

23 NOVEMBER 2006

## HALFORDS GROUP PLC (“HALFORDS”) INTERIM RESULTS ANNOUNCEMENT

Halfords, the UK’s leading auto, leisure and cycling products retailer, announces its interim results for the 26 weeks to 29 September 2006.

### Financial Highlights

- Revenue £369.2m up 9.3% (2005: £337.7m)
- Like-for-like sales up 6.5% with growth in all key categories
- Operating profit £48.5m up 5.7% (2005: £45.9m)
- Profit before tax and exceptional items £43.5m up 7.9% (2005: £40.3m)
- Profit before tax £40.9m up 1.5% (2005: £40.3m)
- Basic earnings per share before exceptional items 13.5p up 11.6% (2005: 12.1p)
- Basic earnings per share 12.7p up 5.0% (2005: 12.1p)
- Interim dividend up 8.8% to 4.35p (2005: 4.0p)
- In the 6 weeks since 29 September trading in line with internal expectations

### Business Highlights

- Significant reduction in margin dilution at 40 bps (2005: 140 bps)
- 13 new store openings during the period
- First standalone *Bikehut* store opened on 9 November 2006 in Brighton
- Debt re-finance, comprising £180m non-amortising term loan and £120m revolving credit facility, generating interest margin benefit and greater capital flexibility
- 5.2m shares purchased for £16.0m, representing one third of the £50m share buy-back programme

### Commenting on the results, Ian McLeod, Chief Executive, said:

“With like-for-like sales up 6.5% we are pleased with Halfords trading performance during the first 26 weeks of this financial year. The Group has maintained its momentum within Car Enhancement and Car Maintenance, and we have also delivered a strong performance within the Leisure categories of Cycling and Travel Solutions. Growing sales in all key categories has therefore provided us with further confidence in our trading prospects for the second half.”

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**Notes to Editors****Halfords Group plc**

Halfords is the UK's leading auto, leisure and cycling products retailer, with 420 stores and 10,000 employees. The company was established in 1892 and floated on the London Stock Exchange in June 2004. The Group sells 11,000 different product lines, ranging from car parts and cycles through to the latest in-car technology, alloy wheels, child seats, roof boxes and outdoor leisure and camping equipment. Halfords' own brands include *Ripspeed*, for car enhancement, and *Bikehut*, for cycles and cycling accessories, including the *Apollo* and *Carrera* brands. Stores offer a "We'll fit it" service for car parts, child seats, satellite navigation and in-car entertainment systems and a "We'll repair it" service for cycles.

In addition to the corporate website, [www.halfordscompany.com](http://www.halfordscompany.com), Halfords operates an online retail website, which can be found at [www.halfords.com](http://www.halfords.com).

**Cautionary Statement**

This report contains certain forward-looking statements with respect to the financial condition, results of operations, and businesses of Halfords Group plc. These statements and forecasts involve risk, uncertainty and assumptions because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by law, Halfords Group plc has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

## Overview

There has been a strong first half sales performance that has seen like-for-like growth in all of the key categories. Gross profit dilution has shown a substantial improvement since the end of the financial year, which, with the continued focus on cost control, has delivered a 7.9% increase in profit before taxation and exceptional items

## Summary of Group Results

Unaudited	26 weeks to		
	29 September 2006 £m	30 September 2005 £m	Change %
Revenue	369.2	337.7	9.3%
Gross profit	188.4	173.7	8.5%
<i>Gross profit %</i>	<i>51.0%</i>	<i>51.4%</i>	<i>-40 bps</i>
Operating profit	48.5	45.9	5.7%
Profit before tax and exceptional items	43.5	40.3	7.9%
Exceptional finance costs <sup>†</sup>	(2.6)	-	
Profit before tax	40.9	40.3	1.5%
Basic earnings per share before exceptional items	13.5 pence	12.1 pence	11.6%
Basic earnings per share	12.7 pence	12.1 pence	5.0%

Notes:

1. The exceptional finance costs relate to the following items:
  - (a) On 14 July 2006, the Group replaced its existing borrowings with a five-year term loan of £180m and a revolving facility of £120m. As a consequence, a charge of £1.5m was made in respect of the accelerated amortisation of the issue costs associated with the original borrowings.
  - (b) On 29 September 2006 the Group closed out its existing interest rate swap at a cost of £1.1m. On the same date, the interest on the £180m term loan was fixed for a three-month period. The Group has entered into a new interest rate swap for £70m commencing on 29 December 2006 for the length of the new facility.

