halfords

9 JUNE 2005

HALFORDS GROUP PLC

PRELIMINARY RESULTS ANNOUNCEMENT

Halfords Group plc, the UK's leading auto, leisure and cycling products retailer, announces its Preliminary Results for the 52 weeks ended 1 April 2005.

Financial Highlights

- Turnover £628.4m up 8.6%
- Like-for-like sales, including contribution from new mezzanines, up 8.9%
- Gross profit percentage up from 53.5% to 53.7%

- Operating profit before goodwill amortisation and exceptional operating items £92.2m up 16.4%
- Operating profit £78.3m up 19.5%
- Pre-tax profit before goodwill amortisation and exceptional items £77.5m up 76.9%
- Pre-tax profit £64.1m up 130.6%

- Basic earnings per share before goodwill amortisation and exceptional items 24.4p up 37.9%
- Basic earnings per share 18.5p up 122.9%

- Strong operating cash flow of £116.2m and year end net debt down 51.4% to £169.7m
- Final dividend of 8.3p, making a total dividend for the year of 12p per ordinary share

Business Highlights

- 398 stores including 18 new store openings and relocations
- 57 supermezzanine stores now trading
- New categories delivering good results
- "We'll Fit It" programme approaching one million products fitted in the year

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

"Following our Stock Exchange listing in June 2004, Halfords has reported a successful year of sales and profit growth. Against strong comparative trading, we are encouraged that Halfords continues to deliver positive like-for-like sales after adjusting for Easter. The current trading performance gives us confidence that the diligent application of our strategy will enable us to deliver positive results going forward, despite a challenging retail environment."

Enquiries

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Halfords Group plc (www.halfordscompany.co.uk)

Halfords is the UK's leading auto, leisure and cycling products retailer with 398 stores and nearly 10,000 employees.

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 the latest 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, together with newer concepts such as Kidszone and Active Leisure.

Halfords is a FTSE 250 company. It was established in 1892 and was successfully floated on the London Stock Exchange in June 2004.

CHAIRMAN'S STATEMENT

This first set of full year results as a publicly listed company demonstrates the strength and growth potential of our business, which has a unique position as the UK's leading auto, leisure and cycling products retailer.

Halfords continued to improve performance and grow market share by building on its unique advantages of greater scale than its competitors, a differentiated customer service proposition through the "We'll Fit It" initiative and from the continued development programme of new and exciting products.

In the 52 weeks to 1 April 2005, and against a backdrop of a challenging retail market, we achieved sales growth across all four of our key product categories of car maintenance, car enhancement, cycling, and travel solutions, whilst continuing to keep firm control of costs.

By the end of the financial year, the Group was operating from 398 stores across the UK and the Republic of Ireland as we continued to roll out our store development programme of introducing mezzanine floors, improving store layouts and opening in new locations.

Our success would not have been possible without the huge contribution from our 9,940 employees, whose passion, knowledge and enthusiasm are crucial in giving Halfords competitive advantage in the retail marketplace.

The Board would also like to place on record its appreciation for the valuable contribution made by David Hamid, our former Chief Executive, who announced his retirement from the Group in March this year because of ill health.

We were fortunate in being able to appoint Ian McLeod as Chief Executive. Ian has outstanding credentials for the job. He has been with the Group since September 2003 and as Chief Operating Officer played an important role in running the business alongside David and the senior management team.

The Board is committed to the highest standards of corporate governance and corporate social responsibility, as explained in more detail in the Annual Report and Accounts.

The Board is recommending a final dividend of 8.3p per share in addition to the 3.7p per share interim dividend already paid, bringing the total dividend for the year to 12.0p per share.

Although the UK retail climate has become more subdued, we have a strong and differentiated business with a proven strategy for growth, which provides a solid platform from which to build and gives us confidence about the Halfords' growth prospects for the future.

Rob Templeman
Chairman
8 June 2005

CHIEF EXECUTIVE'S REPORT

Halfords has a very strong brand name, synonymous with quality, reliability and trust and has delivered 17 consecutive years of sales growth.

The financial year ended 1 April 2005 has been notable for continuing the pace of change in the business and the substantial improvement in store performance and company profitability.

Sales increased by 8.6% to £628.4m compared with the previous year, while pre-tax profits have risen by 130.6% to £64.1m over the same period.

We aggressively pursued the store opening, refurbishment and product development programmes outlined to investors at the time of the Company's successful listing on the London Stock Exchange in June 2004.

