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Halfords Group plc
Annual Report & Accounts for period ending
1st April 2011

life ***on the move***

halfords.annualreport2011.com
Stock Code LON:HFD

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halfordscompany.com

Introduction

Business Review

Resources

Governance

Financials

Investing in "life on the move"

WE ARE

- The UK's leading retailer of automotive and leisure products
- The UK's leading operator in garage servicing and auto repair
- Cash generative
- Focused on the assets we own and how we are managing these to create growth

WE HAVE

- Many brands and product categories which hold number one sales positions in the UK
- Strong competences and capabilities:
  - Unrivalled scale and national coverage
  - Skills in brand management and maximising marketing opportunities
  - A unique service proposition
  - Multichannel integration
  - Agile international sourcing

WE PLAN TO

- Grow earnings sustainably
- Maintain our leading core retail positions
- Expand the brand in automotive aftercare
- Leverage our core capabilities in the retail sector
- Increase multichannel penetration
- Maintain an efficient Balance Sheet across the financing cycle

***We* DELIVER**
products and services that facilitate
"life on the move"
for our customers

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Group at a Glance

The Halfords Group operates through two reportable segments or strategic business units — "Retail" and "Car Servicing" in the United Kingdom (UK) and the Republic of Ireland (ROI).

Halfords Retail manages its business through the three categories of Car Maintenance, Car Enhancement and Leisure (Travel Solutions & Cycling). The retail product ranges are marketed through a national network of stores and through an innovative multichannel offer which combines website promotion with a number of different delivery or collection options, backed by in-store services.

Halfords Autocentres provides car service, repair and MOTs to both retail and fleet clients throughout the UK. The Autocentres proposition provides customers with an unrivalled value and service offer from a trusted brand.

Halfords marketing expertise is used to promote both businesses through a multitude of broadcast, narrowcast and traditional media presenting our valuable services which facilitate "life on the move" for our customers.

Retail

Halfords Retail employs approximately 9,300 staff and sells over 14,400 different product lines with significant ranges in car parts, in-car technology, child seats, cycling, roof boxes, outdoor leisure and camping equipment.

Halfords Retail trades from 466 stores located throughout the UK and the ROI and online through halfords.com and halfords.ie websites.

Turnover
£771.6m

Operating Profit (before non-recurring items)
£123.3m
Operating profit was £115.8m (2010: £111.9m)

Autocentres

Halfords Autocentres employs 1,700 staff and is a leading UK independent car servicing and repair operator offering maintenance, service, MOT and repair services at competitive prices and excellent standards of customer service.

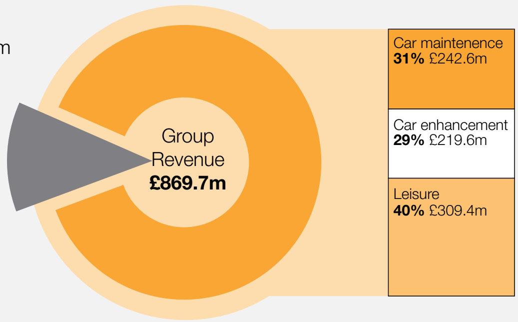
Halfords Autocentres trades from 240 car servicing centres located in the United Kingdom.

Turnover
£98.1m

Operating Profit
£7.0m

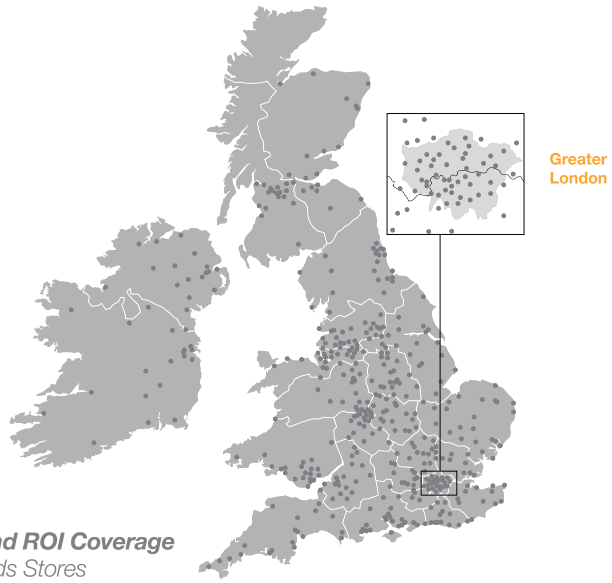
Group Revenue

- Retail
  88.7% £771.6m
- Autocentres
  11.3% £98.1m



Read more on page 52

"Halfords' retail stores are located within 20 minutes' drive for 90% of the UK's population."

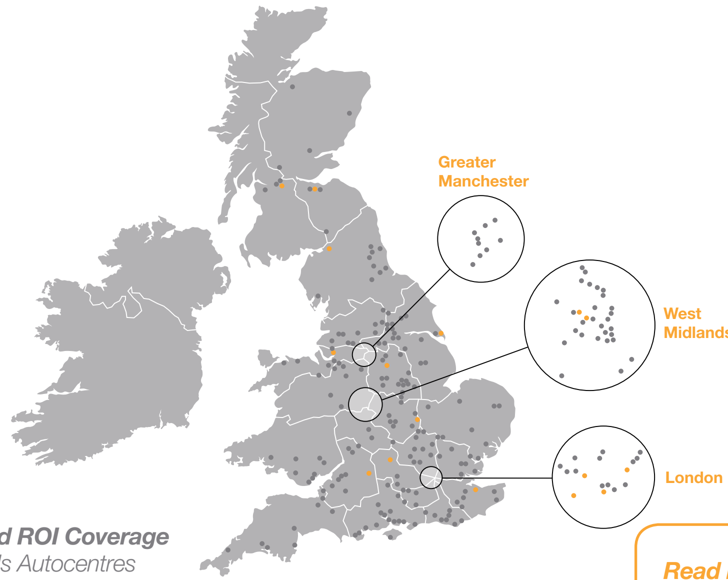


UK and ROI Coverage
Halfords Stores

Read more on page 58

"Having a small market share of the £9bn aftercare market provides significant scope for growth."

New Autocentres in FY11
- *new centres*
- *existing centres*



UK and ROI Coverage
Halfords Autocentres

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Retail Categories at a Glance

Car Maintenance

Car maintenance encompasses our 3Bs (bulbs, blades and batteries), oils, spark plugs, paint sprays, rust repair, Haynes manuals, winter car care, tools, lifting and storage, car polish, shampoo, pressure washers

Category Strengths

- Needs driven demand
- Established brand is natural destination for customers
- Huge range and national availability
- Leveraged through in-store services

Car Enhancement

Car Enhancement encompasses Sat Nav and accessories, DVD, Audio systems, speakers, portable media devices, FM transmitters, Bluetooth connectivity, Car Accessories (seat covers, air fresheners, wheel trims), Performance Styling (graphics, alloy wheels, gear knobs)

Category Strengths

- Contemporary and innovative ranges drive a product led market
- Competitive international buying maintains good margins
- Effective promotion of own brands through multichannel offer
- Market leader in Sat Nav, Audio and DAB radio roll-out

Leisure

Cycling

Childrens bikes, Mountain bikes, BMX, Hybrid/ Commuting bikes, Specialist bikes, Folding bikes, Electric bikes and cycle accessories

Travel Solutions

Child safety seats, camping, roof boxes, trailers, mobility products and safety equipment

Category Strengths

- Value driven and environmentally friendly solutions for leisure and holidaying
- New cycle ranges launched across *Carrera*, *Voodoo* and *Boardman* in 2011 and launch of new child seat range *Pampero*
- Tight integration with multichannel drives sales of price led ranges
- Consistent growth in camping as Halfords becomes known for “life on the move”

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Business Model

Halfords has core competences in marketing, branding, store retailing, distribution and international sourcing which allow value to be generated while meeting market needs. It is now leveraging these competences into Car Servicing.

Range strategy follows our strategic thread of "life on the move" and encompasses Car Maintenance, Car Enhancement and Leisure categories. Halfords has grown market share, consolidating fragmented markets with a national store network and strong brand management.

Evolving buyer trends have been met by developing a dynamic web offer which has enabled the Company to leverage average transaction values and drive many web customers into stores.

With the evolution of more compact and complex vehicles, the reduced interest for self service and an escalating main dealer service price list, Halfords has augmented the retail offer with in-store fitting services. This increases average transaction value, and allow store colleagues to up-sell and attach accessories to the sales whilst improving customer service and loyalty.

The successful expansion of our retail offer through in-store services has driven the decision to invest in car servicing given similar market drivers to our successful Car Maintenance category. Halfords now also runs the largest chain of UK car service centres providing service, repair and MOTs.

As a retailer Halfords makes a profit from the combination of low cost sourcing and supply chain coupled with excellent marketing skills and a national store network, leveraging these skills in the car service sector by running an efficient service offer that profits from scale and efficiency. Halfords Autocentres provides services cheaper than most franchised garages and more comprehensively than many independent garages.

"Range strategy follows our strategic thread of 'life on the move' and runs from cycles to car maintenance"

life ***on the move***

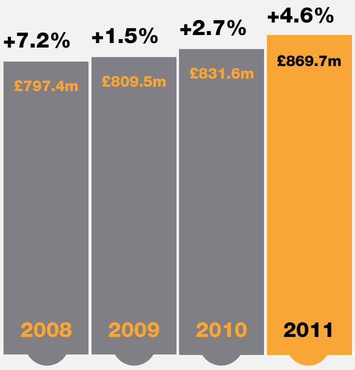
Our customers lead busy lives — there aren't enough hours in the day. The school run, the commute, the pick-ups and drop-offs, the visits to families and friends, the holidays and free time. Each year families make thousands of journeys as essential parts of their daily lives. They need to keep moving for work and family and they want to travel for their holidays and enjoy active leisure time wherever possible. Our customers are living their lives on the move.

At Halfords we understand how journeys are at the heart of work and family life, and through our great products, expert advice and service we are focused on helping our customers stay on the move. We stock the products they need to maintain and enhance their vehicles and we have cycles for every age and discipline. Through our expert colleagues we offer advice and added value services to ensure our customers make the best choices around their "life on the move".

Financial Highlights

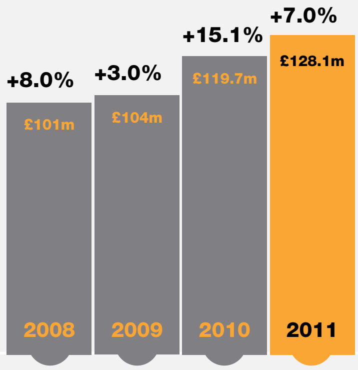
Revenue

+4.6%
at £869.7m
(2010: £831.6m)



Underlying Operating Profit*

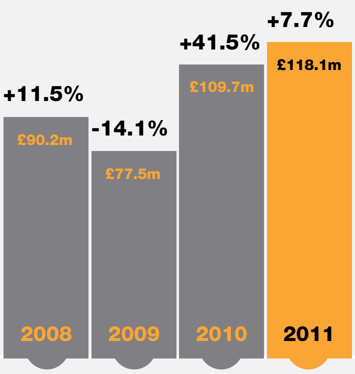
+7.0%
at £128.1m
(2010: £119.7m)



Operating profit was £120.6m (2010: £112.3m)

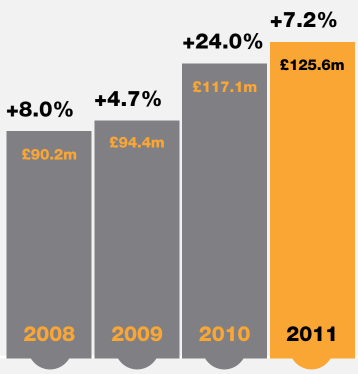
Profit before tax

+7.7%
at £118.1m
(2010: £109.7m)



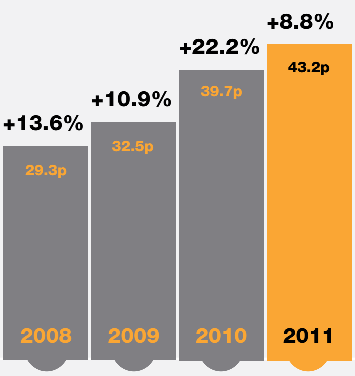
Underlying Profit before tax*

+7.2%
at £125.6m
(2010: £117.1m)



Underlying Basic earnings per share*

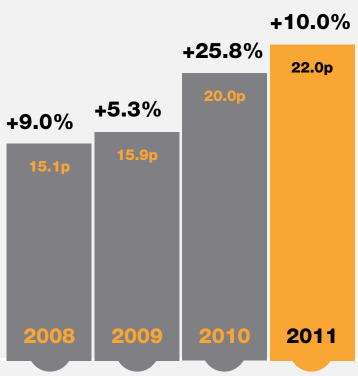
+8.8%
at 43.2p
(2010: 39.7p)



Basic earnings per share was 40.7p (2010: 36.8p)

Dividend per ordinary share

+10.0%
at 22.0p
(2010: 20.0p)



* before non-recurring items

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Chairman's Statement

Dennis Millard
Chairman

"To complement the product offer, store colleagues are charged with providing expert customer advice and delivering a suite of value-for-money wefit services. "

Financial year 2011 has seen an extended period of economic uncertainty and a fragile consumer market, a new Government in May 2010, an austerity budget in June and an increase in VAT to 20% in January 2011. Recognising this backdrop, management has focused on strengthening the core Halfords Retail division and on delivering its development plan for the recently acquired Autocentres business.

In Retail, revenue was down 5.2% reflecting the tough trading environment, but operating profit rose by 1.5% (excluding Central Europe) due to both margin expansion and costs being tightly managed. A number of significant change initiatives including the reconfiguration of the Group's warehouse and distribution network and the remodelling of staffing structures began to bear fruit, albeit after some disruption during the year, and the closure of our Central European operations was completed as scheduled. Our Autocentres business contributed £7million operating profit in its first full year and, although below our initial target, we are pleased with this investment.

As a result, growth in both underlying profit before tax of 7.2% and in earnings per share of 8.8% was achieved. Importantly, cash generation was robust, as is the Group's financial position. This has enabled the Board to recommend a final dividend of 14 pence per share resulting in a total of 22 pence for the year, an increase of 10% over the dividend of 20 pence paid last year. The strength of the Group's cash flows and financial position will enable the Board to ensure that shareholders continue to enjoy an attractive dividend distribution in the years ahead.

In November 2010, we secured a four year £300m revolving credit facility. This provides the Group with sufficient headroom and undrawn financing facilities to service its operating activities, working capital and on-going capital investment. In addition, in April 2011 we commenced a £75m share buyback programme. This reflects the Board's policy of maintaining an efficient capital structure.

Halfords Retail maintains market-leading positions across a unique blend of product categories that are made available to customers via a truly national 466 store network and a highly responsive multichannel offer. To complement the product offer, store colleagues are charged with providing expert customer advice and delivering a suite of value-for-money ***we***fit services. Dedication to this high service mantra for our customers is sacrosanct and non-negotiable.

Having acquired Nationwide Autocentres in February 2010, we have embarked upon a re-branding of the entire network. This was concluded in March 2011 and was heralded by the launch of a new radio advertising campaign and revamped website. Since then, the boost in revenues has been most encouraging. The plan remains to open some 30 stores in FY12.

As the Group entrenches its reputation as the UK's natural destination for "Life on the move", products and services, we launched a consolidated national advertising campaign "*that's helpful that's halfords*". The objective is to reinforce the service proposition that Halfords offers to its customers through a simple message.

At a time when the environment has been difficult for customers, David Wild, our Chief Executive Officer, and his experienced executive team have managed the business with vigour. They have adopted a trading strategy that offers great value, expert services and many new products, including the re-launch of our entire Premium Cycle range and the re-branding of the Halfords Autocentres, whilst maintaining a clear focus on cost control across the Group.

This year we welcomed to the board, Claudia Arney, who provides the board with broad multichannel experience, David Adams, with deep experience in retail and finance and who now chairs the Audit Committee, and Andrew Findlay as Finance Director with strong retail and finance credentials, latterly with Marks & Spencer. Nigel Wilson has stepped down from the board after seven years having been Audit Committee chairman and latterly our SID. Nick Wharton, our previous Finance Director also left the board after four years as a director with Halfords. We wish them both well and thank them for their dedicated service.

The Board has endeavoured to provide strong entrepreneurial leadership and governance. We have met on a number of occasions outside the scheduled nine meeting calendar as the need arose to consider new opportunities and challenges. Each member is actively engaged in interacting frequently with the management and my key role as chairman is to provide an open and challenging environment on the board. Given the recent changes to the board, we decided to postpone our annual board review until late in the year to give the new members the opportunity to settle in to Halfords. We then undertook a more personalised Board evaluation process than in the past, the learning's of which will be adopted in the year ahead.

On behalf of the board, I would like to thank the 9,300 loyal and dedicated Halfords colleagues in the store network, head office and distribution centres who have responded so positively to the needs of our customers and to the many initiatives implemented this year, and also to the 1,700 Autocentre staff who have performed so well in their first year as Halfords colleagues.

Since the beginning of the 2012 financial year, the underlying UK consumer environment has remained difficult though the unusually warm weather and proximity of numerous bank holidays in April resulted in a surge in retail spending. This was particularly evident in our Cycling and Travel Solutions categories on the back of an improving trend in the last quarter of FY11. Within Autocentres, the customer response to the re-branding has been heartening and the long-term growth opportunity of this business remains compelling. We have, however, drawn up our plans for the year ahead on the assumption of a challenging environment for the remainder of the year and will continue to pursue a strategy that further strengthens Halfords' unique market-leading product, multichannel and service propositions.

Dennis Millard
Chairman
8 June 2011.

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Business Review

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halfords.annualreport2011.com/br Go

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Market Review

United Kingdom (UK) & Republic of Ireland (ROI)

The Halfords business operates through retail stores, Autocentres and websites in the UK & ROI. We continue to grow market share in our core markets sectors where we have leading positions in attractive markets.

Our unique proposition creates value for customers through a combination of range, price, quality and service delivered through our multichannel offer by our colleagues who extend expert advice and service, thus differentiating Halfords from its competition.

The UK has been the core market since the Company was founded in 1892 and we have operated in the ROI since 2006.

Our Customers

The economic climate during the last year has created uncertainty for customers and reduced household incomes. All retailers have been affected through a reduction in discretionary expenditure on non-essential purchases and we have also seen customers delaying items like car repairs and servicing. A secondary effect is that fuel prices have led to motorists reducing mileage and hence their need for car products associated with normal wear and tear.

As a result sales across the year have been more difficult and we have not grown sales at the levels we would like to.

Even in a tougher climate Halfords looks to drive sales. Our response has been to focus on the needs of our customers for better value and to work hard to deliver this through a combination of great prices, innovative quality products and expert advice and service.

Looking to the year ahead we expect it to be just as demanding for our customers.

Halfords has market-leading positions in long-term resilient categories and we have worked hard to rebalance our prices and reinvigorate our ranges with innovative new products. Our Autocentres have been rebranded and we are now leveraging the strength of the Halfords brand in that market. We have launched initiatives to deliver sales growth and supported these with a new marketing campaign — "*that's helpful that's halfords*" — which emphasises Halfords' credentials. These initiatives give us the potential to trade more strongly in the year ahead.

Halfords Retail

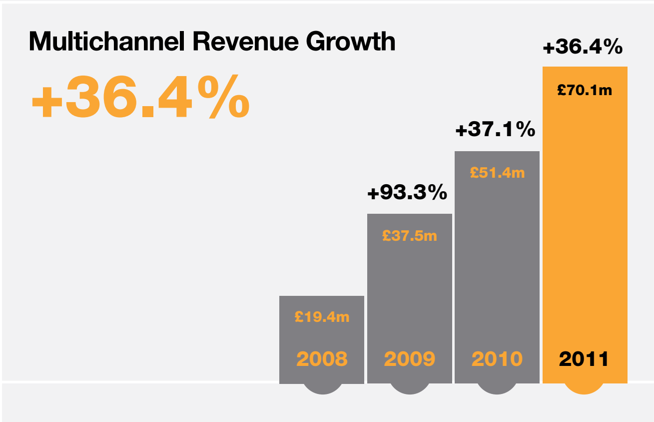
We retail from 466 stores in the UK and ROI, of which 402 are "Superstores", 29 are mid-sized "Compact" stores and 35 are the smaller "Metro" stores. In most catchments the preferred location is a 7,500 sq ft unit on an edge of town retail park with parking for around 20 cars. This is allows us to locate a superstore format which can carry some 10,000 lines.

Around the country 90% of the UK population are within a 20 minute drive of one our stores.

The Halfords retail business is split across three main product categories: "Car Maintenance", "Car Enhancement" and "Leisure".

Our UK and ROI websites carry our most comprehensive product selection and currently display 14,400 product lines. They received 40.5 million visitors in the year to March 2011. Our web traffic is growing at an annual rate of 35% and 81% of online sales are through our industry leading Reserve and Collect channel. Here customers buy online and collect from their nearest store, which allows us to provide further advice for customers and additional sales of accessories.

In the product categories, Car Maintenance is market-led with customers making needs based purchases. These are either to replace worn or failed parts like car bulbs, wiper blades and batteries or to meet legislative, manufacturer guidelines or safety concerns. This market is relatively robust and driven by the large and ageing UK car parc. Car Enhancement is technology led and depends largely on innovation to drive the market; it also responds to changes in discretionary income. Leisure covers a wide range, of which cycling is the largest proportion but also includes travel solutions, child safety and camping products where we drive business through both awareness and promotional activities.



Our response has been to focus on the needs of our customers for better value

Halfords Autocentres

Halfords Autocentres is the largest independent chain of car service garages in the country, comprising 240 centres. The chain was acquired in February 2010 and over the last year it has been fully rebranded as Halfords Autocentres. The car maintenance market is worth approximately £9bn annually, of which Halfords has approximately a 1% market share. The market is fragmented: at one end are the more expensive franchise dealers and at the other small independent garages. Since rebranding, the centres have been relaunched with a national advertising campaign to raise awareness and more proactive customer relationship management.

The majority of the business is from direct retail clients where most of the cars are over three years old. Advanced client relationship systems manage the retention of this type of business and the Halfords brand is expected to add further value to an already successful service offer.

Fleet customers tend to operate cars under three years old and recognise the cost saving benefits of a non-franchised, high quality, national organisation.

£9bn car aftercare market

466 stores and 240 Autocentres

Retail Strategy and KPIs

Our Retail strategy is built on the four pillars of

- Extending Range and Services
- Investing in the Store Portfolio
- Ongoing focus on cost control
- Leveraging the Halfords brand in multichannel

Retail Strategy

Extending Range and Services
Halfords' trading strategy is aimed at increasing the number of products purchased by customers on each visit to a store through dynamic use of store space in order to sell products which are seasonally relevant or which are being specifically promoted. The Directors have also increased staff participation in sales-related incentive schemes and have implemented specific incentives at peak trading periods to help drive sales.

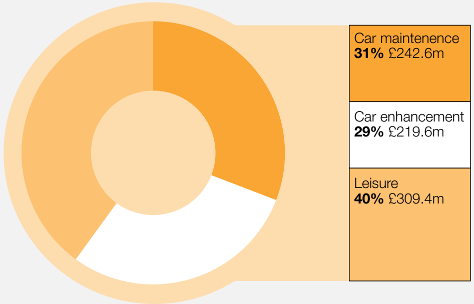
The Directors intend to continue to leverage Halfords' brands into new categories and new product ranges within existing categories. This is one route to increasing sales. During the year we introduced a variety of new products across our categories. These include innovative new designs like longer life car light bulbs, extension of our existing ranges, like new camping lines and entirely new ranges like our mobility products. In the coming year we will launch three new cycle ranges within our own brand *Carrera*, and our exclusive *Voodoo* and *Boardman* ranges.

Investing in the Store Portfolio
We are also expanding the services we offer. Halfords has a progressive approach to service, that provides fitting of many of the products that we sell. We now fit 23% of all the blades, bulbs and batteries we sell. We will also undertake oil top-ups and fit Sat Navs, child seats and roof boxes. Our move into Autocentres is a significant demonstration of our approach to extending the service that we offer motorists to include mechanical repairs, MOT and car servicing offer.

The Group has considerable experience in both converting existing stores and opening new stores. This year we have opened five new stores, closed one and relocated three, as well as refurbishing 26 others. Our active store refresh programme is working across the estate to rebalance the store layout and signage around the key areas of growth and customer focus within our stores.

Retail Revenue

£771.6m



We will be launching 3 new cycle ranges within our own brand Carrera*, and our exclusive* Voodoo *and* Boardman *ranges.*

Ongoing focus on cost control

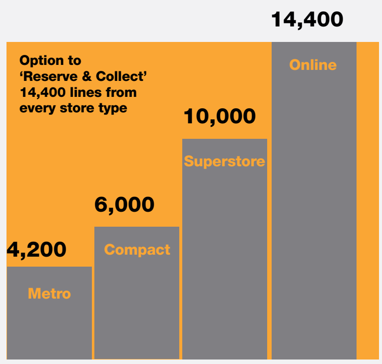
To provide the flexibility to invest in our customer offer we are vigilant across the business on cost control. We look for ways to reduce unnecessary overheads wherever possible. Operating expenses for the UK/ROI business, before non-recurring items, at £296.2m, were down 7.4% on the prior year. This decrease reflected reductions across all key cost categories. The benefits from the review of store labour rotas and structures combined with lower than planned colleague store incentive payments drove an £8.7m reduction in store staffing costs. Warehouse and Distribution costs fell marginally by 0.8%.

Leveraging the Halfords brand in multichannel

A major facet of our strategy is to stay at the forefront of multichannel development. Our brand is growing rapidly online as customers turn to the internet to research and buy products. We have invested in our dot com platform and developed a true multichannel approach where 85% of our internet purchases are researched and collected from our stores. Our unique product mix strongly favours added value, so when customers come to store we can offer further advice and fitting services.

Our brand is growing rapidly online as customers turn to the internet to research and buy products.

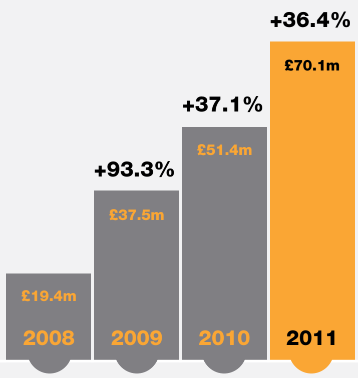
Online Product Ranges



Figures quoted are for typical store examples

Multichannel Revenue Growth

+36.4%



Retail Strategy and KPIs

Retail KPIs

KPI	Definition	Strategy	Commitment
Like-for-like sales	Like-for-like sales represent revenues from stores trading for greater than 365 days and include revenues denominated in foreign currencies translated at constant rates of exchange.	Extending range and services.	We are committed to maximising our like-for-like sales opportunities in whatever economic environment we find ourselves.
wefit/***we***repair jobs* * This KPI includes the sale of bike care plans.	The stores offer a fitting/repair service when customers purchase replacement products such as car bulbs, windscreen wiper blades and batteries (3Bs).	Extending range and services.	Expert knowledge, advice and service remain at the heart of the Halfords customer offer and, specifically through fitting, differentiate and defend the Halfords offer and generates attractive levels of return.
Number of Stores	The quality Halfords retail store is a key element of our customer proposition and a source of competitive advantage.	Investing in the store portfolio.	We will continue to focus on national scale as it supports our position as the store of first choice, with 90% of our customers within a 20-minute journey of one of our stores.
Number of Stores refreshed/ refurbished	The layout and offering within our stores is important as the two formats of choice (superstore and compact) allow us to reach both large and small catchment areas.	Investing in the store portfolio.	We will continue to review the lines available in each of our formats of choice, looking to refresh or refurbish as appropriate as we believe this enhances like-for-like sales growth in these stores.
Costs (as a % of sales)	Operating expenses from the Retail business activities expressed as a percentage of sales.	Ongoing focus on cost control.	We are committed to an ongoing focus on cost control. This ensures an efficient use of resources and the correct cost base for the prevailing economic conditions.
Online sales (as a % of total revenue)	Sales enacted via the web, through Reserve & Collect, Order & Collect and Direct Delivery	Leveraging the Halfords brand in multichannel.	The internet is changing the way our customers shop and providing us with new opportunities to grow our business. In the last few years we have introduced three ways to shop online: Reserve & Collect, Order & Collect and Direct Delivery.
Online Penetration (% of web customers visiting stores)	Percentage of online sales using the Reserve & Collect and Order & Collect offer and visiting stores after researching online.	Leveraging the Halfords brand in multichannel.	Our strategy is to seamlessly integrate halfords.com and our store operations. Our research tells us that our customers like the convenience of buying online but also want to visit our stores for our expert advice and added value services.

Annual performance	2007	2008	2009	2010	2011
In a difficult consumer environment we have responded with a trading strategy that offers great value and expert services.	+6.0%	+4.3%	-3.3%	+1.3%	**-5.5%**
We have continued with our advertising to raise the awareness of our ***we***fit services and have supported this in-store with an intense training programme to ensure that our store colleagues are trained to provide expert customer advice and fitting services.	1.18m	1.34m	1.70m	2.35m	**2.54m**
During the year we have opened five new stores, relocated three others and closed one.	426	450	466	462	**466**
We have refreshed 26 stores in FY11, and these have reported like-for-like sales growth ahead of the retail average.	n/a	n/a	22	10	**26**
During the year the Retail business completed on two key initiatives: a reconfiguration of our distribution centres and an in-store efficiency programme. The full benefits of these will be seen in FY12.	37.9%	37.8%	39.2%	40.0%	**38.4%**
During FY11, actual online sales rose by 36.4% to £70.1m. This performance was driven by increases in Car Maintenance, 46%; Travel Solutions, 57%; and Cycling, 42%.	1.17%	2.43%	4.67%	6.4%	**9.2%**
The development of our Order & Collect offer (launched in January 2010), whereby customers order online but collect direct from the stores, has driven a 5.2% increase in web customers visiting our stores.	n/a	54%	74%	77%	**85%**

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Autocentre Strategy and KPIs

Our Autocentre strategy is built on the four pillars of

- Maintaining and growing service advantage
- Investing in new centres
- Maintaining low cost structure
- Leveraging the Halfords brand

Autocentre Strategy

As planned the complete rebranding of 224 existing centres and the opening of 16 new centres has met our predictions for year one.

Maintaining and growing service advantage

The Service market consists of three broad segments. At one extreme are the franchised dealers: slick, credible and trusted but very costly and prepared to only operate at their own pace. At the other extreme are the small private garages and mechanics, a generally less polished experience and frequently without the security of a large organisation's resources, but the costs are lower. The Autocentres business is the perfect balance. We are always more competitive than franchised dealers and we have the brand and reputation to put customers at ease and the diagnostic computer technology to maintain most cars without affecting warranties.

We are also targeting increased penetration of the fleet market. There is growing realisation amongst fleet operators that our business offers them the scope to lower the cost of maintaining their vehicles without compromising the quality of the service they receive in any way.

Investing in new centres

The second pillar of our sales growth strategy is to increase the number of centres. Our research on the geography and demographics of the £9bn car servicing and repair market and of our local catchment sizes shows that there is scope for up to 600 Autocentre locations throughout Britain. We will add new centres at the rate of approximately 30 further locations per year until we reach this point.

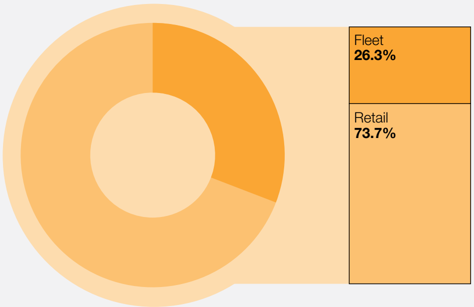
Maintaining low cost structure

We aim to increase sales in existing centres and make use of spare capacity in our technicians. Jobs per productive worker per week have improved from 12.5 to 13.8 over the last five years and we believe we can raise this to at least 17, i.e. a further 19% increase in revenue without needing more fixed cost or more labour. We aim to improve customer retention at our existing centres: over the last five years this has increased from 43% to 51.5% and we believe we can ultimately achieve 60%+. We will achieve this through better marketing and use of customer data. Our main commitment though is to the highest levels of customer service and we measure this through the Net Promoter Scoring which scores each centre on customer feedback and recommendation.

Leveraging the Halfords brand

We are leveraging the Halfords brand in the car servicing sector to cross sell our services to existing Halfords customers and to recruit new ones. This will give our Autocentres significantly more credibility and recognition and make our marketing much more effective in attracting customers. Since acquiring our autocentre business we have rebranded the entire estate as Halfords Autocentres and launched our first high profile national media campaign on radio.

Autocentre customer types



New Autocentres in FY11
- *new centres*
- *existing centres*

Our target is to open new Autocentres at a rate of 30 per year.

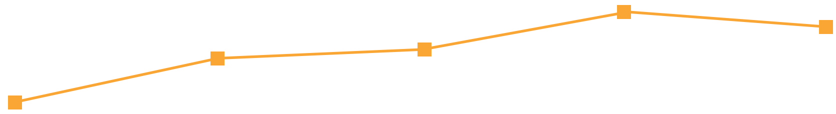
halfords

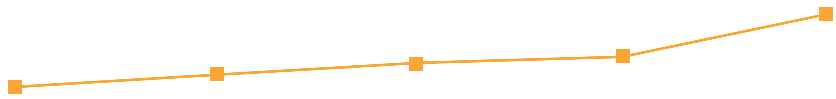
Autocentre Strategy and KPIs

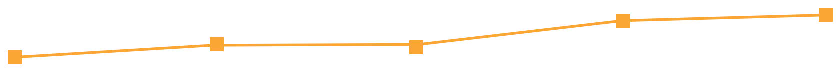
Autocentres KPIs

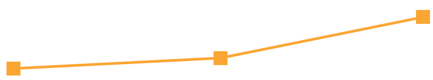
KPI	Definition	Strategy	Commitment
Like-for-like sales	Like-for-like sales represent revenues from centres trading for greater than 12 months.	Maintaining and growing service advantage.	We are committed to maximising our like-for-like sales opportunities in whatever economic environment we find ourselves.
Fleet sales (as a % of total sales)	Sales accessed from Car Fleet operators.	Maintaining and growing service advantage.	The Company will continue to focus on providing dealer quality services at independent garage prices
Number of Centres	The number of Autocentre servicing centres within the UK.	Investing in new centres.	Our research on the geography and demographics of the £9bn car servicing and repair market and of our local catchment sizes shows that there is scope for up to 600 Autocentres.
Jobs per Productive per Week ("jpppw")	Total jobs undertaken by the Company divided by the average number of appropriate productive technicians and apprentices	Maintaining low cost structure.	We aim to increase sales in existing centres and make use of spare capacity in our technicians. We believe that we can raise jpppw to 17, i.e. a further 19% increase in revenue, without needing more fixed cost or more labour.
Online Bookings	The number of service bookings made via halfordsautocentres.com against those made direct with centres.	Leveraging the Halfords brand.	Enhancing our online offer and further extending our online presence through both halfords.com and halfordsautocentres.com is a Group investment priority.

Annual performance	2007*	2008*	2009*	2010	2011
In a tough consumer environment, where customers have been very deliberate about their spending plans we have experienced a delaying effect as customers manage their discretionary spend.	-0.6%	4.1%	1.2%	3.4%	**-0.6%**
This strategy has helped drive Fleet business, to the extent that fleet cars now represent over 1 in every 4 cars serviced.	21.9%	22.4%	22.6%	26.7%	**26.3%**
We have opened 16 new centres in FY11, whilst at the same time rebranding and refurbishing the existing 224. We aim to open a further 30 centres in FY12.	208	216	222	224	**240**
Jobs per productive worker per week have improved from 12.5 to 13.8 over the last 5 years.	12.5	12.9	13.0	13.7	**13.8**
The development of a group strategy and providing an Autocentres link from Halfords.com has driven an increase in online bookings of 102% in March 2011.	n/a	n/a	97,942	111,261	**138,954**









* Data relates to the Autocentres business under previous ownership.

People and Culture

Delivering on *helpful*

Our brand and values serve the Group both internally and externally. With over 109 years of heritage our brand, which began as being associated with bikes, has progressed to be synonymous as broader trusted retailer. Past research has identified the Group has having the following characteristics;

- Offering a unique combination of products
- Being No.1 in a number of its core categories and being the destination of choice for many markets

Within this offering Halfords and its colleagues have always gone the extra mile for our customers and this has created an environment in which store colleagues are always keen to help customers to fulfil their purchase and service needs.

The "*We go the extra mile*" philosophy was delivered by colleagues offering their help and creating an expectation of service from the customer, however when questioned not many customers were aware of the full range of products and services available from Halfords.

During 2011 we commissioned our advertising agency, to develop a new campaign, based on new market research. This research confirmed the need for Halfords to focus on points of differentiation, which were not being acknowledged by our customers.

At a time of economic and household income pressures we were seen as been judged on price not on value, there was a low awareness of the value add services that made us different to other retailers and with the launch of Halfords Autocentres we were not building on consumer loyalty across a portfolio of products and services that had never been wider.

The idea for a new campaign came from customers. Research showed they think we are helpful. It's also the principle reason customers give when they recommend us to their friends. So our new campaign speaks about one of our main strengths.

This is the start of a new era for Halfords, because we are giving a public commitment to being helpful. And while helping is our strength, customer feedback also throws up a lot of examples of where we have fallen short of people's expectations - in part because they expect so much from us! So we do need to redouble our commitment to understanding what customers need and ensure we deliver *helpful* consistently for them.

We must also be focused on helping our front line colleagues. Ultimately, *helpful* is delivered in store, but that can only happen if we give our store colleagues all the support they need — the products, the availability, the appreciation, the information.

that's helpful that's halfords will make a major difference for our business and help us achieve our commercial goals. It will encourage customers to be more loyal, recommend Halfords to their friends and these actions will drive footfall and sales. We will be a very different and better company.

There's been a lot of hard work and preparation getting us to this point. Each and every one of Halfords' colleagues now has the chance to take *helpful* to the next stage making it a living, breathing part of our business. In delivering *helpful* we will be in tune with our customers' needs, make their, and our lives easier, continue to go the extra mile for our customers and use all our expertise to be helpful as we go public with our commitment. The journey has begun.

What Customers want + What we do = helpful

Customer Response

Dear Halfords

I am sending you this email to express my extreme satisfaction with the service that I have received from your Northallerton, North Yorkshire branch.

Working in the retail food industry, high levels of customer service are high on my agenda seven days a week. I am responsible for nearly 800 food stores and spend much of my time encouraging great customer care.