## Financial Review

### Income Statement

Sales for 26 weeks to 29 September 2006 were £369.2m (2005: 337.7m) an increase of 9.3% on the comparable period last year, representing like-for-like sales of 6.5%. As noted in last year's interim report, there was no Easter period in the 26 weeks ended 30 September 2005 and with a typical Easter worth 1.5% of sales in a 26-week period, the underlying like-for-like sales performance is 5.0%.

Gross profit at £188.4m (2005: £173.7m) is 51.0% as a percentage of net sales and compares to last year's restated figure of 51.4%. As noted below the comparative gross profit figures have been restated by £0.1m to reflect an appropriate absorption of rebate income into inventories that was previously recognised in the Income Statement. The company has previously commented upon the impact that the change in sales mix, towards lower margin in-car technology products, has had upon gross profit per cent. However, it is pleasing to note that the 40 basis point dilution in gross profit per cent represents a significant improvement on both the 140 basis point and 260 basis point dilution reported at the interim and preliminary

results last year. This dilution improvement reflects the company's active margin management, the flow through of Far East sourcing benefits and improved sales performance in higher margin categories.

Operating expenses as a per cent of sales at 37.9% is at the same level as the comparable period last year. An improvement in the selling and distribution costs ratio, in part driven by the slowing down of rental inflation, has been offset by the increase in administrative expenses. Included within this period's administrative expenses there are a number of one-off project related expenses of £0.5m, which include the three store Czech Republic pilot, with the first store scheduled to open in Summer 2007, legal costs associated with the group's capital restructuring and the relocation of the Halfords Asia office.

Landlord contributions during the period totalled £1.2m, compared to £3.5m last year. In line with the guidance previously given, the Company remains on track to deliver contributions of approximately £4.0m (52 weeks to 31 March 2006: £6.9m) for the full year.

Net finance costs for the half year were £7.6m (2005: £5.6m) and included exceptional finance costs totalling £2.6m in respect of the write-off of previously capitalised loan fees of £1.5m, arising from the repayment of the company's term debt and the close-out of an interest rate swap of £1.1m, as part of the debt re-financing exercise.

### **Taxation**

The taxation charge is based upon an estimated effective tax rate of 30.1% (2005: 31.8%) on profit for the 52-week period ending 30 March 2007.

### **Balance Sheet and Cash Flow**

Having undertaken a comprehensive review of the company's capital structure, the Board took the decision to undertake a debt re-financing exercise, which was completed on 14 July 2006. The debt facility now comprises a £180m five-year term non-amortising loan with a £120m revolving credit facility.

Total net debt at 29 September 2006 was £181.2m (31 March 2006: £173.7m) and includes £12.5m (31 March 2006: £12.6m) in respect of the Head Office finance lease.

The company continues to generate strong net cash flows from operations, which were £60.7m at 29 September 2006 (2005: £61.0m) and included a small working capital inflow. Stock levels at 29 September 2006 were £137.7m (2005: £145.0m) and have fallen by 5.0% compared to the half-year position last year resulting in an improvement in stock turn. Stock turn in the 26 week period improved to 2.6 times, compared to last year's 2.4 times. Since the beginning of the financial year stock levels have increased by £10.5m, reflecting the stock build of in-car technology products such as satellite navigation devices and DVD units.

Capital expenditure during the first half totalled £10.8m (2005: £13.9m) and the company is forecast to spend approximately £25.0m for the full year (52 weeks to 31 March 2006: £27.8m). The major spends during this period have been the opening of new stores, £5.2m (2005: £5.6m), and £1.9m (2005: Nil) in respect of the development of new store systems, which are planned to go live in 2007.