Halfords has a unique retailing proposition. We are about 12 times the size of our nearest competitor and are market leaders in all of our key product categories. We are a store of first choice for cycling and automotive requirements and have successfully widened our product offer into new areas including camping equipment and a broader range of leisure products.

A key competitive advantage is the Halfords "We'll Fit It" programme; we have fitted in the course of the year close to one million products, ranging from car parts, to child seats, CD players, DVD's and the latest satellite navigation equipment. The Company's staff are passionate about our products and are trusted by our customers.

"We'll Check It" and "We'll Repair It" underpin our Bikehut sub-brand, which sells more than one in every four cycles in the UK.

Our key objectives following last year's listing are to maintain and develop Halfords' core strengths by:

- Expanding the store portfolio
- Broadening the product offer
- Improving the supply chain and active trading
- Marketing the Halfords' service proposition

The financial results for the year clearly demonstrate that these actions are being translated into improved profitability and shareholder value.

EXPANDING THE STORE PORTFOLIO

Supermezzanine Format
The roll out of "supermezzanine" stores continued with the number of supermezzanines increasing from 11 at the beginning of the financial year to 57 stores by the end of March 2005. Typically a supermezzanine store will add a further 40% of selling space to a standard superstore.

These stores allow us to design an in-store environment, which includes much better sight lines and clearer product segmentation creating an automotive ground floor and a leisure mezzanine. It also creates space for product range enhancement and for new product categories such as Active Leisure and Kidszone.

Supermezzanine conversions have generated significant uplifts in like-for-like sales and 35 further conversions are planned for the current financial year.

This will add over 100,000 square feet of retailing space without increasing our rent levels and will enable Halfords to broaden its product offer to the consumer.

New Stores
Halfords trades from 398 stores in the UK and the Republic of Ireland. During the year Halfords opened 18 new stores and closed seven. In addition, supermezzanine conversions were added to a total of 38 stores.

We have also developed a smaller store footprint and been encouraged by the results generated by this type of store format.

The decision to expand beyond the UK into the Republic of Ireland is also proving to be successful. Halfords now trades from three stores in the Republic of Ireland and eight in Northern Ireland and is continuing to seek further sites, following the encouraging results from these developments.

Over the next 12 months we plan to open 16 new stores including four site relocations.

Our property team is actively continuing to progress our expansion plans through seeking suitable new locations for both our supermezzanine and small store formats.

BROADENING THE PRODUCT OFFER

During the year Halfords has succeeded in growing like-for-like sales in all four key categories of Car Maintenance, Car Enhancement, Cycling and Travel Solutions.

Car Maintenance
Halfords is the largest supplier of car parts in the UK, in a market worth almost £1 billion annually despite longer service intervals and increased complexity of vehicle engines.

We have increased sales and grown market share through a combination of good availability on specialist car parts (either held at branch or through special order) and by driving up average transaction value on consumable servicing products. We offer special deals on added value products, as well as offering a comprehensive "We'll Fit It" service on items such as wiper blades and bulbs.

We have made good progress through our business-to-business initiatives. We have reached agreement to supply a range of Halfords branded merchandise to over 300 BP forecourt sites. Products are purchased, merchandised and managed by BP, with range recommendations provided by the Halfords category team.

We have also introduced a Halfords trade card into virtually all stores to encourage more committed home car mechanics and smaller garage proprietors to purchase an increasing amount of their parts requirements from our stores. Early results from both initiatives are encouraging.

Car Enhancement
The £850m car enhancement market is growing at more than 7% a year and as market leader Halfords has seen significant growth in its sales and market share.

The largest growth area has been in in-car entertainment and technology. Eighteen months ago, satellite navigation units were a difficult aftermarket installation with few units available below £1,000. In recent months, as technology has advanced, we have reduced the entry price point to as little as £300 and demand has grown substantially. We have a wide range of products and have invested heavily in training our store teams to advise the customer of the products' capability and fit products into customers' cars. We are now satellite navigation specialists and are successfully marketing this together with our expertise in fitting in-car DVD and safety camera detectors.

The Halfords' "We'll Fit It" programme provides sustainable competitive advantage across our product categories and combined with our strong sales performance, gives us real confidence for the future.

We continue to enjoy a healthy business selling and fitting CD players to cars already on the road. About 50% of the cars on the UK roads are over six years old, which presents us with a continued growth opportunity. Younger drivers, in particular, create a strong market for trading up to an audio unit, which is MP3 compatible.

