Registration
Number
4457314

HALFORDS GROUP LIMITED

DIRECTORS' REPORT

and

FINANCIAL STATEMENTS

PERIOD ENDED 2ND APRIL 2004

HALFORDS GROUP LIMITED

Directors' Report

Period ended 2nd April 2004

Directors	Secretary	Registered Office
N M Carter	N M Carter	Icknield Street Drive
J P Feuer		Washford West
D Hamid		Redditch
R W Templeman		Worcestershire
S Vestergaard-Poulsen		B98 ODE
C K Woodhouse		

The directors present their annual report together with the audited financial statements for the 53 week period ended 2nd April 2004. The comparative figures represent the 30 week period ended 28th March 2003. The Company was incorporated on 10th June 2002, but commenced its business on 30th August 2003.

Principal activities

The Group's principal activities during the period were the retailing of auto parts and accessories, cycles and cycle accessories.

Review of the Business

The directors are satisfied with the results of the period that showed a sharp rise in profits, driven by continued sales growth. This strong trading performance of the Group gives the directors optimism for the results in the current financial period and over the longer term.

The directors are currently reviewing the future financing of the group and are examining a number of financing structures, including an initial public offering. Consequently, a proportion of existing borrowings of the Group have been reclassified as borrowings due within one year resulting in the Group showing net current liabilities. The directors are satisfied that the Group will have continual funds to support it ongoing operations.

Results for the Period

During the period to 2nd April 2004, Group turnover was £578.6m (30 weeks to 28th March 2003: £294.8m), comprising Car Enhancement £201.4m, Car Maintenance £172.0m, Cycling £123.1m and Travel Solutions £82.1m (30 week period to 28th March 2003 Car Enhancement £98.9m, Car Maintenance £101.2m, Cycling £61.7m and Travel Solutions £33.0m), producing an operating profit before goodwill amortisation and exceptional items of £79.2m (30 weeks to 28th March 2003: £26.0m).

The amortisation over 20 years of the goodwill arising on the purchase of Halfords Limited resulted in a charge in the period of £13.7m (30 weeks to 28th March 2003: £8.0m).

After profit on disposal of assets of £6.4m (30 weeks to 28th March 2003: £nil) and net interest payable of £44.1m (30 weeks to 28th March 2003: £21.8m), there was a profit before tax for the period of £27.8m (30 weeks to 28th March 2003: loss of £8.8m).

During the period the Group repaid all of its borrowings under the mezzanine facility and repaid £68.2m of its deep discount bonds. As a consequence an additional £2.4m of unamortised issue costs have been charged to interest.

It is expected that the borrowings under the Group's senior facility, deep discount bonds and fixed rate subordinated loan notes will be repaid as part of the refinancing exercise. Consequently, they have been classified as borrowings due within one year, except those borrowings that are to be replaced by new long-term senior facilities, which have been classified as due after one year. Accordingly, the amortisation of debt issue costs has been accelerated during the period resulting in an exceptional interest charge of £6.3m.

The profit attributable to shareholders was £13.5m (30 weeks to 28th March 2003: loss of £8.9m).

HALFORDS GROUP LIMITED

Directors' Report

Period ended 2nd April 2004

Payment to suppliers

The Group agrees appropriate terms and conditions for its transactions with suppliers (by means ranging from standard written terms to individually negotiated contracts) and that payment should be made in accordance with those terms and conditions, provided that the supplier has also complied with them.

The number of days purchases outstanding at 2nd April 2004 was 58 (30 weeks to 28th March 2003: 32).

Staff

The Group continues to involve staff in the decision-making process and communicated regularly with them during the period. Their involvement in the Group's performance is encouraged with business wide employee bonus schemes.

The Group aim, for all members of staff and applicants for employment, is to fit the qualifications, aptitude and ability of each individual to the appropriate job, and to provide equal opportunity, regardless of sex, religion or ethnic origin. The Group does all that is practicable to meet its responsibility towards the employment and training of disabled people. Where an employee becomes disabled, every effort is made to provide continuity of employment in the same job or a suitable alternative.

Corporate Social Responsibility

The Group has in place both an Environmental policy and a Corporate Social Responsibility policy. These are closely aligned and the focus of the Group in both these policy areas is on Legislation & Industry Standards compliance, Pollution prevention and waste management, natural resource use and health & safety matters together with working conditions & pay.