## **Dividend and Share Buy back**

The Board continues to recognise the company's good performance and have increased the interim dividend by 8.8% to 4.35 pence per share (2005: 4.0 pence per share). The dividend will be paid on 8 January 2007 to shareholders on the register on 1 December 2006.

At the Preliminary results presentation on 8 June 2006, Halfords announced a share buy-back programme that would purchase, for cancellation, up to £50m of share capital. In the period from the 8 June 2006 to 29 September 2006 Halfords has purchased 5.2m of its own shares at a consideration of £16.0m, an average of 308.0 pence per share.

## **Operating Review**

Halfords has delivered encouraging results, which reflects a continuing focus on providing a strong, well promoted, in-store offer supported by trained and highly motivated staff.

Last year we completed the store conversion programme to the new orange livery. The investment of £21.8m in converted stores and £18.2m in new stores during the last two years means we are now trading in a modern environment with well merchandised product and knowledgeable staff.

The trading teams in head office have been focused on providing compelling offers through new and exciting ranges at better margins, helped by Far East sourcing opportunities, which has seen the teams optimise our position in new markets and take advantage of legislative changes that impact upon existing markets.

The wettest May for 23 years generated a good start to the financial year for the car maintenance category, with strong demand for windscreen products and light bulbs. Halfords service proposition continues to have a positive impact on car battery sales, as customers welcome the option of Halfords staff removing and disposing of old batteries.

The satellite navigation market remains strong, with Halfords underpinning its leading retailer status through its broad range of brands and product demonstration. MP3 connectivity products, in conjunction with the "*We'll fit it*" proposition, have helped to grow sales in technology products. Within the performance styling category Halfords has launched a national mobile fitting offer for alloy wheel and tyre packages. There has been a successful roll out into 250 stores of the standard wheel collection, predominantly aimed at non-*Ripspeed* customers looking to trade up.

The learning taken from the experience of last year's active leisure ranges has resulted in Halfords being able to provide a competitive entry-level range of products sourced from the Far East. Therefore the combination of warm weather in June and July with a strong camping offer based upon own label and value for money generated good sales, especially in tents.

The introduction of child seat safety legislation on 18 September 2006 has seen increased demand for child seats and booster seats. Halfords advised customers of the change in legislation through in-store point of sale materials and built a large stock position well in advance of the new law, which provided better stock availability than the competition when

the law changed. The interest in child safety generated an increase in footfall of both female shoppers and consumers that had not shopped at Halfords before, leading to an increased awareness of our stores.

The first half-year was a good period for the cycling category with strong growth in the own brand *Apollo* and *Carrera* ranges. In addition, hybrid, commuting and folding bikes have performed particularly well. With more than four million cycle accessories sold under the *Bikehut* brand, in the first 26 weeks, this area continues to demonstrate growth potential and provides encouragement for our trial of standalone *Bikehut* stores.

### **Store Portfolio**

During the 26 weeks to 29 September 2006 the company opened 13 new stores and closed one, resulting in 420 stores trading at the half-year end. We aim to open more smaller format “neighbourhood” stores, with seven of these stores opened in the first half. Of the remaining new stores five were opened with mezzanine floors, of which four were the supermezzanine format. Space from new stores contributed 2.8% (2005: 2.1%) to the first half sales growth.

At 29 September 2006 Halfords traded from 3.5 million square feet representing an additional 100,000 square feet since the beginning of the financial year.

With the supermezzanine conversion programme virtually complete, the company’s focus has shifted to opening new stores and identifying potential sites

The company remains on track to have its first two standalone *Bikehut* stores trading by Christmas, the first of which was opened in Brighton on 9 November 2006.

### **International Expansion**

The roll out programme in the Republic of Ireland continues, with two of the new supermezzanine format stores noted above having opened during the period, taking the total number of stores in Ireland to ten.

Progress continues to be made in developing three sites in the Czech Republic with the first store scheduled to open in Summer 2007. In addition we have recruited a “country” team that will be responsible for managing the trial on the ground.