Ripspeed
Ripspeed is an exclusive brand to Halfords and is firmly established as one of the country's leading brands in the growing market of car enhancement and modification. Whilst all of our stores have Ripspeed branded merchandise, we have seen strong sales growth from the introduction of a dedicated Ripspeed sub-shop into our supermezzanine stores.

As we introduce more supermezzanine formats into our stores we are able to allocate extra space to create more dedicated Ripspeed sub-shops and to widen the product offer through the introduction of new and exciting ranges such as the latest alloy wheels and LED lights.

We continue to develop and raise awareness of the Ripspeed brand by sponsoring events targeting car enthusiasts and marketing the brand through specialist publications that appeal to the target consumer for this large and growing market.

Bikehut
Halfords, with its successful Bikehut brand, continues to consolidate and grow its position as the market leader within the UK cycling market.

Our exclusive Apollo brand is firmly established as the number two cycle brand within the UK and with the recent launch of our new Apollo range we are confident that we can further improve its sales performance and market share.

We are also successfully growing our sales in the premium and specialist sectors of the cycle market. As well as offering recognised premium brand products such as Kona, GT and Saracen, we have also been able to establish our Carrera brand as a credible alternative within this market, particularly within the emerging Town and Trail category. Our specialist buying team have secured a cycle range with the right quality and design at highly competitive prices through sourcing product directly from Far East suppliers.

Bikehut is one of the main areas of the store where we experience strong sales uplifts following store conversion to supermezzanine format.

We have improved the in-store marketing of Bikehut as our cycling sub-brand in mezzanine stores in order to broaden general appeal and add credibility with enthusiasts. Employees who work in Bikehut are frequently enthusiasts themselves which further helps in building customer confidence.

Our Bikehut colleagues' expertise enables us to also provide additional fitting, maintenance and repair services to our customers, which differentiate us from other mainstream multiples.

Bikehut also sponsors teams of employee and professional cyclists to heighten brand awareness and encourage independent product reviews or recommendations. Specialist press is also used to advertise Bikehut and Carrera branded merchandise to leverage credibility amongst enthusiasts.

The Bikehut brand has been extended to include own label cycle accessories to complement the highly successful Carrera and Apollo cycle brands.

Travel Solutions
This market is worth around £700m a year nationally and Halfords is market leader in this highly fragmented sector which includes travel equipment and travel accessory products such as roof boxes, roof bars and cycle carriers. We have updated certain key product areas and this, together with a strong promotion programme brought about good year-on-year growth with Halfords continuing to grow market share.

New Category Development
Active Leisure has been rolled out across all stores nationally, providing camping solutions to satisfy all needs, including developing a multi-purchase offer for families embarking on their first camping trip. Our new combined tent and sleeping equipment packs at very competitive prices have proved extremely popular.

A range of Halfords branded tents and sleeping bags has also been introduced for the 2005 season.

Kidszone has been developed for supermezzanine stores and includes a broader range of child safety seats, an extended range of wheeled products (both pedal driven and electric) and a range of larger outdoor activity products. Sales of child seats, underpinned by an aggressive marketing and pricing campaign (including fitting advice in store), have increased significantly. The widening of the product offer, particularly wheeled toys over the Christmas period, was also very successful and will provide a good base to build on next year.

IMPROVING THE SUPPLY CHAIN AND ACTIVE TRADING

A number of stores benefited from a low cost store renewal programme ahead of last year's listing, providing better linear merchandising and improved sales intensity.

As well as delivering range extension benefits, these store layout changes have also freed space at the front of the store, which allows us to accommodate bulk displays of product, creating greater impact. The benefits are an increase in incremental sales from impulse purchases, the development of a “test bed” for the trial of new product ideas and giving consumers more reasons to shop at our stores.

The organisation has responded extremely well to the active trading philosophy and we are reaping the benefits from it.

The roll-out of the Active Leisure range and the speed of development of the special purchase programme are good examples of the successful change in approach, with a focused trial period and scale roll-out following rapidly.

The development of Halfords Asia has proved invaluable in supporting the special purchase programme, facilitating bulk purchase of product at source, specifically for promotion activity within the recently created bulk display space created in-store. There has also been a sustained effort to increase the number of product ranges we source directly from the Far East. This strategy has proved highly successful through the creation of a dedicated Far East sourcing team based in Hong Kong. The growth of directly sourced products enables us to reduce cost and utilise the benefit to either grow margin or reduce prices to grow market share. The penetration of product sourced directly from the Far East has grown significantly in the last year and is targeted to rise further.