A few weeks ago I took delivery of a new E Class Mercedes Coupe and called into the store to buy a Thule roof rack system and bike carriers. The problem that I encountered was that having the model with a panoramic glass sun roof, that when open lifts - the standard Thule kit for the coupe was not suitable. The store manager Guy spoke with Thule and called me back to advise that they did not make a suitable kit for my car. This was despite the Thule website indicating that they did - but showing incorrect part numbers - that would not give sufficient clearance for the roof to open.

I returned to the store and one of the team - Lee set to and was determined to solve this issue. The relevant parts were duly ordered and last Saturday Lee and a colleague fitted these for me - and again found that another part number (aero bars) shown by Thule was incorrect as they were wider than needed.

I now have a perfect solution that is 100% correct and I am delighted.

The standard of customer care shown by Guy, Lee and his colleague - name unknown as they were wearing orange fluorescent jackets to keep dry in the heavy rain that did not deter them.

When the job was completed, I offered them £10 to buy a drink and Lee very politely declined saying that it was company policy.

Your team really went the extra mile, and this is certainly not the first time that my wife and I have had exceptional service from the branch, they are a credit to your company.

Sincerely
John
Northallerton

Dear Halfords

I felt I had to write to you and congratulate you on your excellent service. I visited your Livingston, West Lothian, store this morning and could not have been treated any better. I wanted a car seat for my grand daughter and the assistant, Heather, who attended to me gave me all the help and advice I needed.

She explained all about the ISOFIX and even came out to my car to look and see if I had it!!! She then brought the seat out and showed me exactly how to slip it into position. I will most certainly be recommending you and thank you very much indeed for your help.

It is so nice to walk out of a shop nowadays and be able to tell people how well you were treated and made to feel as if it mattered to the staff that you were happy - Halfords certainly managed this today. I am very happy.

Winnie Smith (Mrs)
West Lothian

Mobile News did a mystery shop of 5 shops (T Mobile, 02, Carphone Warehouse, Orange and Halfords Warrington) asking for a fully fitted car kit for handsfree calling. Halfords came out top by a long way – with the reviewer writing: "Halfords was the clear winner, combining available product with great service and a good demonstration."

The other was a blogger write up on The Baby Website, who had gone into Halfords Aylesbury to have baby seats fitted for her two young twins. Aaron did a great job of putting the customer at ease and finding out exactly what she wanted.

Halfords Customer Service
Redditch

David Wild
Chief Executive

"Our ongoing focus is to offer great value to our customers through the quality and price of our products and the expertise and service of our colleagues."

Use your phone's bar code app and go directly to the relevant page on our website.

halfords.annualreport2011.com/ceo Go

Business Review — Performance

halfords

Chief Executive's Review

David Wild
Chief Executive

*"In our Retail business we have also built sales through Halfords.com, made progress with our store portfolio refresh programme and significantly extended our **we**fit services."*

Introduction

The UK and ROI retail sector is going through one of the toughest times for many years. A combination of low economic growth, higher taxes and successive increases in VAT to 20% have reduced disposable income while higher raw material and fuel costs have put pressure on input prices.

Halfords' response has been to do what we do best — to offer great value to our customers through the quality and price of our products and the expertise and service of our colleagues. In our Retail business we have also built sales through Halfords.com, made progress with our store portfolio refresh programme and significantly extended our ***we***fit services. We have done this whilst managing costs sensibly and investing for the future. Our Autocentres business, acquired in February 2010, was rebranded during the year and is now positioned to leverage the Halfords brand in the automotive aftercare sector.

We completed the closure of our operation in Central Europe to focus on the growth opportunities in the near term.

Review of Trading

In what has been a difficult trading year the Group generated an 7.2% increase in underlying PBT and continued cash generation for shareholders through good cost management and margin control with free cash flow of £54.7m, after paying dividends of £46.2m.

Group sales were £869.7m, up 4.6% overall. This reflected the acquisition of our Autocentres business, which added £98.1m of sales to our Retail sales of £771.6m.

Within Retail, sales across the year on a like-for-like basis ("LfL") averaged -5.5% as customers responded to economic conditions. Our sales performance was also affected by some one-off factors like supply issues from the Far East following the Chinese New Year, reduced availability during the commissioning of our new Distribution Centre and the product balance in our bike range.

Car Maintenance had a solid performance growing by 0.6% LfL and a raise in market share. We saw strong sales during December's severe winter weather when products like anti-freeze, de-icer and scrapers sold in record volumes.

Our ***we***fit service has seen another year of strong growth. We now fit 23.5% of the bulbs, blades and batteries we sell as more customers look to Halfords for expert help with basic car maintenance.

Car Enhancement suffered from the continued market contraction of Sat Nav and Audio. Halfords consistently gained share in a declining Sat Nav market across the year. Audio gained market share in the last three months, through better deals with branded suppliers and a focus on accessory sales.

In Leisure we again saw increases in the sales of tents and camping equipment and increased market share. Cycle sales were less buoyant, due in part to the range issues in the Spring/Summer and winter snow that slowed sales pre-Christmas.

Halfords.com business has grown strongly across the year. Sales have increased by 36.4% and now represent 9.2% of total Retail sales. We have invested in better technology, site information and deals.

"While the sales performance has been challenging, this year has been a period of significant operational progress for the group."

Sales at our Autocentres business were also affected by economic conditions and sales decreased by 0.6% LfL as drivers cut back on mileage and deferred some repair work. We also decided to delay our marketing spend until the completion of rebranding and refurbishment of the whole Autocentres estate so that we could advertise on a national basis. Since the relaunch of the centres and a new Autocentres Website we have seen encouraging signs of increased awareness and sales.

Operational progress

While the sales performance has been challenging, this year has been a period of significant operational progress for the group. Our major initiatives have enhanced customer service, reduced costs and established a solid platform for future growth.

We successfully reconfigured our distribution network with a new Distribution Centre at Coventry, equipped with state-of-the-art logistics technology. Following some initial disruption, the new DC is now running smoothly and was a major contributor to the excellent availability of winter products in our stores pre-Christmas. The second element of our revised logistics is our Redditch warehouse dedicated to cycles.

We also reorganised our store staff structure and rostering schedule and strengthened store management. This makes more staff available to serve customers during peak periods, provides a clearer career path for colleagues and brings savings in our overall cost of labour.

New brand campaign

Our plans for the year ahead are supported by the launch of our new brand campaign "*that's helpful, that's halfords*". This reinforces our unique service proposition, demonstrating how we understand our customer's needs and can help them live life on the move. These initiatives give us the potential to trade more strongly in the year ahead.

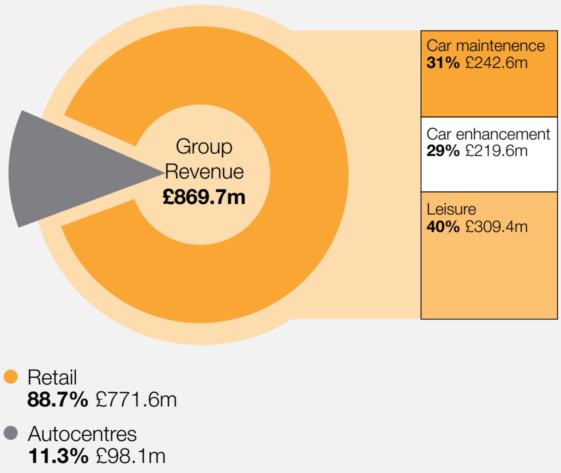
Retail

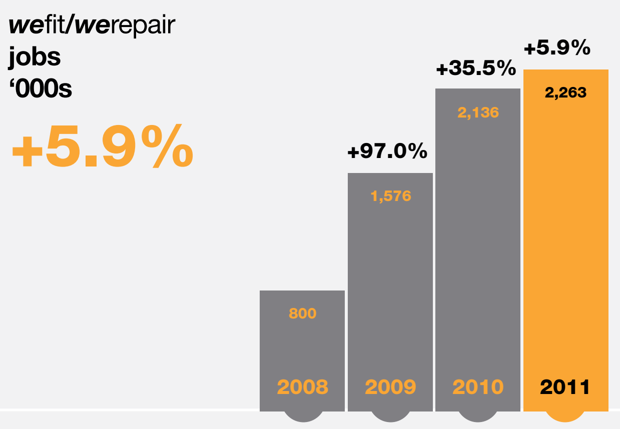
Our consistent strategy continues to provide a roadmap for the development of our retail business.

Whilst the economic environment will remain tough in the year ahead, we remain confident that our leading positions in strong markets, and the continued development of our multichannel offer will continue to provide good opportunities for future growth, backed by active gross margin management and tight cost control.

Our ongoing focus is to offer great value to our customers through the quality and price of our products and the expertise and service of our colleagues.

Group Revenue





Chief Executive's Review continued

We will:

1. Extend our range and service advantage
2. Invest in our store portfolio
3. Continue to focus on cost control
4. Leverage the Halfords brand in multichannel

1. Extending our range and service advantage

Range

Halfords Retail maintains market-leading positions across a unique blend of categories with ranges of unrivalled breadth and depth. Our scale provides a unique ability to develop and source high quality, own brand alternatives to branded ranges. These offer customers real value through innovative, high specification products at great prices and create a competitive advantage for Halfords. This programme complements the close association and exclusivity we have with many leading global manufacturers brands.

Halfords *Apollo* is the nation's leading bike brand and this year we completely relaunched the range with 16 new models with stronger designs and a focus on the trend towards hybrid bikes for adults. In our Travel Solutions ranges we successfully launched a new exclusive brand of child seats called *Pampero* and a redesigned range of *Exodus* roof boxes. We developed and extended our camping range and were particularly successful with our Halfords and *Urban Escape* branded tent packs. Meanwhile in Car Entertainment we were the first movers in the development of a digital radio offering through the introduction of our new own-brand *Sonichi* units.

Looking to the year ahead our focus on product innovation continues. We have launched a 2011 range of Boardman cycles, designed exclusively for Halfords in the UK by former Olympic Champion Chris Boardman. This completely new range of 17 models has already been widely acclaimed for its leading designs, construction and price competitiveness and is endorsed by world famous riders like Alistair Brownlee, the reigning World Triathlon champion. Halfords also has an exclusive arrangement to sell *Voodoo* bikes in the UK, designed by Joe Murray, the award-winning American mountain biker. This range offers a premium product to the serious mountain bike rider and we have introduced a new range for this year.

Most of the bikes we sell we also build for our customers. This year we are extending our range to include our Trax brand sold boxed for self assembly. This quality bike will be available at entry-level prices and gives Halfords a competitive offer against supermarkets and other non-specialist outlets. These innovations mean that Halfords is uniquely positioned to compete strongly at all levels of the cycle market from entry level boxed bikes to premium cycles for the competitive rider.

Extending our Service

The expert knowledge, advice and service of our instore colleagues are at the heart of the Halfords customer offer. They sell and fit many of our products and this differentiates Halfords from our competition, acts as a barrier to market entry and generates attractive levels of return.

We build 95% of the bikes we sell and all new bikes come with the offer of a free six-week first service. Sales of our Bike Care Plan, which provides repairs free of labour charges, increased by over 28.3% during the year and have contributed to a 16.3% increase in our service sales revenue.

All product categories include a core service element, for instance, more than 2,000 colleagues are professionally trained and accredited by RoSPA to fit child seats to cars. The foundation of our fitting proposition though is ***we***fit, the on-demand fitting of Car Bulbs, Windscreen Blades and Batteries, (3Bs), by our trained in-store colleagues. During the year some 1.91 million ***we***fit jobs were completed and 23.5% of all 3Bs sold were also fitted.

Our strategy is to grow awareness of our fitting capability and to continue to invest in technical and skills training of colleagues so that we can further increase fitting levels. We have set stretching targets for the year ahead to increase awareness, uptake and revenue from our service offer.

Our colleagues, in all areas of our business, are of paramount importance to the provision of both our services and our helpfulness to our customers. Their passion and abilities are central to the delivery of our strategic objectives and we are extremely proud of their commitment and enthusiasm.

"Sales of our Bike Care Plan, which provides repairs free of labour charges, increased by over 28.3%"

2. Investing In The Store Portfolio

The location, assortment and layout of the Halfords Retail store estate is a key element of our customer proposition.

With 466 stores trading throughout the UK and Ireland our scale supports our position as the store of first choice. 90% of our customers live within a 20-minute journey of one of our stores.

We have refurbished 26 stores with plans for 50 more in the next twelve months. The sales uplifts are encouraging and represent a good return on the invested capital. In London we are exploring new formats, reflecting the shortage of suitable Superstore opportunities.

3. Ongoing focus on cost control

We are committed to an ongoing focus on cost control. This ensures efficient use of resources, the correct operating base for the prevailing economic environment and the headroom to fund strategic investments in future growth.

Our three major initiatives this year included the reconfiguration of our distribution network, the review of our store labour structure and favourable negotiations with landlords.

We have a flexible sourcing policy and work closely with suppliers around the globe to ensure we achieve the most competitive product costs. Our sourcing team based in Asia control all aspects of the supply chain to eliminate unnecessary costs in transport, shipping and stock holding.

Looking to the year ahead, payroll, energy and occupancy costs are expected to increase the underlying cost base by around 2.5%. Planned investments in incentives and IT infrastructure will add a further 1.5%. Product cost pressures are also increasing, but our market leading positions and sourcing options provide some flexibility.

4. Leveraging the Halfords brand in multichannel

Online sales have grown rapidly during the year by 36.4%, ahead of the industry average of 19.9%. Online sales currently represent approximately 9.2% of Halfords Retail sales.

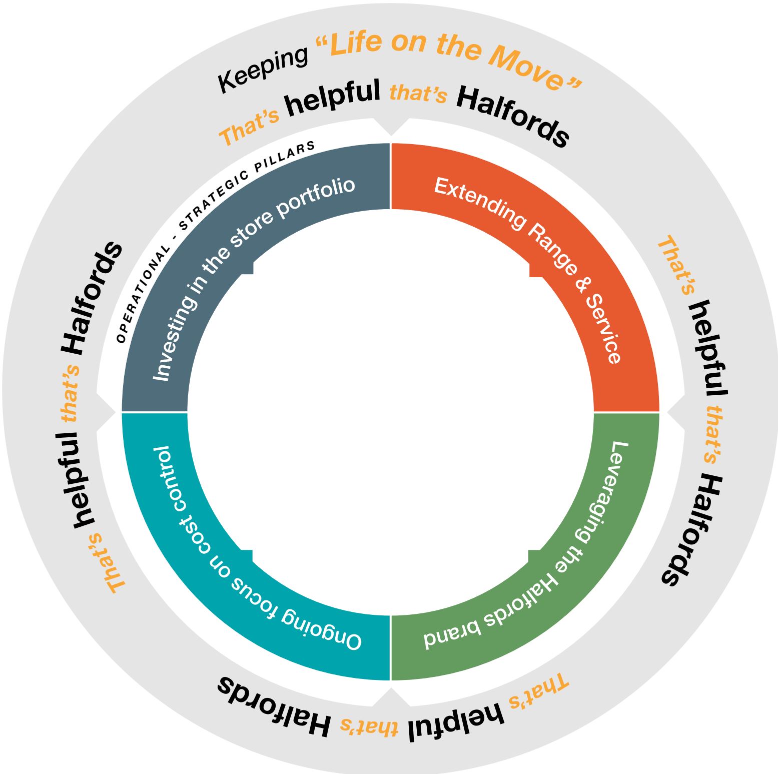
We have made enhancing our online offer and further extending our multichannel presence an investment priority. In line with market trends, we continue to increase the amount of advertising dedicated to this medium. This year customers have also added 26,000 ratings and reviews, which together with our "Ask and Answer" facility allows customers to tap into the expertise and experience of other users.

In addition to extending the site functionality, we have increased the range of products we offer online. Much of the additional inventory is managed in partnership with 3rd party suppliers, this reduces stock costs and obsolescence risk.

Our strategy is to seamlessly integrate halfords.com and our store operations. Our product mix lends itself to this strategy, as customers often want further advice, or a demonstration and fitting. Our online ordering service offers customers the option of direct delivery or to reserve and collect items at their local store. 85% of online transactions are collected in store. The ability to add further expert advice and service to our online mix gives Halfords a differentiated offer and a competitive advantage.

Autocentres

This has been a year of significant progress and integration since we acquired the business in February 2010. We carried out detailed customer research on how to apply the Halfords brand into the auto servicing market and then rebranded and refurbished the whole estate of 240 service centres as Halfords Autocentres in a rolling programme across the year.



Since rebranding was completed we have been actively promoting Halfords Autocentres through a national radio campaign and online marketing with encouraging results.

Halfords Autocentres is an excellent complement to Halfords Retail, building on our growing car parts and ***we***fit service business. Car aftercare is a large and highly attractive sector with a value of £9bn. Capacity is shrinking as the number of independent garages declines leading to increasing demand from motorists for a reliable, quality independent operator.

The long-term growth opportunity of this business remains compelling given the market size, its fragmentation, the strength of the Halfords Autocentres proposition and the potential to leverage the Halfords brand. During the year we also opened 16 new centres, 30 new centres are targeted in FY12 and in the medium term we believe there is an opportunity for up to 600 centres nationally. Further growth opportunities exist from fleet customers and accelerating tyre sales. Benefits of the operational gearing of the Autocentres business are expected as sales improve, supported by cost and purchasing synergies.

Summary and outlook

Halfords retains clear leadership in its core retail markets of cycling and car maintenance. We are a resilient business with an excellent brand and have adapted to the changing needs of our customers by creating innovative, quality products at great prices supported by the expertise and service of colleagues.

We believe Halfords unique, market-leading position provides strong potential for us to consolidate further the fragmented markets in which we operate. Our Autocentre business gives us a market leading position in a large and unconsolidated market and opens another exciting avenue of growth for Halfords.

We expect the consumer environment to remain challenging, but we have demonstrated that our business can make good progress in these conditions. Our market leading positions, ongoing actions to reduce costs and strong cash flow characteristics provide a solid platform for medium term growth through our core strategic growth initiatives.

Through this focus on creating value for our customers and active management of the business, the Board believes the Group is well positioned for the year ahead.

This has been a demanding year for the business and our colleagues have risen to the challenges of the year with energy and determination. It is a pleasure to lead such a great team of people and I would like to thank them for their adaptability and hard work in the tough environment in which we currently operate.

David Wild
Chief Executive Officer
8 June 2011

Finance Director’s Report

Andrew Findlay
Finance Director

“Group gross profit at £485.0m represented 55.8% of revenue reflecting an uplift in Retail of 17 basis points (‘bps’) and incorporated a full year of the Autocentres business.”

Halfords Group plc (“the Group” or “Group”)

All references to Group represent the consolidation of the Halfords (“Halfords Retail”/”Retail”) and Halfords Autocentres (“Halfords Autocentres”/”Autocentres”) trading entities. The Halfords Group operates through two reportable segments or strategic business units — “Retail” and “Car Servicing” in the United Kingdom (UK) and the Republic of Ireland (ROI).

Financial results

The 2011 accounting period represents trading for the 52 weeks to 1 April 2011. The comparative 2010 period represents 52 weeks to 2 April 2010 for Halfords Retail, and the 44 days post acquisition period for Halfords Autocentres.

Group revenue in 2011 was £869.7m, comprising Retail revenue of £771.6m and Autocentres revenue of £98.1m. This compares to 2010 Group revenue of £831.6m (Retail £818.1m; Autocentres £13.5m). Group gross profit at £485.0m (2010: £452.7m) represented 55.8% of revenue (2010: 54.4%) reflecting an uplift in Retail of 17 basis points (“bps”) and a full year of the Autocentres business which generated 66.3% gross margin.

Total operating costs before non-recurring items increased to £356.9m (2010: £333.0m) of which Retail represented £296.7m (2010: £324.4m) and Autocentres £58.0m (2010: £8.3m). Central unallocated expenses of £2.2m (2010: £0.3m) represent the amortisation charge in respect of intangible assets from the acquisition of Nationwide Autocentres in February 2010, which arise on consolidation of the Group results.

A non-recurring expense of £7.5m was provided in the year. This expense relates to the creation of a provision for the potential liabilities arising from lease guarantees provided by Halfords prior to July 1989. An estimate of the potential liability relating to these guarantees was previously disclosed as a contingent liability in the Interim financial statements. 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. Non-recurring expenses of £7.4m were incurred in 2010 relating to the closure of the Group’s seven store pilot within Central Europe.

Halfords Retail before non-recurring costs

£m	**2011**			2010		
	UK/ROI	**Central Europe**	**Total**	UK/ROI	Central Europe	Total
Sales	**769.7**	**1.9**	**771.6**	812.2	5.9	818.1
Gross Profit	**419.9**	**0.1**	**420.0**	441.7	2.1	443.8
Costs	**(296.2)**	**(0.5)**	**(296.7)**	(319.8)	(4.6)	(324.4)
Operating Profit	**123.7**	**(0.4)**	**123.3**	121.9	(2.5)	119.4

Underlying profit before tax and non-recurring items was up 7.2% to £125.6m (2010: £117.1m).

Profit before tax after non-recurring items was up 7.7% to £118.1m (2010: £109.7m).

halfords.annualreport2011.com/fd Go

Revenue for the UK/ROI business of £769.7m reflected a total sales decline of 5.2%, with a like for like sales decline of 5.5%, partially offset by £1.2m of revenue from new space. The negative impact of Easter timing on 2011 sales was around 0.6%. By category, Car Maintenance revenues were up 0.2%, whilst the more discretionary categories of Car Enhancement and Leisure were down -12.7% and -3.5% respectively. The relative split of revenues between Car Maintenance, Car Enhancement and Leisure categories was 31.4%: 28.4%: 40.2% (2010: 29.6%: 30.7%: 39.7%).

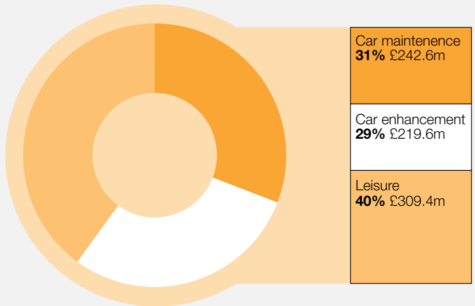
Gross profit for the UK/ROI business at £419.9m (2010: £441.7m) represented 54.5% of sales, a 16 bps improvement on the prior year (2010: 54.4%). This improvement in gross margin reflected continued progress in penetration of fitting services, increased accessory sales, and better sourcing, particularly in the first half of the year, while relative sales growth in the higher margin car maintenance category also enhanced margin. Although full year gross margins have improved, the second half saw a 9bps decline on the prior year, primarily reflecting increased product cost pressures, increased levels of promotional activity and participation and some selective price realignment in response to the difficult trading environment. These margin pressures are expected to continue throughout 2012.

Operating expenses for the UK/ROI business, before non-recurring items, at £296.2m, were down 7.4% on the prior year. This decrease reflected reductions across all key cost categories. The benefits from the review of store labour rotas and structures combined with lower than planned colleague store incentive payments drove an £8.7m reduction in store staffing costs (2011: £78.1m; 2010: £86.8m). Warehouse and Distribution costs fell marginally by 0.8% (2011: £27.5m; 2010: £27.8m). The new network was opened in July 2010 and is now fully operational; however improvements in efficiency took longer than expected to deliver and were further compounded by a combination of record winter volumes, inflationary pressures on fuel and dual running costs to ensure that availability was maintained in store during the transition period. Without the new network in place Warehouse and Distribution costs would have been c.£1m higher. Store occupation costs fell 4.6% (2011: £135.4m; 2010: £142.0m) due primarily to successful rent negotiations and reduced depreciation, although this was partially offset by increased utility and rates inflation which is expected to continue in 2012. A reduction in support costs, down 12.7% (2011: £55.2m; 2010: £63.2m) reflected savings in administrative expenses, the largest element being the non-payment of head-office incentive payments. Removing the cost savings that were more one- off in nature, the underlying cost base of the UK/ROI Retail business for 2011 would be around £300m.

The discontinuation of the Central European Retail operation was announced late in 2010. In 2011, while the closure progressed, this operation generated revenues of £1.9m (2010: £5.9m) and a loss before taxation of £0.4m (2010: £2.5m) after operating expenses of £0.5m (2010: £4.6m).

Retail Revenue

£771.6m

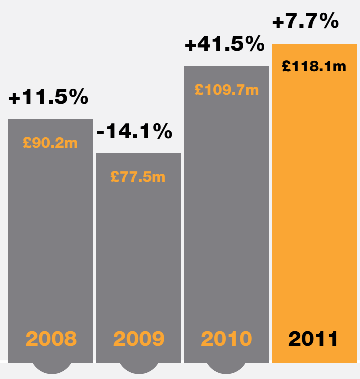


Profit before tax

+7.7%

at £118.1m

(2010: £109.7m)



Finance Director’s Report continued

Halfords Autocentres

£m	2011	2010 Reported 44 days	2010 Proforma 52 weeks
Sales	**98.1**	13.5	97.3
Gross Profit	**65.0**	8.9	64.9
Costs	**(58.0)**	(8.3)	(56.5)
Operating Profit	**7.0**	0.6	8.4

Autocentres generated total revenues of £98.1m in their first full year in the Halfords Group (2010 reported £13.5m; 2010 proforma £97.3m). Sixteen new Autocentres opened in the year, generating £1.5m of new incremental revenue, taking the total number of Autocentres locations to 240 as at 1 April 2011. The small decrease in revenues from the existing 224 centres reflected the effects of lower mileage driven by customers and their deferral of non-urgent servicing work. The 2011 results reflected minimal benefit from the UK wide brand relaunch which was postponed to the last quarter of the financial year.

Gross profit at £65.0m reflects a gross margin of 66.3%, down 50bps on proforma 2010 levels driven by an increase in the sale and fitting of lower margin tyres and a lower proportion of high margin servicing revenues partially offset by improved sourcing of parts and oil.

Portfolio management

The Group continues to actively manage its store portfolio. During 2011 the Retail business opened five stores, relocated three, closed one and refurbished 26. Lease extension and reductions were completed on nine further locations. The Group continues to lease one vacant property which is being actively marketed. Within Autocentres, 16 new centres were opened and two centres were relocated in the period.

Operating leases

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 5 to 15-year term at inception. The Group has a total commitment under non-cancellable operating leases of £737.9m (2010: £811.5m).

Finance Expense

Net finance expense was £2.5m (2010: £2.6m). The lower expense in the period included £0.9m of interest income relating to the settlement of amounts due from HMRC, and 4.5 months of interest expense and charges under the new revolving credit facility in place since 12 November 2010. Average net bank borrowings were marginally higher than last year reflecting the acquisition of Nationwide close to the prior year end. The costs of forward exchange contracts were £0.3m higher than last year.

Taxation

The taxation charge on profit for the financial year was £32.6m (2010: £32.7m), including a £2.1m credit (2010: £1.4m) in respect of the tax on non-recurring items, and represents a full year effective tax rate of 27.6% (2010: 29.8%). The effective tax rate of 27.6% differs from the UK corporation tax rate (28%) principally due to the non-deductibility of depreciation charged on capital expenditure and the reassessment of anticipated future tax deductions from employee share schemes offset by a reassessment of historic tax provisions required against tax uncertainties.

Earnings per share (“EPS”)

Basic EPS before non-recurring items was 43.2 pence (2010: 39.7 pence), an 8.8% increase on the prior year. Basic EPS for the period was 40.7 pence (2010: 36.8 pence) a 10.6% increase.

Dividend

The Board is recommending a final dividend of 14 pence per share (2010: 14 pence), which, in addition to the interim dividend of 8 pence per share (2010: 6 pence), generates a total dividend of 22 pence, an increase of 10% on 2010 (20 pence). In line with the Boards’ intention, communicated in November 2010, to increase over time the proportion of the full year dividend represented by the interim dividend to approximately 40%, the split of the total dividend between interim and final dividend has moved to 36:64 in 2011 from 30:70 in 2010. Given Halfords strong cash generative characteristics, the board will maintain a progressive dividend policy whilst targeting dividend cover of broadly 2 times earnings over the medium term.

Subject to shareholder approval at the Annual General Meeting the final dividend will be paid on 5 August 2011 to shareholders on the register at the close of business on 1 July 2011.

Capital expenditure

Capital investment in the period totalled £22.8m (2010: £20.4m) comprising £16.6m in Retail and £6.2m in Autocentres.

Consistent with prior periods, management have continued to adopt a prudent approach with regard to capital investment. During 2011 the Group invested £14.6m in its property portfolio (2010: £7.4m), including £8.4m within Retail and £6.2m to drive the Autocentres roll out plan and the rebranding of the Autocentres sites under the Halfords banner. Systems to support the Retail business and its online customer proposition attracted £1.3m of investment. This is an increasing area of focus within the business and investment in business systems and the web proposition will continue into 2012. The completion of the National Distribution Centre project in 2011 resulted in £3.4m of capital expenditure during the year.

Inventories

Group stock inventory held at 1 April 2011 was £147.6m (2 April 2010: £138.5m), up 6.6% on the prior year. Lower cycle sales over the Christmas period, a late Easter in 2011, earlier stock fulfilment to avoid prior year stock outs as a result of Chinese New Year and stock build in advance of Spring and Summer 2011 product launches to ensure enhanced store availability, contributed to this increase. 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 centres with most parts being acquired on an as-needed basis.

Cash flow and borrowings

The Group has continued its strong track record of cash generation. Net cash generated from operating activities in 2011 was £118.4m (2010: £148.1m). Free cash flow of £54.7m is after taking into account taxation, dividends, share issues, capital expenditure and net finance costs.

Total net bank debt at 1 April 2011 was £91.4m (2 April 2010: £143.5m) while further borrowings of £11.8m (2010: £12.0m) in respect of the Head Office finance lease resulted in Group net debt at 1 April 2011 of £103.2m (2 April 2010: £155.5m). At this level, net debt to EBITDA (Earnings before non-recurring items, finance expense, depreciation and amortisation) was 0.7 times (2 April 2010: 1.0 times).

On 5 November 2010 the Group signed a new revolving credit facility agreement (the new facility) amounting to £300m. The new facility replaced the Group's existing facilities and runs until 12 November 2014 extendable by a further year to 12 November 2015. Associated refinancing costs incurred totalled £3.6m, which will be amortised over the 4-year life of the new facility.

The Board is committed to continued investment in the growth of the business, both through organic development and other business development opportunities as they might arise. The new facility gives the enlarged Group the appropriate level of committed financing for its working capital needs.

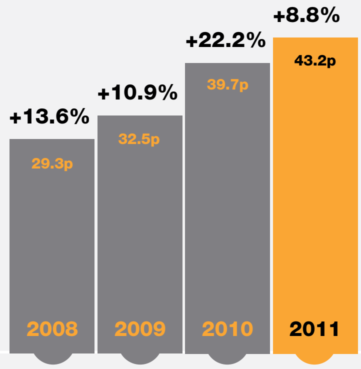
Following a review by the Board of the Group's capital structure and cash generation capabilities, with effect from 7 April 2011 the Group commenced a share buyback programme, with the intention to return up to £75m of cash to shareholders over the following 12 months. Since the financial year end, approximately £20.7 million of buyback has taken place via the purchase of 5.3 million shares.

Basic earnings per share before non-recurring items

+8.8%

at 43.2p

(2010: 39.7p)

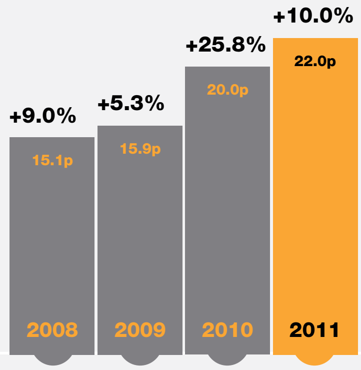


Dividend per ordinary share

+10.0%

at 22.0p

(2010: 20.0p)



Finance Director's Report continued

Treasury policy

The Group's treasury department's main responsibilities are to:

- Ensure adequate funding and liquidity for the Group;
- Manage the interest risk of the Group's debt;
- Invest surplus cash;
- Manage the clearing bank operations of the Group, and
- Manage the foreign exchange risk on its non-sterling cash flows.

Treasury activities are delegated by the Board to the Finance Director ("FD"). The FD controls policy and performance through the line management structure to the Group Treasurer and by reference to the Treasury Committee. The Treasury Committee meets regularly to monitor the performance of the Treasury function. Monthly Treasury Reports provide management information relating to treasury activity.

Policies for managing financial risks are governed by Board approved policies and procedures, which are reviewed on an annual basis.

The Group's debt management policy is to provide an appropriate level of funding to finance the Business Plan over the medium term at a competitive cost and ensure flexibility to meet the changing needs of the Group. The Group has a syndicated four-year facility totalling £300m that provides the Group with committed bank facilities until November 2014, extendable by one year to November 2015.

The key risks that the Group faces from a treasury perspective are as follows:

Financial risk

The Business Plan and cash flow forecasts are subject to key assumptions such as interest rates and the significance of these risks is dependent upon the level of EBITDA and the strength of the balance sheet.

Interest rate risk

The Group's policy aims to manage the interest cost of the Group within the constraints of the Business Plan and its financial covenants. The Group's borrowings are currently subject to floating rate and the Group will continue to monitor movements in the swap market.

Foreign currency risk

The Group has a significant transaction exposure through direct sourced purchases of its supplies from the Far East, with most of the trade being in US Dollars. The Group does not hedge either economic exposure or the translation exposure arising from the profits, assets and liabilities of non-sterling businesses whilst they remain immaterial.

During the 52 weeks to 1 April 2011, the foreign exchange management policy was to hedge via forward contract purchase between 75% and 80% of the material foreign exchange transaction exposures on a rolling 12-month basis. Hedging is performed through the use of foreign currency bank accounts, spot rates and forward foreign exchange contracts.

Credit risk

The Group's policy is to minimise the risk that foreign exchange and interest rate derivative counterparties, the holders of surplus cash and the providers of debt will be unable to fulfil their obligations and also, in the case of lenders, unwilling to extend the loan facilities when they expire. In executing this policy, the Group ensured that such counterparties, who all sit within the syndicated group, used for credit transactions and ancillary business held at least an A credit rating at the time of syndication (November 2010).

The Treasurer is responsible for determining credit worthiness of each counterparty, based on the overall financial strength of the counterparty. The counterparty credit risk is reviewed in the Treasury report, which is forwarded to the Treasury Committee and the Treasurer reviews credit exposure on a daily basis.

Liquidity risk

The Group ensures that it has sufficient cash or loan facilities to meet all its commitments when required. The Group ensures that there is sufficient cash or working capital facilities to meet the cash requirements of the Group for the current Business Plan. The minimum liquidity level is currently set at £30.0m.

Forecast liquidity is reviewed each month by the Treasurer to determine whether there are sufficient credit facilities to meet forecast requirements

Covenants are monitored on a regular basis to ensure there are no significant breaches, which would lead to an "Event of Default". Calculations are submitted at least bi-annually to the syndication agent. Reporting on covenant compliance forms part of the Treasury Report. There have been no breaches of covenants during the reported periods.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group manages capital by operating within debt ratios. These ratios are lease adjusted net debt to EBITDAR and fixed charge cover. Lease adjusted net debt is calculated as being net debt and leases capitalised at eight times, as a multiple of EBITDA plus operating lease charges. Fixed charge cover is calculated as being EBITDA plus operating lease charges as a multiple of interest and operating lease charges. As a result of the current economic conditions and the attitude towards debt the Group has decided to reduce the level of net debt and operates favourably to these target metrics.

Andrew Findlay
Finance Director
8 June 2011

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Risks and Uncertainties

Like all businesses, our Group faces risks and uncertainties that could impact the achievement of the Group's strategy objectives.

These risks are accepted as being a part of doing business and the Board recognises that the nature and scope of these risks can change and so regularly reviews the risks faced by the Group as well as the systems and processes to mitigate them.

The Corporate Governance report on pages 78 to 83 describes the systems and internal control processes through which the directors identify, assess, manage and mitigate risks.

Business Unit Strategy

Our strategy is developed to be delivered under recognisable and measurable performance metrics and communicated to all colleagues.

- Extending Range and Services
- Investing in the Store Portfolio
- Ongoing focus on cost control
- Leveraging the Halfords brand in multichannel

Key Risks and Uncertainties

Senior Management colleagues assess risks on a department by department basis using a variety of techniques to identify risk. The likelihood and impact of these risks are considered and scored against a recognised framework dependent upon their effect on the achievement of our corporate strategies.

Mitigation

Responsibility for taking necessary actions to manage risk is delegated to appropriate colleagues in the business, with executive sponsor involvement. The Risk Register is monitored and updated with current and ongoing mitigation on a regular basis.

Report & Review

The Executive Committee and the Group Board consider the risks reported within the Risk Register and review and monitor new risks and all mitigating actions to ensure the status of risk mirrors the Board's appetite for risk.

Key Risks and Uncertainties	Mitigation	Strategy
Economic		
The economy is a major influence on consumer spending. Trends in employment, inflation, taxation, consumer debt levels and interest rates impact consumer expenditure in discretionary areas. Changes in Government policies may also affect our consumers' ability to benefit from our products and services.	The Group mitigates against these risks by focusing on maintaining the "defensive" characteristics of its "needs driven" product groups and by ensuring that its stores and centres are the key destination for its core products and services. We also ensure that we have representation with Governmental decision-makers in the areas supporting our core categories.	
Business Strategy		
The delivery of the Group's business strategy will deliver long-term value to our shareholders. The Board understands that if the strategy and vision are inappropriately formulated and communicated and that the necessary resources are not in place to deliver the strategy both from the core business and from M&A activity the business will suffer.	The budgetary and planning process delivers the Group's growth targets (in conjunction with any M&A activity) and business plans are developed to ensure these targets are achieved and that they are resourced appropriately. Regular monitoring of performance against plan is carried out by both the executive managers of the Company and the Group Board to ensure targets are being achieved and that they remain relevant to and focused on the Group Strategy.	
Competition		
The retail industry is highly competitive and dynamic. The Group competes with a wide variety of retailers of varying sizes and faces competition from UK retailers, in both stores and online, as well as international operators. Failure to compete with competitors on areas including price, product range, quality and service could have an adverse effect on the Group's financial results.	The Board is aware of the risks faced from UK Retailers, both in-store and online, and from the national car-servicing network and seeks to continually strengthen its "own-brand" and "sub-brand" retail offer and develop service opportunities to differentiate the Halfords offer.	
Compliance		
The Group operates in an environment governed by legislation, standards and codes in areas including, but not limited to, trading, advertising, product quality, health and safety, hazardous substances and data protection.	The Group has a Quality Assurance team and a Commercial Regulatory team that manage legal and regulatory control processes both in-house and externally to advise and take action on existing and emerging risk management issues. Our various Codes of Practice regulate our behaviour in our dealings with all stakeholders including customers, suppliers and colleagues and our attitudes toward such areas as the environment and ethical trading.	
Changing Customer Preferences		
Some of the products that Halfords sells, particularly in the car enhancement category, are subject to rapidly changing consumer preferences. Products such as children's cycles face competition from alternative products (such as games consoles) and some of the products that the Group sells are non-discretionary in their nature and predicting future trends is difficult.	Halfords has recruited experienced, knowledgeable colleagues who can identify and interpret trends and consequently respond in a timely manner to changes in consumer preferences. Colleagues also monitor developments in alternative products and our forecasts reflect the latest assumption in these areas. We are continually looking at ways of moving into new merchandising opportunities to mitigate technology changes and to improve forecasting and planning to ensure we meet our customers' changing needs.	