In particular, Halfords Limited is an active member of Greening The High Street and has provided financial support to the Oil Care Campaign. Furthermore, Halfords Limited is closely linked with the National Household Hazardous Waste Forum and is a host organisation for the Envirowise Retail Supply Chain Partnership Forum.

All of the Group's suppliers are reviewed against our requirements associated with environmental management, health & safety and conditions of employment (including minimum age, wage and working hours). The Group ensures that our overseas suppliers comply with our sourcing code of conduct, and instigates audits to verify compliance against our code and the social accountability standard SA8000.

Charitable Donations

The charitable donations made by the Group and charged in the accounts were £44,896 (30 weeks to 28th March 2003: £33,846). £30,000 of the donations were made to the employee benevolent fund, £10,000 was made to the Group's Charity Committee who make donations to various charities nominated by employees. There were no political donations during the period.

Directors

The details of directors in office at the date of this report are shown on page 2. There have been the following changes to the board of directors during the period and up to the date of signing the financial statements:

Appointments	Date
D Hamid	27th June 2003
N M Carter	19th September 2003

Resignations	Date
R M Scribbins	7th May 2003
R C C Saville	30th September 2003

Remuneration of directors and directors' shareholding

Details of the remuneration and shareholdings of the directors are included in notes 26 and 27 on page 24.

Statement of Directors' Responsibilities

Company law requires directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and Group and of the profit and loss of the Company and Group for that period. In preparing these financial statements, directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and Group and to prevent and detect fraud and other irregularities.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the board

N M Carter
Secretary

12 MAY 2004
Date

HALFORDS GROUP LIMITED

Independent Auditors' Report

Period ended 2nd April 2004

Independent auditors' report to the members of Halfords Group Limited

We have audited the financial statements which comprise the consolidated profit and loss account, reconciliation of movement in shareholders' funds, the balance sheets, the consolidated cashflow statement and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 2nd April 2004 and of the profit and cash flows of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

12 May 2004
Date

HALFORDS GROUP LIMITED

Consolidated Profit and Loss Account

Period ended 2nd April 2004

	Notes	£m	**Total 2004 £m**	£m	Before exceptional items (30 weeks) 2003 £m	Exceptional items (30 weeks) 2003 £m	Total (30 weeks) 2003 £m
Turnover	2		**578.6**		294.8	-	294.8
Cost of sales			**(269.0)**		(135.0)	-	(135.0)
Gross profit			**309.6**		159.8	-	159.8
Selling and distribution costs	3		**(195.2)**		(108.4)	(2.0)	(110.4)
Administrative expenses, excluding goodwill amortisation		**(35.2)**		(25.4)			
Amortisation of goodwill		**(13.7)**		(8.0)			
Administrative expenses	3		**(48.9)**		(33.4)	(3.0)	(36.4)
Operating profit	4		**65.5**		18.0	(5.0)	13.0
Profit on disposal of fixed assets	5		**6.4**				-
Net interest payable, excluding exceptional write off of issue costs		**(35.4)**					
Exceptional write off of issue costs		**(8.7)**					
Net interest payable	6		**(44.1)**				(21.8)
Profit/ (loss) on ordinary activities before taxation			**27.8**				(8.8)
Tax on profit/(loss) on ordinary activities	7		**(14.3)**				(0.1)
Retained profit/(loss) for the financial period	19		**13.5**				(8.9)

The result for the period is wholly attributable to the continuing operations of the Group.

There is no material difference between the profit as stated above and the profit as stated on an unmodified historical cost basis.

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.

The notes on pages 10 to 25 form part of these accounts.

HALFORDS GROUP LIMITED

Reconciliation of Movements in Shareholders' Funds

Period ended 2nd April 2004

	2004 £m	2003 (30 weeks) £m
Profit/(loss) attributable to shareholders for the financial period	**13.5**	(8.9)
Net proceeds on issue of shares	**-**	(0.1)
Net increase/(decrease) in shareholders' funds	**13.5**	(9.0)
Opening Shareholders' funds	**(9.0)**	-
Closing shareholders' funds	**4.5**	(9.0)