MARKETING THE HALFORDS SERVICE PROPOSITION

Halfords has traditionally had a reputation for providing good service through knowledgeable employees. This, together with our enhanced product fitting capability, gives us a strong and unique competitive advantage.

The Halfords’ “We’ll Fit It” programme is now an integral element of all our marketing communications and central to the service message inherent within our latest TV advertising campaign.

We have underpinned the marketing communication message with a series of in-store training programmes to ensure that the service communicated can be comprehensively provided.

At a local level, colleagues are trained to deliver fitting services on servicing consumables such as wiper blades and car bulbs. They are also trained to build bikes and perform safety checks prior to customers receiving their bike and also service them with a free six week post purchase check.

Halfords always endeavours to employ colleagues in areas where they have a natural affinity or preference. Cycling and car enthusiasts will be available in most stores to advise customers. Halfords has been awarded official status as an Approved Assessment Centre for the Institute of the Motor Industry and over 500 colleagues have been trained and accredited to deliver hardwire electronic equipment installation, extending our fitting capabilities from in-car audio, to include satellite navigation, safety camera detectors and in-car DVD.

Frequently the individual who sells an electronic device will be the same individual who fits it in the customer’s car. This provides additional customer reassurance and is a strong competitive advantage. None of our competitors provide such a comprehensive service nationally.

During the year, we also relaunched our Child Seat Fitting service. Approximately 1,000 employees have been trained and certified in child seat fitting during the year, which combined with strong deals has supported a substantial growth in sales volume.

80% of child seats in cars are fitted incorrectly so the advice that Halfords provides in child seat fitting is significant in providing reassurance to parents and guardians.

Outlook

Following what we regard as a very successful first year since our Stock Exchange Listing, Halfords has reported its seventeenth year of consistent sales growth. This strong track record demonstrates Halfords’ ability to defend itself against cyclical economic change.

During the last 12 months we have worked hard to further consolidate our leading market position within our core categories, extend sales potential through leveraging our brand equity into new markets and accelerate Halfords' new store and portfolio improvement programmes.

We are encouraged by these results and are confident that the continued diligent application of our strategy provides the opportunity to deliver further positive results in the future.

Ian McLeod
Chief Executive
8 June 2005

FINANCE DIRECTOR'S REPORT

The 52 week period ended 1 April 2005 saw a successful maiden year as a public company. A good sales and profit performance with continued strong cash generation enabled the company to deliver the plan outlined at the time of the Initial Public Offering ("IPO").

Operating result

Group sales increased 8.6% to £628.4m, 10.5% adjusting for the 53rd week in the previous year. Like-for-like sales growth including the contribution from new mezzanines was 8.9%. The Group experienced growth in each of the four categories in which it operates.

At the gross profit level there has been an improvement from 53.5% to 53.7% and reflects good margin management. The growth in the number of "special purchase" offers and ranged products sourced directly from the Far East provides the Group with a degree of price flexibility as it can either improve margin or pass on the benefit to customers through price reductions.

As noted in the Interim Report the continued growth of the Car Enhancement category has had a small dilutive impact upon the margin percentage, which arises from the relatively lower margin experienced in this heavily branded category.

The Group's operating profit before goodwill amortisation and exceptional operating items increased by £13.0m to £92.2m, with the corresponding operating margin improving to 14.7% from 13.7%. Total operating expenses, excluding goodwill amortisation and exceptional items, as a percentage of sales fell to 39.1% from 39.8%.

Operating exceptional items in the 52 weeks to 1 April 2005, relate to a non-cash charge of £4.2m in respect of employee share options that were exercised at the time of the Group's IPO and income of £4.0m in respect of a premium received in relation to the sub-lease of garage premises by the Group to the Automobile Association Limited. Further details are included in note 2 to the preliminary results.

Net interest payable

Net interest payable before exceptional items was £14.7m compared with £35.4m last year. A net exceptional interest credit of £0.5m was taken to the profit and loss account and the details of these transactions are noted below.

Halfords Group floated on 8 June 2004 and the Company used the net proceeds of the Global Offer together with borrowings under new banking facilities to repay its indebtedness under its existing senior credit agreement, deep discount bonds, shareholder loan notes and to pay fees and expenses associated with the new bank facilities. As a consequence, an exceptional charge of £1.7m (53 weeks to 2 April 2004: £6.3m) was made in respect of accelerated amortisation of the issue costs associated with these borrowings.