### **Second Half Outlook and Current Trading**

With like-for-like sales up 6.5% we are pleased with Halfords trading performance during the first 26 weeks of this financial year. The Group has maintained its momentum within Car Enhancement and Car Maintenance, and we have also delivered a strong performance within the Leisure categories of Cycling and Travel Solutions. Growing sales in all key categories has therefore provided the Group with further confidence in its trading prospects for the second half. In the six weeks since 29 September 2006 Halfords has traded in line with internal expectations.

**HALFORDS GROUP PLC**  
**Consolidated Income Statement**

26 weeks to 29 September 2006

		Restated (see note 1)	
	26 weeks to 29 September 2006 Unaudited £m	26 weeks to 30 September 2005 Unaudited £m	52 weeks to 31 March 2006 Audited £m
Notes			
<b>Revenue</b>	<b>369.2</b>	337.7	681.7
Cost of sales	<b>(180.8)</b>	(164.0)	(335.0)
<b>Gross profit</b>	<b>188.4</b>	173.7	346.7
Operating expenses	<b>(139.9)</b>	(127.8)	(257.6)
<b>Operating profit</b>	<b>48.5</b>	45.9	89.1
Finance costs	3 <b>(8.3)</b>	(5.6)	(12.5)
Finance income	3 <b>0.7</b>	-	0.4
<b>Profit before tax</b>	<b>40.9</b>	40.3	77.0
Taxation	4 <b>(12.3)</b>	(12.8)	(23.4)
<b>Profit attributable to equity shareholders</b>	<b>28.6</b>	27.5	53.6
<b>Earnings per share</b>			
Basic	6 <b>12.7p</b>	12.1p	23.6p
Diluted	6 <b>12.7p</b>	12.1p	23.6p

A final dividend of 8.75 pence per share for the 52 weeks to 31 March 2006 (8.3 pence per share for the 52 weeks to 1 April 2005) was paid on 14 August 2006. The directors have approved an interim dividend of 4.35 pence per share in respect of the 26 weeks to 29 September 2006 (4.0 pence per share for the 26 weeks to 30 September 2005).

# HALFORDS GROUP PLC

## Consolidated Balance Sheet

As at 29 September 2006

	29 September 2006	Restated (see note 1) 30 September 2005	31 March 2006
	Unaudited	Unaudited	Audited
	£m	£m	£m
<b>Non-current assets</b>			
Goodwill	253.1	253.1	253.1
Other intangible assets	5.0	6.0	5.7
Property, plant and equipment	105.2	101.3	104.1
	<b>363.3</b>	<b>360.4</b>	<b>362.9</b>
<b>Current assets</b>			
Inventories	137.7	145.0	127.2
Trade and other receivables	32.8	29.5	29.4
Derivative financial instruments	-	1.4	1.2
Cash and cash equivalents	45.2	4.9	1.5
	<b>215.7</b>	<b>180.8</b>	<b>159.3</b>
<b>Total assets</b>	<b>579.0</b>	<b>541.2</b>	<b>522.2</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	(34.7)	(45.1)	(63.5)
Derivative financial instruments	(2.0)	(3.6)	-
Trade and other payables	(113.6)	(143.9)	(101.9)
Current tax liabilities	(13.3)	(14.4)	(13.1)
Provisions	(1.5)	(1.4)	(1.2)
	<b>(165.1)</b>	<b>(208.4)</b>	<b>(179.7)</b>
<b>Net current assets/(liabilities)</b>	<b>50.6</b>	<b>(27.6)</b>	<b>(20.4)</b>
<b>Non-current liabilities</b>			
Borrowings	(191.7)	(130.5)	(111.7)
Derivative financial instruments	-	-	(2.1)
Deferred tax liabilities	(2.8)	(4.8)	(3.5)
Accruals and deferred income	(24.5)	(14.6)	(22.7)
	<b>(219.0)</b>	<b>(149.9)</b>	<b>(140.0)</b>
<b>Total liabilities</b>	<b>(384.1)</b>	<b>(358.3)</b>	<b>(319.7)</b>
<b>Net assets</b>	<b>194.9</b>	<b>182.9</b>	<b>202.5</b>
<b>Shareholders' equity</b>			
Ordinary shares	2.2	2.3	2.3
Share premium account	133.2	133.1	133.2
Capital redemption reserve	0.1	-	-
Hedging reserve	(2.0)	(2.2)	(0.8)
Retained earnings	61.4	49.7	67.8
<b>Total equity</b>	<b>194.9</b>	<b>182.9</b>	<b>202.5</b>