HALFORDS GROUP LIMITED

Balance Sheets

At 2nd April 2004

	Notes	**Group 2004 £m**	Group 2003 £m	**Company 2004 £m**	Company 2003 £m
Fixed assets					
Intangible assets	9	**253.1**	266.4	**-**	-
Tangible assets	10	**82.5**	78.8	**-**	-
Investments	11	**-**	-	**0.1**	0.1
		335.6	345.2	**0.1**	0.1
Current assets					
Stocks	12	**107.1**	90.3	**-**	-
Debtors falling due within one year	13	**23.5**	23.2	**3.4**	-
Cash at bank and in hand		**25.6**	45.0	**16.0**	-
		156.2	158.5	**19.4**	-
Creditors: amounts falling due within one year	14	**(293.8)**	(84.6)	**-**	-
Net current (liabilities)/assets		**(137.6)**	73.9	**19.4**	-
Total assets less current liabilities		**198.0**	419.1	**19.5**	0.1
Creditors: amounts falling due after more than one year	15	**(190.2)**	(424.4)	**(3.1)**	-
Provisions for liabilities and charges	16	**(3.3)**	(3.7)	**-**	-
Net assets		**4.5**	(9.0)	**16.4**	0.1
Capital and reserves					
Called up share capital	18	**-**	-	**-**	-
Share premium account	19	**0.1**	0.1	**0.1**	0.1
Profit and loss account	19	**4.4**	(9.1)	**16.3**	-
Equity shareholders' funds		**4.5**	(9.0)	**16.4**	0.1

The notes on pages 10 to 25 form part of these accounts.

The financial statements were approved by the Board of Directors on
and are signed on its behalf by:

Director

HALFORDS GROUP LIMITED

Consolidated Cash Flow Statement

Period ended 2nd April 2004

	Notes	£m	Total 2004 £m	£m	Total 2003 (30 weeks) £m
Net cash inflow from operating activities	21		**114.8**		18.0
Returns on Investments and servicing of finance					
Interest received		**2.8**		1.0	
Interest paid		**(26.8)**		(7.3)	
Issue costs of loans		**(2.5)**		(10.0)	
Net cash outflow from returns on investments and servicing of finance			**(26.5)**		(16.3)
Taxation			**(8.1)**		(9.1)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(19.3)**		(10.0)	
Sale of tangible fixed assets		**6.9**		1.3	
Net cash outflow for capital expenditure and financial investment			**(12.4)**		(8.7)
Acquisitions					
Purchase of subsidiary undertaking	22	**-**		(400.6)	
Net cash acquired with subsidiary undertakings	22	**-**		21.2	
Net cash flow from acquisitions			**-**		(379.4)
Net cash inflow/(outflow) before use of liquid resources and financing			**67.8**		(395.5)
Management of liquid resources					
Reduction/(increase) in short term deposits with banks			**20.0**		(20.0)
Financing					
Issue of ordinary share capital		**-**		0.1	
Expenses of share issue to acquire Halfords Limited		**-**		(0.2)	
Capital element of finance lease obligations		**0.8**		-	
(Decrease)/Increase in borrowings		**(81.9)**		427.4	
Net cash (outflow)/inflow from financing			**(81.1)**		427.3
Increase in net cash			**6.7**		11.8

	Notes	Total 2004 £m	Total 2003 (30 weeks) £m
Reconciliation of net cash flow to movement in net debt			
Net debt at 28th March/incorporation	23	**(395.9)**	-
Increase in net cash		**6.7**	11.8
Movement in deposits		**(20.0)**	20.0
Movement in borrowings		**83.6**	(417.4)
Other non cash changes		**(23.9)**	(10.3)
Net debt at 2nd April 2004	23	**(349.5)**	(395.9)

1. Accounting policies

The following accounting policies have been used in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under alternative accounting rules set out in Schedule 4 of the Companies Act 1985, being prepared under the historical cost convention.

Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiary undertakings.

The acquisition method of accounting has been adopted. Under this method the results of subsidiary undertakings acquired in the period are included in the consolidated profit and loss account from the date of acquisition. The assets of subsidiary undertakings are incorporated at their fair value at the date of acquisition.

Goodwill arising on acquisitions is capitalised and amortised over its useful economic life, up to a maximum of 20 years.

Related parties

The Company is exempt from disclosing transactions with other group undertakings and investees of the group qualifying as related parties in the financial statements of the Company as permitted by paragraph 3 of Financial Reporting Standard 8.

Depreciation

Tangible fixed assets are written off in equal instalments to estimated residual value over their expected normal lives. This policy is reviewed on a regular basis to ensure that the assets are written off over their expected normal lives. The useful lives of the assets are as follows:

Short leasehold land and buildings	over the period of the lease
Motor vehicles	33% per annum
Store fixtures	over the period of the lease
Fixtures, fittings and equipment	10 to 25%
Computer equipment	33% per annum

Any impairment in the value of such fixed assets is charged to the profit and loss account as it arises.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises purchase cost of goods and cost related to distribution.