On repayment of the Group's borrowings at the time of the IPO, the Group hedged its new borrowing facilities using new interest rate swaps and received £2.2m of exceptional income on the termination of its former interest rate swaps.

Profit on ordinary activities before taxation

Profit on ordinary activities before taxation was £64.1m compared with £27.8m in the prior year, an increase of 130.6%.

Taxation

The taxation charge on profit before exceptional items for the financial year was £24.8m (2004: £15.0m) resulting in a full year effective tax rate of 32.0% (2004: 34.2%) applied to profit before taxation excluding exceptional items and goodwill amortisation.

The tax charge exceeds the charge based on the statutory rate of UK corporation tax rate of 30% principally due to the non-deductibility of depreciation charged on capital expenditure in respect of mezzanine floors and other store infrastructure.

Cash flow and net debt
The Group continues to be a strong generator of cash and during the year generated an operating cash inflow of £116.2m. Included within the working capital movement of £1.6m there is an £8.2m benefit arising from the timing of the Group's VAT payment.

Underlying net debt at 1 April 2005 was £169.7m, a reduction of £179.8m on the prior year comparative of £349.5m, which also reflects the debt repayment and restructuring following the IPO.

Capital expenditure
As outlined at the time of the IPO, the Group is planning an investment programme that will amount to approximately £80m over a three year period. The majority will be spent on improving the store environment via the supermezzanine programme and new stores. Capital investment in the period totalled £27.7m, an increase of £7.5m on last year. This included spend of £7.1m on new store and relocation investment, and £11.1m on the store conversion programme. Other capital expenditure included the investment in head office IT systems, which is now close to completion.

Operating leases
All the Group's stores are held under operating leases, the majority of which are on standard lease terms, typically with a 15 year term at inception. The Group has an annual commitment under non-cancellable operating leases of £66.6m.

Earnings per share
Earnings per share before exceptional items and goodwill amortisation at 24.4p (2004: 17.7p) is an encouraging maiden performance and reflects the increase in operating profit combined with a lower interest charge. Basic earnings per share was 18.5p (2004: 8.3p).

Dividend
The Board is recommending a final dividend of 8.3p per share in addition to the 3.7p per share interim dividend already paid, bringing the total dividend for the year to 12.0p per share.

Subject to shareholder approval at the Annual General Meeting on 13 July 2005, the final dividend will be paid on 1 August 2005 to shareholders on the register at the close of business on 17 June 2005. Shares will be quoted ex-dividend from 15 June 2005.

International Financial Reporting Standards ('IFRS')
As required by European Union legislation, the Group will first publish a report under IFRS for the 26 weeks ending 30 September 2005 and financial statements for the 52 weeks ending 31 March 2006. It is estimated that the adoption of IFRS will have a small adverse impact on the reported operating profit before exceptional operating items and goodwill amortisation, estimated to be £2m for the 52 weeks ended 1 April 2005. The IFRS adjustments will have no impact on the Company's trading or its cash flow.

Cautionary statement
This announcement contains forward looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries and sectors in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they maybe affected by a wide range of variables, which could cause actual results to differ materially from those currently anticipated.

Nick Carter
Finance Director
8 June 2005

Group Profit and Loss Account

For the period	Notes	**52 weeks to 1 April 2005** **£m**	53 weeks to 2 April 2004 £m
Turnover		**628.4**	578.6
Cost of sales		**(290.7)**	(269.0)
Gross profit		**337.7**	309.6
Net operating expenses		**(259.4)**	(244.1)
Operating profit before goodwill amortisation and exceptional operating items		**92.2**	79.2
Goodwill amortisation		**(13.7)**	(13.7)
Exceptional operating items	2	**(0.2)**	–
Operating profit		**78.3**	65.5
Profit on disposal of fixed assets		**–**	6.4
Net interest payable, before net exceptional interest income/(charges)		**(14.7)**	(35.4)
Net exceptional interest income/(charges)		**0.5**	(8.7)
Net interest payable	3	**(14.2)**	(44.1)
Profit on ordinary activities before taxation		**64.1**	27.8
Taxation on profit on ordinary activities	4	**(24.2)**	(14.3)
Profit on ordinary activities after taxation		**39.9**	13.5
Equity dividends	5	**(27.4)**	–
Retained profit for the financial period		**12.5**	13.5
Earnings per 1p share			
Basic	6	**18.5p**	8.3p
Diluted	6	**18.5p**	8.0p
Earnings per 1p share before goodwill amortisation and exceptional items			
Basic	6	**24.4p**	17.7p
Diluted	6	**24.4p**	16.9p

i) All results relate to continuing operations of the Group.
ii) There is no material difference between the results as stated above and their historical cost equivalents.
iii) The Group has no recognised gains and losses other than the profits above and therefore no separate Statement of Total Recognised Gains and Losses has been presented