# HALFORDS GROUP PLC

## Consolidated Statement of Changes in Shareholders' Equity

26 weeks to 29 September 2006

	Share capital	Share premium account	Capital redemption reserve	Hedging reserve	Restated retained earnings	Total equity
	£m	£m	£m	£m	£m	£m
<b>Balance at 1 April 2005</b>	2.3	132.9	-	(2.9)	40.5	<b>172.8</b>
<b>Restated (see note 1)</b>						
Profit for the period	-	-	-	-	27.5	<b>27.5</b>
Shares issued	-	0.2	-	-	-	<b>0.2</b>
Cash flow hedges (net of tax):						
Fair value gains in the period	-	-	-	0.7	-	<b>0.7</b>
Employee share options	-	-	-	-	0.6	<b>0.6</b>
Dividends	-	-	-	-	(18.9)	<b>(18.9)</b>
<b>Balance at 30 September 2005</b>	2.3	133.1	-	(2.2)	49.7	<b>182.9</b>

	Share capital	Share premium account	Capital redemption reserve	Hedging reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m
<b>Balance at 1 April 2005</b>	2.3	132.9	-	(2.9)	40.5	<b>172.8</b>
Profit for the period	-	-	-	-	53.6	<b>53.6</b>
Shares issued	-	0.3	-	-	-	<b>0.3</b>
Cash flow hedges (net of tax):						
Fair value gains in the period	-	-	-	3.2	-	<b>3.2</b>
Transfers to inventory	-	-	-	(0.8)	-	<b>(0.8)</b>
Transfers to net profit	-	-	-	(0.3)	-	<b>(0.3)</b>
Employee share options	-	-	-	-	1.3	<b>1.3</b>
Deferred tax on employee share options	-	-	-	-	0.4	<b>0.4</b>
Dividends	-	-	-	-	(28.0)	<b>(28.0)</b>
<b>Balance at 31 March 2006</b>	2.3	133.2	-	(0.8)	67.8	<b>202.5</b>

	Share capital	Share premium account	Capital redemption reserve	Hedging reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m
<b>Balance at 31 March 2006</b>	2.3	133.2	-	(0.8)	67.8	<b>202.5</b>
Profit for the period	-	-	-	-	28.6	<b>28.6</b>
Purchase of own shares	(0.1)	-	0.1	-	(16.0)	<b>(16.0)</b>
Shares issued	-	-	-	-	-	-
Cash flow hedges (net of tax):						
Fair value losses in the period	-	-	-	(2.9)	-	<b>(2.9)</b>
Transfers to inventory	-	-	-	1.2	-	<b>1.2</b>
Transfers to net profit	-	-	-	0.5	-	<b>0.5</b>
Employee share options	-	-	-	-	0.7	<b>0.7</b>
Deferred tax on employee share options	-	-	-	-	0.1	<b>0.1</b>
Dividends	-	-	-	-	(19.8)	<b>(19.8)</b>
<b>Balance at 29 September 2006</b>	2.2	133.2	0.1	(2.0)	61.4	<b>194.9</b>