Pensions

Employees are offered membership of Halfords Pension Plan, a defined contribution pension arrangement. The costs of contributions to the scheme are charged to the profit and loss account in the period that they arise.

1. Accounting policies (continued)

Intangible assets

The cost of intangible assets acquired, which are capitalised only if separately identifiable, is amortised over estimated useful lives generally up to a maximum of 20 years. Similar assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred. The carrying value of intangible assets (including in particular those being amortised over periods greater than 20 years) is reviewed annually and any impairment in value charged to the profit and loss account.

Leases

The rentals payable under operating leases are charged directly to the profit and loss account on a straight-line basis over the life of the lease.

Benefits received as an incentive to sign a lease, whatever form they may take, are credited to the profit and loss account on a straight line basis over the shorter of the period of the lease or the period until rentals are expected to be revised to prevailing market rates.

The cost of assets held under finance leases are included under tangible fixed assets and depreciation is provided in accordance with the policy for the class of asset concerned. The corresponding obligations under these leases are shown as creditors. The finance charge element of rentals is charged to the profit and loss account to produce, or approximate to, a constant periodic rate of charge on the remaining balance of the outstanding obligations.

Deferred taxation

Deferred tax is provided in respect of all timing differences that have originated, but not reversed, by the balance sheet date. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

Capital Instruments

Debt is recognised in the balance sheet as the cash proceeds received less costs incurred directly in connection with the issue of the instrument. Finance costs in respect of the instruments, including discounts on issue, are charged to the profit and loss account over the term of the instrument.

Foreign Currencies

Transactions denominated in foreign currencies are translated at the rate prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies held at the year end are translated at the rates of exchange prevailing at the balance sheet date. Where covered by forward exchange contracts liabilities are translated at the future contract rates. Any exchange gain or loss is dealt with in the profit and loss account.

2. Turnover

Turnover is stated as the amounts receivable for goods and services supplied to customers net of VAT and all discounts and promotions. In accordance with the new Application Note G “Revenue Recognition” to FRS 5, turnover is stated net of a provision for the estimated level of sales returns.

Turnover comprises retail sales wholly in the UK to external customers.

	Total 2004 £m	Total 2003 (30 weeks) £m
Turnover by product category:		
Car maintenance	**172.0**	101.2
Car enhancement	**201.4**	98.9
Travel solutions	**82.1**	33.0
Cycling	**123.1**	61.7
	578.6	294.8

Due to the related nature of the Groups products, the common distribution channel and the manner in which the Group’s activities are organised, the Directors do not believe that the different product categories represent different classes of businesses as defined in SSAP 25. Accordingly the additional disclosures set out in SSAP 25 are not considered to be required.

3. Operating costs

	Total 2004 £m	Before exceptional items (30 weeks) 2003 £m	Exceptional items (30 weeks) 2003 £m	Total (30 weeks) 2003 £m
Selling, distribution and store costs	**195.2**	108.4	2.0	110.4
Administrative expenses	**48.9**	33.4	3.0	36.4
	244.1	141.8	5.0	146.8

The exceptional charge in the 30 week period ended 28th March 2003 relates to £0.3m of professional fees incurred as a result of establishing the Group and £4.7m restructuring costs.

4. Operating profit

	Total 2004 £m	Total 2003 (30 weeks) £m
The operating profit is arrived at after charging/(crediting):		
Operating lease rentals:		
- plant and machinery	**0.7**	0.2
- property rents	**56.4**	30.8
Rentals receivable under operating leases	**(9.5)**	(5.0)
Depreciation of fixed assets	**15.8**	9.3
Amortisation of goodwill	**13.7**	8.0
Loss on disposal of fixed assets	**0.2**	0.5
Auditors' remuneration:		
- Audit fees	**0.1**	0.1
- Other fees payable to the auditors or their associates	**0.3**	0.6

The total fees payable by the Group to PricewaterhouseCoopers LLP and their associates during the period was £0.7m (30 week period ended 28th March 2003: £2.2m) of which £0.3m (30 week period ended 28th March 2003: £1.5m) relates to charges incurred in respect of the issue of new loans that have been offset against the cash proceeds received from the loans (see note 17). The Company did not expense any audit fees during the period as they were borne by other Group Companies.