Risks and Uncertainties continued

Key Risks and Uncertainties	Mitigation	Strategy
Reputation		
The Halfords name is a key asset of the business and as the largest operator in its markets, expectations of the Group are high. Failure to protect the Group's reputation and brand could lead to a loss of trust and confidence. This could result in a decline in the customer base and affect the ability to recruit and retain good people.	Ultimately the protection of the Halfords brand and position in its core markets will be sustained by unique and extensive product offerings and a multichannel approach to sales in our stores and a high service based customer proposition in our stores and autocentres. This is complemented by quality training from accredited Automotive Technician training to Cytech (Cycles), RoSPA, and the Institute of Mechanical Industries, ensuring that colleagues at both stores and centres are capable of supporting the Halfords brand.	
Reliance on Foreign Manufacturers		
Halfords sources a significant proportion of the merchandise it sells in its stores from outside of the UK, either directly or via third-party suppliers. Consequently, the Group is subject to the risks associated with international trade (particularly those which are common in the import of goods from developing countries) including, but not limited to, inflation, currency fluctuation, the imposition of taxes or other charges on imports, the exposure to different legal standards, the burden of complying with a variety of foreign laws and changing foreign government policies and natural disasters.	Extensive research is conducted into quality and ethics before the Group procures product from any new country or supplier. The Group's strong management team in the Far East has been recruited from local nationals who understand the local culture, market regulations and risks and we maintain very close relationships with both our suppliers and shippers to ensure that disruption to production and supply are managed appropriately.	
Product and Service Quality		
The Board recognises that the quality and safety of both our products and services in our stores and autocentres is of critical importance to us and that any major failure will affect consumer confidence. We recognise that if our products are seen to be or perceived to be of poor standard or of poor value for money then customers will look to obtain these from our competitors. There is also the risk that our service proposition fails due to inconsistent levels of service at individual stores and individual centres.	The Group constantly seeks to enhance its position as store or centre of first choice in each of the markets that it serves. Halfords continues to invest in both its existing estate to ensure that it remains contemporary and in constant product innovation to meet customer needs. In addition, the Group's market leading in-store ***we***fit proposition provides a range of services at a lower cost to our customers than that provided by competitors. We have an established training infrastructure to ensure that our colleagues receive ongoing product and service training. In our Autocentres the training of our technicians to provide high quality motor vehicle repairs is enhanced through an apprenticeship programme and accredited automotive technician training. Sixty per cent of our Autocentre workshop colleagues hold a Motor Industry qualification. We continually track performance against a broad range of measures that customers tell us are critical to their shopping and servicing experience, and monitor customer perceptions of ourselves to ensure we can respond quickly if required.	

Key Risks and Uncertainties	Mitigation	Strategy
Information Technology ("IT") systems and infrastructure		
In common with most businesses, Halfords is reliant on the reliability and suitability of a number of important IT systems where any sustained performance problems, particularly with regard to store or warehouse, multichannel and distribution systems, could potentially compromise our operational capability for a period of time. With ambitious growth plans for our multichannel offer, our trading capacity could be affected by internal and external systems resilience and interdependencies.	Extensive controls are in place to maintain the integrity of our systems and to ensure that systems changes are implemented in a controlled manner. Halfords' key trading systems are hosted within a secure data centre operated by a specialist company remote from our Head Office. These systems are also supported by a number of disaster recovery arrangements including a comprehensive backup strategy, including a hotlink secure data centre hosted outside the UK and access to a further data support centre elsewhere in the UK in case of a major incident.	
Dependence on key management personnel		
The success of the Group's business depends upon its senior management closely supervising all aspects of its business, in particular the operation of its stores, autocentres and the design, procurement and allocation of its merchandise. Retention of senior management is especially important in the Group due to the limited availability of experienced and talented retail executives.	Our Remuneration Policy outlined on page 84 details the strategies in place to ensure that high calibre executives are attracted and retained. The Group looks to improve its senior manager cadre through operating a talent management process to help individuals achieve their full potential within Halfords and to ensure that appropriate succession plans are in place to meet the future needs of the business. At a junior level the Group continues to invest in graduate programmes and store/centre colleague training and development.	

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Corporate Social Responsibility

Halfords' Corporate Social Responsibility ("CSR") programme is aligned with the Group's business strategy, addresses the important CSR issues that we face and informs appropriate management and colleague behaviour.

Strategies related to our Corporate Social Responsibility

We believe effective management of our CSR makes good business sense. In doing so, we seek to ensure that Halfords, which is a household brand, has a positive impact on the communities and environment in which we work, be it through our operations, products and services or through our interactions with our customers, colleagues and suppliers. We are proud of our business and we see CSR as a core business consideration as it derives strategic, commercial and reputational benefits. We aim to achieve standards of responsible care across a number of key areas, including: customers, trading, health & safety, the environment, employee welfare and the community.

We are concerned to ensure we do the right things and our aim is to continually improve our management of the social, environmental and economic issues within our control or influence these throughout the business and our wider supply network. The Group has reviewed its ongoing CSR commitments to ensure it meets the needs of the markets and communities in which it operates and that the associated Key Performance Indicators ("KPIs") accurately reflect the Group's success or otherwise in implementing its policy.

For the period to 1 April 2011 the Group continued to follow its "ACTING RESPONSIBLY" policy. However, during the year Business in the Community ("BITC") undertook a high level review of our activities, both in retail and the autocentres, to understand the key business priorities and aspirations of the organisation, to review current CSR activities and to review how these may be progressed through the formalisation of a CSR strategy and framework for the organisation. The review was not an audit of Halfords' activities, but aimed to identify the key strengths and gaps in the organisation's approach to managing CSR and how it is integrated within the strategic management process.

To understand our current CSR practices and activities BITC undertook detailed discussions with key senior managers including the Company Secretary, Divisional Managers, Category Managers and managers in HR, H&S, Store Operations, and Supply Chain. They also reviewed key documents including recent Halfords Annual Reports, information from the website, environmental reports and policies and Competitor/Peer CR commitments.

BITC concluded that the Company is keenly bottom line driven with strong growth ambitions and the thinking hierarchy at present is “cost first”. It is therefore essential that any CSR programme should be shown to be intricately linked to achieving business success and enhancing the business’s value proposition.

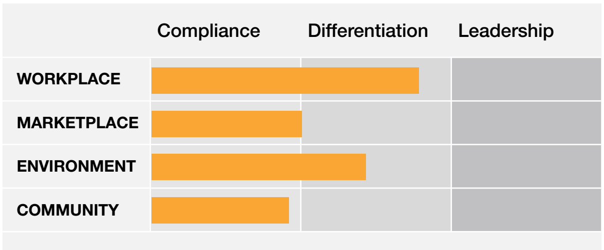
The report commented on how Halfords prides itself on behaving responsibly to all stakeholders and how CSR forms an integral element of this relationship by demonstrating the Company’s honesty, reliability and trustworthiness in respecting customers, employees, investors and the environment. Feedback from customers identified a belief that Halfords should be “doing something” in the CSR arena, although there was less clarity about what this should be. There are also expectations from staff around what it means to be a national “responsible” retailer and having pride in an organisation, which is known for “Going the extra mile” and wants to become famous for being “*Helpful*”.

The BITC report also went into detail on actions that the Company could undertake to improve its overall CSR agenda and these will be reviewed and adopted where appropriate during 2011/12, the first step of which is to formalise a community investment strategy.

Following this review we shall henceforth report on our activities under the headings used by BITC in their report, and we have aligned these with our business unit strategies on page 42.

Our commitments are translated into actions and KPIs are used to assess success against our internal targets. Paul McClenaghan, Commercial Director, takes the lead in ensuring that the policy supports the strategic objectives of the business. The Halfords Executive monitors performance with regard to these objectives and targets via an internal report. It is, however, the Board’s responsibility to ensure that the Group operates in a responsible manner, and thus the Board reviews the policy and our performance against that policy annually.

In summarising their report BITC wrote: “From our discussions it is apparent that there is a significant amount of good work currently happening within Halfords that falls under the banner of responsible business practices or corporate responsibility, however to date it appears that community investment activities have been informal and not driven by a clear community investment strategy.”



CSR OVERVIEW & KEY PERFORMANCE INDICATORS

WORKPLACE

Employer of choice

Our growth in stores/centres and turnover would not have been possible without the unfailing support and commitment of our colleagues employed across stores, autocentres, distribution centres, and our head office operations. Thus, we recognise that our colleagues are our single most valuable asset and we are committed to a fair but robust approach to equal opportunities in all areas of our business, with people gaining promotion on merit. We have high expectations of all colleagues and everyone is required to perform and deliver value. This creates an environment that is challenging and rewarding, enabling colleagues to develop quickly and pursue new opportunities.

We are committed to being seen as an employer of choice within the communities in which we operate. We seek to employ people who are passionate about customers and service, love coming to work, strive to achieve their best and enjoy dealing with customers. We recognise and reward high performance and by ensuring colleagues have interesting jobs, with real accountability, Halfords can provide the opportunity to develop careers. In the last three years we have reduced staff turnover rates in our retail stores by 1% and over the same period staff turnover rates in the autocentre business have fallen by 12%. Our colleagues are people who consistently look for opportunities to deliver a first-class service, going the extra mile with the aim being to be helpful to our customers. Some 4,800 (2010: 4,000) of our retail staff hold accredited fitting qualifications, whilst 60% of our Autocentre workshop colleagues hold a Motor Industry qualification.

The Autocentre business also run a Training Academy apprenticeship programme, which currently has approximately 140 apprentices, all of whom go through a three year fully funded programme and will finish as fully qualified Technicians with an Institute of Motor Industry NVQ level 3 and a Diploma. In addition, they will each finish an Automotive Technician Accreditation (ATA) assessment and we provide ongoing development opportunities through our IMI accredited Academy of learning where we can deliver a range of both Technical and Management qualifications from foundation level voluntary qualifications through to degree equivalents.

Diversity

Halfords has an Equal Opportunities Policy which outlines regulatory requirements as well as the organisation’s commitments regarding diversity and expectations of staff. The current workforce in store may not be reflective of the community base but we feel that it does reflect customer use. More women than men are employed at our Redditch Head Office location and in January 2011 we appointed our first woman Director to the Group Board. During the year to the date of this report we have worked with the Employers Forum on Disability to overcome issues surrounding the implications of the Disability Discrimination Act (DDA) regarding entrance to stores and engaged the EFD to provide disability awareness training to our Customer Services team and Store Managers.

Corporate Social Responsibility continued

Health and Safety management

Halfords is committed to high standards of occupational health and safety to minimise the risk of injuries and ill health to employees, contractors, customers, visitors and others who come into contact with the business. The Group believes that effective occupational health and safety management is fundamental to a successful business and we constantly review our procedures and risk management standards to identify opportunities for further improvement. Over the last few years safety training has been delivered to both Head Office managers and the Autocentre manager population.

We monitor our safety performance on a range of indicators including our reportable accident statistics and accident rates arising from our "focus hazards". Our overall annual injury incident rate remains below the industry benchmark in both our businesses; in the retail business 210 per 100,000 employees (2010: 190) and in the Autocentres 533 per 100,000 employees (2010: 666).

MARKETPLACE

Stores & customer service

We market high quality products that we believe meet or exceed the requirements of appropriate legislation, international conventions and codes of practice. Where external guidance does not exist, we apply our own exacting standards. With a complex product range of over 14,000 items, we talk with our customers every day to ensure that our range meets their requirements and that they understand how to use our products safely. Halfords has a large number of regular customers who see their key drivers of satisfaction being choice of products and brands, store environments and ease of shopping, knowledgeable staff with a "will-do" helpful attitude and competitive, value-for-money pricing. Surveys are regularly carried out across our customer base and in 2010/11, 59% of customers asked said they were very likely to recommend Halfords to friends.

Our store network is extensive and we endeavour to locate a Halfords store within 20 miles of any UK customer. At the time of writing 99% of the UK population live within 20 (straight-line) miles of a Halfords store and 90.4% live within a 20 minute drive of a store. Our store portfolio continues to grow in quality and quantity.

This network is fully supported by a dedicated Customer Service team based at our Head Office in Redditch where our customers are able to contact us by phone, email, letter or fax. The consolidation of our web and store contact centres gives our customers and stores the opportunity to contact us through one single phone number and email address. This has enabled us to offer increased support to our store colleagues and be more flexible to our customers' needs.

Our Autocentres provide value added services to both the general public and large fleet providers alike, and carry out manufacturer based servicing which meets the needs of vehicles still covered under warranty as well as our own menu based servicing options, typically reducing the cost of motoring yet maintaining quality. The parts that we fit meet OE standards, ensuring that warranties are never compromised and that legislative requirements are met. We are the UK's largest supporter of the Automotive Technician Accreditation (ATA) scheme and we work proactively to ensure that our technicians are up to date and technically competent.

As well as being monitored by external organisations such as VOSA and Trading Standards, we apply our own quality control systems and mystery shopper programme to ensure that our customers receive the very best service experience. Autocentres survey up to 13,500 customers every six-months which drives detailed feedback on the service standards, quality of work and views on value for money. Every centre has a Net Promoter Score and this allows management to closely monitor service delivery and the actions of centre staff.

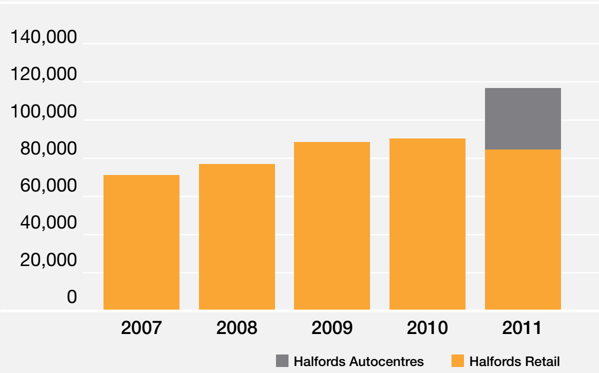
Autocentres also call customers two days after service has been delivered to check customer satisfaction and to follow up on items that require scheduled replacement. In addition, mailers are sent to customers when these items should be replaced and Centre managers also call customers to enquire on the service they have received. This gives us a quality feedback loop and also a means to track how customers' cars are performing.

Products

We continually assess the lifestyle and environmental impacts of our products, packaging, procedures and services at all appropriate stages, i.e. design, procurement, supply, sale, use and disposal. As our business is strongly influenced by consumer choice, we promote good practice in the provision of environmental communication to customers and colleagues.

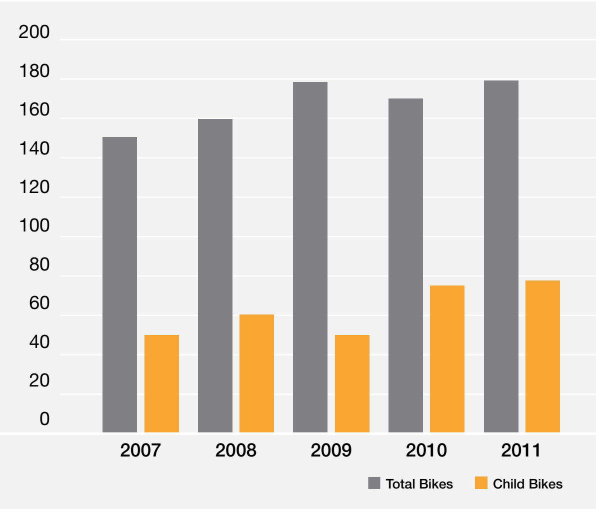
We also ensure that, where possible, customers can contribute to product recycling. As an example, customers returning old car batteries to our stores for recycling by us are offered a £2 voucher to be spent in the store to encourage recycling. In the period to 1 April 2011 our customers returned 118,067 batteries, an increase of 31.1% on 2010.

Number of batteries returned by customers for recycling



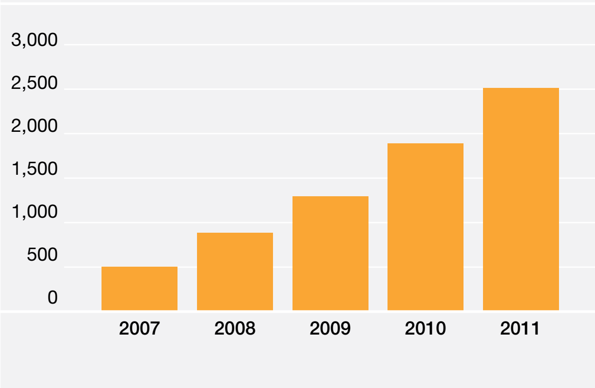
At a time when the issues surrounding health and obesity have become increasingly important, Halfords, as the largest retailer of cycling products, actively encourages people to participate in this outdoor activity. We currently stock 179 different models of bicycles, of which 77 are aimed at children between three and eight years of age. We design these bikes with the customer in mind and our children's bikes are specifically designed for the measurements and stature of a child, as the relative dimensions of the bike are very different from those of an adult. In the year to 1 April 2011, we sold nearly a million bikes, approximately 1 out of 3 of all bikes sold in the UK.

Number of bicycles stocked



We continue to market "Cycle 2 Work" schemes that allow employers to offer to their employees the use of a bicycle for work. The scheme offers significant savings, making use of the Government backed initiative to increase more sustainable means of transport to work. Over the last four years, we have increased the number of schemes that we manage on behalf of employers by five times, thereby allowing their employees the opportunity to embrace a healthy, keep-fit lifestyle.

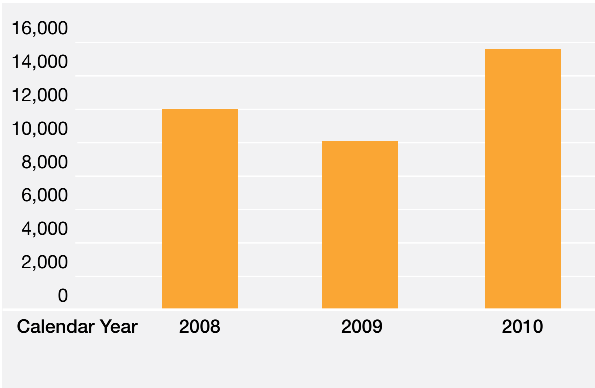
Number of "Cycle 2 Work" schemes managed by Halfords



Services

Within our Autocentres business, all of our servicing products are aimed at increasing fuel efficiency and helping the motorist get more miles per gallon. Recently we have improved our offers to drive our most fuel efficient services, benefiting both the motorist and the environment. Since 2008 the autocentres business has grown the number of "major" services, our most fuel efficient service, by 11%.

"Major Service" volumes



In 2011 we intend to offer all customers who book a combined MOT and Service a free Fuel Service, designed to help our customers keep the cost of motoring down and reduce the effect of harmful emissions on the environment. Throughout 2011, we will be driving this focus on fuel efficiency by offering either a free or heavily discounted fuel service, with the unique guarantee that if we fail to improve the fuel burning efficiency of the engine, we will refund any charge.

Supply chain transportation

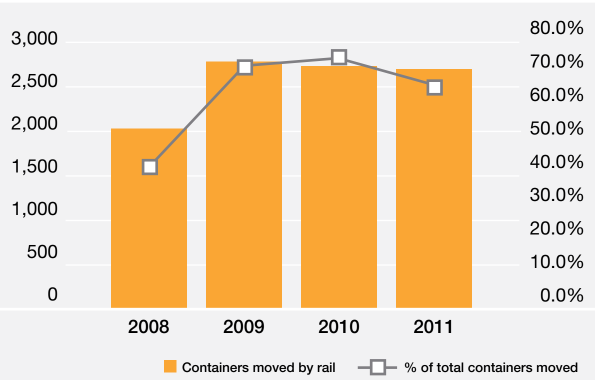
Given that so many of our products are imported, we pay particular attention to the carbon footprint that this could create. We continue to monitor the airfreighting of our products from suppliers, and only do so in cases of extreme urgency.

Whilst we do our best to reduce the weight of products shipped in this way, there are occasions that necessitate the use of airfreight as an efficient and fast means of delivery to ensure products are always available to our customers. However, during the period we airfreighted 177 tonnes of product as we experienced problems in meeting our orders. This was significantly more than in 2009/10 but still 5% down on 2007 when we first started measuring this KPI. The problems arose because, following the Chinese New Year, many Suppliers in China found it difficult to return to normal levels of manufacturing output as many of the staff that worked in the factories travelled back home to visit their families and did not return to work. This, in turn, caused production delays to orders and there was consequential pressure on meeting our customers' demands for product. We have mitigated this risk in 2011/12 by requiring our suppliers to manufacture products ahead of the Chinese New Year.

Corporate Social Responsibility continued

Generally, we concentrate on ensuring that containers that are delivered into our distribution centres ("DCs") are done so via sea deliveries for onward transportation via road or rail. We work hard each year to reduce our reliance on road transportation and, in 2010/11, 61% of all containers delivered were moved by rail to a hub in the Midlands for onward transportation to our DCs.

Number of containers moved by rail



THE ENVIRONMENT

Our products, stores, offices, and fleet of delivery vehicles have direct impacts on the environment. We also understand that there are indirect impacts caused by the production and use of our products. Our commitment is to understand and to continually improve the performance and management of our environmental impact throughout the Halfords supply chain.

In managing our environmental responsibilities, our overall objectives relate to the following key areas:

Natural Resources

We place emphasis on resource use, in order to understand and improve the efficiency of our use of raw materials, energy and water throughout Halfords' operations. Our goal is to minimise our potential for causing pollution to air, water and land.

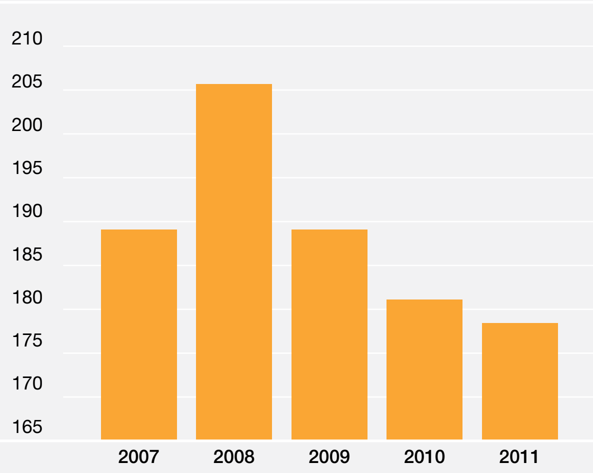
We aim to prevent waste generation in our activities, including product and packaging design, warehousing, distribution and sale and reuse of materials, and to maximise recovery and recycling of waste prior to disposal. We achieve this by increasing the quantity of cardboard, paper and plastic waste we recycle in the business and reducing our use of landfill sites.

As a result, the volumes of waste material recycled versus that sent to landfill increased from 56.4% in 2007 to 78.7% in 2011.

As motor vehicle servicing centres, our Autocentres are continually disposing of "motor vehicle" related waste. In 2010/11 as well as recycling car batteries, we put 755,000 litres of oil, 126,000 tyre casings and a range of other waste materials into the recycling chain through our waste management programme.

We continue to improve our water usage and over the years have invested in "smart" water meters, which help us to identify water leaks at an early stage. In 2011 we maintained our proud record of reducing water usage year on year with a further 1.5% reduction.

Water consumption per retail store
(cubic metres)



During the year we have been preparing the groundwork to allow us to report on water consumption by individual Autocentres and will give the information in next year's report.

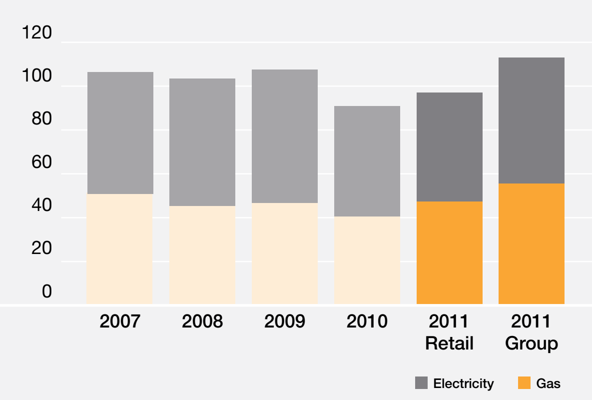
Energy and reducing CO_2 emissions

As we have continued to open new stores and autocentres, our overall use of gas and electricity has improved as we have added energy management systems to our stores and implemented specific action plans around voltage reduction. This year's increase in energy usage was a result of the prolonged winter weather through the winter of 2010/2011. In 2007 we set ourselves the target of reducing our energy usage per store by between 15% and 20% and gave ourselves three years to achieve this reduction. In 2010 we had reduced energy usage by 22% and even with the increased usage in 2011, this represents a 17% reduction on our 2007 base.

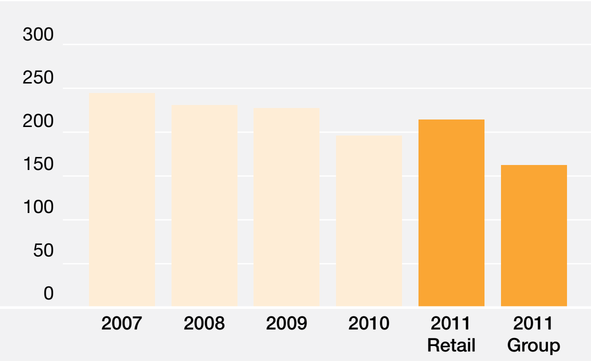
Our efforts do not stop there; we shall continue to monitor energy usage in our retails stores and following the inclusion of the 240 Autocentres we shall rebase our usage and target a further reduction across the Group as a whole.

The following graph represents the energy used by our stores, autocentres, head offices and distribution centres.

Total energy usage
(kWh millions)



Energy useage per store/autocentre
(kWh 000s)



Fuel and transport fleet efficiency

In line with European Emissions Directives, Euro 4 emission standards for commercial vehicles were introduced in October 2006. This aims to improve the levels of Carbon Monoxide, Hydrocarbon, Nitrogen Oxide and particulate emissions that cause harm to the environment. Working with DHL, our carrier, we ensure that all of the Halfords fleet complies with Euro 3 emissions standard (introduced in October 2003), and new vehicles delivered from September 2006 conform to the new Euro 4 standards.

To more fully understand our impact on Greenhouse Gas ("GHG") emissions, we have converted the transport fleet fuel usage to total CO_2 emissions. In 2010/11, DHL drove, on our behalf, 9,151,216 kilometres, a reduction of 2.5% on 2010, following a reduction of 2% last year and we used 103,487 less litres of diesel. The CO_2 equivalent usage, calculated based on DEFRA's 2010 Freight Transport conversion factor, shows a 3.6% improvement year on year. This has all been achieved against the backdrop of increased cross-over activity as we continued to operate from three distribution centres rather than the current operating model of two. As we consolidate our new DC in Coventry we will be looking to further reduce our CO_2 emissions.

	2007	2008	2009	2010	2011
Kilometres driven	9,491,422	9,786,649	9,571,380	9,393,452	9,151,216
CO_2 equivalent (kg)	7,932,414	8,311,283	7,711,390	7,585,301	7,318,284
CO_2kg/revenue (£m)	10,662	10,423	9,526	9,272	9,581

Corporate Social Responsibility continued

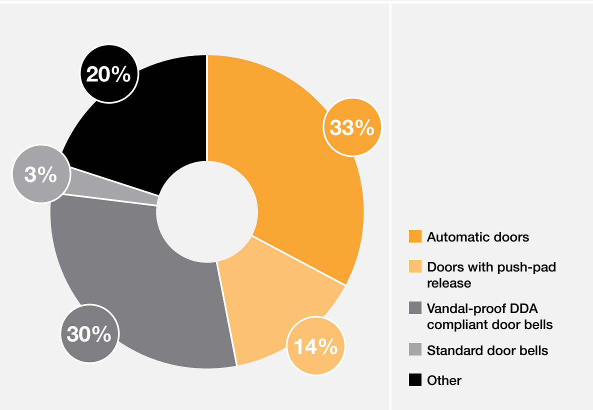
COMMUNITY

Accessibility

Our stores serve their local communities with our products and expert services and we are conscious that all, irrespective of disability, should be able to access both our stores and our online offering. We treat our responsibilities under the Disability Discrimination Act ("DDA") very seriously and we are committed to ensuring that all of our customers are able to access our products and services with the minimum of effort. As part of the refurbishment and rebranding of our Halfords Autocentres we have altered our reception areas and made them much more accessible. Following last year's launch of mobility products, we have partnered with AgeUK to deliver their branded mobility products to our customers.

We are committed to ensuring that both customers and colleagues have access to our stores and we have taken various actions in order to help us to fulfil our responsibilities, and in 2011 we worked with The Employers Forum for Disability to deliver training to some of our Head Office and store colleagues. In 2009 we committed to annual audits of all of our stores to ensure consistent levels of accessibility. The most recent results are shown below.

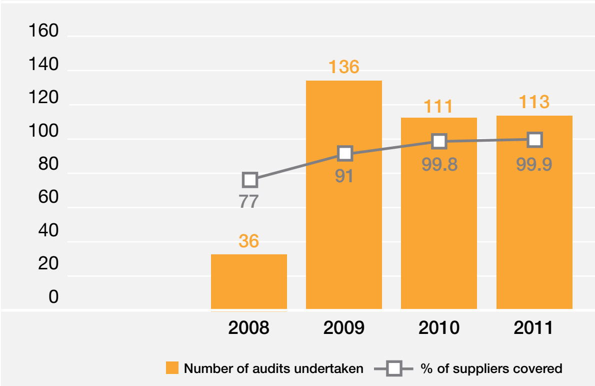
Accessibility for disabled customers



Ethical trading

We place great importance on the selection of our suppliers and how they interact within their own local communities and, where appropriate, we will visit manufacturing sources to verify that effective quality procedures are in place and that supply chain costs are minimised. We are always striving for improvement and we believe it is important that our suppliers are responsive to feedback from our customers and store colleagues. Halfords recognises that the development of close supplier partnerships is essential for the ongoing provision of an innovative and "value-for-money" product offer. Halfords has a Sourcing Code of Conduct ("the Code"), which can be viewed on the Company's website (*halfordscompany.com*). This is sent to all potential new suppliers as part of the Supplier Questionnaire, before orders are placed with the supplier. Compliance with the Code is independently audited. The response to the questionnaire is reviewed and, if the supplier does not provide an acceptable alternative assessment report, an audit by an independent auditor such as Bureau Veritas, is arranged. Over the last few years we have substantially increased the supplier audit coverage in the Far East where a significant amount of our products are now sourced. This ensures that the majority of our sourced products are covered by such audits, both in line with the growth of our business and our demand for greater compliance.

Far East supplier audits



Charity of the Year

Our policy on charitable giving is to concentrate on supporting one main charity and, in the year to 1 April 2011, we have worked with Macmillan Cancer Support. We have supported a number of their initiatives including the Macmillan Coffee Morning and the Macmillan Big Picnic, as well as creating our own fund-raising activities. The biggest event was a Halfords/Macmillan Cycle challenge, which saw *c*.400 colleagues take part in a Cycle Relay linking our store in Elgin with our store in Penzance via 50 of our stores raising *c*.£45,000 in the process. In total during the 18-month partnership with Macmillan Cancer Support we have raised in excess of £134,000. We are also committed to supporting the communities we serve and individual stores also support local initiatives. From 2 April 2011 we have entered into a two-year partnership with Cancer Research.

Apprenticeships

The Group is aware of the need to provide employment opportunities within local communities and our Autocentres have the largest independent Apprentice Scheme in the motor industry. The scheme has been in operation for more than 20 years and we plan to grow it significantly to meet the needs of our business, our local communities and our growth strategy. Our apprentice retention rates are excellent and to date we have never failed to offer employment to apprentices who complete the three-year scheme. We have also worked with the probation service, where we provided work experience places, which for some led to full-time jobs and with the prison service where we helped a local prison deliver a Motor Vehicle Repair course aimed at equipping offenders with the skills to get a job when released.

Industry forums

Halfords values opportunities to work closely with trade associations, research institutes, standards authorities, universities and government organisations to improve performance standards and safety. Representatives from the Halfords Quality department are members of British and International standards technical committees associated with automotive accessories and cycles and representatives of Halfords Autocentres are involved in SkillAuto, the organisation responsible for ensuring that the UK motor sector is represented at the European and World skills championships, with the IMI Awards National Advisory Forum who review and develop industry qualifications and with the Vehicle Operator Services Agency. Most recently we have led an initiative backed by the plain English society to reduce the use of technical jargon by garages. The guide, believed to be an industry first, has been awarded the "Crystal Mark" by the Plain English Campaign, which praised Halfords Autocentres for the initiative. This can be found at *halfordsautocentres.com/GarageSpeak.* Senior managers from Halfords Autocentres are also in debate with Government departments over changes to the current MoT regime.

In the future

Halfords will continue to work towards improving its management of the social, environmental and economic issues that are within its control and will continue to work with BiTC to ensure that we focus on the core areas of Corporate Responsibility whilst at the same time being proud custodians of the Halfords brand and its impact on its stakeholders. It makes good business sense that we ensure the right and proper interaction between our Company, our stores and our products, and our customers, their communities and their environment and, as highlighted by the BITC report, we intend to implement a community programme during 2011 and will report on its activities next year.

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Resources

Use your phone's bar code app and go directly to the relevant page on our website.

halfords.annualreport2011.com/resources Go

Group Resources and Capabilities

The Halfords Brand

Growth and leverage of a trusted high street brand for 109 years.

The Halfords brand is distinct and unique . . . there is nowhere quite like Halfords. In many categories Halfords products are consistently the UK's No.1 choice, testament to the trust the brand has earned through the long-term delivery of good value.

The Halfords brand embodies our "life on the move" product and service range principles, it is the central aspect of our Group strategy of "single face to the customer" and its marketing value has leveraged our strategic aim to grow both the Retail and Autocentres multichannel business.

Through the use of TV, radio, direct mail and online campaigns the brand has engaged old and new target audiences using the "*Helpful*" personality, whilst reinforcing our value, quality and service advantage.

The 240 Halfords branded Autocentres now add significant national brand visibility whilst extending the store based services to a whole new level of trusted support for customers.

Trading as Halfords since 1902

1st choice in core markets

Over 7,900 own-brand SKUs

Branding and Marketing

The skill of knowing when to use an existing brand and when to create a new one.

Retail product positioning has always been a complex operation of understanding the target audience needs and sensitivities. Halfords continues to build techniques for the capture of market information from store and online channels and to use this in the design of new ranges.

Whilst half of the story is to create products to meet demand, the other half is to ensure there is shareholder value to be had from the margins achieved. Own brands can frequently be used to meet price points in the market whilst allowing our skilled sourcing teams to buy competitively.

As the Internet has empowered consumers' research capability, Halfords' own brands have successfully differentiated product and met price and specification expectations. The creation of the Pampero child car seat brand is an example. Child seats have a higher than average level of sales online, they are frequently researched prior to purchase, and comparison of known brands and models is easy to do online. Pampero was created to compete with premium brands whilst offering exceptional specification and can only be purchased through Halfords.

No. 1 UK Bike Brand Apollo

Own-label products 44.5% of revenue in 2011

Exclusive distribution of Boardman Brand in UK

Colleagues

Developing performance and living the Group values of being helpful.

Halfords people are central to our Group strategies of "Operational Specialisation" and "Least Cost Back-Office"; their talent and passion for service on the frontline ensures a great customer experience and the skill and dedication to efficiency and effectiveness ensure all back-office services improve year in year out.

2011 is the beginning of an expanded culture of service delivery. Our "*that's helpful, that's halfords*" campaign is being rolled out as much within the business as with customers; indeed, there is a dependency on the former being delivered. Read more on page 22 about our "*Helpful*" culture development plans.

Our evolving training techniques and their consistent application continue to drive performance. Training is a key element in delivering a memorable service experience, including from a competence framework across the business to nationally recognised and accredited training programmes for Retail and Autocentres colleagues helping Halfords achieve customer loyalty and growth.

c.11,000 colleagues

c.4,800 of our retail staff hold accredited fitting qualifications

60% industry qualified Autocentre staff

Systems

The integration and roll-out of updates to many systems has put Halfords in a strong position.

Halfords is online with upgraded warehousing, enterprise resource and web systems to cope with our efficient store logistics and successful multichannel offer. Investments have helped to drive up capacity and business intelligence whilst meeting our Group strategy of "least cost back-office".

Halfords is one of the few true "bricks and clicks" operations and has delivered large scale leverage to our customer offer through the "Reserve & Collect" and "Order & Collect" services. These services integrate our website with store and DC inventories and increase the footfall to stores with particular range increasing opportunities for the smaller formats.

During the year Halfords launched a dedicated mobile website and it has seen consistent growth in volume.

Looking to the future Halfords now has the capability to enhance the customer experience and empower our "*Helpful*" culture with more functional applications for colleagues and customers.

2.76m *Reserve & Collect* transactions to date

Mobile website launched August 2010

Over 400,000 items available to order in store

Group Resources and Capabilities continued

Our Customers

"Usually, I am lost when I go into large stores"

I visited your store in the Old Kent Road London SE1 earlier this morning and was delighted by the courteous and knowledgeable advice I received from the Sales Assistant in the Bicycle Department.

I was looking for a Schrader valve inner tube and a 28˝ tyre and the assistant, who was also a mechanic, kindly stopped what he was doing to pick the items for me.

Usually, I am lost when I go into large stores, but the help shown by your member of staff today has confirmed that I shall be using Halfords in future: for price, for quality and above all, for the stress-free service that came free with the purchase.

Anthony Dennis on Customer Service

Our Customers

"The repairs were carried out promptly and efficiently"

Last week I had occasion to take my daughter's bike into your Rickmansworth cycle branch for a check and service. I am delighted to say that the service I received was exemplary: the repairs were carried out promptly and efficiently and I was immediately informed by phone. Moreover, the gentleman who carried out the work provided me with some invaluable advice concerning bike maintenance, taking time to ensure that I fully understood.

He is clearly someone who really enjoys his job and takes great pride in providing excellent customer service. Needless to say, I will be returning there!

Bill Grimwood on Bikes

Sourcing

Domestic growth in the Far East has at times introduced new challenges we have risen to well.