**HALFORDS GROUP PLC**  
**Consolidated Cash Flow Statement**  
26 weeks to 29 September 2006

	Notes	26 weeks to 29 September 2006 Unaudited £m	26 weeks to 30 September 2005 Unaudited £m	52 weeks to 31 March 2006 Audited £m
<b>Cash flows from operating activities</b>				
Cash generated from operations	7	60.7	61.0	100.9
Finance income received		0.6	-	0.4
Finance costs paid		(5.5)	(5.4)	(11.0)
Exceptional swap close out costs		(1.1)	-	-
Gain/(costs) of forward foreign exchange contracts		0.1	-	(0.9)
Taxation paid		(12.7)	(11.9)	(24.8)
<b>Net cash from operating activities</b>		<b>42.1</b>	43.7	64.6
<b>Cash flows from investing activities</b>				
Purchase of intangible assets		(0.3)	-	(1.4)
Purchase of property, plant and equipment		(11.7)	(12.9)	(26.1)
<b>Net cash used in investing activities</b>		<b>(12.0)</b>	(12.9)	(27.5)
<b>Cash flows from financing activities</b>				
Net proceeds from issue of ordinary shares		-	0.2	0.3
Purchase of own shares		(16.0)	-	-
Repayment of bank borrowings		(144.0)	(26.0)	(12.0)
Proceeds from new bank borrowings		180.0	-	-
Issue costs of new bank borrowings		(1.0)	-	-
Finance lease principal payments		(0.1)	(0.1)	(0.3)
Dividends paid to shareholders		(19.8)	(18.9)	(28.0)
<b>Net cash used in financing activities</b>		<b>(0.9)</b>	(44.8)	(40.0)
Net increase/(decrease) in cash and bank overdrafts		29.2	(14.0)	(2.9)
Cash and bank overdrafts at the beginning of the period	8	(18.4)	(15.5)	(15.5)
<b>Cash and bank overdrafts at the end of the period</b>	8	<b>10.8</b>	(29.5)	(18.4)

These interim statements should be read in conjunction with the following notes.

# HALFORDS GROUP PLC

## Notes to Interim Report

26 weeks to 29 September 2006

### 1. General Information

#### Basis of Preparation

The financial information set out on pages 8 to 17 comprise the interim consolidated financial statements of Halfords Group plc for the 26 weeks to 29 September 2006. It has been prepared in accordance with the accounting policies set out in the 2006 Annual Reports and Accounts, which are published on the Halfords Group website (*www.halfordscompany.com*) and are expected to be followed in the full financial statements for the 52 weeks to 30 March 2007. In addition to these policies, exceptional items have been separately disclosed within this report in respect of transactions that are non-recurring and material in nature.

In addition to the subsidiaries as set out in the 2006 Annual Reports and Accounts, the consolidated financial statements include the results of Halfords Holdings (2006) Limited. Halfords Holdings (2006) Limited is an intermediate holding company that was established on 7 June 2006 as part of the Group's re-financing exercise.

The accounting policies set out in the 2006 Annual Report and Accounts have been consistently applied to the periods presented. Therefore an adjustment has been made to the 30 September 2005 comparative financial information to reflect an appropriate absorption of rebate income into inventories that was previously recognised in the income statement. The impact of this change has been to decrease profit before tax by £0.1m and to decrease inventories by £4.0m in the comparative half-year period. This change was reflected in the full year comparative period.

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations as endorsed by the European Union and comply with the requirements of the Listing Rules issued by the Financial Services Authority. The interim consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial instruments. The Group has chosen not to adopt IAS 34 "Interim financial statements" in preparing the interim consolidated financial statements.

The interim financial report and accounts for the 26 weeks to 29 September 2006 and for the comparative 26 weeks to 30 September 2005 are unaudited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The comparative figures for the 52 weeks ended 31 March 2006 are derived from the statutory accounts filed with the Registrar of Companies. The audit report on the 2006 Annual Reports and Accounts was unqualified and did not contain a statement under section 237 (2 & 3) of the Companies Act 1985.

# HALFORDS GROUP PLC

## Notes to Interim Report

26 weeks to 29 September 2006

### 2. Segmental Reporting

The Group has one main business segment, which is retail, and one main geographical segment, which is the United Kingdom. The business segment reporting format reflects the Group's management and internal reporting structure.