5. Profit on disposal of fixed assets

Of the profit on disposal of £6.4m (30 week period ended 28th March 2003: £nil), £6.2m relates to the sale of the head office building of Halfords Limited. The building was acquired in the period and immediately sold then leased back. £3.8m of the proceeds has been deferred and will be amortised in future periods over the term of the lease in accordance with UITF 28 "Operating lease incentives".

6. Net interest payable

	2004 £m	2003 (30 weeks) £m
Interest receivable and similar income:		
Bank and similar interest	**(2.7)**	(1.1)
Interest payable and similar charges:		
Bank interest	**0.4**	0.1
Bank and other loans	**23.5**	13.6
Premium on deep discount bond (see note 17)	**12.1**	7.9
Interest on fixed rate subordinated unsecured loan notes	**0.1**	-
Amortisation of issue costs on loans and deep discount bonds	**1.3**	0.7
Commitment and guarantee fees	**0.7**	0.5
Other interest	**-**	0.1
	38.1	22.9
Exceptional amortisation of issue costs on loans and deep discount bonds	**8.7**	-
	46.8	22.9
Net interest payable	**44.1**	21.8

During the period the Group repaid all of the borrowings under the mezzanine facility and repaid £68.2m of its deep discount bonds and has therefore written off £2.4m of the unamortised issue costs associated with these borrowings.

As explained in note 17 the existing borrowings of the Group will be repaid and replaced by new banking facilities. Accordingly, the amortisation of the debt issue costs has been accelerated resulting in an additional charge of £6.3m during the period.

7. Tax on profit/(loss) on ordinary activities

	2004 £m	2003 (30 weeks) £m
The tax charge on the profit/(loss) for the period consists of:		
Current taxation		
UK corporation tax charge for the period	**15.2**	0.2
Adjustment in respect of prior periods	**0.1**	-
Total current tax	**15.3**	0.2
Deferred taxation		
Origination and reversal of timing differences	**(1.0)**	(0.1)
Tax on loss on ordinary activities	**14.3**	0.1

7. Tax on profit/(loss) on ordinary activities (continued)

Reconciliation of current tax charge:

The standard rate of tax for the period, based on the UK standard rate of corporation tax, is 30%. The actual tax charge for the current period is higher (30 week period ended 28th March 2003: higher) than the standard rate for the reasons set out in the following reconciliation.

	2004 £m	2003 (30 weeks) £m
Profit/(loss) on ordinary activities before taxation	**27.8**	(8.8)
UK corporation tax at standard rate of 30.0%	**8.3**	(2.6)
Factors affecting the charge for the period:		
Capital allowances for the period less than depreciation	**0.7**	0.5
Timing difference on premium received on property transaction	**1.1**	-
Other timing differences	**0.3**	(0.5)
Disallowable goodwill amortisation	**4.1**	2.4
Other disallowable expenses	**0.7**	0.4
Adjustment in respect of prior periods	**0.1**	-
Total current tax charge for the period	**15.3**	0.2

8. Profit of holding company

Of the profit for the financial period a profit of £16.3m (30 week period ended 28th March 2003: loss of £29,000) is dealt with in the accounts of Halfords Group Limited. The directors have taken advantage of the exemption available under section 203 of the Companies Act 1985 and not presented a profit and loss account for the Company alone.

9. Intangible assets

	Group Product rights £m	Group Goodwill £m
Cost		
At 28th March 2003	0.2	274.4
Additions	-	0.4
At 2nd April 2004	**0.2**	**274.8**
Amortisation		
At 28th March 2003	0.2	8.0
Charge for the period	-	13.7
At 2nd April 2004	**0.2**	**21.7**
Net book value at 28th March 2003	-	266.4
Net book value at 2nd April 2004	**-**	**253.1**

The addition in the period reflects £0.4m adjustments made to the fair value of assets acquired on the acquisition of Halfords Limited on 30th August 2002 (see note 22).