Our successful retail strategy of strong own brands has increased the need to source large quantities of own-brand products at a price structure and quality level to meet customer expectations and brand positioning. The majority of products are sourced through our UK-based buying teams with mutually beneficial relationships across manufacturers and distributors.

The Far East — A growing source of value has been our ability to deal more directly with the Far East as an economic supply region. Our new offices in China have proven invaluable, in investigating new sources of supply in inland China, compared with our historic sourcing in southern China.

Ethics and quality — We have introduced our own code of conduct based upon established international standards which are regularly audited. In addition, most of the products are manufactured to EN, BS and ISO standards like ISO 9001 and ISO 14001 which are likewise audited by the international quality audit company BVQI.

31% of supply managed from Far East

99.85% of products imported audited to our ethical standards

Direct trade with 9 countries

Distribution

Having completed the distribution centre move the focus moves to operational efficiencies.

Having come fully on stream in June 2010 the new Coventry distribution centre was a successful project as part of our "least cost back-office" Group strategy. In both financial and economic measures the new site has delivered the budgeted savings whilst giving the Group further growth potential. A net reduction of 240,000 km travelled was seen and with additional economies in vehicle fuel consumption Halfords will have delivered a saving of over 270,000 kg of CO_2.

Within the distribution centres, many of the envisioned efficiencies have been achieved and the management of a multi-million pound rationalisation plan was carried out to a high standard. In practical terms the pick rate on bulk items has grown by 25% and on small items by 35%. In addition, the reliability of new automated warehouse systems has been excellent.

Going forward the logistics operations have an ambitious programme of improvements. First is in optimising the economics, second in supporting the internal aspects of "*Helpful*" by improving customer service and third with a colleague engagement programme for the recent recruits.

240,000 less delivery kilometres driven

3.5% of CO_2 reduced in 2010/11

New 320,000 sq ft DC fully functional summer 2010

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Paul McClenaghan
Commercial Director

"Looking closely at regional demographics is allowing us to investigate new options for store types and layouts . . . the early stages are looking promising."

Retail and Autocentre Resources and Capabilities

halfords

Resources and Capabilities

Car Maintenance

If you have a failed bulb, blade or battery, Halfords is the destination of choice to keep your "life on the move". Unrivalled availability, ranges and *we*fit!

Market

To keep "life on the move" our customers need products and services which will keep their car, van or motorcycle roadworthy. As such, this category is less exposed to changes in disposable income. The current economic climate is expected to keep consumers' minds focused on cost saving and therefore the Halfords approach to value remains attractive.

Value for motorists is a combination of price, quality and service and Halfords competes strongly in each aspect. Our range strategy offers options to meet all budgets and performance needs whilst the ***we***fit store service can get the product professionally fitted both economically and conveniently by store colleagues.

Competition is fragmented with no nationally equivalent service provider. Geographically the supermarkets have a national network of outlets but have limited product scope and usually no service offering. Competing smaller car parts suppliers lack our brand strength and national accessibility, providing us with significant competitive advantage.

Sustainability

The evolution of vehicle maintenance and complexity of repair in modern vehicles has meant the reduced long-term demand for heavy parts where consumers are driven to use service agents. These trends have also allowed us to build a service backed product range to meet the demand for the more consumable items. Evidence of these trends is seen in the growing proportion of sales now taken with a fitting services (23.5% of 3Bs in 2011).

Offer

Using our retailing competences, our large ranges follow a good, better, best positioning strategy and in particular our 3Bs (bulbs, blades and batteries) continues to perform well. Clearly labelled benefits allow customers to select upgraded product performance, and attachment rates for services are also growing.

Blades stocked for 93% of UK car parc

Bulbs stocked for 98% of UK car parc

UK Sales No. 1* for engine oil

Key Product Groups

Blades
Bulbs
Batteries
Oils
Spark plugs
Panel sprays, rust repair
Haynes manuals
Winter
Tools
Metal storage
Lifting

Key Brands

Halfords (Value, Core & Advanced), Bosch, Castrol, Mobil, Redex, WD40, Haynes, Loctite, Davids, Hammerite, NGK, Champion, Ferodo, Stanley.

* According to Market Research Agency GfK Retail and Technology UK's panelmarket* data, Halfords are the number one Engine Oil retailer by litres share sold between the periods April 2010 - March 2011.
Panelmarket refers to the areas GfK include in their measure. The panelmarket used in both the engine oil, specialist cleaners and paint care reports incorporates Car Accessory Stores, DIY Super Stores, Variety Stores and Supermarkets combined. data.

Car Enhancement

Halfords is the UK's No. 1 retailer of Sat Nav and car audio and our market position is defensively maintained by our scale, scope, multichannel availability and the knowledge of our colleagues.

Market

The market for enhancing "life on the move" is more exposed to changes in discretionary spend given its optional nature. In order to stay ahead in these product led categories Halfords have processes to capture both consumer buying tends and gain insight to broader market developments to select and update ranges.

DAB digital radio is one of the market trends which has both an aspect of enhancement in that it has more channels and the sound quality is improved as well as macroeconomic shifts towards digital broadcasting that are driving uptake. Whilst the market is still in development there are an estimated 20 million cars in the UK that don't currently have DAB radio, and Halfords is at the forefront of product ranges, availability and fitting capability to capture the opportunity.

Sustainability

Technological innovation creates constant streams of sales opportunities and lifestyle challenges. The evolution of products and features in core markets like CD Audio and Sat Nav provide upgrade sales well before products mature in a traditional sense. This is countered, however, by increased competition in some ranges where online price comparison can become the norm. We have developed a series of responses to these market challenges, learning fast and adapting ranges and services.

Offer

Product led categories like car enhancement inherently get more space in most of our advertising media. In stores we have comprehensive range displays and fully trained colleagues to ensure customers get the product they need and the opportunity to see the product and for many technology items be able to see them perform prior to purchase.

Online provides an ideal opportunity to present both our detailed product information and to drive sales through our "Reserve & Collect" and "Order & Collect".

**No. 1*
UK Sat Nav retailer**

**3.0m
Car air fresheners sold in FY11**

**No. 1*
UK in-car technology and entertainment**

Key Product Groups

Sat Nav and accessories
In-car DVD players
Audio
Car Accessories
Performance styling —
Car polish
Car shampoo
Pressure washers
Alloy wheel cleaners

Key Brands

Technology:

Tom Tom, Garmin, Sony, JVC, Kenwood, Sonchi, Ripspeed, Pioneer

SONY GARMIN TOMTOM

Car Accessories and Performance Styling:

Type S, Airwick, Magic Tree, Hello Kitty, Prism lighting, Me to You

Turtle WAX KÄRCHER Powered by Fairy Dust Ambi pur

* Data from GFK Panel market.

Resources and Capabilities continued

Leisure: Cycling

2011 sees a comprehensive upgrade of ranges making the Halfords bike offer exciting, contemporary and great value.

Market

The Leisure category comprises two core groups, cycles and travel solutions. In cycling we hold the number one position selling one in three of all bikes in the UK.

For those wanting "life on the move" to have a more social, health and environmental slant, cycling hits the mark. For commuting cycling offers the added bonus of economy to an already attractive proposition. Changes in the HMRC Cycle2Work scheme still provide a persuasive incentive for employers to provide tax efficient benefit to staff. Halfords has worked hard to clarify the options available and take-up is now stable; more information is available from www.cycle2work.info

Sustainability

Underlying consumer trends towards health, leisure and environmental concerns make cycling a category with potential to not only sustain into the medium term but offer attractive growth potential. Halfords' multichannel competences have enabled changes in purchasing patterns to be dealt with effectively.

Offer

Participation in the cycle market by an increasingly wide range of competitors from the grocers to online "pure-play" companies has driven innovation in range attributes and service offers. At the low cost end the Trax range offers a boxed adult bike to compete with online price comparison whilst *Apollo*, *Carrera*, *Voodoo* and *Boardman* offer distinct value options right through to the premium end of the market. For every child and adult bike Halfords offer innovative "bundle" pricing deals including popular cycle accessories and services that differentiate our offer.

Largest UK bike retailer

VOODOO New Premium MTB launched — Feb 2011

GB bikes 31%* by value share

Key Brands

Apollo, Trax, Carrera, Voodoo, Boardman

* Data from GFK NOP Consumer Panel, 31/12/2010.

Leisure: Travel Solutions

Increasingly recognised as the destination of choice for products which facilitate “life on the move” Halfords has grown revenues in camping and launched new ranges including *Pampero*.

Market

The Travel Solutions division within the Leisure category includes product ranges to facilitate journeys, camping, child travel solutions and mobility products.

Our “life on the move” focus in travel solutions encompasses products which increase the capacity of carrying goods (like roof boxes and trailers), increase the safety of the journey (like child seats and safety vests) and provide service at destination or en route (like tents and camping equipment).

Many of these ranges have appeal to different segments of the UK audience at different times but certainly many facilitate the ability to holiday more cost-effectively and spend leisure time with family. In short there is balanced portfolio of product demand at different points in the economic cycle.

Sustainability

The long-term consumer trends towards leisure, safety and economy make our Travel Solutions ranges a category with attractive growth potential. Our growing brand association with leisure products continues to grow from the traditional core products like roof boxes and cycle carriers, to the expanding camping and mobility offer.

Offer

Travel Solutions is heavily promoted through our multichannel offer and on the more price competitive ranges we have created new products to drive margin. One example is the *Pampero* child seat range — it offers equivalent quality and performance at a lower price point whilst maintaining margins. The Halfords offer also has the benefit of a professional fitting service.

448,000
child safety seats sold

9.5m
units sold across the Travel Solutions Category

51,700
tent packs sold FY10

Key Brands

URBAN escape | Gelert | LICHFIELD | pampero | exodus

Resources and Capabilities continued

In-store Services

In-store services continue to be a success story driven by a high value service meeting a growing market demand. Our fitting services are central to the "*that's helpful*" customer campaign.

Our compelling service offers are designed for the growing "do it for me" audience and meet the level of support and service provision required by the customer.

Each service varies according to customer competence, confidence and desire to get involved and by the product complexity and safety needs. We continue to develop a compelling and comprehensive range of support services which make us the natural destination to facilitate "life on the move" and creates for Halfords a sustainable competitive advantage.

Our service innovations have secured not only increased transaction values but has attracted new consumer groups to Halfords. The offer is both a strategic defence and a growth driver differentiating us with check, assembly, repair and fitting services.

272,600 Bike Care Plans sold, up 28.5% on FY10

2.26m *wefit/werepair* jobs. An increase of 6%

£12.4m revenue from in-store services

"Being helpful through value added services further differentiates the Halfords offer."

wefit

Year on year we have seen significant growth in the ***we***fit offer. The offer enables us to deliver the following benefits:

- improved customer service
- improved safety with professional fitting
- increased loyalty to the brand
- cross-selling, up-selling and attachment opportunities

The demonstration and fitting of our child safety products, for example, provides peace of mind to parents and ensures best practice is followed for fit and general operation.

weassemble

The build and assembly of products is another key differentiator, especially where safety and complexity is concerned. Cycles and trailers are examples of product groups where the assembly and testing service enhances the customer experience and builds customer loyalty.

wecheck

wecheck is a service most commonly provided free of charge which allows all customers to ensure the part required is not only in need of replacement, but also to ensure the correct part is supplied. It also performs a wider role in expanding the audience we see visiting our stores. The increased audience from a wider family group are reassured in the knowledge that our colleagues help them every step of the way; whether checking screenwash or oil level, we help facilitate "life on the move".

werepair

Our ***we***repair offer is perhaps the most under-utilised area of service, but one which has potential to grow significantly as customers become more aware of what can be delivered by our store colleagues. From cycle repairs and maintenance to the car scratch and dent service many of our colleagues have been trained to deliver to high standards of quality and safety.

weservice

Cycles has seen the most significant implementation of our maintenance offer. When purchasing a cycle or at the free six week check stage, customers can purchase a plan to have the labour element of regular maintenance covered (a bike care plan). Policies are issued lasting between one and three years. The customer gets peace of mind and a higher level of safety, while our stores get increased footfall, sales of the consumable items used and improved customer loyalty. It is also a service not offered by online and supermarket competitors so has growth and defensive potential.

being helpful with *wefit*

"every parent is concerned about child safety and we're helpful"

Angela Davies
Plymouth store colleague

being helpful with *weassemble*

"knowing the bike has been safely built gives everyone some peace of mind"

Darren Smith
Oxford store colleague

Resources and Capabilities continued

Stores

Structurally unique, our national stores network drives the majority of Group revenue but also offers competitve advantage to multichannel with availability, location and service.

Halfords operates 466 stores which include 402 superstores, 29 compact stores and 35 metro stores. Our stores are within 20 minutes' travelling time for 90% of the UK population and are increasingly optimised in layout and range which is specific to local demographics.

Halfords' large store network not only allows us to present goods in prime locations but also to serve as a consolidation point drawing in web customers with the "Reserve & Collect" and "Order & Collect" online offer. They also facilitate the delivery of our range of retail services which include checking, building and fitting products.

Of the five factors affecting stores business performance — Value, Stock, Expertise, Range and Service — a good deal of work on several fronts has furthered the Retail strategic aims of "Extending range and service" and "Investing in the store portfolio".

Improvement in colleague work patterns has optimised the availability on the shop floor of the right people at the right time to improve the customer experience of helpfulness. Ongoing store refreshment has improved layout and promotion and continues to show good returns.

The pervasive use and uptake of mobile technology which has helped Halfords see impressive growth from the mobile website and provides many potential options for assisting customers in-store. The potential to leverage PC tablets in particular for smaller format stores to showcase our 14,000+ product lines also remains an area of investigation.

New store formats are also being investigated in highly populated urban locations where very significant range and layout changes are based upon local demographics. Halfords has pilot stores in London where as much as 60% of range is focused on cycles and accessories.

466 stores

23 ROI stores

located 20 minutes from 90% of the UK population

Store Locations

466 Stores

1
18 Superstores
1 Compact Store

2
16 Superstores
2 Compact Stores

3
19 Superstores

4
19 Superstores
1 Compact Store
1 Metro Store

5
18 Superstores
1 Compact Store

6
18 Superstores

7
17 Superstores
2 Compact Stores
1 Metro Store

8
17 Superstores
1 Compact Store
3 Metro Stores

9 *
14 Superstores
4 Compact Stores

10
19 Superstores
1 Compact Store

11
17 Superstores
2 Compact Stores

12
14 Superstores
3 Compact Stores
2 Metro Stores

13
19 Superstores
2 Compact Stores
1 Metro Store

14
19 Superstores
1 Compact Store

15
16 Superstores
4 Compact Stores

16
12 Superstores
4 Compact Stores
4 Metro Stores

17
18 Superstores
2 Metro Stores

18
22 Superstores
1 Metro Store

21
17 Superstores
2 Metro Stores

22
10 Superstores
2 Metro Stores

23
15 Superstores
5 Metro Stores

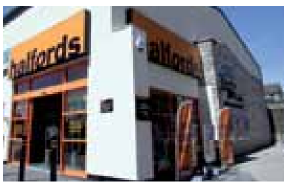
24
11 Superstores
1 Compact Store
7 Metro Stores

25
17 Superstores
3 Metro Stores

26
20 Superstores
1 Metro Store

* Includes 3 superstores situated in ROI.

Halfords Store Types



Superstores

Our superstores are typically 7,500–10,000 sq.ft. of retail space located on out of town retail shopping parks. Of the 402 superstores, 240 have a mezzanine floor. On average superstores employ 20 colleagues with speciality training across most areas of service. A superstore has a typical range of 10,000 products.

Compact stores

Our 29 compact stores (formerly neighbourhood) are designed to service smaller catchment areas where a superstore would not be viable. With typically 4,000 sq.ft. of retail space the compact stores carry around 6,000 product lines and employ 20 colleagues and cover all of our key service areas.

Metro stores

Our 35 Metro stores are the smallest format and are created only where there is edge of town alternative. Typically carrying 4,200 product lines our metro stores provide both a local footprint and a local ability to leverage our Reserve & Collect and Order & Collect web offer.

halfords

Resources and Capabilities continued

Online

Offering 14,400 product lines our website holds our most comprehensive range, directs many customers into stores for service delivery and captures information used across the business.

The Halfords multichannel strategy has grown significantly year on year and combined with the Halfords store network offers a compelling array of services which meet the changing buyer behaviour as online becomes further embedded in everyday life.

Competition online stems from either the “pure play” internet only companies or organisations which also have a “bricks and mortar” store network. Each of the competitor types has strengths and weaknesses to which Halfords has developed strong competitive responses to. As a result the multichannel offer continues to outperform the average industry growth rates with online sales growing by over 36.4%.

To take advantage of the macroeconomic trend to buy online and increasingly through mobile devices, Halfords has continued to strengthen the multichannel teams and further integrate techniques and knowledge with the core retail business. During the year additional members joined as specialists in retail trading, digital marketing, search analysis and analytics which has served to inform a range of new buying and trading strategies.

Online product selection and targeting has also been refined, whilst the product range is in total only around 45% larger than our superstores. In selective categories where we have identified higher levels of online participation, the ranges offered can be up to 600% larger than a store to best capture online buying behaviour.

Our “Reserve & Collect” and “Order & Collect” continue to be effective in getting customers into store which is our preferred option, this allows us to improve attachment rates through upgrades and accessorisation. In addition, we provide our build and fit services to ensure safe and appropriate product usage.

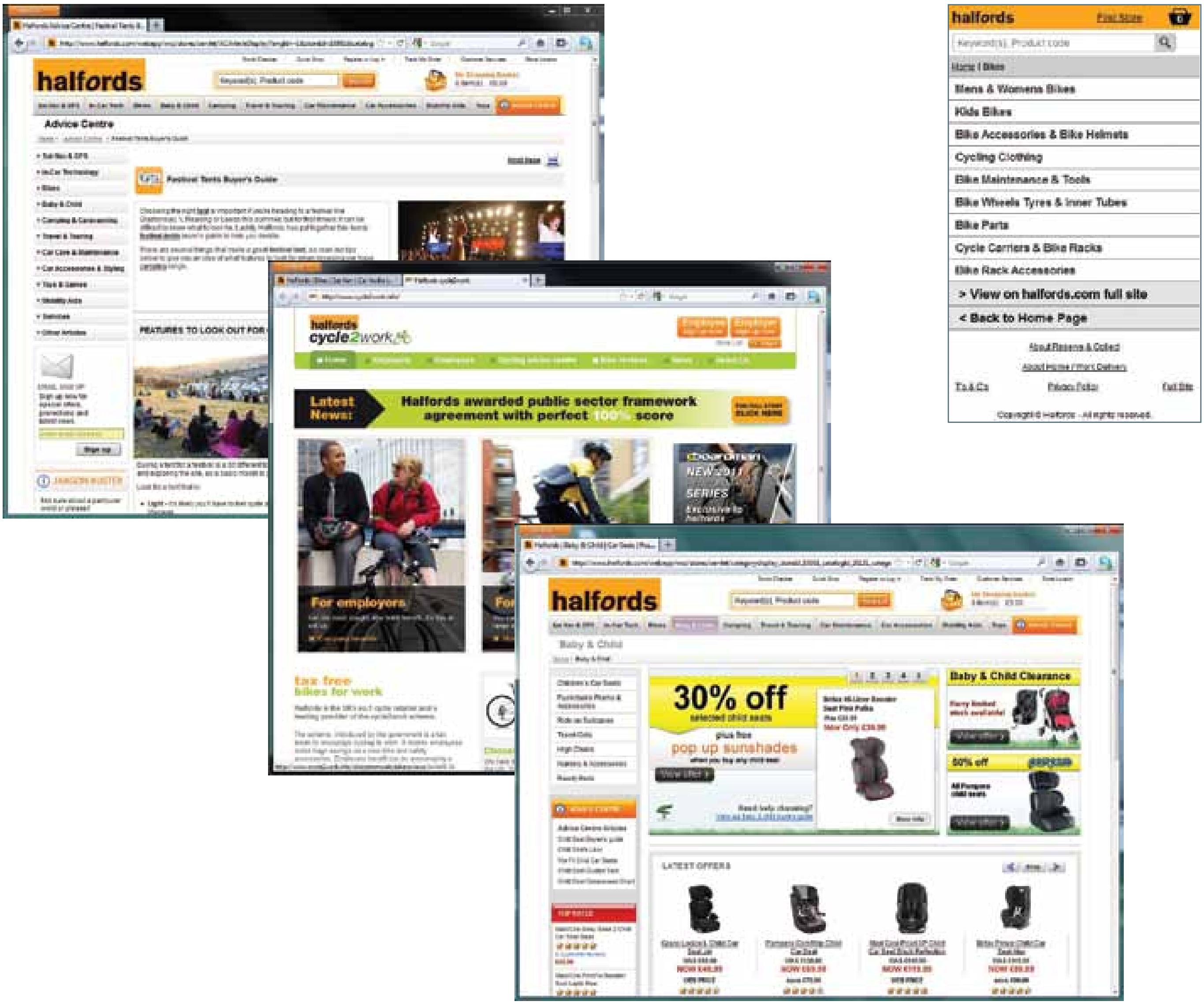
40.5m visitors in FY11

Online Sales up 36.4% in FY11

Over 14,400 products available online

“. . . continues to outperform the average industry growth rates with online sales growing by over 36%.”

466 STORES | HALFORDS.COM | 0845 057 9000 | reserve & collect | HOME DELIVERY | 240 AUTOCENTRES



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halfords

Resources and Capabilities continued

Autocentres

The first full year as part of Halfords has seen all 224 Autocentres rebranded and refurbished and 16 new Autocentres opened achieving a new centre run rate in Q4 consistent with our 30 per annum target.

Halfords Autocentres is the largest car service network in the UK with currently around 1% market share of the estimate £9bn car aftercare market. The addition of full service capability means the Halfords customer offer runs from the DIY with retail parts sales, through "Do it for me" with the in-store ***we***fit service to the complete vehicle maintenance package.

The car maintenance market has by virtue of its needs driven nature some insulation from economic cycles although can be exposed to owners choosing to extend service cycles. The Halfords offer in car servicing has developed a series of strategies to optimise capture of new business both by harnessing the Halfords brand as well as operational improvements.

The service market consists of three broad segments. At one extreme are the franchised dealers: slick, credible and trusted but generally costly. At the other extreme are the small private garages and mechanics, a generally less polished experience and frequently without the security of a large organisation's resources, but the costs are lower. In the middle ground Halfords Autocentres offer the best of both, a cost structure which is competitive but a service which also delivers high standards and does not compromise manufacturers warranties', the backing of a large group and the latest technology and training.

This balance of franchise quality service and competitive price is attractive to both retail customers and fleet operators alike and we deal very effectively with a number of very large fleets.

During the year brand testing was carried out at test centres during May to July which encompassed comprehensive research from consumers on the service offer. From August the full 224 Autocentres were rebranded in seven months with over 30 centres rebranded every month and included a full refresh of marketing materials and website. The programme was completed on time, to budget and, based on the broad feedback received, to a high standard.

On 28 February 2011, Halfords Autocentres launched its first national above the line advertising campaign. This featured radio commercials with the new "*that's helpful, that's halfords*" campaign, and we ran the first phase in the spring of 2011.

With a growing and ageing car parc and cars lasting longer than ever, the need for car service is assured in the medium to long term. We are experienced at consolidating the requirements in fragmented markets and with a long heritage of dealing with retail customers, we are uniquely aligned to take advantage.

Largest independent garage network in the UK

240 Autocentres

679,000 appointments in FY11

"... Halfords Autocentres launched its first national advertising campaign featuring radio commercials with the new 'that's helpful, that's halfords' campaign."

224 Autocentres rebranded

Arnold Autocentre
Arnold
Nottingham
NG5 7DS

Redditch Autocentre
Redditch
Worcestershire
B98 8DU

Fareham Autocentre
Fareham
Southampton
SO31 6AF

466 STORES | HALFORDS.COM | 0845 057 9000 | reserve & collect | HOME DELIVERY | 240 AUTOCENTRES

Use your phone's bar code app and go directly to the relevant page on our website.

halfords.annualreport2011.com/governance Go

Governance

halfords

Board of Directors

DAVID WILD
CHIEF EXECUTIVE OFFICER

Joined
4 August 2008

Current Roles
Chief Executive of Halfords Group plc and non-executive director of Premier Foods plc

Past Roles
Prior to joining Halfords David was Senior Vice-President for New Business Development at Wal-Mart US. Prior to this appointment he was President and Managing Director of Wal-Mart Germany. Before joining Wal-Mart, David spent 18 years at Tesco, latterly as Group Supply Chain Director. He spent the six years prior to this focused on the company's Continental European expansion, both as Chief Executive of Central Europe and, before that, as European Corporate Development Director.

Brings to the Board
David brings over 20 years' retailing experience, gained at two world-leading businesses, and the skills and ability to manage the company's future growth strategy.

n

DENNIS MILLARD
CHAIRMAN

Joined
28 May 2009

Current Roles
Dennis is currently Chairman of Smiths News plc. He is the Senior Independent Director and Chairman of the Audit Committee of Premier Farnell plc, Xchanging plc and Debenhams plc.

Past Roles
Dennis was previously a non-executive director of Exel plc and EAG Limited.

Brings to the Board
Dennis has broad commercial and financial experience in the retail, service, distribution and manufacturing sectors both internationally and in the UK and, through his roles on other boards, relevant experience of the entrepreneurial and governance contributions that directors and chairmen should bring to the board.

r

PAUL McCLENAGHAN
COMMERCIAL DIRECTOR

Joined
31 March 2007

Current Roles
Commercial Director of Halfords Group plc

Past Roles
Before joining Halfords, Paul worked for the Dixons Group, most recently as Trading Director for its Vision and Audio division. He also held the positions of Buying Director for Brown Goods and Commercial Director for Dixons Asia.

Brings to the Board
Paul brings over 20 years' experience in Retail Marketing, Supply Chain, Merchandising, Space Planning, and Multichannel Retailing. Expertise in Range Management and Far East sourcing.

ANDREW FINDLAY
GROUP FINANCE DIRECTOR

Joined
1 February 2011

Current Roles
Group Finance Director of Halfords Group plc

Past Roles
Prior to his appointment, Andrew was Director of Finance, Tax and Treasury at Marks and Spencer Group plc. Prior to Marks and Spencer he held senior finance roles at the London Stock Exchange and at Cable & Wireless, both in the UK and US. Andrew qualified as a chartered accountant with Coopers & Lybrand.

Brings to the Board
An impressive track record and extensive financial experience in retail and other competitive, consumer and business facing industries.

DAVID ADAMS
NON-EXECUTIVE DIRECTOR

Joined
1 March 2011

Current Roles
David is the Non-Executive Chairman of both Snap Equity Ltd (Jessops) and the Alexon Group, he is also the Senior Independent Director at JJB Sports. He is a non-executive director of the British Retail Consortium and the charity, Walk The Walk.

Past
David was the Deputy Chief Executive and Finance Director of the House of Fraser Plc until 2006. Prior to that, he was the Group Finance Director at Asprey Plc and before that the Finance Director at Texas Homecare and also at Top Shop and Dorothy Perkins.

Brings to the Board
David brings extensive and very relevant financial and business experience and a deep knowledge of the retail sector.

a n r

CLAUDIA ARNEY
NON-EXECUTIVE DIRECTOR

Joined
25 January 2011

Current Roles
Claudia is a Board member of Transport For London, a member of the Advisory Group to the Shareholder Executive of the Department of Business, Innovation and Skills and a Non-Executive Director of Doctors.net.uk.

Past Roles
Claudia was the Group Managing Director, Digital at EMAP Inform until autumn 2010 where she led the development and execution of online publishing strategy. Prior to this she was Director of the Enterprise and Growth Unit at HM Treasury, and previously she was an Executive Director at Goldman Sachs working on both product development and e-publishing. She has also worked as the Head of Product Development at FT.Com.

Brings to the Board
Claudia brings extensive experience of strategy formulation and business development particularly in the online consumer and media space.

a n r

KEITH HARRIS
INDEPENDENT NON-EXECUTIVE DIRECTOR

Joined
17 May 2004

Current Roles
Keith has been Executive Chairman of Seymour Pierce Limited since its acquisition from Investment Management Holdings plc. Keith is currently on the Boards of Cooper Gay (Holdings) Limited and Sellar Investments Limited.

Past Roles
Prior to this Keith was Chairman of the Football League and Chief Executive of HSBC Investment Bank plc and he has been on the Board of Benfield plc.

Brings to the Board
Keith brings extensive experience of public company governance, particularly in the field of executive remuneration.

a n r

BILL RONALD
INDEPENDENT NON-EXECUTIVE DIRECTOR AND SENIOR INDEPENDENT DIRECTOR

Joined
17 May 2004

Current Roles
Bill is currently Chairman of the Muscular Dystrophy Campaign, and a non-executive director of Bezier Limited, Dialight plc and Alfresca.

Past Roles
Bill's past roles include Chairman of Europackaging Limited and Chief Executive of Uniq plc for three years, prior to which Bill spent 23 years in a variety of roles within the Mars Corporation. His final positions there were Managing Director of the UK confectionery operation and Vice-President of Masterfoods Europe.

Brings to the Board
Bill brings experience of brand building and winning loyalty by putting the customer first. He also brings a focus upon organisational development.

a n r

Executive | Non-Executive

a Audit Committee
n Nomination Committee
r Remuneration Committee

Directors' Report

The Directors present their report and the audited financial statements of Halfords Group plc (the "Company") together with its subsidiary undertakings (the "Group") for the 52 weeks to 1 April 2011.

Principal activities

Halfords Group plc is a public limited company incorporated in England, registered number 04457314, with its registered office at Icknield Street Drive, Washford West, Redditch, Worcestershire, B98 0DE.

The principal activities of the Group are the retailing of automotive, leisure and cycling products, which it does from 466 retail stores (2010: 469) and car servicing and repair performed from 240 autocentres (2010: 224). The principal activity of the Company is that of a holding company.

Business review

The Chairman's statement on pages 8 to 9, the Business Review on pages 12 to 49 including the Finance Director's report on pages 32 to 37 provide a review of the business and progress against its key performance indicators during the year and descriptions of possible future developments and the principal risks and uncertainties facing the Group, and form part of this Directors' Report. Environmental considerations are reviewed within the Corporate Social Responsibility Report on pages 42 to 49 and also form part of this Directors' Report.

Corporate governance

The Corporate Governance report on pages 78 to 83 forms part of this Directors' Report.

Profits and dividends

The Group's results for the year are set out in the Consolidated Income Statement on page 98.

The profit before tax on ordinary activities was £118.1m (2010 £109.7m) and the profit after tax amounted to £85.5m (2010: £77.0m).

The Directors propose that a final dividend of 14p per ordinary share be paid on 5 August 2011 to shareholders whose names are on the register of members at the close of business on 1 July 2011. This payment, together with the interim dividend of 8p per ordinary share paid on 24 January 2011, makes a total for the year of 22p per ordinary share. The total final dividend payable to shareholders for the year is estimated to be £29.5m. Lloyds TSB Offshore Trust Limited, trustee of the Halfords Employee Share Trust, has waived its entitlement to dividends.

Performance monitoring

The delivery of the Group's strategic objectives is monitored by the Board through Key Performance Indicators ("KPIs") and the periodic review of various aspects of the Group's operations. The Board considers the KPIs listed on pages 16, 17, 20 and 21 are appropriate measures for the delivery of the strategy of the Group and its two divisions — Retail and Autocentres.

Donations

During the year the Group contributed £73,000 (2010: £82,800) to Charities in the UK, including donations to BEN, a charity supporting individuals and families linked to the motor industry and associated trades.

In 2009 Halfords commenced a two-year partnership with Macmillan Cancer Support which ended on 31 March 2011. During the course of the partnership the Company raised over £134,000 for the charity with stores selling carrier bags and sweets, holding events and individual employees undertaking fund-raising events ranging from running marathons to holding charity auctions, together with head office and store colleagues participating in relay bike ride.

The Group's policy is not to make any donations for political purposes. However, the Companies Act 2006 defines the term "donations" very widely and, as a result, certain expenses legitimately incurred as part of the process of talking to Government at all levels and making the Group's position known, are now reportable. Although during the year no such expenditure or political donations were made, resolutions were passed at the 2010 Annual General Meeting ("AGM") that provided for limited authority for such expenditure, such authority remaining valid until the earlier of 4 October 2011 or the conclusion of the AGM to be held in 2011, and as such the Company will be asking for this limited authority to be renewed at the AGM to be held on 2 August 2011.

Colleagues

The Board seeks to instill high standards of customer care and service in the Group and the commitment of every colleague to this business requirement is considered to be critical. The Group has established a framework of communication for colleagues concerning business performance and Company benefits. Group-wide training reinforces the Group's commitment to colleague involvement and development.

The Group is committed to the principle of equal opportunity in employment and to ensuring that no applicant or colleague receives less favourable treatment on the grounds of gender, marital status, race, ethnic origin, religion, disability, sexuality, age, or is disadvantaged by conditions or requirements which cannot be shown to be justified. The Group applies employment policies which are fair and equitable and which seek to promote entry into and progression within the Group. Appointments are determined solely by application of job criteria, personal ability and competency.

The Group gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities, wherever suitable opportunities exist, and training and career development support are provided, where appropriate. Should a colleague become disabled when working for the Group, efforts are made to continue their employment and retraining is provided, if necessary.

A "whistle-blowing" policy and procedure is in place and has been notified to all Retail and Autocentre colleagues. The policy enables them to report any concerns on matters affecting the Group or their employment, without fear of recrimination, and reduces the risk of things going wrong or of malpractice taking place and remaining unreported. In addition, the Group takes a zero-tolerance approach to matters of discrimination, harassment and bullying in all aspects of its business operations, whether they relate to sex, race, national origin, disability, age, religion or sexual orientation, and policies and procedures are also in place for reporting and dealing with these matters.

Owning shares in the Company is an important way of strengthening colleagues' involvement in the development of the Group's business and bringing together their and shareholders' interests. The Group therefore encourages the Group's colleagues to participate in its Sharesave Scheme.

Directors

The following persons were Directors during the 52 weeks to 1 April 2011 and at the date of this Report:

Dennis Millard

David Wild

Nick Wharton (resigned 30 November 2010)

Paul McClenaghan

Andrew Findlay (appointed 1 February 2011)

David Adams (appointed 1 March 2011)

Claudia Arney (appointed 25 January 2011)

Nigel Wilson (resigned 31 March 2011)

Keith Harris

Bill Ronald

In accordance with the Company's Articles of Association and with the UK Corporate Governance Code guidelines all those persons holding positions as directors of the company on 1 April 2011, will offer themselves for re-election at that the company's AGM on 2 August 2010.

Directors' interests

The Directors' interests in shares and options over shares in the Company are shown in the Directors' Remuneration Report on pages 84 to 93.

In response to the requirements of the Companies Act 2006 introduced in October 2008, each Director has notified the Company of any situation in which he or she has, or can have a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (a situational conflict). These interests were considered and approved by the Board in accordance with the Company's Articles of Association and each Director was informed of the authorisation and the terms on which it was given.

Directors' indemnities

Article 136 the Company's Articles of Association provides that every Director is entitled to be indemnified out of the assets of the Company against all costs and liabilities incurred by him in the execution of his duties or the exercise of his powers or otherwise in connection with his duties, powers or office including any liability incurred by him in defending any proceedings, civil or criminal, which relate to anything done or omitted to have been done or omitted by him as an officer of the Company and in which judgement is given in his favour or in which he is acquitted.

During the year the Company maintained liability insurance for its Directors and officers. The Directors of the Company, and the Directors of each of the Company's subsidiaries, have the benefit of an indemnity provision in the Company's Articles of Association. The indemnity provision, which is a qualifying third-party indemnity provision as defined by section 236 of the Companies Act 2006, has been in force throughout the year.

Directors' responsibilities

The statement of Directors' responsibilities in preparing the Annual Report and the Financial Statements can be found on page 96 of the Annual Report.

Disclosure of information to Auditors

The Directors of the Group have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any information needed by the Group's Auditors in connection with preparing their report and to establish that the Auditors are aware of that information and so far as the Directors are aware there is no such information of which the Group's Auditors are unaware. The Directors are responsible for maintaining the integrity of financial information which includes the Annual Report, together with other financial statements, presentations and announcements on the Group's website *halfordscompany.com*. Legislation in the UK concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Supplier payment policy

The Group does not follow any formal code or standard on payment practice, but agrees terms and conditions for its business transactions when orders for goods and services are placed, and includes the relevant terms in contracts, where appropriate. These arrangements are adhered to when making payments, subject to the terms and conditions being met by suppliers. The number of trade creditor days outstanding at the period end for the Group was 59 days (2010: 49 days). The Company is a holding company and had no trade creditors at the end of the financial year.

Contractual or other arrangements

The Directors consider that there are no contractual or other arrangements, such as those with major suppliers, which are likely to influence, directly or indirectly, the performance of the business and its value.

Directors' Report continued

Major Shareholders

At 3 June 2011, the Company's share register of substantial shareholdings showed the following interests in three per cent or more of the Company's issued ordinary shares:

Holder	Number of shares	% of issued shares
Artemis Investment Mgt Ltd	12,154,298	5.7
Capital (Institutional Grp)	11,724,908	5.5
Ignis Asset Management	8,472,512	4.0
L&G Investment Management	7,721,079	3.6
F&C Asset Management	7,306,885	3.4
M&C Investments	6,419,454	3.0

The Takeover Directive

As at 1 April 2011 and 2 April 2010, the Company's authorised share capital was £2,950,000 divided into 295,000,000 ordinary shares of 1p each nominal value ("ordinary shares"). On 1 April 2011 there were 211,985,998 (2010: 210,710,960) ordinary shares in issue. These ordinary shares are listed on the London Stock Exchange.

All ordinary shares rank equally with respect to voting rights and the rights to receive dividends. Shares acquired through Company share schemes and plans rank *pari passu* with the shares in issue and have no special rights.

The holders of ordinary shares are entitled to receive the Company's Annual report and financial statements; to attend and speak at general meetings of the Company; to appoint proxies and to exercise voting rights.

There are no restrictions on transfer or limitations on the holding of any class of shares and no requirements for prior approval of any transfers. None of the shares carry any special rights with regard to control of the Company.

There are no known arrangements under which the financial rights are held by a person other than the holder of the shares and no known agreements on restrictions on share transfers or on voting rights.

The rules about the appointment and replacement of Directors are contained in the Company's Articles of Association. Following the publication of a revised Combined Code on 28 May 2010, the Board has agreed that all Directors will stand for re-election on an annual basis and this requirement was adopted into the Company's Articles of Association on 27 July 2010.

Changes to the Articles of Association must be approved by the shareholders in accordance with the legislation in force from time to time.

The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company's share schemes and plan may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

The Company has Term and Revolving facilities and under the terms of these credit facilities, the Company is required, in the event of a change of control, to give notification to the facility agent and if so required by the majority lenders the facilities may be cancelled.

