

The Directors present their report and the consolidated financial statements of Halfords Group plc (the "Company") together with its subsidiary undertakings (the "Group") for the 52 weeks to 28 March 2008.

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 activity of the Group is the retailing of auto, leisure and cycling products. The Group operates from 430 stores in the UK, and via overseas branches, 17 stores in the Republic of Ireland and three in the Czech Republic. The principal activity of the Company is that of a holding Company.

Business review

The Chairman's statement on pages 6 to 9, the Business Review on pages 10 to 23 and the Finance Director's report on pages 24 to 27 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.

Corporate governance

The Corporate Governance report on pages 46 to 51 forms part of this Directors' Report.

Performance monitoring

The successful 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 operations. The Board considers the KPIs below as appropriate measures for the delivery of the Group's strategy.

Profits and dividends

The Group's results for the year are set out in the Consolidated Income Statement on page 62.

The profit before tax on ordinary activities was £90.2m (2007: £80.9m) and the profit after tax amounted to £64.0m (2007: £57.4m).

The Directors propose that a final dividend of 10.35p per ordinary share be paid on 30 July 2008 to shareholders whose names are on the register of members at the close of business on 13 June 2008. This payment, together with the interim dividend of 4.75p per ordinary share paid on 7 January 2008, makes a total for the year of 15.10p per ordinary share. The total final dividend payable to shareholders for the year is estimated to be £22.2m. Lloyds TSB Offshore Trust Limited, trustee of the Halfords Employee Share Trust, has waived its entitlement to dividends.

Donations

During the year the Group contributed £30,000 (2007: £40,000) to charities in the UK, including donations to BEN, a charity supporting individuals and families linked to the motor industry and associated trades, and a donation to the Warwickshire Firefighters' Fund following the death of four locally stationed firemen in a fire at Atherstone-on-Stour in November 2007.

During 2007 Halfords partnered its first ever Charity Of The Year, the Meningitis Trust. Colleagues throughout Halfords reached a target of £100,000 for the Trust with stores selling special pin badges, holding events and individual employees undertaking all sorts of challenges ranging from running marathons to holding charity auctions.

The Group's policy is not to make any donations for political purposes. However, the Companies Act 1985 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 2005 Annual General Meeting that provided for limited authority for such expenditure, such authority remaining valid until the conclusion of the Annual General Meeting to be held in 2008, and as such the Company will be asking for this limited authority to be renewed at the Annual General Meeting to be held on 23 July 2008.

Financial and operational KPIs	Definition
Revenue and like-for-like sales	Growth in revenue measures delivery against our store growth objectives and, through like-for-like revenue, the strength of our customer offer.
Operating profit	Continued growth of operating profits enables the Group to invest in its future and provide a return for shareholders. Targets are set relative to expected market performance.
Number of store openings	The Group is committed to bringing its products offering to as many consumers as possible through the development of its property portfolio. This also contributes to revenue growth.
wefit/werepair jobs	Halfords' unique service fitting proposition is key to maintaining our differentiation from more mainstream operators. Fitting and repair jobs completed represents a good measure of awareness and execution of this core proposition.

Colleagues

The Board seeks to instil 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 staff. 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 wrongdoing or 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 28 March 2008:

Richard Pym
Ian McLeod (resigned 29 February 2008)
Nick Wharton
Paul McClenaghan (appointed 31 March 2007)
Nigel Wilson
Keith Harris
Bill Ronald

In accordance with the Company's Articles of Association, Nigel Wilson and Keith Harris are retiring by rotation at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election at that meeting.

Directors' interests

The Directors' interests in shares and options over shares in the Company are shown in the Directors' Remuneration Report on pages 52 to 59.

No Director had a material interest at any time during the year in any contract with the Company or any of its subsidiary undertakings, other than his service contract.

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 309A of the Companies Act 1985, was in force throughout the year and is currently in force.

Directors' indemnities

Article 141 of 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.

Directors' responsibilities

The statement of Directors' responsibilities in preparing the Annual Report and the Financial Statements can be found on page 60 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 43 days (2007: 38 days). The Company is a holding company and had no trade creditors at the end of the financial year.

Major Shareholders

At 4 June 2008, the Company's share register of substantial shareholdings showed the following interests in 3% or more of the Company's issued ordinary shares:

Holder	% of issued shares
Newton Investment Management Ltd	9.14
Artemis Investment Management Ltd	6.56
M&G Investment Management Ltd	6.33
F&C Asset Management Plc	4.98
Jupiter Asset Management Ltd (UK)	4.97
JPMorgan Asset Management (UK) Ltd	4.50
Legal & General Investment Management Ltd	4.23
Capital Research Global Investors	4.08
Resolution Asset Management Ltd	3.84
Aberforth Partners LLP	3.42

The Takeover Directive

As at 28 March 2008, 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 28 March 2008 there were 214,348,661 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 Accounts; 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. Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board holds office only until the next Annual General Meeting ("AGM"). At each AGM one-third of the Directors (rounded down) will retire by rotation and be eligible for re-election. The Directors to retire will be those who wish to retire and those who have been longest in office since their last appointment or reappointment, with the proviso that all must retire within a three-year period.

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 take over.

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

On 8 June 2006 the Company announced a share buy-back programme, to be effected over the following two years, of up to £50m. At the Annual General Meeting ("AGM") on 25 July 2007 shareholders approved a special resolution authorising the Company to purchase a maximum of 22,204,640 shares, representing 10% of the Company's issued share capital at 22 June 2007, such authority expiring at the conclusion of the AGM to be held in 2008. The £50m share buy-back programme was completed ahead of schedule on 31 January 2008, and the Directors will continue to optimise the Group's balance sheet to enhance shareholder returns and intend to continue the share buy-back as a flexible tool in balance sheet management. In the 52 weeks to 28 March 2008 9,453,738 shares of 1p each (2007: 9,003,956), representing a nominal value of £94,537 (2007: £90,040), have been purchased and cancelled, representing 4.4% of the Company's issued share capital as at 28 March 2008. The aggregate consideration (including stamp duty) paid for the shares was £30.3m.

Auditors

PricewaterhouseCoopers LLP 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 Directors confirm that they are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Annual General Meeting

The AGM will be held at the Alveston Manor Hotel, Clopton Bridge, Stratford-upon-Avon, Warwickshire, CV37 7HP, on Wednesday 23 July 2008 at 12.30 pm. The notice of the AGM and explanatory notes regarding the special business to be put to the meeting are set out in a separate circular to shareholders accompanying the Annual Report and Accounts.

By order of the Board

Alex Henderson
Company Secretary

4 June 2008