

Chairman's Statement

I'm pleased to report a successful and exciting year for Halfords delivering a strong financial performance and our first acquisition as a listed company.

This has been a year of significant achievement for Halfords. Revenue and profit growth was strong, our strategic priorities were pursued vigorously and our first major acquisition was completed. This pleasing performance is testament to the strength of the Halfords brand, our leading market positions and unique and extensive product offerings and the dedication of our colleagues.

On a comparable basis revenues grew by 4.6% against the backdrop of a very challenging trading environment. A healthy margin expansion was achieved and proactive initiatives saw our cost base reduce and productivity increase. As a result, strong growth in both underlying earnings before tax of 26.7% and in earnings per share of 24.8% was achieved. Importantly, cash generation was strong and the Group's financial position remains very sound.

These results and confidence in the future prospects for Halfords has enabled the board to maintain its progressive dividend policy. A final dividend of 14.0 pence per share has therefore been recommended which would amount to a total of 20.0 pence for the year. This represents an increase of 25.8% over the dividend of 15.90 pence paid last year.

In February 2010, we completed the acquisition of Nationwide Autocentres ("Nationwide") for £75m, effectively funded out of free cash flow generated in the year. Nationwide has a network of 224 servicing and repair centres throughout the UK. The intention is to re-brand the business as "Halfords Autocentres" and to continue the expansion of our servicing and repair network by adding c.80 outlets over the next three years. Acquisitions will be a key component of our growth strategy.

After a thorough review, it was decided to close our 7 Central European stores. The case for further expansion into this region was considered to be unattractive with weak end markets and severe difficulty in sourcing the quality sites that would be necessary to lay down a meaningful footprint. Furthermore, it was felt that the Group's resources could be better employed by investment in our activities in the UK market.

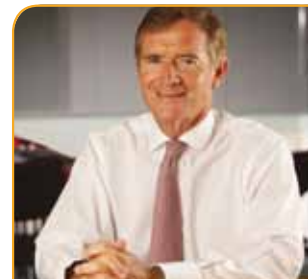
Another key element to the success of Halfords this year has been the tight management of the supply chain. Inventories have been reduced and sourcing and availability has improved. A further initiative in the year ahead will be the commissioning in July of a new 320,000 sq.ft. warehouse and distribution facility near Coventry. Significant cost savings will be achieved and productivity and effectiveness improved when fully operational.

David Wild, our Chief Executive Officer, and his very experienced executive team have driven the growth of Halfords in a year of significant change and pursued our four point strategy with vigour and precision. We will continue to do so and the aim of this strategy is to deliver growth in earnings of 15% per annum over the medium term. The marked increase in shareholder value over the year is the most cogent measure of our achievement and a firm endorsement by our shareholders. I would like to thank my board for their role in the continuing success of Halfords and their support and counsel in my first year as chairman.

On behalf of the board, I would also 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. I extend a warm welcome to our 1,500 Nationwide colleagues and am heartened by their dedication to service excellence. The excellent results for the year just ended are testament to the hard work and enthusiasm of the entire Halfords team.

Since the beginning of the new financial year, the trading environment has remained challenging. The recent change in UK government and the precise nature and timing of their measures to reduce government spending, and the impact this will have on trading, is still uncertain. We have nonetheless drawn up our plans on the assumption that conditions will remain tough. Last year we faced similar challenges and prospered — this year we will continue to build on Halfords' unique market-leading positions.

Dennis Millard
Chairman
10 June 2010



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