Authority to purchase shares

At the AGM on 27 July 2010 shareholders approved a special resolution authorising the Company to purchase a maximum of 21,101,923 shares, representing 10% of the Company's issued share capital at 18 June 2010, such authority expiring at the conclusion of the AGM to be held in 2011. The Directors intend to optimise the Group's balance sheet to enhance shareholder returns and on 7 April 2011 commenced a £75m share buyback programme. In the 52 weeks to 1 April 2011 the Company purchased Nil shares (2010: Nil), representing a nominal value of £Nil (2010: £Nil).

Auditors

At the AGM held on 27 July 2010 KPMG Audit Plc were appointed as the Company's external Auditors. KPMG Audit Plc has indicated its willingness to accept reappointment as the external Auditor of the Company. A resolution proposing its reappointment is contained in the Notice of the AGM and will be put to shareholders at the meeting.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 12 to 49. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Director's Review on pages 32 to 37. In addition, note 20 to the Group financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

With effect from 5 November 2010 the Group secured a four-year £300m revolving credit facility (extendable by a further year) and at 1 April 2011 the Group had undrawn borrowing facilities of £211m. The Group's previous and current committed borrowing facilities contain certain financial covenants, which have been met throughout the period.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its borrowing facilities and covenants for the foreseeable future. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the uncertain economic outlook.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Annual General Meeting

The AGM will be held at the Hyatt Hotel, Bridge Road, Birmingham. B1 2JZ, on Tuesday 2 August 2011. The notice of the AGM and explanatory notes regarding the special business to be put to the meeting will be set out in a separate circular to shareholders.

By order of the Board

Alex Henderson
Company Secretary
8 June 2011

Corporate Governance

The Board of Halfords Group plc is responsible for determining the long-term direction and strategy of the Group in a framework of sound and robust corporate governance. The Board is committed to high standards of corporate governance not only in the areas of accountability and risk management but also as a positive contribution to its' business strategy and has adopted the UK Corporate Governance Code from 29 June 2010. The Board believes in conducting the Group's affairs in a fair and transparent manner and in maintaining the highest ethical standards in its business dealings.

Statement of compliance with the Combined Code

The Directors consider that the Group has applied the principles and complied with the provisions of the June 2008 Combined Code ("the Code") for the financial period to 1 April 2011. This report describes how the Group has complied with the Code.

Board Structure

On 1 April 2011 the Board was composed of eight members, consisting of a non-executive chairman, four non-executive Directors and three executive Directors.

Board structure

Halfords Group Board

Audit Committee

David Adams (Chairman)
Claudia Arney
Keith Harris
Bill Ronald

Treasury Committee*

* Reports to the Audit Committee. The Treasury Committee is not a formal committee of the Board.

Nomination Committee

Dennis Millard (Chairman)
David Adams
Claudia Arney
Keith Harris
Bill Ronald
David Wild

Remuneration Committee

Keith Harris (Chairman)
David Adams
Claudia Arney
Dennis Millard
Bill Ronald

The following Directors held office during the financial period to 1 April 2011:

	Designation	Date of Appointment/Reappointment	Date of Resignation
Dennis Millard	Chairman	27 July 2010	
David Wild	Chief Executive	27 July 2010	
Nick Wharton	Finance Director	27 July 2010	30 November 2010
Paul McClenaghan	Commercial Director	27 July 2010	
Andrew Findlay	Finance Director	1 February 2011	
Claudia Arney	Non-Executive Director	25 January 2011	
David Adams	Non-Executive Director	1 March 2011	
Keith Harris	Non-Executive Director	27 July 2010	
Bill Ronald[(1)]	Non-Executive Director	27 July 2010	
Nigel Wilson	Senior Independent Director	27 July 2010	31 March 2011

(1) Bill Ronald was appointed Senior Independent Director on 1 April 2011, following the resignation of Nigel Wilson.

Operation of the Board

The Board has a formal schedule of matters reserved for the Board, which it has reviewed during the year and considered fit for purpose. The Board's primary role is to determine the long-term direction and strategy of the Group, create value for shareholders, monitor the achievement of business objectives, monitor risk and ensure that good corporate governance is practised and that the Group meets all responsibilities to its shareholders, customers, employees and other stakeholders.

The Board is also responsible for ensuring that appropriate processes are in place in respect of succession planning for appointments to the Board and to key senior management positions and to establish and monitor the Group's policies and performance in the area of corporate social responsibility.

To enable the Board to function effectively and assist Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including regular business progress reports and discussion documents regarding specific matters. In addition, individual non-executive directors meet with senior management and make periodic site visits. Senior managers are regularly invited to Board meetings and make business presentations. The Chairman, supported by the Company Secretary, maintains a rolling twelve-month agenda for Board meetings to ensure all relevant matters are planned into the cycle of meetings and considered at the appropriate time.

Where a Director has a concern over any unresolved business he is entitled to require the Company Secretary to minute that concern. Should that Director later resign over this issue, the Chairman will bring it to the attention of the Board.

The Group is supportive of executive Directors who wish to take on a non-executive directorship with a company outside the Group, as exposure to such duties can broaden experience and knowledge, which will be to the benefit of the Group. Executive Directors may retain any fees they receive. On 7 March 2011 David Wild was appointed a non-executive director to the Board of Premier Foods plc and, until his resignation on 30 November 2010, Nick Wharton was a non-executive director on the Board of Dunelm Group plc where he also chaired the Audit Committee.

The Board had nine scheduled meetings this year and others as required. During 2010 five additional Board meetings were held to consider business outside the normal calendar of agendas. Whilst the Board has specific responsibility for those matters reserved for its consideration, in certain areas, specific responsibility is delegated to committees of the Board within defined terms of reference.

During the year the Board committees, Audit, Nomination and Remuneration, scheduled four, seven and six meetings respectively additional meetings were held where appropriate. Individual Director attendance is shown below.

	Group Board	Audit	Nomination	Remuneration
Dennis Millard	14	4*	7	6
David Wild	14	3*	7	5*
Nick Wharton[(1)]	11	3*	—	—
Paul McClenaghan	14	—	—	—
Andrew Findlay[(1)]	2	1*	—	—
Claudia Arney[(1)]	2	1	2	1
David Adams[(1)]	1	—	1	1
Keith Harris	13	4	7	5
Bill Ronald	14	4	7	5
Nigel Wilson	12	4	6	4

* Indicates attendance by invitation.

(1) Nick Wharton, Andrew Findlay, Claudia Arney and David Adams attended all the meetings they were entitled to attend.

Directors and their interests

During the period there have been a number of changes to the composition of the Board including the resignation as Finance Director of Nick Wharton on 30 November 2010 and the appointment of Andrew Findlay as Finance Director on 1 February 2011. Non-Executive Director changes include the appointments of Claudia Arney on 25 January 2011 and David Adams on 1 March 2011 and the resignation of Nigel Wilson on 31 March 2011. From 2 April 2010 until his resignation Nigel Wilson was the Company's Senior Independent Director. Bill Ronald has held the position since 1 April 2011.

Dennis Millard was appointed Chairman on 28 May 2009, and was considered on appointment to meet the independence criteria as set out in paragraph A.3.1 and B.1.1 of the Code and continued with his existing commitments (as disclosed on page 72).

The other non-executive Directors are considered by the Board to be independent in character and judgement and within the definition of the Code. Accordingly, no individual or group of individuals dominates the Board's decision-making and the requirements of paragraph B.1.2 of the Code that at least half of the Board (excluding the Chairman) should comprise independent non-executive Directors is satisfied. At the same time in accordance with the Combined Code, separate individuals have been appointed to the positions of Chairman and Chief Executive respectively as described above and job descriptions delineating a clear division of responsibilities between the two have been compiled and issued.

The Chairman and the non-executive Directors contribute external expertise and experience in areas of importance to the Group such as marketing, customer and consumer focus, multichannel trading, retailing, corporate finance, general finance and corporate governance. They also contribute independent challenge and rigour to the Board's deliberations, and assist in the development of the Company's strategy, scrutiny of the performance of management in meeting agreed goals and targets and satisfying themselves of the integrity of the Company's internal controls and risk management systems. The Board believes that all of the Directors devote sufficient time and attention as is necessary in order to perform their duties.

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Corporate Governance continued

Non-executive Directors are appointed for specified terms (normally three years) and their Terms and Conditions of Appointment are available on the Group's website *halfordscompany.com*. They are subject to reappointment under the Company's Articles of Association and subject to the Companies Act provisions relating to the removal of a Director.

The Board has formally adopted an induction programme for new Directors, which will be tailored to each new Director who joins the Board and includes briefings regarding the activities of the Group and visits to operational sites. Documentation and training on their duties as Directors are also available to all Directors. All Directors are members of the Deloitte Academy, a training resource that provides support and guidance to boards, individual directors and company secretaries. In addition, Directors are also informed regularly on relevant material changes to laws and regulations affecting the Group's business. All Directors have access to the advice and services of the Company Secretary, who is also responsible for advising the Board on all governance matters.

Following the guidelines of the UK Corporate Governance Code that all directors should retire and seek re-election on an annual basis, the Company's Articles of Association were amended at the Company's last Annual General Meeting ("AGM") to mirror these guidelines Consequently, all Directors on the Board on 1 April 2011 will seek election or re-election at the Company's AGM on 2 August 2011.

Details of the Directors' service contracts, emoluments, the interests of the Directors and their immediate families in the share capital of the Company and options to subscribe for shares in the Company are shown in the Directors' Remuneration Report on pages 84 to 93. The Directors have wide experience and expertise and their biographical details are given on pages 72 to 73.

In response to the requirements of the Companies Act 2006, each Director has notified the Company of any situation in which he or she has, or can have a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (a situational conflict). These interests were considered and approved by the Board in accordance with the Company's Articles of Association and each Director was informed of the authorisation and the terms on which it was given. All Directors are aware of the need to consult with the Company Secretary regarding any further possible situational conflict that may arise so that prior consideration can be given by the Board as to whether or not such conflict will be approved.

Evaluation of the Board and its committees

The Board has established a formal process for the annual evaluation of the performance of the Board, its principal committees and individual Directors. The process for 2010 identified the following actions:

- To align the Company with the recommendations made by the Financial Reporting Council as a result of its review of the Combined Code, the Board felt that the process for identifying, reviewing and monitoring risk could be made more dynamic and the Board's "risk appetite" should be defined. A review of the process was carried out and a more dynamic, bottom-up/top-down basis was adopted.
- Given the Company's strategic objective of leveraging the Halfords brand within its multichannel offer, it was felt that the Board would benefit from greater exposure to trends within this fast-moving environment. Claudia Arney, who has extensive multichannel experience, has been appointed to the board.

Given the number of changes to the Board towards the end of the year, it was decided to postpone the 2011 board evaluation process until each of the three new board members had settled in to their roles. Furthermore, it was decided to include in the process one-on-one meetings between the Chairman and each board member to supplement questionnaires that were issued for the evaluation of each committee. The interview process was carried out in May 2011 and covered such topics as the board agenda, meeting process, composition, succession plans, relationships between board members, their individual performance and the board's role in the formulation of group strategy and policy. The Senior Independent Director also discussed the performance of the Chairman with each board member.

A review of these responses by the Board or by the appropriate Committee, is underway and appropriate action will be taken to ensure that the performance of the Board as a whole, its principal committees and individual Directors is such that each can perform at the optimum level for the benefit of the Company. A full report back will be provided in the 2012 Annual Report.

Board Committees

The Board has established an effective Committee structure to assist in the discharge of its responsibilities. The terms of reference of the Audit, Nomination and Remuneration Committees comply with the provisions of the Combined Code and are available for inspection on the Company's website, *halfordscompany.com*.

The Company Secretary acts as secretary to the Audit, Nomination and Remuneration Committees. Only the members of each Committee are entitled to attend its meetings, although other Directors, professional advisers and members of the senior management team attend when invited to do so. The Audit Committee will invite the external Auditor to certain of its meetings. In the cases of the Nomination and Remuneration Committees, no member is present when business pertinent to them is under discussion. A Treasury Committee, composed of senior members of the finance and treasury teams and chaired by the Finance Director, has been established to manage the day-to-day treasury needs of the Group.

When the need arises, separate ad hoc committees may be set up by the Board to consider specific issues.

Remuneration Committee

For the financial period to 1 April 2011, the Remuneration Committee comprised Keith Harris (Chairman), Nigel Wilson, Bill Ronald, Dennis Millard and, following their appointments on 25 January 2011 and 1 March 2011, Claudia Arney and David Adams. All are considered to be independent non-executive Directors.

Executive Directors attend Remuneration Committee meetings at the invitation of the Committee Chairman.

The Remuneration Committee has responsibility for making recommendations to the Board on the Company's policy on remuneration of executive Directors, the Company Secretary and senior managers and its Chairman, Keith Harris, takes this responsibility very seriously, stating that *"Within the general framework of corporate governance, remuneration committees have the key responsibility of balancing management's expectations with the interests of all stakeholders. A key role of the committee is to attract and retain executives of the highest quality, and to motivate them to deliver shareholder value. They must set targets for management that are stretching yet attainable but not so far reaching as to encourage excessive risk taking. To function effectively such committees must have authority and independence of thought; never more than in today's challenging environment is the work of remuneration committees so carefully scrutinised."*

The Committee determines, within agreed terms of reference, specific remuneration packages for each of the Chairman, the executive Directors and Company Secretary of the Company and such members of senior management as it is delegated to consider. This includes pension rights; any compensation payments; and the implementation of executive incentive schemes. In accordance with the Committee's terms of reference, no Director may participate in discussions relating to their own terms and conditions of service or remuneration.

Further information on the activities of the Remuneration Committee is set out in the Directors' Remuneration Report on pages 84 to 93. The Directors' Remuneration Report sets out the status of the Company's compliance with the requirements of the UK Corporate Governance Code with regard to remuneration matters and includes a statement on the Company's policy on Directors and senior managers' remuneration, benefits, share scheme entitlements and pension arrangements. A resolution to approve the Directors' Remuneration report will be proposed at the forthcoming AGM.

Nomination Committee

The Nomination Committee is chaired by the Company's Chairman Dennis Millard, who believes that "*The composition of the Board and the senior management team as well as well-defined succession plans for each are critical to the success of Halfords, as with any company. During this year, the Committee was particularly actively engaged with the appointment of three new Board members and with the appointment of a number of senior executives. In doing so, emphasis was placed on securing candidates that not only fit the role specification but also on how well they would interact with the team as well as the fresh and challenging approach we believed they could, and should bring. We believe that this has been achieved.*" During the year the Committee also included Keith Harris, Bill Ronald, Nigel Wilson, David Wild and, following their appointments on 25 January 2011 and 1 March 2011, Claudia Arney and David Adams. All are considered to be independent non-executive Directors. The Code states that the test of independence is not appropriate in relation to the Chairman after his appointment and the Board feels it is appropriate, as all non-executive Directors sit on the committee, that the committee should be chaired by the Chairman of the Group. Senior members of management and advisers are invited to attend meetings as appropriate.

The Committee has responsibility for considering the size, structure and composition of the Board of the Company, for reviewing senior management succession plans, retirements and appointments of additional and replacement Directors and making appropriate recommendations so as to maintain an appropriate balance of skills and experience on the Board.

The Nomination Committee has established a process for Board appointments that it considers to be formal, rigorous and transparent and involves the use of external executive recruitment agencies. This process includes a review of the skills, experience and knowledge of the existing Directors, to assess which of the potential shortlisted candidates would most benefit the balance of the Board having regard also to the need for succession planning. During the search for a new Finance Director and for new non-executive Directors, the committee used the services of the executive recruitment agency Egon Zehnder. Egon Zehnder has no other connection with the Company.

In recommending Claudia Arney and David Adams to be appointed non-executive Directors of the Group, the Nomination Committee assessed the time commitment required by the position and in approving these appointment the Board took this into account and also considered Claudia and David's other commitments. The Board concluded that they both had enough time to fulfil their commitments to the Group and their other commitments would not affect their ability to carry out their duties and responsibilities effectively for the Group.

Audit Committee

For the financial period to 1 April 2011, the Audit Committee comprised Nigel Wilson, Keith Harris and Bill Ronald and, following their appointments on 25 January 2011 and 1 March 2011, Claudia Arney and David Adams, all of whom are independent non-executive Directors. Until his resignation on 31 March 2011 the Committee chairman was Nigel Wilson, who, as Chief Financial Officer of Legal & General plc, was considered by the Board to have recent and relevant financial experience. From 1 April 2011 David Adams was appointed Chairman of the Committee. David has been the Deputy Chief Executive and Finance Director of the House of Fraser Plc and as such is also considered by the Board to have recent and relevant financial experience. David believes that *"The work of the audit committee is key to securing stakeholder confidence in the financial statements of the Company. The constant process of review of the processes involved in the production of these statements, covering assessment of risk, review of controls, and awareness of a regulatory framework that is constantly evolving, is fundamental to the committee's exercise of its responsibilities. In addition, the committee manages the relationship with the internal auditors to ensure independence , and works with the external auditors and the Board to set the planned activity for the internal audit function.*"

Each of the other independent non-executive Directors on the Committee has, through their other business activities, significant experience in financial matters. The Chairman, senior members of management and advisers are invited to attend meetings as appropriate.

Corporate Governance continued

The Audit Committee meets according to the requirements of the Company's financial calendar. The meetings of the Audit Committee also provide the opportunity for the independent non-executive Directors to meet without the executive Directors present and also the opportunity to raise any issues of concern with the Company's external Auditor.

The Audit Committee is responsible for making recommendations to the Board on the appointment of the external Auditor and their remuneration, for reviewing the accounting principles, policies and practices adopted in the preparation of the Interim Report and Annual Report and Financial Statement and reviewing the scope and findings of the audit. The Committee assists the Board in achieving its obligations under the Code in areas of risk management and internal control, focusing particularly on compliance with legal requirements, accounting standards and the Listing Rules, and ensures that an effective system of internal financial and non-financial controls is maintained. The ultimate responsibility for reviewing and approving the Annual Report and Financial Statements remains with the Board.

The Committee will keep under review the external Auditor's independence including any non-audit services that are to be provided by the external Auditor. The Auditor is also requested to confirm their independence at least annually. During the year a policy which ensured that the nature of the advice to be provided could not impair the objectivity of the external Auditor's opinion on the Group's financial statements was followed. The policy incorporated a fee limit of £25,000, above which a formal tender process must be undertaken and approval of the Committee obtained prior to any proposed appointment. This policy was reviewed in June 2011 and in future all non-audit work conducted by the external Auditor must have prior approval from the Audit Committee.

The Committee has approved a formal whistle-blowing policy whereby staff may, in confidence, disclose issues of concern about possible malpractice or wrongdoings by any of the Group's businesses or any of its employees without fear of reprisal. This includes arrangements to investigate such matters and for appropriate follow-up action, and the roll-out to our Autocentre colleagues.

Internal control and risk management

The Board has overall responsibility for the system of internal control and for reviewing its effectiveness throughout the Group and ensuring that there is a process in accordance with the guidelines laid down by the Turnbull Report to identify, evaluate and manage any significant risks that may affect the achievement of the Group's strategic objectives.

The assessment of effectiveness has been carried out this year. The system of internal control is designed to manage, rather than eliminate, the risk of failing to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board and the Audit Committee have reviewed the effectiveness of the Group's systems of internal control and risk management in accordance with the Code for the financial period to 1 April 2011, and up to the date of approving the Annual Report and Financial Statements.

The internal audit function provides internal audit reports to the Board, via the Audit Committee. Whilst directed by Andrew Findlay and previously Nick Wharton, the Company's Finance Directors, it is independent in action and reporting, and has a direct line of communication to the Audit Committee Chairman. The principal role in fulfilling the internal audit function is to review the effectiveness of the controls operating within the business by undertaking an agreed schedule of independent audits each year. The nature and scope of this annual audit programme is determined by the Audit Committee at the beginning of each calendar year and may be revised from time to time according to changing business circumstances and requirements.

The findings of these audits are reported initially to executive management and any necessary corrective actions are agreed. Summaries of these reports are presented to, and discussed with, the Audit Committee along with details of progress against action plans as appropriate.

The Board considers risk assessment and control to be fundamental to achieving its corporate objectives within an acceptable risk/reward profile and there is an ongoing process for identifying and evaluating the significant risks faced by the Group and the effectiveness of related controls. The key elements of this process are:

- a comprehensive system of monthly reporting from key executives, identifying performance against budget, analysis of variances, major business issues, key performance indicators and regular forecasting;
- well-defined policies governing appraisal and approval of capital expenditure and treasury operations;
- reviews of key business risks and of management's controls and plans to mitigate these risks; and
- an annual corporate governance confirmation made to the Board by all senior executives on the effectiveness of the identification of major risks and of the monitoring of internal controls within their areas of responsibility.

As part of the ongoing process for identifying, evaluating and managing the key business risks faced by the Group, the Board has established a Risk Management Group to oversee the implementation of the risk management framework, co-ordinate risk management activities throughout the business and to report to the Board and Audit Committee on risk issues. The Risk Management Group is chaired by the Company Secretary and includes senior managers from Store Operations, Business Systems, Health and Safety, Human Resources, Finance, Store Assurance, Business Services, Multichannel, Logistics, and Supply Chain functions. During the financial period to 1 April 2011 and up to the date of this report the Group considered the Company's Risk Register and its alignment with the Company's key strategic objectives and reported its findings to the Board. The Board considered its appetite for risk in relation to the top 30 risks and determined that the risks and mitigating actions were appropriate to the level of risk that was both acceptable to and incumbent within a FTSE 250 business. More information on the Company's key risks and uncertainties are shown on pages 38 to 41.

Relationships with shareholders

Nigel Wilson was the Senior Independent Director until his resignation on 31 March 2011 and Bill Ronald was appointed Senior Independent Director on 1 April 2011 following this resignation. The Senior Independent Director is available to meet shareholders upon request if they have concerns that contact through the normal channels of the Chairman or the executive Directors has failed to resolve, or for which such contact is inappropriate.

The Board recognises the importance of establishing and maintaining good relationships with all of the Company's shareholders and Bill Ronald has indicated his willingness to meet with any shareholders as they request. During the period under review the Chief Executive, Finance Director, Chairman and Remuneration Committee Chairman have met with analysts and institutional shareholders to keep them informed of significant developments and report to the Board accordingly on the views of these stakeholders.

Each of the other non-executive Directors is also offered the opportunity to attend meetings with major shareholders and would do so if requested by any major shareholder. The Company's investor relations programme includes formal presentations of full year and interim results and meetings with individual investors as appropriate. Independent feedback from these meetings is provided to the Board. The Company Secretary is also charged with bringing to the attention of the Board any material matters of concern raised by the Company's shareholders, including private investors.

The Interim Report and the Annual Report and Financial Statements are the primary means used by the Board for communicating during the year with all of the Company's shareholders. The Board also recognises the importance of the internet as a means of communicating widely, quickly and cost-effectively and an investor relations website (*halfordscompany.com*) has been developed to facilitate communications with shareholders. Information available online includes copies of the full and half-year financial statements, press releases and Company news, corporate governance information and statements and the terms of reference for the Audit, Nomination and Remuneration Committees.

The Board is committed to the constructive use of the AGM as a forum to meet with shareholders and to hear their views and answer their questions about the Group and its business. The AGM of the Group is to be held on Tuesday 2 August 2011 at the Hyatt Hotel, Bridge Road, Birmingham. The Chairmen of the Remuneration, Nomination and Audit Committees will normally attend the meeting and will answer questions that may be relevant to the work of those Committees. If they are unable to attend they will appoint a deputy to attend in their place. It is the Company's practice to propose separate resolutions on each substantially separate issue at the AGM. The Chairman will advise shareholders on the proxy voting details at the meeting.

The Company's financial calendar is set out on page 146.

By order of the Board

Alex Henderson
Company Secretary
8 June 2011

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Directors' Remuneration Report

This report, prepared by the Remuneration Committee ("the Committee") on behalf of the Board, has been drawn up in accordance with the June 2008 Combined Code, Schedules 5 and 8 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 and the UK Listing Authority Listing Rules.

The report has been approved both by the Remuneration Committee and by the Board, and a resolution to approve the report will be proposed at the Annual General Meeting ("AGM") of the Company on 2 August 2011.

PART A — UNAUDITED INFORMATION

Remuneration Committee

Membership

The Committee comprised the following non-executive Directors during the financial period to 1 April 2011:

Keith Harris (Committee Chairman)
David Adams (appointed 1 March 2011)
Claudia Arney (appointed 25 January 2011)
Dennis Millard
Bill Ronald
Nigel Wilson (resigned 31 March 2011)

Details of non-executive Directors' experience and their other roles are set out in the Directors' biography section on page 72 to 73. The Board believes that these Directors have suitable experience to serve on the Remuneration Committee.

Meetings

During the financial period to 1 April 2011 the Committee met on six occasions. The executive Directors are invited to attend the Committee's meetings, when appropriate, but are not present when their own remuneration is discussed. The Company Secretary is the secretary to the Committee.

Role

The Board has delegated to the Remuneration Committee responsibility for reviewing and recommending the pay and benefits and contractual arrangements of the Chairman, executive Directors and the Company Secretary and such other senior managers as the Board may designate and for overseeing the operation of the Group's share schemes.

The Remuneration Committee is committed to principles of accountability and transparency to ensure that remuneration arrangements demonstrate a clear link between reward and performance. In its work, the Committee considers fully the principles and provisions of the UK Corporate Governance Code and its terms of reference are available on the Group's website *halfordscompany.com*.

Responsibilities

The Remuneration Committee's core responsibilities include:

- Reviewing and recommending the remuneration policy of executive Directors and senior managers;
- Within this policy agreeing individual remuneration packages for the Chairman, executive Directors and senior executive managers, including the Company Secretary;
- Monitoring the relationship between the remuneration of executive Directors and senior executive managers and the pay arrangements throughout the Group to ensure that it remains appropriate;
- Reviewing and recommending the terms and conditions to be included in service agreements for executive Directors and senior executive managers;
- Reviewing and recommending any employee share-based incentive schemes and any changes to the rules of such schemes;
- Reviewing and recommending appropriate performance conditions and targets for the variable element of remuneration packages for the executive Directors and senior executive managers; and
- Reviewing annual and long-term performance against targets to determine the level of reward that should be delivered to executive Directors and senior executive managers.

During the year the Committee conducted an internal effectiveness review. Following this review the Secretary to the Committee was requested to ensure that the Company's new Director of Human Resources and the Committee's advisers be invited to attend Committee meetings on a more regular basis. The Committee will continue to review effectiveness on an annual basis and take steps to improve this where appropriate.

Advisers

During the year the Hay Group have continued to provide advice to the Committee on matters relating to remuneration, including market comparison data and best practice. Hay Group does not provide any other services to the Group. The Committee also received advice from Deloitte LLP on the design of the share-based long-term incentive plans and other remuneration matters. Deloitte also provide unrelated advisory and tax services to the Group. The Committee is satisfied that the advice received by Hay and Deloitte is independent.

During the year the Committee also consulted with the Chief Executive and was supported by the Company Secretary (who is secretary to the Committee).

Remuneration policy

The remuneration policy of the Committee and of the Board is to provide remuneration packages for executive Directors and other senior managers in the Group which:

- Align management's interests with those of shareholders by incentivising management to deliver the Group's long-term strategy and enhance shareholder value.
- Provide management with the opportunity to earn competitive remuneration through variable based pay.
- Provide upper quartile rewards compared to other general retail companies of a similar size, but only if above upper quartile performance is delivered.
- Enable the Group to attract and retain management of the calibre required to run the business and drive exceptional shareholder value creation.

The Board reviews this policy and whether remuneration arrangements appropriately reflect this policy annually. During the period the Committee worked with Deloitte LLP to review the remuneration arrangements to ensure that they reflected this policy and our long-term business strategy. The Committee concluded that, while a number of elements of the remuneration arrangements remained appropriate, the structures in place at the time were not aligned with the philosophy of delivering upper quartile remuneration to executives if they achieve above upper quartile performance for our shareholders. A review of market practice also indicated that the maximum total compensation opportunity was not fully competitive, particularly at maximum levels, when compared to our key retail comparators.

In this context, and following discussions with major shareholders, an award "multiplier" was introduced to the Performance Share Plan ("PSP") and the revised plan rules were adopted at the Company's AGM in July 2010. The revised scheme allows executives to earn an incremental reward if performance is above upper quartile levels. The Company is at an important stage in its development and is committed to achieving growth and to generating shareholder value in the future. In this context, the Committee believes that the policy of upper quartile pay for upper quartile performance remains appropriate. This is explained in more detail in the section relating to the Performance Share Plan on page 88. The Committee continued to monitor remuneration arrangements during the year and concluded that they remain appropriate and no further changes were required.

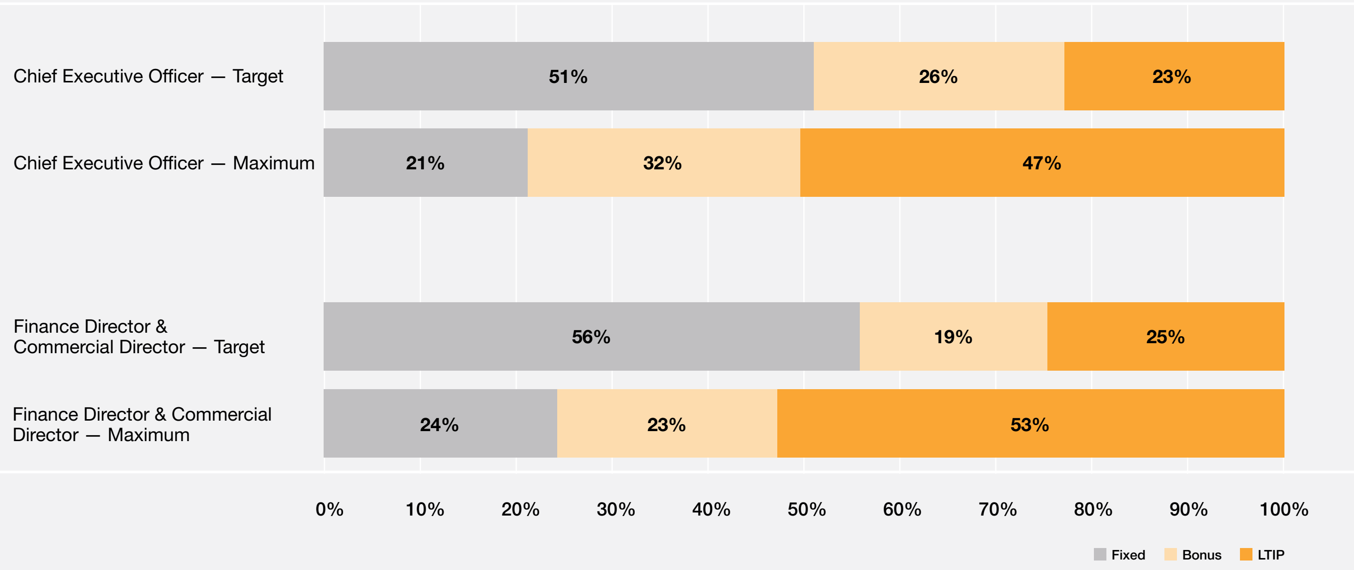
The Committee will continue to review the remuneration policy and remuneration arrangements to ensure that the structure and associated performance measures remain appropriately aligned with the Company's strategic objectives.

In determining the remuneration arrangements for executive Directors, the Committee considers the pay and employment conditions elsewhere in the Group, especially when determining base salary increases.

Balance of fixed vs. variable remuneration

It is the Company's policy that a substantial proportion of the executive Directors' remuneration should be variable and performance related in order to encourage and reward superior business performance and shareholder returns and that remuneration should be linked to both individual and Company performance. The following illustrates the balance between fixed and variable remuneration based on the remuneration policy for 2011/12:

Fixed vs. Variable Remuneration



Directors' Remuneration Report continued

Summary of remuneration

The Remuneration Committee selects performance measures that are designed to be aligned with the Group's strategic goals and that are transparent to Directors and shareholders. Each element of remuneration is designed to support the achievement of different corporate objectives as outlined in the following table:

Element	Purpose and link to remuneration policy	Maximum award	Key features
Base salary	■ Reflects the competitive market salary level for the individual and their roles ■ Takes account of personal performance and contribution to corporate performance	■ n/a	■ Paid monthly in cash ■ Based on individual contribution ■ Reviewed annually
Annual Bonus	■ Rewards the achievement of annual earnings targets	■ 150% of base salary for CEO ■ 100% of base salary for Finance Director and Commercial Director	■ For CEO, two-thirds of bonus is delivered in cash with one-third being deferred into shares for three years ■ For the Finance Director and Commercial Director the full bonus is delivered in cash
Performance Share Plan ("PSP")	■ Aligns with shareholder interests through the delivery of shares ■ Rewards growth in shareholder value and earnings	■ Maximum core award of 150% of base salary for all directors ■ Performance multiplier of up to maximum of 1.5 × (i.e. 225% of base salary), for the delivery of exceptional performance	■ 50% based on TSR performance and 50% based EPS performance ■ Vests over a three-year performance period
Company Share Option Scheme ("CSOS")	■ Direct link to value creation through share price growth as major objective ■ Aligns with shareholder interests through the delivery of shares	■ It is currently intended that the executive Directors will not participate in the CSOS (other than in exceptional circumstances)	■ Based on EPS performance

Further details are provided about each element of remuneration below.

Base salaries

Basic salary for executive Directors takes into account the individual's experience, roles, responsibilities and performance. This is normally reviewed annually unless responsibilities change. For an executive Director who is experienced and fully effective in his role, basic salary is targeted at the market median at other retail companies for comparable roles.

During the year the Committee undertook a benchmarking exercise and decided to defer the annual salary review from the normal time in October 2010 to March 2011. No further benchmarking was undertaken. In March 2011 the following executives' salaries were approved with effect from 1 April 2011.

Role	Salary (with effect from 1 April 2011)
Chief Executive	£507,500 (nil increase)
Finance Director	£275,000 (new appointment)
Commercial Director	£290,700 (2% increase)

The Committee recognises that in the current economic environment salary increases should be kept to a minimum and be in line with salary increases elsewhere in the Group. Average salary increases throughout the Group for 2011 were *c*.2%. The Committee considers that salaries remain approximately at the median when compared to other retailers of similar size and complexity. Following the six-month deferral in 2010, base salaries will next be reviewed in October 2011.

Annual bonus

Executive Directors may earn up to an additional 100% of their basic salaries (150% of base salary for the CEO) as a performance bonus. 80% of the entitlement is dependent upon Earnings Before Tax ("EBT") targets and 20% is dependent upon Earnings per Share ("EPS") targets. The Committee believes that these two measures strike a good balance between providing line of sight for executives and alignment with shareholder value creation. The target entry point for the annual bonus is 97% of target, which will elicit zero bonus payment, with a straight-line determination to full payment at 106%. The Committee calibrates targets to ensure that they are very stretching and demanding, with the maximum bonus only being achievable for exceptional performance. Bonuses are not pensionable.

Bonuses for the Finance Director and the Commercial Director are payable in cash. The CEO's bonus is payable two-thirds in cash following the year end with one-third of any bonus earned being delivered in Halfords shares. These shares are deferred for a period of three years from the date of the award subject to continued employment and other applicable terms. The Committee believes that this deferral is important to incentivise the CEO to deliver annual performance while managing risk and creating long-term alignment with shareholders.

Remuneration for senior managers

As for executive Directors, it is the Company's policy that a substantial proportion of remuneration should be performance related in order to encourage and reward superior business performance and shareholder returns and that remuneration should be linked to both individual and Company performance. Basic salary is targeted at the retail market median for comparable roles and is benchmarked on a regular basis. Bonuses of up to 100% of salary can be earned on the same basis as the executive Directors.

Senior executives immediately below the Board also benefit from participation in the PSP, with other key senior managers participating in the CSOS.

Share plans

The Company has adopted three share plans. In May 2004 the Company adopted the Halfords Company Share Option Scheme ("CSOS"), a market value share option plan, and the Halfords Sharesave Scheme and in July 2005 the Company adopted the Performance Share Plan ("PSP"). The PSP is intended to be the main incentive vehicle for executive Directors and senior executives immediately below the Board, with awards generally made on an annual basis. CSOS is used to reward employees below the Board and it is not the current intention to grant awards under the CSOS to executive Directors (other than in exceptional circumstances). The executive Directors are also eligible to participate in the Halfords Sharesave Scheme, an all-employee SAYE scheme.

While committed to the use of equity-based performance-related remuneration as a means of aligning Directors' interests with those of shareholders, the Committee is aware of shareholders' concerns on dilution through the issue of new shares to satisfy such awards. Therefore, when reviewing remuneration arrangements, the Committee takes into account the effects such arrangements may have on dilution. Halfords intends to comply with the ABI guidelines relating to the issue of new shares for equity incentive plans. The current ten year shareholder dilution is 4.31%.

Halfords Company Share Option Scheme

Options are granted at an exercise price not less than market value at the date of grant and may normally only be exercised if performance conditions set at the time of grant have been achieved. These performance conditions require EPS for the financial year last preceding the third anniversary of the grant date to equal or exceed the percentage growth in Retail Price Index ("RPI") plus an additional percentage determined as appropriate at the time of the grant. For the last four annual awards the EPS target has been RPI + 3.5%. The Committee believes that EPS is an appropriate performance target as it incentivises senior executives to drive earnings performance.

As noted above, as the executive Directors primarily participate in the PSP, it is currently intended that no further awards are made to them under the Company Share Option Scheme. In the event that awards are made under the CSOS to executive Directors, the Committee would review the performance measures and would set targets which are suitably stretching.

Halfords Sharesave Scheme

During the year the Committee considered the principles behind the establishment of the SAYE scheme in 2010 and concluded that the

Directors' Remuneration Report continued

current scheme remains appropriate. Options are granted at an exercise price not less than 80% of market value at the date of grant. Options may not normally be exercised until the option holder has completed his or her savings contract (normally three or five years) from the date of commencement of the savings contract. Executive Directors may also join the Halfords Sharesave Scheme. During the year awards were granted under the SAYE to participating eligible employees in the United Kingdom, Ireland and Hong Kong.

Performance Share Plan

Under the PSP, conditional rights to receive shares or nil cost options over shares are awarded to participants. PSP Awards have been made in every year since 2005.

Awards under the PSP vest subject to the achievement of stretching earnings per share ("EPS") and total shareholder return ("TSR") targets. The vesting of 50% of the awards will be determined by the Group's relative TSR performance when measured against a general retailers comparator group chosen from the FTSE 350. The vesting of the other 50% will be determined by the Group's absolute EPS growth performance against RPI. The Committee believes that total shareholder return and earnings per share remain appropriate measures for the PSP as they are strongly aligned with shareholder interests.