Reconciliation of Movements in Group Shareholders' Funds

For the period	**52 weeks to 1 April 2005**	53 weeks to 2 April 2004
	£m	£m
Profit on ordinary activities after taxation	**39.9**	13.5
Dividends	**(27.4)**	–
	12.5	13.5
Movements arising from the exercise of share options (see note 2)	**4.2**	–
Proceeds from the issue of ordinary shares	**140.0**	–
Finance costs of share issue written off to share premium	**(4.9)**	–
Net increase in equity shareholders' funds	**151.8**	13.5
Opening shareholders' funds	**4.5**	(9.0)
Closing shareholders' funds	**156.3**	4.5

Group Balance Sheet

As at	1 April 2005 £m	2 April 2004 £m
Fixed assets		
Intangible assets	**239.4**	253.1
Tangible assets	**91.8**	82.5
	331.2	335.6
Current assets		
Stocks	**112.2**	107.1
Debtors	**23.6**	23.5
Cash at bank and in hand	**1.1**	25.6
	136.9	156.2
Creditors: amounts falling due within one year	**(183.1)**	(293.8)
Net current liabilities	**(46.2)**	(137.6)
Total assets less current liabilities	**285.0**	198.0
Creditors: amounts falling due after more than one year	**(123.9)**	(190.2)
Provisions for liabilities and charges	**(4.8)**	(3.3)
Net assets	**156.3**	4.5
Capital and reserves		
Called up share capital	**2.3**	–
Share premium account	**132.9**	0.1
Profit and loss account	**21.1**	4.4
Equity shareholders' funds	**156.3**	4.5

Group Cash Flow Statement

	Notes	**52 weeks to 1 April 2005 £m**	53 weeks to 2 April 2004 £m
Net cash inflow from operating activities	7	**116.2**	114.8
Returns on investments and servicing of finance			
Interest received		**0.4**	2.8
Interest paid		**(13.9)**	(26.8)
Exceptional interest received		**2.2**	–
Issue costs incurred in connection with the raising of new bank loans		**(3.1)**	(2.5)
Net cash outflow from returns on investments and servicing of finance		**(14.4)**	(26.5)
Taxation		**(20.1)**	(8.1)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(27.6)**	(19.3)
Sale of tangible fixed assets		**–**	6.9
Net cash outflow for capital expenditure and financial investment		**(27.6)**	(12.4)
Equity dividends paid		**(8.5)**	–
Net cash inflow before use of liquid resources and financing		**45.6**	67.8
Management of liquid resources			
Reduction in short term deposits with banks		**–**	20.0
Financing			
Issue of ordinary share capital		**140.0**	–
Costs in respect of share issue		**(4.9)**	–
Capital element of finance lease obligations		**(0.2)**	0.8
Repayment of borrowings		**(370.5)**	(146.9)
New borrowings		**156.0**	65.0
Net cash outflow from financing		**(79.6)**	(81.1)
(Decrease)/increase in net cash		**(34.0)**	6.7
Reconciliation of net cash flow to movement in net debt			
Net debt at the beginning of the period		**(349.5)**	(395.9)
(Decrease)/increase in net cash		**(34.0)**	6.7
Movement in deposits		**–**	(20.0)
Movement in borrowings		**217.8**	83.6
Other non cash changes		**(4.0)**	(23.9)
Net debt at end of the period	8	**(169.7)**	(349.5)

Notes to the preliminary results

1. Accounting policies

These results have been prepared using the accounting policies as set out in Halfords Group Limited's Annual Report for the 53 weeks ended 2 April 2004 with the exception of the adoption of UITF 17 (revised 2003) "Employee Share Schemes". The impact on the results arising from this adoption is shown in note 2. In addition, UITF 38 "Accounting for ESOP Trusts" has also been adopted during the period with no material impact on the results of the Group.

2. Exceptional items

Exceptional operating items in the 52 weeks to 1 April 2005, relate to a non-cash charge of £4.2m in respect of employee share options that were exercised at the time of the Group's IPO and income of £4.0m in respect of a premium received in relation to the sub-let of garage premises by the Group to the Automobile Association Limited ("AA").