10. Group tangible fixed assets

	Land and buildings £m	Motor Vehicles £m	Fixtures, fittings, and equipment £m	Payments on account and assets in course of construction £m	Total £m
Cost or valuation					
At 28th March 2003	26.4	1.3	182.7	0.8	211.2
Additions	0.8	-	17.5	1.9	20.2
Disposals	(0.4)	(1.2)	(8.2)	-	(9.8)
Reclassifications	0.2	-	0.6	(0.8)	-
At 2nd April 2004	**27.0**	**0.1**	**192.6**	**1.9**	**221.6**
Depreciation					
At 28th March 2003	10.1	0.8	121.5	-	132.4
Depreciation for the period	1.3	0.1	14.4	-	15.8
Disposals	(0.2)	(0.8)	(8.1)	-	(9.1)
At 2nd April 2004	**11.2**	**0.1**	**127.8**	**-**	**139.1**
Net book value at At 28th March 2003	16.3	0.5	61.2	0.8	78.8
Net book value at At 2nd April 2004	**15.8**	**-**	**64.8**	**1.9**	**82.5**

10. Group tangible fixed assets (continued)	2004 £m	2003 £m
Net book value of land and buildings comprises:		
Short leasehold	**15.8**	16.3

During the period the Group acquired equipment at a cost of £0.8m that is held under a finance lease. The net book value of these assets at 2nd April 2004 are £0.8m.

11. Investments	Group 2004 £m	Company 2004 £m
Shares in group undertaking		
Cost		
At 28th March 2003	**-**	**0.1**
Additions	-	-
At 2nd April 2004	**-**	**0.1**
Interest in own shares acquired during the period	**-**	**-**
Total fixed asset investments	**-**	**0.1**

The investment in the subsidiary undertaking as at 2nd April 2004 is as follows:

	Incorporated in	Ordinary shares percentage owned %	Principal Activities	Last financial year ended
Halfords Holdings Limited	Great Britain*	100	Holding Company	2nd April 2004

* Registered in England and Wales.

In the opinion of the directors the value of the investment in the subsidiary undertaking is not less than the amount shown above.

Principal subsidiaries

The principal undertakings of the Company at 2nd April 2004 are as follows:

	Principal activity	% Ownership
Halfords Holdings Limited	Holding company	100
Halfords Finance Limited	Holding company	100
Halfords Limited	Retailing of auto parts, accessories, cycles and cycle accessories	100
Halfords Payment Services Limited	Financial Services	100

All the above subsidiaries are consolidated and incorporated in Great Britain and registered in England and Wales. All other subsidiary undertakings are dormant and did not trade during the year.

Interest in own shares

The interest in own shares related to 20,400 (2003: nil) ordinary shares with a nominal value of £204 (2003: nil) held in trust (see note 18).

12. Stocks

	Group 2004 £m	Group 2003 £m	**Company 2004 £m**	Company 2003 £m
Finished goods for resale	**107.1**	90.3	-	-

13. Debtors

	Group 2004 £m	Group 2003 £m	**Company 2004 £m**	Company 2003 £m
Falling due within one year:				
Trade debtors	**6.3**	5.2	-	-
Other debtors	**0.5**	0.7	-	-
Prepayments and accrued income	**16.7**	17.3	-	-
Amounts owed by group undertakings	**-**	-	**3.4**	-
	23.5	23.2	**3.4**	-

14. Creditors: amounts falling due within one year

	Group 2004 £m	Group 2003 £m	**Company 2004 £m**	Company 2003 £m
Bank overdraft	**7.1**	13.2	**-**	-
Bank loans	**93.0**	4.8	**-**	-
Debentures and other loans	**89.2**	-	**-**	-
Finance lease	**0.2**	-	**-**	-
Trade creditors and accruals	**60.6**	31.2	**-**	-
Corporation tax	**10.1**	3.2	**-**	-
Other taxation and social security	**7.5**	2.8	**-**	-
Other creditors	**1.5**	1.1	**-**	-
Accruals and deferred income	**24.6**	28.3	**-**	-
	293.8	84.6	**-**	-

The Group's banking arrangements are subject to a netting facility whereby credit balances may be offset against the indebtedness of other group companies.

15. Creditors: amounts falling due after more than one year

	Group 2004 £m	Group 2003 £m	**Company 2004 £m**	Company 2003 £m
Bank loans	**185.0**	278.5	-	-
Debentures and other loans	**-**	144.4	-	-
Finance lease	**0.6**	-	-	-
Amounts due to group undertakings	**-**	-	**3.1**	-
Accruals and deferred income	**4.6**	1.5	**-**	-
	190.2	424.4	**3.1**	-

16. Provisions for liabilities and charges

Group	Deferred taxation £m	Other Provisions £m	Total £m
At 28th March 2003	3.3	0.4	3.7
Fair value adjustment (see note 22)	-	0.4	0.4
Profit and loss – provided	-	0.6	0.6
Profit and loss – released	(1.0)	(0.1)	(1.1)
Utilised during the period	-	(0.3)	(0.3)
At 2nd April 2004	**2.3**	**1.0**	**3.3**

Other provisions principally comprise store vacant property provisions £0.6m and a provision of £0.4m in respect of estimated sales returns.