Following the review of remuneration arrangements and having received shareholder approval at the AGM in July 2010, for awards granted in 2010 onwards, the core award for all executive Directors will be 150% of base salary. In addition, there will be a vesting multiplier of up to 1.5 × which will be applied to the TSR and EPS elements of awards. The maximum multiplier will only apply if performance is at upper decile levels. The maximum possible award that can be earned will therefore be 225% of base salary.

For the core award, 30% of the awards vests for achieving median TSR performance compared to the comparator group described below and EPS growth of RPI plus 4% per annum. The full core award vests for achieving upper quartile TSR and EPS growth of RPI plus 11% per annum. For the award multiplier, the TSR element will only vest if TSR performance is between upper quartile and upper decile. For the EPS element the multiplier will only apply if EPS growth exceeds RPI plus 11% per annum, with the maximum multiplier only being achieved if EPS growth equals RPI plus 16% per annum. For the core award and the multiplier straight-line vesting applies between each of these points.

These targets are considered to be very challenging and the Committee believes that these targets represent an appropriate level of stretch. The targets are summarised in the table below:

TSR and EPS performance will be assessed on an independent basis. However, to ensure that the PSP continues to support sustainable performance, the multiplier for one measure will only be applied if performance is at least at the threshold level for the other measure. For example, if TSR was above upper quartile the TSR multiplier would generally only apply if EPS growth exceeded RPI plus 4% per annum, unless the Remuneration Committee determined otherwise.

The companies included in the TSR comparator group for awards granted in 2010 are as follows:

- Brown Group
- Carpetright
- Carphone Warehouse
- Debenhams
- Dignity
- DSG International
- Dunelm Group
- Game Group
- Greggs
- HMV Group
- Home Retail Group
- Kesa Eletricals
- Kingfisher
- Marks & Spencer
- Morrison
- Mothercare
- Next
- Sainsbury's
- Sports Direct
- Tesco
- WH Smith

The comparator group for awards pre-2010 (which did not include the performance multiplier) was similar to the above group but did not include food retailers.

The Committee believes that the operation of the PSP is appropriate to continue to effectively incentivise and retain key executives in a way which is aligned with our long-term strategy and the creation of shareholder value. The Committee recognises that a plan that incentivises higher levels of performance involves a larger degree of inherent risk; however, the Committee believes that the Board's decision-making process provides appropriate safeguards to ensure that this structure does not incentivise executives to take an inappropriate level of risk.

Details of awards granted to executive Directors are set out on page 93.

In 2008 and 2009 (the first two years of his tenure) the Chief Executive Officer received awards under the PSP of 200% of base salary (these awards are not subject to the performance multiplier).

For 2009 awards onwards, the Committee also recommended the reinvestment of dividends earned on award shares. This is in line with best practice as contained in the ABI guidelines on executive remuneration.

		TSR Performance Element (50% of award)	EPS Performance Element (50% of award)
Award "Multiplier" (up to 1.5 × initial award)	1.5 × initial award vesting	Upper Decile performance	16% growth p.a. above RPI
	Straight-line vesting	Between Upper Quartile and Upper Decile	Between 11% growth p.a. and 16% growth p.a. above RPI
Core Award (150% of salary)	100% vesting	Upper Quartile performance	11% growth p.a. above RPI
	Straight-line vesting	Between Median and Upper Quartile	Between 4% growth p.a. and 11% growth p.a. above RPI
	30% vesting	Median	4% growth p.a. above RPI
	0% vesting	Below Median	Below 4% growth p.a. above RPI

Shareholding

The shareholding guidelines require executive Directors to acquire and retain shares to a value equal to 100% of their basic annual salary. Newly appointed executive Directors will be required to retain shares to a value equal to 100% of their basic salary over a five-year period following their appointment to the Board. The executive Directors' shareholding at 1 April 2011 is shown below.

Remuneration delivered in respect of performance in 2010/11

Halfords has had a challenging year and the Remuneration Committee has recommended that no annual performance bonuses are paid out in respect of FY11 as the targets of EBT and EPS had not been achieved. Other Bonus payments made in respect of 2010/11 are set out on page 91.

Performance for PSP awards granted in 2008 were tested in respect of the financial years 2009, 2010 and 2011. Halfords were ranked 5th when compared to the comparator group of selected other retail companies and EPS growth over the three-year performance period of 38.8% exceeded RPI plus 11% per annum. Consequently 99.01% of the awards granted in 2008 will vest in August 2011.

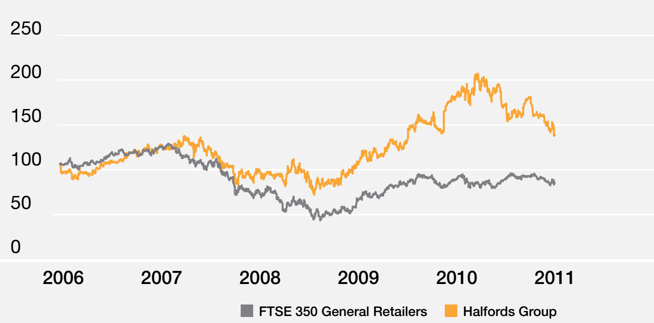
Performance for CSOS awards granted in 2008 to below Board employees was also tested in respect of the financial years 2009, 2010 and 2011. The EPS growth target attached to this award was met and the options vested in full. Participants will have a further seven years in which to exercise these options.

Performance graph

The following graph shows the TSR performance of the Company since April 2006, against the FTSE 350 General Retailers (which was chosen because it represents a broad equity market index of which the Company is a constituent).

TSR was calculated by reference to the growth in share price, as adjusted for reinvested dividends.

Cumulative TSR Based to 100



Directors' interests in ordinary shares

The beneficial interests of Directors, serving at the end of the financial period, in shares in Halfords Group plc were:

	Fully paid Ordinary Shares of 1p each	
	As at 1 April 2011	As at 2 April 2010
Dennis Millard	**32,500**	25,000
David Wild	**100,000**	100,000
Paul McClenaghan	**124,744**	124,744
Keith Harris	**3,846**	3,846
Bill Ronald	**11,538**	11,538

Directors' share interests include the interests of their spouses, civil partners and infant children, or stepchildren as required by Section 822 of the Companies Act 2006. There were no changes in the beneficial interests of the Directors in the Company's shares between 1 April 2011 and 8 June 2011.

Pensions

During 2008/9 the Company changed its pension arrangements to prepare for the Government's introduction of Personal Accounts. The Halfords Pension Plan moved from a defined contribution scheme to a contract-based plan, where each member has their own individual pension policy which they monitor independently, each member could also benefit from salary sacrifice arrangements. Both schemes were open to the executive Directors, who each receive a pension contribution of 15% of base salary per annum. Nick Wharton, the previous Finance Director, received a pension contribution of 26.25% of base salary per annum reflecting his legacy contractual entitlements. The Group's contributions during the year are shown in the table on page 91.

Other benefits

Executive Directors are entitled to be provided with a company car or an equivalent allowance, contribution to a personal pension scheme, permanent health insurance, life assurance cover, membership of a private medical insurance scheme and travelling and other expenses.

Other Directorships

The Group is supportive of executive Directors who wish to take on a non-executive directorship with a publicly quoted company in order to broaden their experience and they are entitled to retain any fees they may receive. David Wild was appointed as a non-executive director of Premier Foods on 7 March 2011 for which he received a fee of £4,750. During the year, up until his resignation, Nick Wharton served as a non-executive director of Dunelm Group plc, where he was also Chairman of the Audit Committee for which he received a fee of £27,500.

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Directors' Remuneration Report continued

Service agreements

The Company's policy in relation to contractual terms on termination, and any payments made, is that they should be fair to the individual, the Company and shareholders. Failure should not be rewarded and the departing executive's duty to mitigate loss should be fully recognised. The Committee periodically reviews the Group's policy on the duration of Directors' service agreements, and the notice periods and termination provisions contained in those agreements. Whilst the Company is aware that companies are encouraged to consider notice periods of less than 12 months, the Committee believes that the current policy, whereby notice periods contained in executive Directors' service contracts should be limited to 12 months (other than in exceptional circumstances, such as for the purposes of recruitment) is more in line with the Company's overall remuneration policy that is designed to attract and retain high calibre executives.

	Date of Service Agreement	Notice Period
David Wild	19 June 2008	12 months
Andrew Findlay[(1)]	16 November 2010	12 months
Paul McClenaghan	9 May 2005	12 months

[(1)] Andrew Findlay was appointed to the Board on 1 February 2011 and his Service Agreement was effective from that date.

The Company may terminate any of the above service agreements by giving not less than 12 months' notice. In the event of early termination (other than for a reason justifying summary termination in accordance with the terms of the service agreement) the Company may (but is not obliged to) pay to the executive Director, in lieu of notice, a sum equal to the annual value of the executive Director's then salary, benefits, pension contributions and on-target bonus (calculated on a pro rata daily basis) which he would have received during the contractual notice period, the sum of which shall be payable in 12 monthly instalments. In such instances the executive Director shall use their best endeavours to secure an alternative source of remuneration, thus mitigating any loss to the Company, via the provision of his services as expediently as possible in the prevailing circumstances and shall provide the Board with evidence of such endeavours upon their reasonable request. If the Director fails to provide such evidence the Board may cease all further payments of compensation. To the extent that the executive Director receives any sums as a result of alternative employment or provision of services while he is receiving such payments from the Company, the payments shall be reduced by the amount of such sums.

No compensation would be payable if a service contract were to be terminated by notice from an executive Director or for lawful early termination by the Company.

The service contracts of executive Directors do not provide for any enhanced payments in the event of a change of control of the Company.

Details of individual Directors' remuneration and share incentives are set out on pages 91 and 93.

Nick Wharton resigned from the role of Finance Director on 30 November 2010. He received no payment upon his resignation in accordance with the terms of his contract. He did not receive an award under the LTIP in 2010 and outstanding awards granted to him under the share incentive plans lapsed upon his cessation of employment.

Non-executive Directors

The Board as a whole, following a recommendation by the Chief Executive Officer, determines the fees of the non-executive Directors.

None of the non-executive Directors has an employment contract with the Company. However, each has entered into a letter of appointment with the Company confirming their appointment for a period of three years, unless terminated by either party giving the other not less than three months' notice or by the Company on payment of fees in lieu of notice. The appointments are subject to the provisions of the Companies Act 1985 and 2006 and the Company's Articles of Association and in particular the need for periodic re-election. Continuation of an individual non-executive Director's appointment is also contingent on that non-executive Director's satisfactory performance, which will be evaluated annually. No compensation would be payable to a non-executive Director if his engagement were terminated as a result of him retiring by rotation at an Annual General Meeting, not being elected or re-elected at an Annual General Meeting or otherwise ceasing to hold office under the provisions of the Articles of Association of the Company.

In May 2010 fees for the Chairman and non-executive Directors were reviewed and it was agreed that there would be no increases. Halfords' policy in relation to non-executive Director fees is as follows:

Role	Fees
Chairman	£165,000
Senior Independent Director	£60,000
Basic Fee	£45,000
Additional fee for Chairmanship of the Audit and Remuneration Committee	£5,000

There are no provisions for compensation being payable upon early termination of an appointment of a non-executive Director.

The Chairman and the other non-executive Directors are not eligible to participate in the Company's bonus arrangements, share incentive plans or pension arrangements.

Details of non-executive appointment periods appear below:

	Date of appointment	Date of current reappointment	Date of resignation	Expiry date	Unexpired term at the date of this report
Dennis Millard	28 May 2009	27 July 2010	—	27 May 2012	12 months
David Adams	1 March 2011	—	—	28 February 2014	33 months
Claudia Arney	25 January 2011	—	—	24 January 2014	32 months
Keith Harris	17 May 2004	27 July 2010	—	26 July 2011	2 months
Bill Ronald	17 May 2004	27 July 2010	—	26 July 2011	2 months
Nigel Wilson	17 May 2004	27 July 2010	31 March 2011	—	—

PART B — AUDITED INFORMATION

The following section provides details of the remuneration, pension and share interests of the Directors for the 52 weeks to 1 April 2011 and has been audited.

Remuneration of executive Directors

Details of the payments made to executive Directors were as follows:

	52 weeks to 1 April 2011				
	Salary £'000	Bonuses £'000	Benefits[3] £'000	Total £'000	2010 Total £'000
David Wild	504	—	27	531	1,134
Nick Wharton[1][2]	204	—	10	214	555
Paul McClenaghan[2]	271	—	16	287	540
Andrew Findlay[4]	46	60[5]	2	108	—

(1) Nick Wharton resigned on 30 November 2010 and payments were made up to that date.

(2) Nick Wharton and Paul McClenaghan, as members of the Halfords Pension Plan sacrificed some of their salary for like-for-like pension contributions.

(3) Benefits include payments made in relation to private health insurance and the provision of a company car.

(4) Andrew Findlay was appointed from 1 February 2011 and payments were made from that date.

(5) The Remuneration Committee believed it was necessary in attracting the right calibre of individual to the role of Finance Director to offer certain terms as part of his initial employment terms. It therefore recommended to the Board that Andrew Findlay receive a bonus of £60,000 to compensate him for lost benefits from his previous employment.

Pension entitlements

Pension contributions to defined contribution pension schemes made by the Group during the 52 weeks to 2 April 2010 in respect of qualifying services of executive Directors were as follows:

	52 Weeks to 1 April 2011 £'000	52 Weeks to 2 April 2010 £'000
David Wild[1]	**75**	75
Nick Wharton[2]	**62**	86
Paul McClenaghan[2]	**56**	53
Andrew Findlay	**—**	—
	193	214

(1) Payments made to David Wild are made into a personal fund, the purpose of which is to provide additional retirement benefits.

(2) As members of the Halfords Pension Plan, Nick Wharton and Paul McClenaghan have sacrificed some of their salary for like-for-like pension contributions.

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Directors' Remuneration Report continued

Remuneration of non-executive Directors

Details of the payments made to non-executive Directors are shown below:

	52 weeks to 1 April 2011				2010
	Basic Fees £'000	SID Fees £'000	Chairman's Fees £'000	Total £'000	Total £'000
Dennis Millard	**165**	**–**	**–**	**165**	138
David Adams[(1)]	**4**	**–**	**–**	**4**	–
Claudia Arney[(2)]	**8**	**–**	**–**	**8**	–
Keith Harris	**45**	**–**	**5**	**50**	50
Bill Ronald	**45**	**–**	**–**	**45**	45
Nigel Wilson[(3)]	**45**	**15**	**5**	**65**	65

(1) Appointed 1 March 2011.

(2) Appointed 25 January 2011.

(3) Resigned 31 March 2011.

Directors' interests in share options

At the beginning of the year and at 1 April 2011, the following Directors had options to subscribe for shares granted under the terms of the Halfords SAYE.

	Options as at 2 April 2010	Lapsed in the period	**Options as at 1 April 2011**	Exercise Price £	Exercisable from	Exercisable to
Nick Wharton						
2008 SAYE	4,878	4,878	**–**			
Total	4,878	4,878	**–**			
Paul McClengahan						
2008 SAYE	4,878	–	**4,878**	1.93	1 Oct 2011	1 April 2012
Total	4,878	–	**4,878**			

The SAYE scheme is open to all full-time Directors and employees with eligible employment service. Options may be exercised under the scheme at the exercise price outlined above normally for a period of six months following the conclusion of the three-year saving contract.

At the beginning of the year and at 1 April 2011, no Directors had options to subscribe for shares granted under the terms of the Halfords CSOS. The executive Directors have since 2005 participated in the PSP and it is currently intended that no further awards will be made to them under the CSOS.

Performance Share Plan

The following table shows the executive Directors' interests in shares awarded under the Performance Share Plan.

These figures represent the maximum potential award.

	Award Date	Mid-market price on date of award	Awards held 2 April 2010	Awarded during the period	Dividend Reinvestment[2]	Lapsed during the period	Exercised during the year	**Awards held 1 April 2011**	Performance period 3 years to
David Wild	7 August 2008	2.96	337,643	—	—	—	—	**337,643**	1 April 2011
	3 August 2009	3.46	293,659	—	14,446	—	—	**308,105**	1 April 2012
	3 August 2010	4.10	—	156,797	3,062	—	—	**159,859**	1 April 2013
Nick Wharton[1]	7 August 2008	2.96	86,099	—	—	86,099	—	**—**	1 April 2011
	3 August 2009	3.46	112,324	—	3,269	115,593	—	**—**	1 April 2012
Paul McClenaghan	7 August 2008	2.96	86,099	—	—	—	—	**86,099**	1 April 2011
	3 August 2009	3.46	112,234	—	5,526	—	—	**117,760**	1 April 2012
	3 August 2010	4.10	—	88,054	1,719	—	—	**89,773**	1 April 2013

(1) Nick Wharton resigned on 30 November 2010 and all his option awards lapsed.

(2) Following the recommendation of the Committee to reinvest dividends earned on shares awarded in 2009 and 2010 dividends were reinvested as follows:

2009 Scheme: Final dividend of 14p per share was reinvested in shares at a cost of £4.81 per share.
Interim dividend of 8p per share was reinvested in shares at a cost of £4.10 per share.

2010 Scheme: Interim dividend of 8p per share was reinvested in shares at a cost of £4.10 per share.

Gains made by Directors

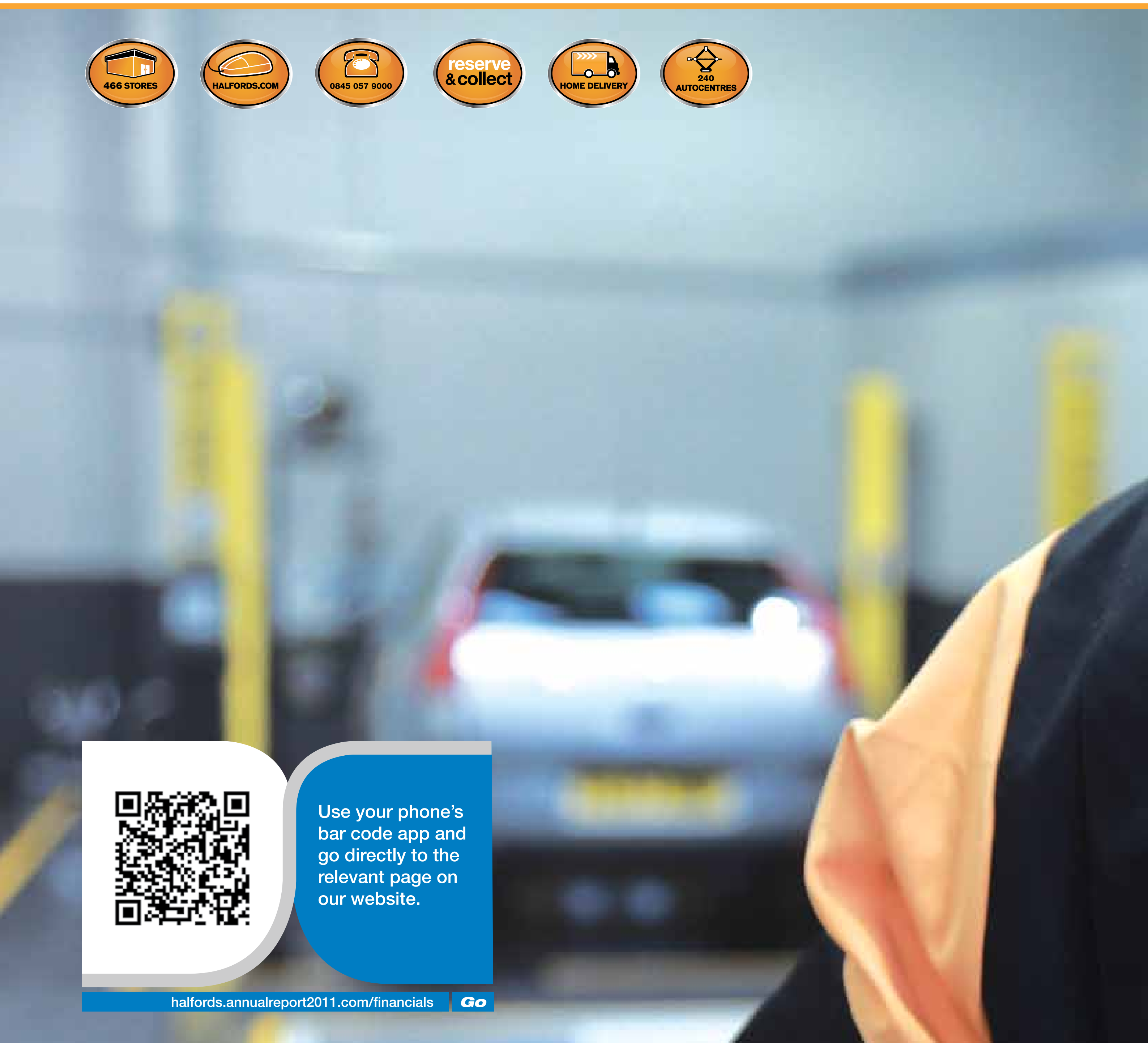
The table below shows gains made by individual Directors from the exercise of share options during the financial year ended 1 April 2011. The gains are calculated as at the exercise date, although the shares may not have been retained.

	2011 £'000	2010 £'000
2006 PSP		
Nick Wharton	**–**	146
Paul McClenaghan	**–**	177
2007 PSP		
Nick Wharton	**–**	260
Paul McClenaghan	**–**	520
Total gains on share options	**–**	1,103

The Register of Interests, which is open to inspection, contains full details of Directors' shareholdings and options. No options have expired unexercised during the financial year to 1 April 2011 and there were no changes in the options held by the Directors between 1 April 2011 and 8 June 2011.

On 1 April 2011 the market price of ordinary shares of Halfords Group plc was 350.8p and the range during the financial year was 348.2p to 550.0p. For details of the grant dates of options see note 22 on page 134.

Keith Harris
Chairman of the Remuneration Committee
8 June 2011



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Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the Board

Dennis Millard
8 June 2011

Independent Auditor's Report to the Members of Halfords Group plc

We have audited the financial statements of Halfords Group plc for the period ended 1 April 2011 set out on pages 98 to 144. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 96, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 1 April 2011 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 76, in relation to going concern;
- the part of the Corporate Governance Statement on pages 78 to 83 relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

GA Watts (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
8 June 2011

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Consolidated Income Statement

For the period	Notes	52 weeks to 1 April 2011 Before non-recurring items £m	52 weeks to 1 April 2011 Non-recurring items (note 5) £m	52 weeks to 1 April 2011 Total £m	52 weeks to 2 April 2010 Before non-recurring items £m	52 weeks to 2 April 2010 Non-recurring items (note 5) £m	52 weeks to 2 April 2010 Total £m
Revenue	1	**869.7**	**–**	**869.7**	831.6	–	831.6
Cost of sales		**(384.7)**	**–**	**(384.7)**	(378.9)	–	(378.9)
Gross profit		**485.0**	**–**	**485.0**	452.7	–	452.7
Operating expenses	1, 2	**(356.9)**	**(7.5)**	**(364.4)**	(333.0)	(7.4)	(340.4)
Results from operating activities	3	**128.1**	**(7.5)**	**120.6**	119.7	(7.4)	112.3
Finance costs	6	**(4.3)**	**–**	**(4.3)**	(4.6)	–	(4.6)
Finance income	6	**1.8**	**–**	**1.8**	2.0	–	2.0
Net finance expense		**(2.5)**	**–**	**(2.5)**	(2.6)	–	(2.6)
Profit before income tax		**125.6**	**(7.5)**	**118.1**	117.1	(7.4)	109.7
Income tax expense	7	**(34.7)**	**2.1**	**(32.6)**	(34.1)	1.4	(32.7)
Profit for the financial period attributable to equity shareholders		**90.9**	**(5.4)**	**85.5**	83.0	(6.0)	77.0

Earnings per share							
Basic	9	**43.2p**		**40.7p**	39.7p		36.8p
Diluted	9	**42.7p**		**40.2p**	39.4p		36.6p

All results relate to continuing operations of the Group.

The notes on pages 111 to 137 are an integral part of these consolidated financial statements.

The Group has elected to prepare its financial statements under IFRSs as adopted by the EU and the accounting policies are outlined on pages 104 to 110.

Consolidated Statement of Comprehensive Income

	Notes	52 weeks to 1 April 2011 £m	52 weeks to 2 April 2010 £m
Profit for the period		**85.5**	77.0
Other comprehensive income			
Foreign currency translation differences for foreign operations		**0.1**	0.4
Cash flow hedges:			
Fair value changes in the period		**(4.2)**	(5.1)
Transfers to inventory		**(1.0)**	(7.3)
Transfers to net profit:			
Cost of sales		**1.6**	1.5
Income tax on other comprehensive income	7	**1.1**	(0.6)
Other comprehensive income for the period, net of income tax		**(2.4)**	(11.1)
Total comprehensive income for the period attributable to equity shareholders		**83.1**	65.9

The notes on pages 111 to 137 are an integral part of these consolidated financial statements.

The Group has elected to prepare its financial statements under IFRSs as adopted by the EU and the accounting policies are outlined on pages 104 to 110.

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Consolidated Statement of Financial Position

	Notes	1 April 2011 £m	2 April 2010 £m
Assets			
Non-current assets			
Intangible assets	10, 11	**346.7**	348.7
Property, plant and equipment	12	**102.6**	102.9
Total non-current assets		**449.3**	451.6
Current assets			
Inventories	13	**147.6**	138.5
Trade and other receivables	14	**42.0**	42.9
Derivative financial instruments	20	**0.3**	3.0
Cash and cash equivalents	15	**2.7**	36.5
Total current assets		**192.6**	220.9
Total assets		**641.9**	672.5
Liabilities			
Current liabilities			
Borrowings	16	**(7.6)**	(0.2)
Derivative financial instruments	20	**(2.3)**	(0.8)
Trade and other payables	17	**(142.0)**	(131.5)
Current tax liabilities		**(23.4)**	(17.5)
Provisions	18	**(10.4)**	(20.4)
Total current liabilities		**(185.7)**	(170.4)
Net current assets		**6.9**	50.5
Non-current liabilities			
Borrowings	16	**(98.3)**	(191.8)
Derivative financial instruments	20	**—**	—
Accruals and deferred income — lease incentives		**(27.7)**	(28.0)
Provisions	18	**(7.5)**	(3.3)
Deferred tax liabilities	19	**(0.3)**	(0.5)
Total non-current liabilities		**(133.8)**	(223.6)
Total liabilities		**(319.5)**	(394.0)
Net assets		**322.4**	278.5
Shareholders' equity			
Share capital	21	**2.1**	2.1
Share premium	21	**151.0**	146.5
Other reserves	21	**0.1**	2.5
Retained earnings		**169.2**	127.4
Total equity attributable to equity holders of the Company		**322.4**	278.5

The notes on pages 111 to 137 are an integral part of these consolidated financial statements.

The Group has elected to prepare its financial statements under IFRSs as adopted by the EU and the accounting policies are outlined on pages 104 to 110.

The financial statements on pages 98 to 137 were approved by the Board of Directors on 8 June 2011 and were signed on its behalf by:

David Wild
Chief Executive

Andrew Findlay
Finance Director

Company Number: 04457314

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Consolidated Statement of Changes in Shareholders' Equity

	Attributable to the equity holders of the Company						
			Other reserves				
	Share capital £m	Share premium account £m	Translation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 3 April 2009	2.1	145.6	–	0.2	13.4	83.1	**244.4**
Total comprehensive income for the period							
Profit for the period	–	–	–	–	–	77.0	**77.0**
Other comprehensive income							
Foreign currency translation differences for foreign operations	–	–	0.4	–	–	–	**0.4**
Cash flow hedges:							
Fair value gains in the period	–	–	–	–	(5.1)	–	**(5.1)**
Transfers to inventory	–	–	–	–	(7.3)	–	**(7.3)**
Transfers to net profit:							
Cost of sales	–	–	–	–	1.5	–	**1.5**
Income tax on other comprehensive income	–	–	–	–	(0.6)	–	**(0.6)**
Total other comprehensive income for the period net of tax	–	–	0.4	–	(11.5)	–	**(11.1)**
Total comprehensive income for the period	–	–	0.4	–	(11.5)	77.0	**65.9**
Transactions with owners, recorded directly in equity							
Share options exercised	–	0.9	–	–	–	–	**0.9**
Share-based payment transactions	–	–	–	–	–	2.5	**2.5**
Income tax on share-based payment transactions	–	–	–	–	–	0.1	**0.1**
Dividends to equity holders	–	–	–	–	–	(35.3)	**(35.3)**
Total transactions with owners	–	0.9	–	–	–	(32.7)	**(31.8)**
Balance at 2 April 2010	2.1	146.5	0.4	0.2	1.9	127.4	**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 gains 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, recorded directly in equity							
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**	**0.5**	**0.2**	**(0.6)**	**169.2**	**322.4**

The notes on pages 111 to 137 are an integral part of these consolidated financial statements.

The Group has elected to prepare its financial statements under IFRSs as adopted by the EU and the accounting policies are outlined on pages 104 to 110.

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Consolidated Statement of Cash Flows

	Notes	52 weeks to 1 April 2011 £m	52 weeks to 2 April 2010 £m
Cash flows from operating activities			
Profit after tax for the period before non-recurring items		**90.9**	83.0
Non-recurring items		**(5.4)**	(6.0)
Profit after tax for the period		**85.5**	77.0
Depreciation — property, plant and equipment		**20.4**	21.9
Impairment charge		**—**	5.0
Amortisation — intangible assets		**4.6**	2.2
Foreign exchange loss		**0.5**	0.6
Net finance costs		**2.5**	2.6
Loss on sale of property, plant and equipment		**0.1**	0.7
Equity-settled share based payment transactions		**2.4**	2.5
Fair value loss on derivative financial instruments		**0.6**	0.1
Income tax expense		**32.6**	32.7
(Increase)/decrease in inventories		**(9.1)**	9.8
Decrease in trade and other receivables		**0.8**	0.5
Increase in trade and other payables		**11.1**	22.8
(Decrease)/increase in provisions		**(5.8)**	2.6
Finance income received		**1.5**	2.0
Finance costs paid		**(3.6)**	(4.5)
Income tax paid		**(25.7)**	(30.4)
Net cash from operating activities		**118.4**	148.1
Cash flows from investing activities			
Acquisition of subsidiary undertaking, net of cash acquired	10	**(1.9)**	(72.3)
Purchase of intangible assets		**(2.6)**	(3.5)
Purchase of property, plant and equipment		**(19.5)**	(15.6)
Net cash used in investing activities		**(24.0)**	(91.4)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		**4.5**	0.9
Proceeds from loans, net of transaction costs		**86.4**	—
Repayment of borrowings		**(180.0)**	—
Payment of finance lease liabilities		**(0.2)**	(0.2)
Dividends paid		**(46.2)**	(35.3)
Net cash used in financing activities		**(135.5)**	(34.6)
Net (decrease)/increase in cash and bank overdrafts	I.	**(41.1)**	22.1
Cash and cash equivalents at the beginning of the period		**36.5**	15.5
Effect of exchange rate fluctuations		**—**	(1.1)
Cash and cash equivalents at the end of the period	I.	**(4.6)**	36.5

The notes on pages 111 to 137 are an integral part of these consolidated financial statements.

The Group has elected to prepare its financial statements under IFRSs as adopted by the EU and the accounting policies are outlined on pages 104 to 110.

Notes to Consolidated Statement of Cash Flows

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

	At 2 April 2010 £m	Cash flow £m	Other non-cash changes £m	**At 1 April 2011 £m**
Cash and cash equivalents at bank and in hand	36.5	(41.1)	–	**(4.6)**
Debt due after one year	(180.0)	93.6	(0.4)	**(86.8)**
Total net debt excluding finance leases	(143.5)	52.5	(0.4)	**(91.4)**
Finance leases due within one year	(0.2)	0.2	(0.3)	**(0.3)**
Finance lease due after one year	(11.8)	–	0.3	**(11.5)**
Total finance leases	(12.0)	0.2	–	**(11.8)**
Total net debt	(155.5)	52.7	(0.4)	**(103.2)**

Non-cash changes comprise finance costs in relation to the amortisation of capitalised debt issue costs of £0.4m and changes in classification between amounts due within and after one year. Cash and cash equivalents at the period end consist of £2.7m (2010: £36.5m) of liquid assets and £7.3m (2010: £nil) of bank overdrafts.

Accounting Policies

General information

Halfords Group plc is a company domiciled in the United Kingdom. The consolidated financial statements of the Company as at and for the period ended 1 April 2011 comprise the Company and its subsidiary undertakings.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRSs").

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 for the reasons set out in the Directors Report on page 76, and under the historical cost convention, except where International Financial Reporting Standards 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 1 April 2011, whilst the comparative period covered the 52 weeks to 2 April 2010.

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.

Basis of consolidation

Subsidiary undertakings

Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group. They cease to be consolidated from the date that the Group no longer has control. All subsidiary undertakings have been consolidated.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of all subsidiary undertakings are prepared to the same reporting date as the Company.

The principal subsidiary undertakings of the Company at 1 April 2011 are as follows:

Subsidiary undertaking	Principal activity	% Ownership of ordinary shares
Halfords Holdings (2006) Limited	Intermediate holding company	100
Halfords Holdings Limited*	Intermediate holding company	100
Halfords Finance Limited*	Intermediate holding company	100
Halfords Limited*	Retailing of auto parts, accessories, cycles and cycle accessories	100
Halfords Investments (2010) LP†	Intermediate holding partnership	—
Halfords Autocentres Holdings Limited*	Intermediate holding company	100
Halfords Autocentres Limited*	Car servicing	100
Halfords Holdings (Jersey) 1 Limited	Intermediate holding company	100
Halfords Holdings (Jersey) 2 Limited	Intermediate holding company	100
Halfords Ireco 1 Limited	Intermediate holding company	100
Halfords Ireco 2 Limited*	Intermediate holding company	100
Halfords Finance UK LLP†	Intermediate holding partnership	—

* Shares held indirectly through subsidiary undertakings.

† Wholly owned indirectly through subsidiary undertakings.

Revenue recognition

Retail

Retail revenue comprises the fair value of the sale of goods and services to external customers, net of value added tax, rebates, promotions and returns. Revenue is recognised on the sale of goods when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue on goods delivered is recognised when the customer accepts delivery and on services when those services have been rendered.

Car Servicing

Car Servicing revenue comprises the provision of servicing to external customers, net of value added tax, rebates and promotions. Revenue is recognised at the point at which those services have been rendered.

Promotions and Returns

The Group operates a variety of sales promotion schemes that give rise to goods and services being sold at a discount to standard retail price. Revenue is adjusted to show sales net of all related discounts. A provision for estimated returns is made representing the profit on goods sold during the year which are expected to be returned and refunded after the year end based on past experience. Revenue is reduced by the value of sales returns provided for during the year.

Non-recurring items

Non-recurring items are those items that are unusual because of their size, nature or incidence. The Group's management considers that these items should be separately identified within their relevant income statement category to enable a full understanding of the Group's results.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

The Group has also chosen to present an alternative earnings per share measure, with profit adjusted for non-recurring items. A reconciliation of this alternative measure to the statutory measure required by IFRS is given in note 9.

Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in pounds sterling, which is the Group's presentation currency and are rounded to the nearest hundred thousand, except where it is deemed relevant to disclose the amounts to the nearest pound. Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Transactions and balances

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at the balance sheet date. Translation differences on monetary items are taken to the income statement with the exception of differences on transactions that are subject to effective cash flow hedges.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on qualifying cash flow hedges, which are recognised in other comprehensive income.

The assets and liabilities of foreign operations are translated to sterling at the exchange rate at the reporting date. The income and expenses of foreign operations are translated to sterling at an average exchange rate. Foreign currency differences are recognised in other comprehensive income and a separate component of equity. When a foreign operation is disposed of, the relevant amount in equity is transferred to profit or loss.

Share-based payment transactions

The Group operates a number of equity-settled share-based compensation plans.

The fair value of the employee services received under such schemes is recognised as an expense in the income statement. Fair values are determined by use of an appropriate pricing model and is determined by reference to the fair value of the options granted. The amount to be expensed over the vesting period is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

At each balance sheet date, the Group revises its estimates of the number of share incentives that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the income statement, with a corresponding adjustment to other comprehensive income, over the remaining vesting period.

Accounting Policies continued

Dividends
Final dividends are recognised in the Group's financial statements in the period in which the dividends are approved by shareholders. Interim equity dividends are recognised in the period they are paid.

Property, plant and equipment
Property, plant and equipment is held at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment is provided to write off the cost, less residual value, on a straight-line basis over their useful economic lives as follows:

- Leasehold premises with lease terms of 50 years or less are depreciated over the remaining period of the lease;
- Leasehold improvements are depreciated over the period of the lease to a maximum of 25 years;
- Motor vehicles are depreciated over 3 years;
- Fixtures, fittings and equipment are depreciated over 4 to 10 years according to the estimated life of the asset;
- Computer equipment is depreciated over 3 years; and
- Land is not depreciated.

Depreciation is expensed to the income statement within operating expenses.

Residual values, remaining useful economic lives and depreciation periods and methods are reviewed annually and adjusted if appropriate.

Goodwill and intangible assets
Goodwill is the excess of the fair value of the consideration payable for an acquisition over the net fair value of the identifiable net assets of a subsidiary undertaking acquired at the date of acquisition. Fair value is attributed to the identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition, reflecting their condition at that date. Adjustments are made where necessary to bring the accounting policies of acquired businesses into alignment with those of the Group.

Goodwill on acquisition of subsidiary undertakings is included in intangible assets. Goodwill is stated at cost less any impairment. Goodwill is not amortised but is tested annually for impairment. An impairment charge is recognised for any amount by which the carrying value of goodwill exceeds its recoverable amount.

For acquisitions prior to 3 April 2010 costs directly attributable to business combinations formed part of the consideration payable when calculating goodwill. Adjustments to contingent consideration, and therefore the consideration payable and goodwill, are made at each reporting date until the consideration is finally determined.

Acquisitions after this date fall under the provisions of 'Revised IFRS 3 Business Combinations (2009)'. For these acquisitions transaction costs, other than share and debt issue costs, will be expensed as incurred and subsequent adjustments to the fair value of consideration payable will be recognised in profit or loss.

The Group has significant carrying values of goodwill and other intangible assets, such as brands, customer relationships and favourable leases following the acquisition of Nationwide Autocentres. Amortised intangible and tangible assets are tested for impairment where events show an indication of impairment. The impairment test involves estimation of future cash flows and the selection of a suitable discount rate. This requires an estimation of the value in use of the cash-generating units to which the intangible assets are allocated.