Certain senior employees held options to subscribe for shares in the Company under a share option scheme, approved by shareholders on 19 November 2003. The share options were exercisable only in the event of a Takeover, Sale or Admission of the Company to a Relevant EEA market. Under the scheme, share options were granted to senior employees on 12 December 2003 and 20 May 2004. The shares required to meet the Company's obligations under the scheme were held in trust. On 8 June 2004, senior employees exercised their rights over 2,527,307 shares.

In accordance with UITF 17 (revised 2003) 'Employee share schemes', the Group has charged £4.2m to the profit and loss account, being the difference between the fair value of the shares at the date of their grant and the amounts paid by the employees to exercise the share options. A corresponding credit has been taken to the Group's profit and loss reserves.

In August 2001, Halfords Limited sold its garaging servicing business to the AA. Under the terms of the sale 124 garage premises were sublet to GB Gas Holdings Limited by way of an underlease agreement from Halfords Limited.

On 16 November 2004, the Group entered into an agreement with GB Gas Holdings Limited and the AA. Under the agreement the Group received a £4.0m premium in consideration for providing consent to the assignment of the above underlease from GB Gas Holdings Limited to the AA and the subsequent subletting by the AA of 49 premises to Nationwide Autocentres Limited.

The Group's tax charge for the period to 1 April 2005 includes a £0.8m credit in respect of the above exceptional items.

3. Net interest payable

For the period	**52 weeks to 1 April 2005**	53 weeks to 2 April 2004
	£m	£m
Interest receivable and similar income:		
Bank and similar interest	**(0.4)**	(2.7)
Interest payable and similar charges:		
Bank overdraft interest	**0.1**	0.4
Bank and other loans	**12.3**	23.5
Premium on deep discount bond	**1.5**	12.1
Interest on fixed rate subordinated unsecured loan notes	**–**	0.1
Amortisation of issue costs on loans and deep discount bonds	**0.8**	1.3
Commitment and guarantee fees	**0.4**	0.7
	15.1	38.1
Exceptional amortisation of issue costs on loans and deep discount bonds	**1.7**	8.7
Exceptional gain on close out of interest rate swap	**(2.2)**	–
	14.6	46.8
Net interest payable	**14.2**	44.1

On flotation (8 June 2004), the Group redeemed and replaced all of its existing borrowings. As a consequence, a charge of £1.7m (53 weeks to 2 April 2004: £6.3m) was made in respect of accelerated amortisation of the issue costs associated with these borrowings.

On repayment of the Group's existing borrowings, the Group hedged its new borrowing facilities using new interest rate swaps and received £2.2m of exceptional income on the termination of its existing interest rate swaps.

During the 53 week period to 2 April 2004 the Group repaid all of the borrowings under its mezzanine facility and repaid £68.2m of its deep discount bonds. As a result £2.4m of unamortised issue costs associated with these borrowings was written off.

4. Taxation on profit on ordinary activities

For the period	**52 weeks to 1 April 2005 £m**	53 weeks to 2 April 2004 £m
Current taxation		
UK corporation tax charge for the period	**23.6**	15.2
Adjustment in respect of prior periods	**(0.3)**	0.1
Total current tax	**23.3**	15.3
Deferred taxation		
Origination and reversal of timing differences	**0.9**	(1.0)
Taxation on profit on ordinary activities	**24.2**	14.3

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

For the period	**52 weeks to 1 April 2005 £m**	53 weeks to 2 April 2004 £m
Profit on ordinary activities before taxation	**64.1**	27.8
UK corporation tax at standard rate of 30.0%	**19.2**	8.3
Factors affecting the charge for the period:		
Disallowable goodwill amortisation	**4.1**	4.1
Capital allowances for the period less than depreciation	**1.0**	0.7
Timing difference on premium received on property transaction	**–**	1.1
Deduction for employee share options	**(0.7)**	–
Other timing differences	**(0.5)**	0.3
Other disallowable expenses	**0.5**	0.7
Adjustment in respect of prior periods	**(0.3)**	0.1
Total current tax charge for the period	**23.3**	15.3

The Group's tax charge for the period includes a credit of £0.6m (53 weeks to 2 April 2004: £0.7m) in respect of operating exceptional items and exceptional interest income/(charges).