### 3. Net Finance Costs

	26 weeks to 29 September 2006 Unaudited £m	26 weeks to 30 September 2005 Unaudited £m	52 weeks to 31 March 2006 Audited £m
<b>Finance costs:</b>			
Bank borrowings	(4.9)	(4.6)	(9.7)
Amortisation of issue costs on loans	(0.3)	(0.4)	(0.7)
Commitment and guarantee fees	(0.1)	(0.2)	(0.3)
Cost of forward foreign exchange contracts	-	-	(0.9)
Interest payable on finance leases	(0.4)	(0.4)	(0.9)
<b>Finance costs before exceptional finance costs</b>	<b>(5.7)</b>	<b>(5.6)</b>	<b>(12.5)</b>
<b>Exceptional finance costs:</b>			
Accelerated amortisation of issue costs on loans <sup>i</sup>	(1.5)	-	-
Swap close out costs <sup>ii</sup>	(1.1)	-	-
	<b>(2.6)</b>	<b>-</b>	<b>-</b>
<b>Finance costs</b>	<b>(8.3)</b>	<b>(5.6)</b>	<b>(12.5)</b>
<b>Finance income:</b>			
Bank and similar income	0.6	-	0.4
Gain on forward exchange contracts	0.1	-	-
<b>Finance income</b>	<b>0.7</b>	<b>-</b>	<b>0.4</b>
<b>Net finance costs</b>	<b>(7.6)</b>	<b>(5.6)</b>	<b>(12.1)</b>

#### Exceptional finance costs:

- i. On 14 July 2006, the Group replaced its existing borrowings with a five-year term loan of £180m and a revolving credit facility of £120m. As a consequence, a charge of £1.5m was made in respect of the accelerated amortisation of the issue costs associated with the original borrowings.
- ii. On 29 September 2006 the Group closed out its existing interest rate swap at a cost of £1.1m. On the same date, the interest on the £180m term loan was fixed for a three-month period. The Group has entered into a new interest rate swap for £70m commencing on 29 December 2006 for the length of the new facility.

# HALFORDS GROUP PLC

## Notes to Interim Report

26 weeks to 29 September 2006

### 4. Taxation

The taxation charge in the 26 weeks to 29 September 2006 is based on an estimated effective tax rate of 30.1% (2005: 31.8%) on profit before tax for the 52 weeks to 30 March 2007.

The underlying tax charge on trading is 31.4%, principally due to the non-deductibility of depreciation charged on capital expenditure in respect of mezzanine floors and other store infrastructure. The lower tax rate of 30.1% in this financial period is due to the progression of the agreement of prior year tax computations and the structure put in place, as part of the debt re-finance on 14 July 2006.

### 5. Dividends

During the period the Group paid a final dividend of 8.75 pence per share (8.3 pence per share for the 52 weeks to 1 April 2005) in respect of the 52 weeks to 31 March 2006, which absorbed £19.8m of shareholder funds (2005: £18.9m).

The directors have approved an interim dividend of 4.35 pence per share for the 26 weeks to 29 September 2006 (4.0 pence per share for the 26 weeks to 30 September 2005), which equates to £9.7m (2005: £9.1m) and will be paid on 8 January 2007 to those shareholders on the share register at the close of business on 1 December 2006.

# HALFORDS GROUP PLC

## Notes to Interim Report

26 weeks to 29 September 2006

### 6. Earnings Per Share

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

For diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the 26 weeks to 29 September 2006.

	<b>26 weeks to 29 September 2006</b>	26 weeks to 30 September 2005	52 weeks to 31 March 2006
	<b>Unaudited Number m</b>	Unaudited Number m	Audited Number m
Weighted average number of shares in issue	<b>226.2</b>	227.9	228.0
Less: shares held by Employee Benefit Trust	<b>(0.9)</b>	(0.4)	(0.9)
Weighted average number of shares for calculating basic earnings per share	<b>225.3</b>	227.5	227.1
Weighted average number of dilutive shares options	<b>0.1</b>	0.2	0.2
Total number of shares for calculating diluted earnings per share	<b>225.4</b>	227.7	227.3