Costs that are directly associated with identifiable and unique software products controlled by the Group, and that will generate economic benefits beyond one year are recognised as intangible assets. These intangible assets are stated at cost less accumulated amortisation and impairment losses.

Amortisation is calculated based on the cost of the asset, or other amount substituted for cost, less its residual value and is expensed to the income statement within operating expenses.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- Brand names and trademarks 2 years;
- Customer relationships 5 to 15 years;
- Favourable leases over the term of the lease; and
- Software 3 to 5 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost less any impairment losses. Loans and receivables are included in trade and other receivables in the balance sheet.

Accounting for derivative financial instruments and hedging activities
Derivative financial instruments are used to manage risks arising from changes in foreign currency exchange rates relating to the purchase of

overseas sourced products. The Group uses the derivatives to hedge highly probable forecast transactions and therefore the instruments are designated as cash flow hedges.

Derivatives are recognised at fair value on the date a contract is entered into and are subsequently remeasured at their fair value.

The Group documents the relationship between hedging instruments and hedged items at the hedge inception stage, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are expected to be “highly effective” in offsetting changes in fair value or cash flows of the respective hedged items during the period for which the hedge is designated and whether the actual results of each hedge are within a range of 80%–125%.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and presented in the hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in other comprehensive income are recognised in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast purchase that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in equity are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is recognised immediately in profit or loss.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months or as a current asset or liability, if the remaining maturity of the hedged item is less than twelve months.

Fair value estimation

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date. The amortised cost less any impairment losses of trade receivables and payables are assumed to approximate to their fair values.

Trade receivables

Trade receivables are recognised and carried at original invoice amount less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement in operating expenses.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in inventories, adjusted for rebates, and other costs incurred in bringing them to their existing location.

Impairment of assets

Intangible assets that are attributed an indefinite useful life are not subject to amortisation but are tested annually for impairment. Other tangible and intangible assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. For the purpose of the consolidated cash flow statement, cash and cash equivalents are as defined above.

Borrowings and borrowing costs

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Finance income and costs

Finance income comprises interest income on funds invested. Income is recognised, as it accrues in profit or loss, using the effective interest rate method. Finance cost comprises interest expense on borrowings, unwinding of the discount on provisions and the cost of forward foreign exchange contracts.

In respect of borrowing costs relating to qualifying assets, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. All other borrowing costs are recognised in profit or loss using the effective interest method.

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Basis of charge for taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted, at the reporting date, and any adjustment to tax payable in respect of previous years.

The tax base of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity when it recovers the carrying amount of the asset. If those economic benefits will not be taxable, the tax base of the asset is equal to its carrying amount.

The tax base of a liability is its carrying amount, less any amount that will be deductible for tax purposes in respect of that liability in future periods. In the case of revenue which is received in advance, the tax base of the resulting liability is its carrying amount, less any amount of the revenue that will not be taxable in future periods.

Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred taxation arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred taxation is calculated using rates that are expected to apply when the related deferred asset is realised or the deferred taxation liability is settled.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Details of the provisions recognised and the significant estimates and judgements can be seen in note 18.

Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset when the reimbursement is certain.

Provision is also made for loss-making stores and autocentres which management do not expect to become profitable.

Leases

Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the rental is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and its lease term. In determining whether a lease is a finance lease, the building and land elements of the lease are reviewed separately.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. The benefit of incentives from lessors are recognised on a straight-line basis over the term of the lease.

Landlord surrender payments

Payments received from landlords in respect of the surrender of all or part of units previously occupied by the Group, that do not represent an incentive for future rental commitments are recognised in the income statement on the exchange of contracts, where there are no further substantial acts to complete.

Sublease income

The Group leases properties from which it no longer trades. These properties are often sublet to third parties. Rents receivable are recognised by offsetting the income against rental costs accounted for within selling and distribution costs in the income statement.

Pensions

The Halfords Pension Plan is a contract based plan, where each member has their own individual pension policy, which they monitor independently. The Group pays fixed contributions and has no legal or constructive obligation to pay further amounts. The costs of contributions to the scheme are charged to the income statement in the period that they arise.

Estimates and judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates.

The judgement and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are detailed below:

Impairment of assets

Goodwill and other assets are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable value may be less than their carrying value. Recoverable amount is based on a calculation of expected future cash flows, which includes management assumptions and estimates of future performance. Details of the assumptions used in the impairment review of goodwill and other assets are explained in note 11.

Allowances against the carrying value of inventories

The Group reviews the market value of and demand for its inventories on a periodic basis to ensure that recorded inventory is stated at the lower of cost and net realisable value. In assessing the ultimate realisation of inventories, the Group is required to make judgements as to future demand requirements and to compare these with the current or committed inventory levels. Assumptions have been made relating to the timing and success of product ranges, which would impact estimated demand and selling prices.

Sensitivities to the assumptions for specific product lines are not expected by management to result in a material change in the overall allowances.

Provisions

Provisions include residual amounts for the Central Europe exit, property related liabilities and other trading liabilities. These provisions are estimates of the actual costs of future cash flows and are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made. Assumptions made are detailed in note 18.

Intangible asset valuations

The measurement of fair values on a business combination requires the recognition and measurement of the identifiable assets, liabilities and contingent liabilities. The key judgements involved are the identification of which intangible assets meet the recognition criteria as set out in IAS 38, the fair values attributable to those intangible assets, excluding any buyer-specific synergies, and the useful lives of individual intangible assets. The useful lives of intangibles assets relating to customer relationships involves judgement as to customer retention rates applicable.

The carrying amount of these assets and liabilities can be seen in the notes to the financial statements on pages 111 to 137.

Adoption of new and revised standards

The following standards and interpretations are applicable to the Group and have been adopted in 2011 as they are mandatory for the year ended 1 April 2011.

- Revised IFRS 3 'Business Combinations (2009)' — incorporates the following changes that are likely to be relevant to the Group's operations:
  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as a business combination.
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.
  - Since there have been no acquisitions in the year, there has been no impact on profit or loss or net assets.
- IAS 27 'Consolidated and Separate Financial Statements (2009)' — requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. This amendment has not had a material impact on the Group's 2011 consolidated financial statements.
- Amendments to IAS 39 'Financial Instruments: Recognition and measurement: Eligible Hedged Items' — clarifies how to apply existing principles in determining eligible hedged risks and portions. This amendment has not had a material impact on the Group's 2011 consolidated financial statements.
- Amendments to IFRIC 9 and IAS 39 'Embedded Derivatives' — requires an entity to assess whether an embedded derivative is required to be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through the profit and loss category. This amendment has not had a material impact on the Group's 2011 consolidated financial statements.
- Amendments to IFRS 8 'Operating Segments' — removes the requirement to present segment information for total assets unless regularly

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reported to the chief operating decision-maker. Since the changes are presentational only there has been no impact on profit or net assets.

- Amendments to IAS 17 'Leases' — allows a lease of land with an indefinite economic life to be classified as a finance lease when relevant criteria are met. This amendment has not had any impact on the Group's 2011 consolidated financial statements.
- Amendments to IAS 32 'Classification of Rights Issues' — requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This amendment has not had any impact on the Group's 2011 consolidated financial statements.

In addition to the above, amendments to a number of standards under the annual improvements project to IFRS, which are mandatory for the year ended 1 April 2011, have been adopted in the year. None of these amendments have had a material impact on the Group's financial statements.

New standards and interpretations not yet adopted

The following standards and interpretations have been published, endorsed by the EU, and are available for early adoption, but have not yet been applied by the Group in these financial statements.

- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' — deals with how entities should measure equity instruments issued in a debt for equity swap. Application of this standard is required for periods starting on or after 1 July 2010. The amendments are not expected to have a material impact and will become mandatory for the Group's 2012 consolidated financial statements.
- IAS 24 'Related Party Disclosures (revised 2009)' — makes changes to the definition of a related party. Application of this standard is required for periods starting on or after 1 January 2011. The amendments are not expected to have a material impact and will become mandatory for the Group's 2012 consolidated financial statements.

Notes to the Financial Statements

1. Operating segments

The Group has two reportable segments, Retail and Car Servicing, which are the Group's strategic business units. Car Servicing became a reporting segment of the Group as a result of the acquisition of Nationwide Autocentres on 17 February 2010. The strategic business units offer different products and services, and are managed separately because they require different operational, technological and marketing strategies.

The operations of the Retail reporting segment comprise the retailing of automotive, leisure and cycling products through retail stores. The operations of the Car Servicing reporting segment comprise car servicing and repair performed from autocentres.

The Chief Operating Decision Maker is the Executive Directors. Internal management reports for each of the segments are reviewed by the Executive Directors on a monthly basis. Key measures used to evaluate performance are Revenue and Operating Profit. Management believes that these measures are the most relevant in evaluating the performance of the segment and for making resource allocation decisions.

The following summary describes the operations in each of the Group's reportable segments. Performance is measured based on segment operating profit, as included in the management reports that are reviewed by the Executive Directors. These internal reports are prepared in accordance with IFRS accounting policies consistent with these Group Financial Statements.

All material operations of the reportable segments are carried out in the UK and all material non-current assets are located in the UK. The Group's revenue is driven by the consolidation of individual small value transactions and as a result Group revenue is not reliant on a major customer or group of customers. All revenue is from external customers.

Income statement	Retail £m	Car Servicing £m	52 weeks to 1 April 2011 Total £m
Revenue	**771.6**	**98.1**	**869.7**
Segment result before non-recurring items	**123.3**	**7.0**	**130.3**
Non-recurring items	**(7.5)**	**—**	**(7.5)**
Segment result	**115.8**	**7.0**	**122.8**
Unallocated expenses[1]			**(2.2)**
Operating profit			**120.6**
Net financing expense			**(2.5)**
Profit before tax			**118.1**
Taxation			**(32.6)**
Profit for the year			**85.5**

Income statement	Retail £m	Car Servicing £m	52 weeks to 2 April 2010 Total £m
Revenue	818.1	13.5	831.6
Segment result before non-recurring items	119.4	0.6	120.0
Non-recurring items	(7.4)	—	(7.4)
Segment result	112.0	0.6	112.6
Unallocated expenses[1]			(0.3)
Operating profit			112.3
Net financing expense			(2.6)
Profit before tax			109.7
Taxation			(32.7)
Profit for the year			77.0

[1] Unallocated expenses have been disclosed to reflect the format of the internal management reports reviewed by the Chief Operating Decision maker and comprise an amortisation charge of £2.2m in respect of assets acquired through business combinations (2010: £0.3m).

Notes to the Financial Statements continued

1. Operating segments continued

Other segment items:	Retail £m	Car Servicing £m	52 weeks ended 1 April 2011 Total £m
Capital expenditure	**16.6**	**6.2**	**22.8**
Depreciation expense	**19.1**	**1.3**	**20.4**
Amortisation expense	**2.5**	**—**	**2.5**
Inventory write-down	**11.0**	**—**	**11.0**

Other segment items:	Retail £m	Car Servicing £m	52 weeks ended 2 April 2010 Total £m
Capital expenditure	20.1	0.3	20.4
Depreciation expense	21.8	0.1	21.9
Impairment expense (property, plant and equipment)	5.0	—	5.0
Amortisation expense	1.9	—	1.9
Inventory write-down	14.9	—	14.9

There have been no transactions between segments in the 52 weeks ended 1 April 2011 (2010: £nil).

2. Operating expenses

For the period	52 weeks to 1 April 2011 £m	52 weeks to 2 April 2010 £m
Selling and distribution costs before non-recurring items	**306.5**	280.2
Non-recurring selling and distribution costs	**—**	6.8
	306.5	287.0
Administrative expenses before non-recurring items	**50.4**	52.8
Non-recurring administrative expenses	**7.5**	0.6
	57.9	53.4
	364.4	340.4

3. Operating profit

For the period	52 weeks to 1 April 2011 £m	52 weeks to 2 April 2010 £m
Operating profit is arrived at after charging/(crediting) the following expenses/(incomes) as categorised by nature:		
Operating lease rentals:		
— plant and machinery	**2.2**	1.8
— property rents	**87.4**	82.9
— rentals receivable under operating leases	**(7.2)**	(7.1)
Landlord surrender payments	**(0.6)**	(1.1)
Loss on disposal of property, plant and equipment	**0.1**	0.7
Amortisation of intangible assets	**4.6**	2.2
Depreciation of:		
— owned property, plant and equipment	**19.9**	21.4
— assets held under finance leases	**0.5**	0.5
Impairment of property, plant and equipment	**—**	5.0
Trade receivables impairment	**0.1**	0.2
Staff costs (see note 4)	**144.2**	126.5
Cost of inventories consumed in cost of sales	**375.6**	369.0

The total fees payable by the Group to KPMG Audit Plc and their associates during the period was £0.4m (2010: £1.1m), in respect of the services detailed below:

For the period	52 weeks to 1 April 2011 £'000	52 weeks to 2 April 2010 £'000
Fees payable for the audit of the Company's accounts	**30**	30
Fees payable to KPMG Audit Plc and their associates for other services:		
The audit of the Company's subsidiary undertakings, pursuant to legislation	**184**	236
Other services supplied pursuant to such legislation	**15**	15
Other services relating to taxation	**136**	439
Other services relating to corporate finance activities	**—**	299
Internal audit services	**57**	34
All other services	**—**	9
	422	1,062

Included within fees payable to the Company's auditors for the audit of the Company's subsidiary undertakings, pursuant to legislation are amounts payable to KPMG Audit Plc and its associates incurred in respect of the audit work undertaken on financial controls. This work may include an element which goes beyond that strictly required by relevant Auditing Standards. The amount is estimated not to exceed £0.1m (2010: £0.1m).

Notes to the Financial Statements continued

4. Staff costs

For the period	52 weeks to 1 April 2011 £m	52 weeks to 2 April 2010 £m
The aggregated remuneration of all employees including directors comprised:		
Wages and salaries	**129.6**	112.8
Social security costs	**9.4**	7.6
Equity-settled share-based payment transactions (note 22)	**2.4**	2.5
Contributions to defined contribution plans (note 24)	**2.8**	3.2
Non-recurring redundancy costs (note 5)	**–**	0.4
	144.2	126.5

	Number	Number
Average number of persons employed by the Group, including Directors, during the period:		
Stores/Autocentres	**10,495**	9,066
Central warehousing	**148**	162
Head offices	**590**	529
	11,233	9,757

Full details of Directors' remuneration and interests are set out in the Directors' Remuneration Report on pages 84 to 93 which form part of these financial statements.

Key management compensation

For the period	52 weeks to 1 April 2011 £m	52 weeks to 2 April 2010 £m
Salaries and short-term benefits	**1.9**	2.9
Social security costs	**0.2**	0.6
Pensions	**0.3**	0.3
Share-based payment charge	**1.0**	0.8
	3.4	4.6

Key management compensation includes the emoluments of the Board of Directors and the emoluments of the Halfords Limited and Halfords Autocentres management boards.

There were no outstanding balances at the year end (2010: £nil).

5. Non-recurring items

For the period	52 weeks to 1 April 2011 £m	52 weeks to 2 April 2010 £m
Non-recurring operating expenses:		
Lease guarantee provision[1]	**7.5**	–
Central Europe closure[2]	**–**	7.4
Non-recurring items before tax	**7.5**	7.4
Tax on non-recurring items[3]	**(2.1)**	(1.4)
Non-recurring items after tax	**5.4**	6.0

[1] A non-recurring expense of £7.5m was incurred in the year. This expense relates to the creation of a provision for the potential liabilities arising from lease guarantees provided by Halfords prior to July 1989. An estimate of the potential liability relating to these guarantees was previously disclosed as a contingent liability in the Interim financial statements. 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 the ownership of the Ward White Group. Focus DIY entered into administration in May 2011.

[2] Exit costs associated with the closure of all seven stores in Central Europe. Results for Central Europe for the period was £1.9m (2010: £5.9m), generating an operating loss before non recurring items of £0.4m (2010: £2.5m).

[3] This represents the tax credit at 28% on these non-recurring costs; in 2010 this credit was 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.

6. Finance income and costs

Recognised in profit or loss for the period	52 weeks to 1 April 2011 £m	52 weeks to 2 April 2010 £m
Finance costs:		
Bank borrowings	**(2.1)**	(2.7)
Amortisation of issue costs on loans	**(0.4)**	(0.5)
Commitment and guarantee fees	**(0.6)**	(0.2)
Costs of forward foreign exchange contracts	**(0.4)**	(0.1)
Interest payable on finance leases	**(0.8)**	(0.8)
Interest payable on rent reviews	**–**	(0.3)
Finance costs	**(4.3)**	(4.6)
Finance income:		
Bank and similar interest	**0.9**	2.0
Other interest receivable	**0.9**	–
Finance income	**1.8**	2.0
Net finance costs	**(2.5)**	(2.6)

Other interest includes £0.9m relating to the settlement of amounts due from HMRC in the period.

The above finance income and finance costs include the following interest and expense in respect of assets/(liabilities) not at fair value through profit or loss:

	52 weeks to 1 April 2011 £m	52 weeks to 2 April 2010 £m
Total interest income on financial assets	**1.8**	2.0
Total interest expense on financial liabilities	**(3.9)**	(4.5)

Notes to the Financial Statements continued

7. Taxation

For the period	52 weeks to 1 April 2011 £m	52 weeks to 2 April 2010 £m
Current taxation		
UK corporation tax charge for the period	**35.7**	35.5
Adjustment in respect of prior periods	**(4.1)**	(1.1)
	31.6	34.4
Deferred taxation		
Origination and reversal of timing differences	**(0.2)**	(2.5)
Adjustment in respect of prior periods	**1.2**	0.8
	1.0	(1.7)
Total tax charge for the period	**32.6**	32.7

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

For the period	52 weeks to 1 April 2011 £m	52 weeks to 2 April 2010 £m
Profit before tax	**118.1**	109.7
UK corporation tax at standard rate of 28% (2010: 28%)	**33.1**	30.7
Factors affecting the charge for the period:		
Depreciation on expenditure not eligible for tax relief	**1.2**	1.8
Employee share options	**1.2**	(0.2)
Non-taxable income	**(0.7)**	–
Other disallowable expenses	**0.7**	0.7
Adjustment in respect of prior periods	**(2.9)**	(0.3)
Total tax charge for the period	**32.6**	32.7

On 22 June 2010 the Chancellor announced that the main rate of UK corporation tax will reduce from 28% to 27% with effect from 1 April 2011. This tax change became substantively enacted in July 2010 and therefore the effect of the rate reduction on the deferred tax balances as at 1 April 2011 has been included in the figures above. On 23 March 2011 the Chancellor announced a further reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011. This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction has been reflected in the figures above as it was substantively enacted prior to the balance sheet date.

The Chancellor also proposed changes to further reduce the main rate of corporation tax by 1% per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted. It has not yet been possible to quantify the full anticipated effect of this further 3% rate reduction, although this will further reduce the Group's future current tax charge and reduce the Group's deferred tax assets and liabilities accordingly.

In this financial period, the UK corporation tax standard rate was 28% (2010: 28%).

The effective tax rate of 27.6% (2010: 29.8%) differs from the UK corporation tax rate principally due to the non-deductibility of depreciation charged on capital expenditure, the reassessment of anticipated future tax deductions from employee share schemes and the reassessment of historic tax provisions required against tax uncertainties.

The tax charge of £32.6m (2010: £32.7m) includes a credit of £2.1m (2010: £1.4m) in respect of the tax on non-recurring costs, as detailed in note 5.

An income tax credit of £1.1m (2010: £0.6m charge) 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.

8. Dividends

For the period	52 weeks to 1 April 2011 £m	52 weeks to 2 April 2010 £m
Equity – ordinary shares		
Final for the 52 weeks to 2 April 2010 – paid 14.00p per share (2010: 10.90p)	**29.3**	22.8
Interim for the 52 weeks to 1 April 2011 – paid 8.00p per share (2010: 6.00p)	**16.9**	12.5
	46.2	35.3

In addition, the Directors are proposing a final dividend in respect of the financial period ended 1 April 2011 of 14.00p per share (2010: 14.00p per share), which will absorb an estimated £29.5m (2010: £29.3m) of shareholders' funds. It will be paid on 6 August 2011 to shareholders who are on the register of members on 1 July 2011.

9. 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 (see note 21) 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 1 April 2011.

For the period	52 weeks to 1 April 2011 Number of shares £m	52 weeks to 2 April 2010 Number of shares £m
Weighted average number of shares in issue	**211.5**	210.2
Less: shares held by the Employee Benefit Trust	**(1.1)**	(1.1)
Weighted average number of shares for calculating basic earnings per share	**210.4**	209.1
Weighted average number of dilutive shares	**2.4**	1.5
Total number of shares for calculating diluted earnings per share	**212.8**	210.6

For the period	52 weeks to 1 April 2011 £m	52 weeks to 2 April 2010 £m
Basic earnings attributable to equity shareholders	**85.5**	77.0
Non-recurring items (see note 5):		
Operating expenses	**7.5**	7.4
Tax on non-recurring items	**(2.1)**	(1.4)
Underlying earnings before non-recurring items	**90.9**	83.0

Earnings per share is calculated as follows:

For the period	52 weeks to 1 April 2011	52 weeks to 2 April 2010
Basic earnings per ordinary share	**40.7p**	36.8p
Diluted earnings per ordinary share	**40.2p**	36.6p
Basic earnings per ordinary share before non-recurring items	**43.2p**	39.7p
Diluted earnings per ordinary share before non-recurring items	**42.7p**	39.4p

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

Notes to the Financial Statements continued

10. Acquisition of subsidiary undertaking in prior year

On 17 February 2010 the Group acquired 100% of the issued share capital of Nationwide Autocentres Holdings Limited and subsidiary undertakings ("Nationwide Autocentres") for cash consideration of £74.9m (including transaction costs of £2.6m). Nationwide Autocentres, now Halfords Autocentres, is a group of companies involved in car servicing and repair. This transaction was accounted for by the purchase method of accounting.

The acquisition had the following effect on the Group's assets and liabilities:

	Pre-acquisition carrying amounts £m	Fair value adjustments £m	Recognised values on acquisition £m
Acquiree's net assets at the acquisition date			
Property, plant and equipment	5.4	(0.2)	5.2
Intangible assets	—	18.2	18.2
Inventories	1.2	—	1.2
Trade and other receivables	5.7	—	5.7
Trade and other payables	(16.6)	(0.4)	(17.0)
Provisions	(0.7)	(1.7)	(2.4)
Current tax liabilities	(0.9)	(0.4)	(1.3)
Deferred tax liabilities	0.3	(4.7)	(4.4)
Net identifiable assets and liabilities	**(5.6)**	**10.8**	**5.2**
Goodwill on acquisition (see note 11)			**69.7**
Consideration paid			**74.9**

The fair value adjustments primarily relate to intangible assets in respect of customer relationships and favourable leases, see note 11.

There have been no subsequent changes to the fair value of the net assets acquired at the time of purchase.

Contingent consideration

The cash consideration payable for the acquisition was reduced by £1.7m to reflect additional cash consideration payable to certain shareholders remaining as Directors, contingent on their remaining as employees of the Group as of the first and second anniversary of the acquisition or, in the event of any of them having terminated their employment, said employment having been terminated in circumstances of being a "good leaver".

£1.0m of the additional cash consideration was payable on 17 February 2011 and was settled on that date. The remaining £0.7m is payable on 17 February 2012.

The deferred consideration of £0.9m has been settled in the year.

11. Intangible assets

	Brand names and trademarks £m	Customer relationships £m	Favourable leases £m	Computer software £m	Goodwill £m	Total £m
Cost						
At 3 April 2009	0.2	—	—	16.1	274.8	291.1
Additions	—	—	—	3.5	—	3.5
Assets acquired through business combinations	0.9	14.9	2.3	0.1	69.7	87.9
At 2 April 2010	1.1	14.9	2.3	19.7	344.5	382.5
Additions	—	—	—	2.6	—	2.6
At 1 April 2011	**1.1**	**14.9**	**2.3**	**22.3**	**344.5**	**385.1**
Amortisation						
At 3 April 2009	0.2	—	—	9.7	21.7	31.6
Charge for the period	0.1	0.2	—	1.9	—	2.2
At 2 April 2010	0.3	0.2	—	11.6	21.7	33.8
Charge for the period	0.4	1.7	—	2.5	—	4.6
At 1 April 2011	**0.7**	**1.9**	**—**	**14.1**	**21.7**	**38.4**
Net book value at 1 April 2011	**0.4**	**13.0**	**2.3**	**8.2**	**322.8**	**346.7**
Net book value at 2 April 2010	0.8	14.7	2.3	8.1	322.8	348.7

No intangible assets are held as security for external borrowings.

Included in computer software are internally generated assets of £0.3m (2010: £0.4m). Product rights of £0.2m, which are fully amortised, have been included within Brand names and trademarks.

Goodwill of £253.1m arose on the acquisition of Halfords Holdings Limited by the Company on 31 August 2002 and is allocated to the Retail segment. The goodwill relates to a portfolio of sites within the UK which management monitors on an overall basis as a group of cash-generating units. Goodwill of £69.7m arose on the acquisition of Nationwide Autocentres on 17 February 2010 and is allocated to the car servicing segment. The goodwill relates to a portfolio of centres within the UK which management monitors on an overall basis as a group of cash-generating units being Car Servicing.

The goodwill arising on the acquisition of the Nationwide Autocentres is attributable to a) future income to be generated from new retail, fleet customer contracts and related relationships, b) the Nationwide workforce, c) the value of immaterial other intangible assets and d) operating synergies.

The recoverable amount of goodwill is determined based on “value-in-use” calculations for each of the two groups of cash-generating units, being Retail and Car Servicing. This is the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Group’s operating segments as reported in note 1. These calculations use cash flow projections based on financial budgets approved by management covering a three-year period with growth no higher than past experience and after consideration of all available information and expectations for future market developments.

The key assumptions, to which the Group of cash-generating units recoverable amounts are most sensitive, used to determine value-in-use of goodwill held at 1 April 2011 and 2 April 2010 are as follows:

		Retail		Car Servicing	
	Notes	**2011**	2010	**2011**	2010
Discount rate	1	**14.2%**	12.2%	**14.9%**	13.9%
Growth rate	2	**0.0%**	0.0%	**0.0%**	0.0%

Notes:
1. Pre-tax discount rate applied to the cash flow projections.
2. Growth rate used to extrapolate cash flows beyond the three year budget period.

The Directors are confident that a reasonably possible change in the key assumptions would not cause the carrying amounts to exceed the recoverable amounts.

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Notes to the Financial Statements continued

12. Property, plant and equipment

	Land and buildings £m	Fixtures, fittings and equipment £m	Payments on account and assets in course of construction £m	Total £m
Cost				
At 3 April 2009	49.1	287.8	0.2	337.1
Additions	0.7	8.9	7.3	16.9
Effect of movements in exchange rates	0.1	0.8	—	0.9
Assets acquired through business combinations	3.0	2.2	—	5.2
Disposals	(0.7)	(3.7)	—	(4.4)
Reclassifications	0.1	—	(0.1)	—
At 2 April 2010	52.3	296.0	7.4	355.7
Additions	5.3	14.7	0.2	20.2
Disposals	(0.6)	(6.5)	—	(7.1)
Reclassifications	0.5	6.9	(7.4)	—
At 1 April 2011	**57.5**	**311.1**	**0.2**	**368.8**
Depreciation				
At 3 April 2009	20.8	208.8	—	229.6
Depreciation for the period	2.5	19.4	—	21.9
Impairment charge	0.3	4.7	—	5.0
Disposals	(0.5)	(3.2)	—	(3.7)
At 2 April 2010	23.1	229.7	—	252.8
Depreciation for the period	3.0	17.4	—	20.4
Disposals	(0.5)	(6.5)	—	(7.0)
At 1 April 2011	**25.6**	**240.6**	**—**	**266.2**
Net book value at 1 April 2011	**31.9**	**70.5**	**0.2**	**102.6**
Net book value at 2 April 2010	29.2	66.3	7.4	102.9

Payments on account and assets in the course of construction mainly include the costs associated with the new distribution centre in Coventry.

The prior period impairment charge included the impairment of assets in relation to the closure of stores in Central Europe. These assets have been fully disposed of in the period.

No fixed assets are held as security for external borrowings.

Included in the above are assets held under finance leases as follows:

	Land and Buildings[1] £m	Fixtures, fittings, and equipment £m	Total £m
As at 1 April 2011			
Cost	12.7	0.8	13.5
Accumulated depreciation	(3.6)	(0.8)	(4.4)
Net book value	**9.1**	**—**	**9.1**
As at 2 April 2010			
Cost	12.7	0.8	13.5
Accumulated depreciation	(3.0)	(0.8)	(3.8)
Net book value	9.7	—	9.7

[1] Relates to the Halfords head office building lease, which expires in 2028.

Finance lease liabilities are payable as follows:

	Minimum lease payments 2011 £m	Interest 2011 £m	Principal 2011 £m	Minimum lease payments 2010 £m	Interest 2010 £m	Principal 2010 £m
Less than one year	**1.0**	**0.7**	**0.3**	1.0	0.8	0.2
Between one and five years	**4.3**	**2.9**	**1.4**	4.2	2.9	1.3
More than five years	**14.7**	**4.6**	**10.1**	15.8	5.3	10.5
	20.0	**8.2**	**11.8**	21.0	9.0	12.0

13. Inventories

	2011 £m	2010 £m
Finished goods for resale	**147.6**	138.5

Finished goods inventories include £8.4m (2010: £8.4m) of provisions to carry inventories at fair value less costs to sell where such value is lower than cost. The Group did not reverse any unutilised provisions during the period.

During the period £11.0m was recognised as an expense in respect of the write-down of inventories (2010: £14.9m) to net realisable value which, in the prior period, included the impairment of inventories in relation to the closure of stores in Central Europe.

No inventories are held as security for external borrowings.

14. Trade and other receivables

	2011 £m	2010 £m
Falling due within one year:		
Trade receivables	**10.4**	10.2
Less: provision for impairment of receivables	**(0.3)**	(0.3)
Trade receivables — net	**10.1**	9.9
Other receivables	**2.8**	5.8
Prepayments and accrued income	**29.1**	27.2
	42.0	42.9

During the period the Group created a provision of £0.3m (2010: £0.3m) for the impairment of trade receivables and utilised £0.1m (2010: £0.1m).

15. Cash and cash equivalents

	2011 £m	2010 £m
Cash at bank and in hand	**2.7**	36.5

The Group's banking arrangements are subject to a netting facility whereby credit balances may be offset against the indebtedness of other Group companies.

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Notes to the Financial Statements continued

16. Borrowings

Current	2011 £m	2010 £m
Unsecured bank overdraft	**7.3**	—
Finance lease liabilities	**0.3**	0.2
	7.6	0.2
Non-current		
Unsecured bank loan and other borrowings[1]	**86.8**	180.0
Finance lease liabilities	**11.5**	11.8
	98.3	191.8

[1] The above borrowings are stated net of unamortised issue costs of £3.2m (2010: £nil).

The Group has renegotiated its debt facility with effect from 5 November 2010 and secured a four-year £300m revolving credit facility from that date (with an option to extend by a further year). While variable in line with the level of Group debt, at the Group's optimal gearing level of 1.5× EBITDA, the facility carries an interest margin of approximately 200bps.

With revised facilities in place the Board has determined that it has sufficient working capital and undrawn financing facilities to service its operating activities and ongoing capital investments following the signing. The Board retains its preference for financial flexibility and lower gearing whilst pursuing high return investments. Accordingly the Group's pro forma gearing at the end of the period was 0.7× EBITDA.

The revolving credit facility permits further borrowings of £210m up to a maximum of £300m.

17. Trade and other payables — current

	2011 £m	2010 £m
Trade payables	**80.7**	74.0
Other taxation and social security payable	**18.1**	10.9
Other payables	**5.4**	4.7
Deferred income — lease incentives	**3.7**	3.7
Accruals and other deferred income	**34.1**	38.2
	142.0	131.5

18. Provisions

	Central Europe exit £m	Distribution reorganisation £m	Property related £m	Other trading £m	Total £m
At 2 April 2010	3.5	6.8	11.8	1.6	23.7
Charged during the period	–	–	8.4	1.2	9.6
Utilised during the period	(2.0)	(6.8)	(2.8)	(0.8)	(12.4)
Released during the period	(0.7)	–	(2.1)	(0.2)	(3.0)
At 1 April 2011	**0.8**	**–**	**15.3**	**1.8**	**17.9**
Analysed as:					
Current liabilities	**0.8**	**–**	**7.8**	**1.8**	**10.4**
Non-current liabilities	**–**	**–**	**7.5**	**–**	**7.5**

The Central Europe exit provision represents the costs associated with the closure of all seven stores trading in the Czech Republic and Poland.

The distribution reorganisation provision represents the costs associated with the re-configuration and consolidation of the Group's distribution and warehousing infrastructure.

Property related provisions consist of costs associated with vacant property, rent reviews and dilapidations. Also included in the current period are £7.5m of non-recurring costs (note 5) relating to liabilities in respect of previous assignments of leases where the lessee has entered into administration subsequent to the period end.

Other trading provisions comprises a sales returns provision and a provision for the costs associated with the cessation of the stand-alone cycle concept, including closure of stores where necessary.

Restructuring provisions

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Key assumptions within the Central Europe exit and Distribution reorganisation provisions were the timing of the exit from leases that were contracted into, the timing of redundancies and the extent of dilapidation costs. The sensitivities to these assumptions were not considered material due to the time value of money being minimal over the period over which the costs would be incurred.

Property related provisions

A provision for vacant properties is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract. The main uncertainty is the timing of the amounts payable, and the time value of money has been incorporated into the provision amount to take account of this sensitivity.

A rent review provision is recognised when there is expected to be additional obligations as a result of the rent review, which forms part of the Group's unavoidable cost of meeting its obligations under the lease contracts. The provision is based on management's best estimate of the rent payable after the review.

Key uncertainties are the estimate of the rent payable after the review has occurred. Sensitivity to this uncertainty is not expected to be material to the provision in total.

A dilapidations provision is recognised when there is an expectation of future obligations relating to the maintenance of leasehold properties arising from events such as lease renewals or terminations.

Key uncertainties are the estimates of amounts due. Sensitivity to this uncertainty is not expected to be material to the provision in total.

Notes to the Financial Statements continued

19. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 26% (2010: 28%).

	2011 £m	2010 £m
The movement on the deferred taxation (provision)/asset is shown below:		
At the beginning of the period	**(0.5)**	2.7
Acquired through business combinations	**–**	(4.4)
Income statement (charge)/credit (note 7)	**(1.0)**	1.7
Credit/(debit) to equity	**1.2**	(0.5)
At the end of the period	**(0.3)**	(0.5)

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Deferred tax liabilities:

	£m
At 3 April 2009	(5.7)
Acquired through business combinations	(5.0)
Credit to the income statement	1.2
Debit to other comprehensive income	(0.6)
At 2 April 2010	(10.1)
Credit to the income statement	1.1
Credit to other comprehensive income	1.1
At 1 April 2011	**(7.9)**

Deferred tax assets:

	£m
At 3 April 2009	8.4
Acquired through business combinations	0.6
Credit to the income statement	0.5
Credit to equity	0.1
At 2 April 2010	9.6
Debit to the income statement	(2.1)
Credit to equity	0.1
At 1 April 2011	**7.6**
Net deferred tax (liability)/asset	
At 1 April 2011	**(0.3)**
At 2 April 2010	(0.5)

Deferred tax liabilities represents the deferred tax calculated on the accelerated tax depreciation and fair value of financial instruments held at 1 April 2011.

Deferred tax assets represents the deferred tax calculated on provisions and share options held at 1 April 2011.

20. Financial instruments and related disclosures

Treasury policy

The Group's treasury department's main responsibilities are to:

- Ensure adequate funding and liquidity for the Group;
- Manage the interest risk of the Group's debt;
- Invest surplus cash;
- Manage the clearing bank operations of the Group; and
- Manage the foreign exchange risk on its non-sterling cash flows.

Treasury activities are delegated by the Board to the Finance Director ("FD"). The FD controls policy and performance through the line management structure to the Group Treasurer and by reference to the Treasury Committee. The Treasury Committee meets regularly to monitor the performance of the Treasury function. Monthly Treasury Reports provide management information relating to treasury activity.

Policies for managing financial risks are governed by Board approved policies and procedures, which are reviewed on an annual basis.

The Group's debt management policy is to provide an appropriate level of funding to finance the Business Plan over the medium term at a competitive cost and ensure flexibility to meet the changing needs of the Group. The Group has a syndicated four-year revolving credit facility totalling £300m that provides the Group with committed bank facilities until November 2014, which are extendable by a further year. See note 16.

The Business Plan and cash flow forecasts are subject to key assumptions such as interest rates and the significance of these risks is dependent upon the level of earnings before interest, tax, depreciation and amortisation and the strength of the balance sheet.

The key risks that the Group faces from a treasury perspective are as follows:

Market risk

The Group's exposure to market risk predominantly relates to interest, currency and commodity risk. These are discussed further below. Commodity risk is due to the Group's products being manufactured from metals and other raw materials whose prices fluctuate. The Group mitigates this risk through, for example, transferring the risk to suppliers by negotiating fixed purchase costs or maintaining flexibility over the specification of finished products produced by its supply chain to meet fluctuations.

Interest rate risk

The Group's policy aims to manage the interest cost of the Group within the constraints of the Business Plan and its financial covenants. The Group's borrowings are currently subject to floating rate and the Group will continue to monitor movements in the swap market.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

Financial liabilities	**2011 Carrying amount £m**	2010 Carrying amount £m
Finance leases	**11.8**	12.0
Variable rate instruments	**90.0**	180.0
	101.8	192.0

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss; therefore, a change in interest rates at the reporting date would not affect profit or loss or equity.

The table below shows the Group's sensitivity to interest rates changes:

	2011 Increase in finance cost £m	**2011 Reduction in equity £m**	2010 Increase in finance cost £m	2010 Reduction in equity £m
1% increase in sterling interest rates	**(0.9)**	**–**	(1.8)	–

A 1% decrease in interest rates would have an equal and opposite effect.

The movement in the income statement reflects the effect on finance costs on the unhedged borrowings of the Group as shown in the table. Interest rate movements on deposits, obligations under finance leases, trade payables, trade receivables, and other financial instruments do not present a material exposure to the Group's balance sheet.

Notes to the Financial Statements continued

20. Financial instruments and related disclosures continued

Foreign currency risk

The Group has a significant transaction exposure with increasing, direct sourced purchases from its suppliers in the Far East, with most of the trade being in US dollars. The Group's policy is to manage the foreign exchange transaction exposures of the business to ensure the actual costs do not exceed the budget costs by more than 10% (excluding increases in the base cost of the product).

The Group does not hedge either economic exposure or the translation exposure arising from the profits, assets and liabilities of non-sterling businesses whilst they remain immaterial.

