(a) A non-recurring expense of £7.5m was incurred in the prior year. This expense related to the creation of a provision for the potential liabilities arising from lease guarantees provided by Halfords prior to July 1989. The guarantees were provided to landlords of properties leased by Payless DIY (now part of Focus DIY) when both Halfords and Payless DIY were under ownership of the Ward White Group. Focus DIY entered into administration in May 2011. In the current year a change in approach to settling the Group's guarantor obligations has resulted in a release of £1.9m of the original amounts provided.

(b) This represents a tax charge at 26% on all current year non-recurring items plus a prior year tax charge of £0.4m arising from the non-deductibility of two payments made to landlords to release Halfords from its guarantor obligations under those leases. The prior period represents a tax credit at 28% on these non-recurring costs.

5. Finance income and costs

Recognised in profit or loss for the period	**52 weeks to 30 March 2012 £m**	52 weeks to 1 April 2011 £m
Finance costs:		
Bank borrowings	**(2.5)**	(2.1)
Amortisation of issue costs on loans	**(0.9)**	(0.4)
Commitment and guarantee fees	**(1.1)**	(0.6)
Costs of forward foreign exchange contracts	**(0.2)**	(0.4)
Interest payable on finance leases	**(0.8)**	(0.8)
Finance costs	**(5.5)**	(4.3)
Finance income:		
Bank and similar interest	**0.1**	0.9
Other interest receivable	**0.4**	0.9
Finance income	**0.5**	1.8
Net finance costs	**(5.0)**	(2.5)

6. Taxation

For the period	**52 weeks to 30 March 2012 £m**	52 weeks to 1 April 2011 £m
Current taxation		
UK corporation tax charge for the period	**26.7**	35.7
Adjustment in respect of prior periods	**(0.8)**	(4.1)
	25.9	31.6
Deferred taxation		
Origination and reversal of timing differences	**(0.7)**	(0.2)
Adjustment in respect of prior periods	**0.5**	1.2
	(0.2)	1.0
Total tax charge for the period	**25.7**	32.6

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

For the period	**52 weeks to 30 March 2012 £m**	52 weeks to 1 April 2011 £m
Profit before tax	**94.1**	118.1
UK corporation tax at standard rate of 26% (2011: 28%)	**24.5**	33.1
Factors affecting the charge for the period:		
Depreciation on expenditure not eligible for tax relief	**1.7**	1.2
Employee share options	**0.5**	1.2
Non-taxable income	**(1.3)**	(0.7)
Other disallowable expenses	**0.5**	0.7
Adjustment in respect of prior periods	**(0.3)**	(2.9)
Impact of change in tax rate on deferred tax balance	**0.1**	-
Total tax charge for the period	**25.7**	32.6

In this financial period, the UK corporation tax standard rate was 26% (2011: 28%).

The effective tax rate of 27.3% (2011: 27.6%) differs from the UK corporation tax rate principally due to the non-deductibility of depreciation charged on capital expenditure, tax charges arising from the settlement of obligations associated with the Focus lease provision, and other permanent differences arising in the period.

The tax charge of £25.7m (2011: £32.6m) includes a charge of £0.9m (2011: credit of £2.1m) in respect of tax on non-recurring items, as detailed in note 4.

An Income tax charge of £0.3m (2011: £1.1m credit) on other comprehensive income relates to the fair value of forward currency contracts outstanding at the year end. No other items within other comprehensive income have a tax impact.

7. Dividends

For the period	**52 weeks to 30 March 2012 £m**	52 weeks to 1 April 2011 £m
Equity – ordinary shares		
Final for the 52 weeks to 1 April 2011 – paid 14.00p per share (2011: 14.00p)	**28.5**	29.3
Interim for the 52 weeks to 30 March 2012 – paid 8.00p per share (2011: 8.00p)	**15.7**	16.9
	44.2	46.2

In addition, the directors are proposing a final dividend in respect of the financial period ended 30 March 2012 of 14.00p per share (2011: 14.00p per share), which will absorb an estimated £27.9m (2011: £28.5m) of shareholders' funds. It will be paid on 3 August 2012 to shareholders who are on the register of members on 6 July 2012.

8. Earnings per share

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

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the 52 weeks to 30 March 2012.

The Group has also chosen to present an alternative earnings per share measure, with profit adjusted for non-recurring items because it better reflects the Group's underlying performance.

For the period	**52 weeks to 30 March 2012 Number of shares m**	52 weeks to 1 April 2011 Number of shares m
Weighted average number of shares in issue	**203.8**	211.5
Less: shares held by the Employee Benefit Trust (weighted average)	**(3.9)**	(1.1)
Weighted average number of shares for calculating basic earnings per share	**199.9**	210.4
Weighted average number of dilutive shares	**1.0**	2.4
Total number of shares for calculating diluted earnings per share	**200.9**	212.8

For the period	**52 weeks to 30 March 2012 £m**	52 weeks to 1 April 2011 £m
Basic earnings attributable to equity shareholders	**68.4**	85.5
Non-recurring items (see note 4):		
Operating expenses	**(1.9)**	7.5
Tax on non-recurring items	**0.9**	(2.1)
Underlying earnings before non-recurring items	**67.4**	90.9

Earnings per share is calculated as follows:

For the period	**52 weeks to 30 March 2012**	52 weeks to 1 April 2011
Basic earnings per ordinary share	**34.2p**	40.7p
Diluted earnings per ordinary share	**34.0p**	40.2p
Basic earnings per ordinary share before non-recurring items	**33.7p**	43.2p
Diluted earnings per ordinary share before non-recurring items	**33.5p**	42.7p

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

	At 1 April 2011	Cash flow	Other non-cash changes	**At 30 March 2012**
	£m	£m	£m	**£m**
Cash and cash equivalents at bank and in hand	(4.6)	15.5	-	**10.9**
Debt due after one year	(86.8)	(50.9)	(0.9)	**(138.6)**
Total net debt excluding finance leases	(91.4)	(35.4)	(0.9)	**(127.7)**
Finance leases due within one year	(0.3)	0.3	(0.3)	**(0.3)**
Finance lease due after one year	(11.5)	-	0.3	**(11.2)**
Total finance leases	(11.8)	0.3	-	**(11.5)**
Total net debt	(103.2)	(35.1)	(0.9)	**(139.2)**

Non-cash changes include finance costs in relation to the amortisation of capitalised debt issue costs of £0.9m (2011: £0.4m) and changes in classification between amounts due within and after one year.

Cash and cash equivalents at the period end consist of £13.4m (2011: £2.7m) of liquid assets and £2.5m (2011: £7.3) of bank overdrafts.

10. Other information

The financial information set out above does not constitute the Company's statutory accounts for the 52 weeks ended 30 March 2012 or the 52 weeks ended 1 April 2011 but is derived from those accounts. Statutory accounts for 2011 have been delivered to the registrar of companies, and those for 2012 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2011 or 2012.