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

	<b>26 weeks to 29 September 2006</b>	Restated 26 weeks to 30 September 2005	52 weeks to 31 March 2006
	<b>Unaudited £m</b>	Unaudited £m	Audited £m
Basic earnings attributable to equity shareholders	28.6	27.5	53.6
Exceptional items:			
Finance costs (see note 3)	2.6	-	-
Tax on exceptional finance costs	(0.8)	-	-
Underlying earnings before exceptional items	30.4	27.5	53.6

# HALFORDS GROUP PLC

## Notes to Interim Report

26 weeks to 29 September 2006

### 6. Earnings Per Share (Continued)

	<b>26 weeks to 29 September 2006</b>	Restated 26 weeks to 30 September 2005	52 weeks to 31 March 2006
	<b>Unaudited</b>	Unaudited	Audited
Basic earnings per ordinary share	12.7p	12.1p	23.6p
Diluted earnings per ordinary share	12.7p	12.1p	23.6p
Basic earnings per ordinary share before exceptional items	13.5p	12.1p	23.6p
Diluted earnings per ordinary share before exceptional items	13.5p	12.1p	23.6p

### 7. Cash Generated from Operations

	<b>26 weeks to 29 September 2006</b>	Restated 26 weeks to 30 September 2005	52 weeks to 31 March 2006
	<b>Unaudited</b>	Unaudited	Audited
	<b>£m</b>	£m	£m
Operating profit	<b>48.5</b>	45.9	89.1
Depreciation - property, plant and equipment	<b>9.4</b>	9.8	19.6
Amortisation – intangible assets	<b>0.9</b>	0.9	1.9
Loss on sale of property, plant and equipment	<b>0.1</b>	-	0.5
Share option scheme charges	<b>0.7</b>	0.6	1.3
Increase in inventories	<b>(10.5)</b>	(36.7)	(18.9)
Increase in debtors	<b>(3.4)</b>	(5.9)	(5.8)
Increase in creditors	<b>14.7</b>	46.6	13.6
Increase/(decrease) in provisions	<b>0.3</b>	(0.2)	(0.4)
<b>Cash generated from operations</b>	<b>60.7</b>	61.0	100.9

# HALFORDS GROUP PLC

## Notes to Interim Report

26 weeks to 29 September 2006

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

	At 31 March 2006 Audited £m	Cash flow Unaudited £m	Other non cash changes Unaudited £m	At 29 September 2006 Unaudited £m
Cash in hand and at bank	1.5	43.7	-	45.2
Bank overdraft	(19.9)	(14.5)	-	(34.4)
	(18.4)	29.2	-	10.8
Debt due within one year	(43.3)	44.0	(0.7)	-
Debt due after one year	(99.0)	(79.0)	(1.1)	(179.1)
Total net debt excluding finance leases	(160.7)	(5.8)	(1.8)	(168.3)
Finance leases due within one year	(0.3)	0.1	(0.1)	(0.3)
Finance leases due after one year	(12.7)	-	0.1	(12.6)
Total finance leases	(13.0)	0.1	-	(12.9)
<b>Total net debt</b>	<b>(173.7)</b>	<b>(5.7)</b>	<b>(1.8)</b>	<b>(181.2)</b>

Non-cash changes relate to the finance costs of £1.8m in relation to the amortisation of capitalised debt issue costs.

### 9. Interim Report

Copies of the interim report are available from the registered office of Halfords Group plc, Icknield Street Drive, Washford West, Redditch Worcestershire, B98 0DE.

# HALFORDS GROUP PLC

## Independent Review Report to Halfords Group plc

26 weeks to 29 September 2006

### Introduction

We have been instructed by the company to review the financial information for the 26 weeks ended 29 September 2006, which comprises a consolidated income statement, consolidated balance sheet, consolidated statement of changes in shareholder equity, consolidated cash flow statement and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

### Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

This interim report has been prepared in accordance with the basis set out in Note 1.

### Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 26 weeks ended 29 September 2006.

PricewaterhouseCoopers LLP  
Chartered Accountants  
Birmingham  
23 November 2006

**HALFORDS GROUP PLC**

**Independent Review Report to Halfords Group plc**

26 weeks to 29 September 2006

Notes:

(a) The maintenance and integrity of the Halfords Group plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.