During the 52 weeks to 1 April 2011, the foreign exchange management policy was to hedge via forward contract purchase between 75%–80% of the material foreign exchange transaction exposures on a rolling 12-month basis. Hedging is performed through the use of foreign currency bank accounts, monitoring of spot rates and forward foreign exchange contracts.

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	1 April 2011			2 April 2010		
	GBP £m	**USD £m**	**Other £m**	GBP £m	USD £m	Other £m
Cash and cash equivalents	**(6.0)**	**–**	**1.4**	33.7	0.1	2.7
Trade and other receivables	**42.0**	**–**	**–**	42.9	–	–
Long-term borrowings	**(90.0)**	**–**	**–**	(180.0)	–	–
Trade and other payables	**(128.1)**	**(13.6)**	**(0.3)**	(116.2)	(15.0)	(0.3)
	(182.1)	**(13.6)**	**1.1**	(219.6)	(14.9)	2.4

The following significant exchange rates applied during the current and prior period:

	Average rate		**Reporting date spot rate**	
	2011	2010	**2011**	2010
USD	**1.56**	1.60	**1.60**	1.53
EUR	**1.18**	1.13	**1.13**	1.13

The table below shows the Group's sensitivity to foreign exchange rates on its US dollar financial instruments, the major currency in which the Group's derivatives are denominated.

	2011 Increase/ (decrease) in equity £m	2010 Increase/ (decrease) in equity £m
10% appreciation of the US dollar	**11.0**	8.4
10% depreciation of the US dollar	**(8.7)**	(7.5)

A strengthening of sterling, as indicated, against the USD at 1 April 2011 would have increased/(decreased) equity and profit or loss by the amounts shown above. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

There are no material movements in the income statement. The movements in equity relates to the fair value movements on the Group's forward contracts that are used to hedge future stock purchases.

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Carrying amount	**2011 £m**	2010 £m
Cash and cash equivalents	**2.7**	36.5
Loans and receivables[1]	**12.5**	15.5
Forward exchange contracts used for hedging (assets)	**0.3**	3.0
Total financial assets	**15.5**	55.0

The £12.5m (2010: £15.5m) maximum exposure to credit risk, at the reporting date for loans and receivables related to the UK.

The Group does not have any individually significant customers.

The following table shows the age of such financial assets that are past due and for which no provision for bad or doubtful debts has been raised:

	2011 £m	2010 £m
Not past due	**10.0**	12.7
Past due by 1–30 days	**0.9**	1.4
Past due by 31–90 days	**1.3**	0.6
Past due by 91–180 days	**0.3**	0.8
	12.5	15.5

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectable, based on historic payment behaviour and extensive analysis of the underlying customers' credit ratings. Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days.

Liquidity risk

The Group ensures that it has sufficient cash or loan facilities to meet all its commitments when they fall due by ensuring that there is sufficient cash or working capital facilities to meet the cash requirements of the Group for the current Business Plan. The minimum liquidity level is currently set at £30.0m, such that under Treasury Policy the maximum drawings would be £270m of the £300m available facility.

The process to manage the risk is to ensure there are contracts in place for key suppliers, detailing the payment terms, and for providers of debt, the Group ensured that such counterparties used for credit transactions held at least an 'A' credit rating at the time of refinancing (November 2010). Ancillary business, in the main, is directed to the five banks within the club banking group. At the time of the drawdown of the bank facility in November 2010 all banks within the club were 'A' grade. The counterparty credit risk is reviewed in the Treasury report, which is forwarded to the Treasury Committee and the Treasurer reviews credit exposure on a daily basis.

The risk is measured through review of forecast liquidity each month by the Treasurer to determine whether there are sufficient credit facilities to meet forecast requirements, and through monitoring covenants on a regular basis to ensure there are no significant breaches, which would lead to an "Event of Default". Calculations are submitted bi-annually to the Club bank agent. Reporting on covenant compliance forms part of the Treasury Report. There have been no breaches of covenants during the reported periods.

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Notes to the Financial Statements continued

20. Financial instruments and related disclosures continued

The following are the contractual maturities of non-derivative financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

2011	**Bank borrowings £m**	**Finance leases £m**	**Trade and other payables[2] £m**	**Total £m**
Due less than one year	**3.2**	**1.0**	**112.1**	**116.3**
Expiring between 1 and 2 years	**3.2**	**1.0**	**—**	**4.2**
Expiring between 2 and 5 years	**95.0**	**3.3**	**—**	**98.3**
Expiring after 5 years	**—**	**14.7**	**—**	**14.7**
Contractual cash flows	**101.4**	**20.0**	**112.1**	**233.5**
Carrying amount	**86.8**	**11.8**	**112.1**	**210.7**

2010	Bank borrowings £m	Finance leases £m	Trade and other payables[2] £m	Total £m
Due less than one year	2.4	1.0	111.6	115.0
Expiring between 1 and 2 years	180.6	1.0	—	181.6
Expiring between 2 and 5 years	—	3.2	—	3.2
Expiring after 5 years	—	15.8	—	15.8
Contractual Cash Flows	183.0	21.0	111.6	315.6
Carrying amount	180.0	12.0	111.6	303.6

The following table provides an analysis of the anticipated contractual cash flows for the Group's forward currency contracts. Cash flows receivable in foreign currencies are translated using spot rates as at 1 April 2011 (2 April 2010).

	2011		2010	
	Receivables £m	**Payables £m**	Receivables £m	Payables £m
Due less than one year	**95.4**	**(97.8)**	77.1	(75.2)
Expiring between 1 and 2 years	**1.2**	**(1.3)**	—	—
Contractual cash flows	**96.6**	**(99.1)**	77.1	(75.2)
Fair value	**0.3**	**(2.3)**	3.0	(0.8)

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Liquidity risk is managed through regular review of the forthcoming cash requirements, and use of the available borrowing facilities when needed.

Fair value disclosures

The fair values of each class of financial assets and liabilities is the carrying amount, based on the following assumptions:

Trade receivables, trade payables and finance lease obligations, short-term deposits and borrowings	The fair value approximates to the carrying amount because of the short maturity of these instruments, using an interest rate of 7.1% for long-term finance lease obligations.
Long-term borrowings	The fair value of bank loans and other loans approximates to the carrying value reported in the balance sheet as the majority are floating rate where payments are reset to market rates at intervals of less than one year.
Forward currency contracts	The fair value is determined using the closing spot rate at the balance sheet date and the outright contract rate.

Fair value hierarchy

Financial instruments carried at fair value are required to be measured by reference to the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments carried at fair value have been measured by a Level 2 valuation method.

Cash flow hedges

Forward currency contracts

Forward dated foreign exchange contracts are undertaken to hedge known exposure to foreign purchases in US dollars. The fair value of such derivatives is shown in the table on page 128.

Borrowing facilities

The Group has the following undrawn committed borrowing facilities available during the period in respect of which all conditions precedent had been met at that date:

	2011 £m	2010 £m
Expiring within 1 year	**1.0**	1.0
Expiring between 1 and 2 years	**—**	120.0
Expiring between 2 and 5 years	**210.0**	—
	211.0	121.0

The facilities expiring within one year were annual facilities subject to review at various dates during the period. The facility of £210.0m relates to the Group's revolving credit facility. All these facilities incurred commitment fees at market rates.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Between June 2006 and September 2009, the Group managed its capital structure partly through a share buy-back scheme and a new share buy-back scheme was initiated on 7 April 2011.

The Group manages capital by operating within debt ratios. These ratios are lease adjusted net debt to Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") and fixed charge cover. Lease adjusted net debt is calculated as being net debt and leases capitalised at eight times, as a multiple of EBITDA plus operating lease charges. Fixed charge cover is calculated as being EBITDA plus operating lease charges as a multiple of interest and operating lease charges. As a result of the current economic conditions and the attitude towards debt the Group has decided to reduce the level of net debt and operates favourably to these target metrics.

1. Trade and other receivables

The following table reconciles trade and other receivables that fall within the scope of IAS 39 to the relevant balance sheet amounts. Other assets include prepayments and accrued income that are outside the scope of IAS 39. The financial assets are non-interest bearing.

	2011 £m	2010 £m
Trade and other receivables	**42.0**	42.9
Analysed as:		
Financial assets in the scope of IAS 39	**12.5**	15.5
Other assets	**29.5**	27.4
	42.0	42.9

Notes to the Financial Statements continued

20. Financial instruments and related disclosures continued

2. Trade and other payables and other non-current liabilities

The following table reconciles trade and other payables that fall within the scope of IAS 39 to the relevant balance sheet amounts. Other liabilities include deferred income, lease incentives and tax and social security that are outside the scope of IAS 39. The financial liabilities are non-interest bearing.

	2011 £m	2010 £m
Trade and other payables	**142.0**	131.5
Analysed as:		
Financial liabilities in the scope of IAS 39	**112.1**	111.6
Other liabilities	**29.9**	19.9
	142.0	131.5

21. Capital and reserves

	2011 Number of shares	**2011 £000**	2010 Number of shares	2010 £000
Ordinary shares of 1p each:				
Allotted, called up and fully paid	**211,985,998**	**2,120**	210,710,960	2,107

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

During the current period the Company's share capital increased by 1,275,038 shares (2010: 924,709 shares) due to the exercise by employees of share options which are shown in the tables in note 22. The effect of this increase in share capital was to increase share premium by £4.5m to £151.0m (2010: £146.5m).

In total the Company received proceeds of £4.5m (2010: £0.9m) from the exercise of share options.

Interest in own shares

At 1 April 2011 the Company held in Trust 1,108,520 (2010: 1,113,985) of its own shares with a nominal value of £11,085 (2010: £11,140). The Trust has waived any entitlement to the receipt of dividends in respect of its holding of the Company's ordinary shares. The market value of these shares at 1 April 2011 was £3.9m (2010: £5.4m).

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Capital redemption reserve

The capital redemption reserve has arisen following the purchase by the Company of its own shares and comprises the amount by which the distributable profits were reduced on these transactions in accordance with the Companies Act 2006.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

22. Share-based payments

The Group has three share award plans:

1. Halfords Company Share Option Scheme ("CSOS")
2. Halfords Sharesave Scheme ("SAYE")
3. Performance Share Plan ("PSP")

1. Halfords Company Share Option Scheme

The CSOS was introduced in June 2004 and the Company has made annual grants since. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is ten years.

Options granted will become exercisable on the third anniversary of the date of grant, subject to the achievement of a three-year performance condition. For grants up to 150% of basic salary the options can only be exercised if the increase in earnings per share ("EPS") over the period is not less than the increase in the Retail Price Index ("RPI") plus 5% per year for the 2005 scheme and 3.5% for options granted subsequently. In the case of grants in excess of 150% of basic salary, the excess can only be exercised in full if the increase is not less than RPI plus 10% per year. Exercise of an option is subject to continued employment.

The expected volatility is based on historical volatility of a peer group of companies since the IPO in June 2004. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds.

Options were valued using the Black–Scholes option-pricing models. No performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculations were as follows:

Grant date	3 August 2009	7 August 2008	12 July 2007	6 July 2006	13 July 2005	2 June 2004
Share price at grant date	£3.4583	£3.0725	£3.9875	£3.010	£2.955	£2.600
Exercise price	£3.4583	£3.0725	£3.9875	£3.010	£2.955	£2.600
Number of employees	137	740	673	36	42	3,598
Shares under option	465,728	1,881,467	1,600,591	252,000	294,000	6,556,953
Vesting period (years)	3	3	3	3	3	3
Expected volatility	34%	27%	23%	35%	37%	40%
Option life (years)	10	10	10	10	10	10
Expected life (years)	4.85	4.85	4.85	4.85	4.85	3.85
Risk free rate	3.00%	4.61%	5.67%	4.70%	4.68%	4.68%
Expected dividend yield	4.49%	4.83%	4.10%	4.00%	4.00%	4.00%
Possibility of ceasing employment before vesting	32%	32%	32%	32%	32%	34%
Expectations of meeting performance criteria	100%	100%	100%	100%	100%	100%
Fair value per option	£0.75	£0.56	£0.75	£0.77	£0.79	£0.70
Expired during the period	70,165	232,254	216,511	—	—	18,000
Number of options outstanding at 1 April 2011	394,063	1,376,013	299,699	31,944	—	134,400

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Notes to the Financial Statements continued

22. Share-based payments continued

Grant date	8 September 2010	3 August 2010
Share price at grant date	£5.030	£4.855
Exercise price	£5.030	£4.855
Number of employees	113	536
Shares under option	144,000	1,197,740
Vesting period (years)	3	3
Expected volatility	35%	35%
Option life (years)	10	10
Expected life (years)	4.85	4.85
Risk free rate	1.80%	2.15%
Expected dividend yield	4.00%	4.08%
Possibility of ceasing employment before vesting	33%	33%
Expectations of meeting performance criteria	100%	100%
Fair value per option	£1.10	£1.08
Expired during the period	1,500	19.885
Number of options outstanding at 1 April 2011	142,500	1,177,585

Share options exercised during the period by scheme by grant date:

	Exercise price	**2011 Number of shares**	2010 Number of shares
2 June 2004	£2.60	**41,400**	81,400
6 July 2006	£3.01	**14,000**	134,884
12 July 2007	£3.99	**830,334**	—
7 August 2008	£3.07	**38,818**	28,876
		924,552	245,160

2. Halfords Sharesave Scheme

The SAYE is open to all employees with eligible employment service. Options may be exercised under the scheme if the option holder completes his saving contract for a period of three years and then not more than six months thereafter. Special provisions allow early exercise in the case of death, injury, disability, redundancy, retirement or because the company or business which employs the option holder is transferred out of the Group, or in the event of a change in control, reconstruction or winding up of the Company.

Options were valued using the Black–Scholes option-pricing models. The fair value per option granted and the assumptions used in the calculations were as follows:

Grant date	10 August 2010	7 August 2009	7 August 2008	7 August 2007
Share price at grant date	£5.1383	£3.2592	£2.4083	£4.02
Exercise price	£4.1507	£2.6074	£1.9267	£3.22
Number of employees	541	403	821	1,064
Shares under option	295,737	305,750	1,491,586	929,890
Vesting period (years)	3	3	3	3
Expected volatility	39%	38%	29%	22%
Option life (years)	3	3	3	3
Expected life (years)	3.5	3.5	3.5	3.5
Risk free rate	1.49%	2.74%	4.58%	5.54%
Expected dividend yield	4.26%	4.42%	4.83%	4.10%
Possibility of ceasing employment before vesting	44%	44%	44%	44%
Expectations of meeting performance criteria	100%	100%	100%	100%
Fair value per option	£1.22	£0.95	£0.61	£1.01
Expired during the period	31,119	60,879	133,933	27,601
Forfeited during the period	—	280	1,949	4,749
Number of options outstanding at 1 April 2011	264,618	208,518	920,265	645

Share options exercised during the period by scheme grant date:

	Exercise price	**2011 Number of shares**	2010 Number of shares
1 August 2006	£3.01	**–**	52,135
7 August 2007	£3.22	**203,581**	2,436
7 August 2008	£1.93	**109,051**	17,562
7 August 2009	£2.61	**9,564**	—
		322,196	72,133

Notes to the Financial Statements continued

22. Share-based payments continued

3. Performance Share Plan

The introduction of a Performance Share Plan ("PSP") was approved at the Annual General Meeting in August 2005 awarding the executive Directors and certain senior management conditional rights to receive shares. Annual schemes have been approved for each year from 2005.

The extent to which such rights vest will depend upon the Company's performance over the three-year period following the award date. The vesting of 50% of the awards will be determined by the Company's relative total shareholder return ("TSR") performance and the vesting of the other 50% by the Company's absolute EPS performance against RPI. The Company's TSR performance will be measured against the FTSE 350 general retailers as a comparator group. No retesting will be permitted.

The TSR element of the options granted under the 2007 scheme has been valued using a model developed by Deloitte. The Deloitte model uses the Group's share price volatility, the correlation between comparator companies and the vesting schedule attaching to the PSP tranche rather than generating a large number of simulations of share price and TSR performance to determine the fair value of the award using a Monte Carlo model. For the 2006 scheme the TSR element of the options were valued using a Monte Carlo simulation option pricing model. The fair value per option granted and the assumptions used in the calculation were as follows:

Grant date	**3 August 2010**	**3 August 2009**	**7 August 2008**	**12 July 2007**
Share price at grant date	£4.8550	£3.4583	£2.962	£4.02
Number of employees	25	20	20	21
Shares under option	320,288	824,927	866,340	539,893
Shares representing dividends reinvested	6,524	38,957	—	—
Vesting period (years)	3	3	3	3
Expected volatility	41%	41%	30%	22%
Option life (years)	3	3	3	3
Expected life (years)	3	3	3	3
Expected dividend yield	4.08%	4.49%	4.83%	4.10%
Possibility of ceasing employment before vesting	30%	30%	30%	30%
Expectations of meeting performance criteria	100%	100%	100%	100%
Fair value per option	£3.65	£2.74	£1.97	£2.69
Expired during the period	—	13,865	19,203	18,046
Forfeited during the period	—	128,687	—	—
Number of shares outstanding 1 April 2011	326,542	734,171	691,417	—

Share options exercised during the period by scheme grant date:

	Exercise price	**2011 Number of shares**	2010 Number of shares
11 July 2006	£0.00	**–**	311,716
12 July 2007	£0.00	**39,168**	295,700
7 August 2008	£0.00	**86,099**	—
		125,267	607,416

As the PSP awards have a nil exercise price the risk free rate of return does not have any effect on the estimated fair value and therefore is excluded from the above table.

For 2009 awards onwards, the Committee has recommended the reinvestment of dividends earned on award shares, such shares to invest in proportion to the vesting of the original award shares. This is in line with best practice as contained in the ABI guidelines on executive remuneration. Following this recommendation the shares awarded in 2009 under the Performance Share Plan earned final dividends of 14p per share and were reinvested in shares at a cost of £4.81 per share. Shares awarded in both 2009 and 2010 under the PSP earned interim dividends of 8p per share and were reinvested in shares at cost of £4.10 per share

A reconciliation of option movements for the share award plans over the year to 1 April 2011 is shown below:

	1 April 2011 Number ('000)	1 April 2011 Weighted average exercise price (£)	2 April 2010 Number ('000)	2 April 2010 Weighted average exercise price (£)
Outstanding at start of year	**7,073**	**2.33**	6,943	2.36
Granted	**1,957**	**3.97**	1,596	1.51
Shares representing dividends reinvested	**45**	**3.94**	12	3.91
Forfeited	**(135)**	**0.15**	—	—
Exercised	**(1,372)**	**3.26**	(925)	0.98
Lapsed	**(865)**	**3.01**	(553)	2.68
Outstanding at end of year	**6,703**	**2.55**	7,073	2.33
Exercisable at end of year	**525**	**3.14**	298	2.16

The number and weighted remaining lives for outstanding share award plans are as follows:

1 April 2011 Weighted average exercise price	Number of shares ('000)	Weighted average remaining life (years) Expected	Contractual	2 April 2010 Weighted average exercise price	Number of shares ('000)	Weighted average remaining life (years) Expected	Contractual
£1.93	**920**	**0.8**	**0.3**	£1.93	1,167	1.8	1.3
£2.60	**134**	**—**	**3.2**	£2.60	194	—	4.2
£2.61	**209**	**1.8**	**1.3**	£2.61	279	2.8	2.3
£3.01	**32**	**0.1**	**5.3**	£3.01	47	1.1	6.3
£3.07	**1,376**	**2.2**	**7.3**	£3.07	1,647	3.2	8.3
£3.22	**—**	**—**		£3.22	237	0.8	0.3
£3.46	**394**	**3.2**	**8.3**	£3.46	464	4.2	9.3
£3.99	**300**	**1.1**	**6.3**	£3.99	1,347	2.1	7.3
£4.86	**1,178**	**4.2**	**9.3**	—	—	—	—
£5.03	**143**	**4.2**	**9.3**	—	—	—	—
£4.15	**265**	**2.8**	**2.3**	—	—	—	—
£0.00	**1,752**	**0.7**	**0.7**	£0.00	1,692	1.8	1.8

The weighted average exercise price during the period for options exercised was £3.26 (2010: £0.98). The total charge for the year relating to employee share-based payment plans was £2.4m (2010: £2.5m), all of which related to equity-settled share-based payment transactions.

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Notes to the Financial Statements continued

23. Commitments

	2011 £m	2010 £m
Capital expenditure: Contracted but not provided	**1.0**	3.9

At 1 April 2011, the Group was committed to making payments in respect of non-cancellable operating leases in the following periods:

	Land and buildings 2011 £m	Other assets 2011 £m	Land and buildings 2010 £m	Other assets 2010 £m
Within one year	**87.2**	**1.5**	90.5	1.2
Later than one year and less than five years	**300.2**	**2.6**	328.3	1.5
After five years	**350.5**	**0.7**	392.7	0.8
	737.9	**4.8**	811.5	3.5

The Group leases a number of stores and warehouses under operating leases of varying length for which incentives/premiums are received/paid under the relevant lease agreements. Land and buildings have been considered separately for lease classification. The operating lease commitments are shown before receipts of sublet income, which totalled £7.2m (2010: £7.1m).

24. Pensions

Employees are offered membership of the Halfords Pension, which is a contract based plan, where each member has their own individual pension policy, which they monitor independently. The costs of contributions to the scheme are charged to the income statement in the period that they arise. The contributions to the scheme for the period amounted to £2.8m (2010: £3.2m).

25. Contingent liabilities

The Group's banking arrangements include the facility for the bank to provide a number of guarantees in respect of liabilities owed by the Group during the course of its trading. In the event of any amount being immediately payable under the guarantee, the bank has the right to recover the sum in full from the Group. The total amount of guarantees in place at 1 April 2011 amounted to £3.9m (2010: £3.2m).

The Group's banking arrangements are subject to a netting facility whereby credit balances may be offset against the indebtedness of other Group companies.

26. Related Party Transactions

Subsidiary undertakings

The Group's ultimate parent company is Halfords Group plc. A listing of all principal trading subsidiary undertakings is shown within the financial statements of the Company on page 142.

Transactions with key management personnel

The key management personnel of the Group comprise the executive and non-executive Directors and the Halfords Limited and Halfords Autocentres Management Boards. The details of the remuneration, long-term incentive plans, shareholdings and share option entitlements of individual Directors are included in the Directors' Remuneration Report on pages 84 to 93. Key management compensation is disclosed in note 4.

Directors of the Company control 0.17% of the ordinary shares of the Company.

27. Off balance sheet arrangements

The Group has no off balance sheet arrangements to disclose as required by S410A of the Companies Act 2006.

28. Post-balance sheet events

Share buyback programme

Following a review by the Board of the Group's capital structure and cash generation capabilities, with effect from 7 April 2011, the Group commenced a share buyback programme, returning up to £75m of cash to Shareholders over the following twelve months. As at 3 June 2011 approximately £20.7m of buyback has taken place via the purchase of 5.3 million shares.

Lease guarantee provision

A non-recurring expense of £7.5m was incurred in the year. This expense relates to the creation of a provision for the potential liabilities arising from lease guarantees provided by Halfords prior to July 1989. An estimate of the potential liability relating to these guarantees was previously disclosed as a contingent liability in the Interim financial statements. 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 the ownership of the Ward White Group. Focus DIY entered into administration in May 2011.

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Company Balance Sheet

	Notes	1 April 2011 £m	2 April 2010 £m
Fixed assets			
Investments	4	**570.8**	172.1
Current assets			
Debtors falling due within one year	5	**–**	0.1
Debtors falling due after one year	5	**40.8**	26.9
		40.8	27.0
Creditors: amounts falling due within one year	6	**(0.6)**	(15.8)
Net current assets		**40.2**	11.2
Creditors: amounts falling due after more than one year	6	**(146.8)**	(2.5)
Net assets		**464.2**	180.8
Capital and reserves			
Called up share capital	8	**2.1**	2.1
Share premium account	9	**151.0**	146.5
Capital redemption reserve	9	**0.2**	0.2
Profit and loss account	9	**310.9**	32.0
Total shareholders' funds		**464.2**	180.8

The notes on pages 141 to 144 are an integral part of the Company's financial statements.

The Company has elected to prepare its financial statements under UK GAAP and the accounting policies are outlined on page 140.

The financial statements on pages 138 to 144 were approved by the Board of Directors on 8 June 2011 and were signed on its behalf by:

David Wild
Chief Executive

Andrew Findlay
Finance Director

Company number: 04457314

Reconciliation of Movements in Total Shareholders' Funds

For the period	**52 weeks to 1 April 2011 £m**	52 weeks to 2 April 2010 £m
Profit for the period	**322.7**	1.4
Shares issued	**4.5**	0.9
Employee share options	**2.4**	2.5
Dividends	**(46.2)**	(35.3)
Net increase/(decrease) in total shareholders' funds	**283.4**	(30.5)
Opening total shareholders' funds	**180.8**	211.3
Closing total shareholders' funds	**464.2**	180.8

Accounting Policies

Basis of preparation

The accounts of the Company 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 1 April 2011, whilst the comparative period covered the 52 weeks to 2 April 2010. The accounts are prepared under the historical cost convention, except where Financial Reporting Standards requires an alternative treatment in accordance with applicable UK accounting standards and specifically in accordance with the accounting policies set out below. The principal variation to the historical cost convention relates to share-based payments.

A consolidated cash flow statement has been included in the Halfords Group plc consolidated accounts. The Company has therefore taken advantage of the exemption under FRS 1 (revised 1996) 'Cash flow statements' not to produce a cash flow statement.

The Company has taken the available exemption not to provide disclosures required by FRS 29 'Financial instruments: disclosures'.

Share-based payments

The Company operates a number of equity-settled, share-based compensation plans that are awarded to employees of the Company's subsidiary undertakings.

In accordance with UITF Abstract 44 'FRS 20 (IFRS 2) — Group and treasury share transactions' the fair value of the employee services received under such schemes is recognised as an expense in the subsidiary undertaking's financial statements, which benefit from the employee services. The Company has recognised the fair value of the share-based payments as an increase to equity with a corresponding adjustment to investments.

Fair values are determined using appropriate option pricing models. The total fair value recognised is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

At each balance sheet date, the Company revises its estimates of the number of share incentives that are expected to vest. The impact of the revision of original estimates, if any, is recognised as an adjustment to equity, with a corresponding adjustment to investments, over the remaining vesting period.

Investments

Investments in subsidiary undertakings are stated at the original cost of the investments. Provision is made against cost where, in the opinion of the directors, the value of the investments has been impaired.

Dividends

Final dividends are recognised in the Company's financial statements in the period in which the dividends are approved by shareholders. Interim equity dividends are recognised in the period they are paid.

Notes to the Financial Statements

1. Profit and loss account

The Company made a profit before dividends paid for the financial period of £322.7m (52 week period to 2 April 2010: £1.4m). The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the Company alone.

2. Audit fees

The audit fees payable by the Group to KPMG Audit Plc and their associates during the period are detailed in note 3 to the Group financial statements. In the 52 weeks to 1 April 2011 the Company expensed £0.2m in fees relating to KPMG Audit Plc.

3. Staff costs

The Company has no employees other than the Directors. Full details of the Directors' remuneration and interests are set out in the Remuneration Report on pages 84 to 93 which form part of the audited information.

4. Investments

	£m
Shares in Group undertaking	
Cost	
As at 2 April 2010	172.1
Additions — share-based payments	2.4
Additions — increase in subsidiary undertaking investment	396.3
At 1 April 2011	**570.8**

During the year Halfords Group plc sold two £58m Eurobond investments, one to Halfords Holdings (Jersey) 1 Limited and one to Halfords Holdings (Jersey) 2 Limited, for consideration of 2,320,000 £1 ordinary shares in each company issued at a premium. Therefore, £116m of additions in subsidiary undertakings in the year relates to Halfords Holdings (Jersey) 1 Limited and Halfords Holdings (Jersey) 2 Limited.

Halfords Ireco 1 Limited and Halfords Ireco 2 Limited were incorporated as 100% owned subsidiaries of Halfords Group plc on 28 October 2010. Ireco 2 Limited was subsequently sold to Ireco 1 Limited and a contribution of £280.3m made from Halfords Group plc to Ireco 1 Limited. This contribution and the initial share capital are included in the additions in subsidiary undertakings in the year relating to the investment in Halfords Ireco 1 Limited.

The investments represent shares in the following subsidiary undertakings as at 1 April 2011 and the fair value of share-based compensation plans that are awarded to employees of the Company's subsidiary undertakings.

Subsidiary undertaking	Incorporated in	Ordinary shares percentage owned %	Principal activities
Halfords Holdings (2006) Limited	Great Britain*	100	Intermediate holding company
Halfords Holdings (Jersey) 1 Limited	Jersey	100	Intermediate holding company
Halfords Holdings (Jersey) 2 Limited	Jersey	100	Intermediate holding company
Halfords Ireco 1 Limited	Gibraltar	100	Intermediate holding company

* Registered in England and Wales.

In the opinion of the Directors the value of the investments in the subsidiary undertakings is not less than the amount shown above.

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Notes to the Financial Statements continued

4. Investments continued

Principal subsidiary undertakings

The principal subsidiary undertakings of the Company at 1 April 2011 are as follows:

Subsidiary undertaking	Principal activity	% Ownership of ordinary equity shares
Halfords Holdings (2006) Limited	Intermediate holding company	100
Halfords Holdings Limited*	Intermediate holding company	100
Halfords Finance Limited*	Intermediate holding company	100
Halfords Limited*	Retailing of auto parts, accessories, cycles and cycle accessories	100
Halfords Investments (2010) LP†	Intermediate holding partnership	—
Halfords Autocentres Holdings Limited*	Intermediate holding company	100
Halfords Autocentres Limited*	Car servicing	100
Halfords Holdings (Jersey) 1 Limited	Intermediate holding company	100
Halfords Holdings (Jersey) 2 Limited	Intermediate holding company	100
Halfords Ireco 1 Limited	Intermediate holding company	100
Halfords Ireco 2 Limited*	Intermediate holding company	100
Halfords Finance UK LLP†	Intermediate holding partnership	—

* Shares held indirectly through subsidiary undertakings.

† Wholly owned indirectly through subsidiary undertakings.

Halfords Holdings (Jersey) 1 Limited and Halfords Holdings (Jersey) 2 Limited are incorporated and registered in Jersey. Halfords Ireco 1 Limited and Halfords Ireco 2 Limited are incorporated and registered in Gibraltar. All other subsidiary undertakings are incorporated in Great Britain and registered in England and Wales. The only subsidiaries to trade during the year were Halfords Limited and Halfords Autocentres Limited.

5. Debtors

	2011 £m	2010 £m
Falling due within one year:		
Amounts owed by Group undertakings	–	—
Tax and social security	–	0.1
	–	0.1
Falling due after more than one year:		
Amounts owed by Group undertakings	**40.8**	26.9

Amounts owed by Group undertakings that fall due after one year are subject to interest. At 1 April 2011 the amounts bear interest at a rate of 4.83% (2010: 1.06%).

6. Creditors

	2011 £m	2010 £m
Falling due within one year:		
Bank overdraft	–	0.1
Accruals and deferred income	**0.6**	—
Amounts owed to Group undertakings	–	15.7
	0.6	15.8
Falling due after more than one year:		
Bank borrowings (note 7)	**86.8**	—
Amounts owed to Group undertakings	**60.0**	2.5
	146.8	2.5

Amounts due to Group undertakings that fall due after one year are subject to interest. At 1 April 2011 the amounts bear interest at a rate of 2.07% (2010: 1.06%).

7. Borrowings

	2011 £000	2010 £000
Maturity of debt — bank loans		
Expiring between one and two years	—	—
Expiring between two and five years[1]	86.8	—
	86.8	—

[1] The above borrowings are stated net of amortised issue costs of £3.2m.

Details of the Company's borrowing facilities are in note 16 of the Group's financial statements.

8. Equity share capital

	2011 Number of shares	2011 £000	2010 Number of shares	2010 £000
Ordinary shares of 1p each:				
Allotted, called up and fully paid	211,985,998	2,120	210,710,960	2,107

During the current period the Company's share capital increased by 1,275,038 shares (2010: 924,709 shares) due to the exercise by employees of share options. Details of shares exercised by scheme are shown in note 22 to the Group's financial statements.

In total the Company received proceeds of £4.5m (2010: £0.9m) from the exercise of share options.

Potential issue of ordinary shares

The Company has three employee share option schemes, which were set up following the Company's flotation. Further information regarding these schemes can be found in note 22 to the Group's financial statements.

Interest in own shares

At 1 April 2011 the Company held in Trust 1,108,520 (2010: 1,113,985) of its own shares with a nominal value of £11,085 (2010: £11,140). The Trust has waived any entitlement to the receipt of dividends in respect of its holding of the Company's ordinary shares. The market value of these shares at 1 April 2011 was £3.9m (2010: £5.4m).

9. Reserves

	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 2 April 2010	146.5	0.2	32.0	178.7
Profit for the financial period	—	—	322.7	322.7
Share options exercised	4.5	—	—	4.5
Share-based payment transactions	—	—	2.4	2.4
Dividends	—	—	(46.2)	(46.2)
At 1 April 2011	**151.0**	**0.2**	**310.9**	**462.1**

The Company settled dividends of £46.2m (2010: £35.3m) in the period, as detailed in note 8 of the Group's financial statements.

Included in the profit and loss account is £118m of reserves that are not distributable (2010: £nil).

10. Related party disclosures

Under FRS 8 'Related party disclosures' the Company is exempt from disclosing related party transactions with entities which it wholly owns.

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Notes to the Financial Statements continued

11. Contingent liabilities

The Group's banking arrangements include the facility for the bank to provide a number of guarantees in respect of liabilities owed by the Group during the course of its trading. In the event of any amount being immediately payable under the guarantee, the bank has the right to recover the sum in full from the Group. The total amount of guarantees in place at 1 April 2011 amounted to £3.9m (2010: £3.2m).

The Company's banking arrangements are subject to a netting facility whereby credit balances may be offset against the indebtedness of other Group companies.

12. Off balance sheet arrangements

The Company has no off balance sheet arrangements to disclose as required by S410A of the Companies Act 2006.

13. Post-balance sheet events

Share buyback programme

Following a review by the Board of the Company's capital structure and cash generation capabilities, with effect from 7 April 2011, the Company commenced a share buyback programme, returning up to £75m of cash to Shareholders over the following twelve months. As at 3 June 2011 approximately £20.7m of buyback has taken place via the purchase of 5.3 million shares.

Five Year Record

	52 weeks to 30 March 2007 £m	52 weeks to 28 March 2008 £m	53 weeks to 3 April 2009 £m	52 weeks to 2 April 2010 £m	**52 weeks to 1 April 2011 £m**
Revenue	744.0	797.4	809.5	831.6	**869.7**
Cost of sales	(367.9)	(394.9)	(388.1)	(378.9)	**(384.7)**
Gross profit	376.1	402.5	421.4	452.7	**485.0**
Operating expenses	(282.6)	(301.5)	(329.7)	(340.4)	**(364.4)**
Operating profit before non-recurring items	93.5	101.0	104.0	119.7	**128.1**
Non-recurring operating expenses	—	—	(12.3)	(7.4)	**(7.5)**
Operating profit	93.5	101.0	91.7	112.3	**120.6**
Net finance costs	(12.6)	(10.8)	(14.2)	(2.6)	**(2.5)**
Profit before tax and non-recurring items	83.5	90.2	94.4	117.1	**125.6**
Non-recurring operating expenses	—	—	(12.3)	(7.4)	**(7.5)**
Non-recurring finance costs	(2.6)	—	(4.6)	—	
Profit before tax	80.9	90.2	77.5	109.7	**118.1**
Taxation	(24.3)	(26.2)	(26.3)	(34.1)	**(34.7)**
Taxation on non-recurring items	0.8	—	4.6	1.4	**2.1**
Profit attributable to equity shareholders	57.4	64.0	55.8	77.0	**85.5**
Basic earnings per share	25.8p	29.3p	26.6p	36.8p	**40.7p**
Basic earnings per share before non-recurring items	26.6p	29.3p	32.5p	39.7p	**43.2p**
Weighted average number of shares	222.9m	218.4m	209.5m	209.1m	**210.4m**

Key Performance Indicators

	52 weeks to 30 March 2007	52 weeks to 28 March 2008	53 weeks to 3 April 2009	52 weeks to 2 April 2010	**52 weeks to 1 April 2011**
Revenue growth	+9.1%	+7.2%	+1.5%	+2.7%	**+4.6%**
Gross margin	50.6%	50.5%	52.1%	54.4%	**55.8%**
Operating margin	12.6%	12.7%	11.3%	13.5%	**13.9%**

Analysis of Shareholders

As at 1 April 2011, the number of registered Shareholders was 3,547 and the number of ordinary shares in issue was 211,985,998.

	No. of holdings	% of total shareholders	No. of Shares	% of Issued Share Capital
Range of holdings				
1–5,000	2,954	83.4	3,874,155	1.8
5,001–10,000	143	4.0	1,043,490	0.5
10,001–50,000	167	4.7	4,036,699	1.9
50,001–100,000	82	2.3	5,986,292	2.8
100,001–500,000	120	3.4	27,306,885	12.9
500,001 and above	78	2.2	169,738,477	80.1
Total	**3,544**	**100.0**	**211,985,998**	**100.0**
Held by				
Individuals	1,608	45.4	2,617,561	1.2
Institutions	1,936	54.6	209,368,437	98.8
Total	**3,544**	**100.0**	**211,985,998**	**100.0**

Results and financial diary

Annual General Meeting: 2 August 2011.
Final dividend: 5 August 2011.
Record date: 1 July 2011.
Ex dividend date: 29 June 2011.
Pre-close statement: 4 October 2011.
Half-year report: 10 November 2011.

Annual General Meeting

The Annual General Meeting will be held on Tuesday 2 August 2011 at The Hyatt Hotel, Bridge Road, Birmingham, B1 2JZ.

Each shareholder is entitled to attend and vote at the meeting.

Company Information

Registered & Head Office

Halfords Group plc
Icknield Street
Redditch
Worcestershire
B98 0DE

Registrars

Capita IRG Plc
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Huddersfield
West Yorkshire
HD8 0LA

Auditors

KPMG Audit Plc
One Snowhill
Snowhill
Queensway
Birmingham
B4 6GH

Joint Brokers

Bank of America Merrill Lynch
2 King Edward Street
London
EC1A 1HQ

Investec Bank plc
2 Gresham Street
London
EC2V 7QP

Solicitors

Clifford Chance
10 Upper Bank Street
London
E14 5JJ

Shareholder Notes

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Corporate and IR website
www.halfordscompany.com

Commercial website
www.halfords.com

Online Annual Report 2011
halfords.annualreport2011.com

Online Annual Report 2010
halfords.annualreport2010.com