5. Dividends

For the period	**52 weeks to 1 April 2005 £m**	53 weeks to 2 April 2004 £m
Equity – Ordinary 1p shares		
Interim – paid 3.7p	**8.5**	–
Final – proposed 8.3p	**18.9**	–
	27.4	–

6. Earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares excludes shares held by an Employee Benefit Trust and has been adjusted for the issue of shares during the year. In accordance with FRS 14, the weighted average number of shares for the 53 weeks to 2 April 2004 has been adjusted to reflect the bonus issues made at the time of the IPO.

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 2005. In the period to 2 April 2004 the dilutive potential ordinary shares were in respect of warrants issued on 30 August 2002 that were exercised on 8 June 2004.

For the period	**52 weeks to 1 April 2005 £m**	53 weeks to 2 April 2004 £m
Weighted average number of shares in issue	**215.6**	162.9
Weighted average number of dilutive shares options/warrants	**0.1**	6.6
Total number of shares for calculating diluted earnings per share	**215.7**	169.5

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

For the period	**52 weeks to 1 April 2005 £m**	53 weeks to 2 April 2004 £m
Basic earnings	**39.9**	13.5
Exceptional items net of tax:		
Operating profit	**(0.6)**	–
Profit on disposal of fixed assets	**–**	(4.5)
Interest	**(0.3)**	6.1
Amortisation of goodwill	**13.7**	13.7
Underlying earnings before exceptional items and amortisation of goodwill	**52.7**	28.8
Diluted earnings	**39.9**	13.5
Underlying diluted earnings before exceptional items and amortisation of goodwill	**52.7**	28.8

Earnings per share is calculated as follows:

For the period	**52 weeks to 1 April 2005 pence**	53 weeks to 2 April 2004 pence
Basic earnings per ordinary share	**18.5p**	8.3p
Diluted basic earnings per ordinary share	**18.5p**	8.0p
Basic earnings per ordinary share before goodwill amortisation and exceptional items	**24.4p**	17.7p
Diluted basic earnings per ordinary share before goodwill amortisation and exceptional items	**24.4p**	16.9p

7. Reconciliation of operating profit to net cash inflow from operating activities

For the period	**52 weeks to 1 April 2005**	53 weeks to 2 April 2004
	£m	£m
Operating profit	**78.3**	65.5
Depreciation charge (including loss on disposal of assets)	**18.4**	16.0
Goodwill amortisation	**13.7**	13.7
Non-cash movement arising from the exercise of employee share options (see note 2)	**4.2**	–
Increase in stocks	**(5.1)**	(16.8)
Increase in debtors	**(0.1)**	(0.3)
Increase in creditors	**6.2**	36.5
Increase in provisions	**0.6**	0.2
Net cash inflow from operating activities	**116.2**	114.8

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

	At 2 April 2004	Cash flow	Other non cash changes	**At 1 April 2005**
	£m	£m	£m	**£m**
Cash in hand and at bank	25.6	(24.5)	–	**1.1**
Bank overdraft	(7.1)	(9.5)	–	**(16.6)**
	18.5	(34.0)	–	**(15.5)**
Debt due within one year	(182.2)	185.5	(38.6)	**(35.3)**
Debt due after one year	(185.0)	32.1	34.6	**(118.3)**
Finance leases due within one year	(0.2)	0.2	(0.2)	**(0.2)**
Finance lease due after one year	(0.6)	–	0.2	**(0.4)**
Total net debt	(349.5)	183.8	(4.0)	**(169.7)**

The total debt cash outflow consists of £214.5m net repayment of borrowings, £3.1m issue costs of new loans and £0.2m repayment of finance lease obligations.

Non-cash changes relate to interest charges of £2.5m for the amortisation of capitalised issue costs and £1.5m in respect of interest rolled into the principal of the deep discount bonds.

9. Other information

These results for the 52 weeks ended 1 April 2005 together with the corresponding amounts for the 53 weeks ended 2 April 2004 are extracts from the Group Annual Report and Accounts and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 (as amended).

The Group Annual Report and Accounts, on which the auditors have issued a report that does not contain a statement under section 237(2) or (3) of the Companies Act 1985, will be posted to shareholders by 13 June 2005 and will be delivered to the Registrar of Companies in due course. Copies will be available from The Company Secretary, Halfords Group plc, Icknield Street Drive, Washford West, Redditch, Worcs, B98 0DE.

The annual general meeting will be held at The Stratford Moat House, Bridgefoot, Stratford on Avon, Warwickshire, CV37 6YR at 11:30 am on Wednesday, 13 July 2005.