The vacant property provision represents recognition of the net costs arising from vacant properties and sub-let properties. The exact timing of utilisation of this provision will vary according to the individual properties concerned.

	2004 £m	2003 £m
Analysis of deferred taxation provision:		
Accelerated capital allowances	**4.2**	3.7
Other timing differences	**(1.9)**	(0.4)
	2.3	3.3

17. Group bank and other borrowings

	2004 £m	2003 £m
Due with one year		
Secured bank loan	**93.0**	4.8
Debentures and other loans:		
Deep discount bonds	**88.8**	-
Fixed rate subordinated unsecured loan notes	**0.4**	-
Finance lease	**0.2**	-
Total due with one year	**182.4**	4.8
Due after one year		
Secured bank loan	**185.0**	278.5
Debentures and other loans:		
Deep discount bonds	**-**	143.8
Fixed rate subordinated unsecured loan notes	**-**	0.6
Finance lease	**0.6**	-
	185.6	422.9
Total borrowings	**368.0**	427.7

17. Group bank and other borrowings (continued)

	2004 £m	2003 £m
Maturity of debt		
Within one year or on demand	**182.4**	4.8
Between one and two years	**20.2**	9.1
Between two and five years	**60.4**	40.2
Over five years	**105.0**	373.6
	368.0	427.7

It is expected that the borrowings under the Group's senior facility, deep discount bonds and fixed rate subordinated loan notes will be repaid and replaced by new borrowings. Consequently, they have been classified as due within one year, except those borrowings that are expected to be replaced by new long-term senior facilities, which have been classified as due after one year.

Secured bank loans are stated net of unamortised issue costs of £1.7m (2003: £8.3m). In the period the Group incurred issue costs of £2.5m in respect of the arrangement of a senior facility of £65m on 12 November 2004.

The senior facility includes £89.7m that is redeemable in six monthly instalments until 30th September 2009 and carries interest of LIBOR plus a variable margin of 1.5% to 2.0%. Of the remaining senior loans £62.5m is repayable on 30th September 2010, £62.5m is repayable on 30th September 2011 and £65.0m is repayable on 30th September 2014 these facilities carry interest based on LIBOR plus 2.75%, 3.25% and 3.75% respectively.

The banking loans are secured by a fixed charge over all rights and property of the Group.

The deep discount bond includes a principal amount of £85.6m (2003: 136.9m) and interest payable of £3.3 m (2003: 7.9m). The bond bears 10% compound interest that annually is rolled up into the principal amount. The accumulated principal is redeemable on 30th September 2013. The bond is stated net of unamortised issue costs of £0.1m (2003: £1.0m).

The fixed rate subordinated unsecured loan notes bear 10% compound interest that annually is rolled up into the principal amount. The accumulated principal is redeemable on 30th September 2013.

During the period the Group repaid its mezzanine facility of £73.4m and redeemed £68.2m of its deep discount bonds. As a consequence unamortised issue costs of £2.4m in respect of these borrowings were charged to the profit and loss account.

18. Equity share capital

	Number of Shares 2004	2004 £m	Number of Shares 2003	2003 £m
Ordinary shares of 1p each:				
Authorised	**1,050,000**	-	1,050,000	-
Allotted, called up and fully paid	**1,000,000**	-	983,000	-

On 30th August 2002 the Company issued 38,500 warrants for 1p. Each warrant entitles the holder to subscribe for such sum of ordinary share capital that represents 0.0001% of fully diluted share capital.

Certain senior executives hold options to subscribe for shares in the Company at £1 under a share option scheme approved by shareholders on 19th November 2003. Options are held in respect of 5,925 ordinary shares of 1p. The options are exercisable only in the event of a Takeover, Sale or Admission of the Company to a Relevant EEA Market and are only exercisable for a maximum of 10 years. No options were exercised in the period. The shares required to meet the company's obligations under the options scheme are held in trust. At 2nd April 2004 the trust holds 20,400 ordinary shares in the Company.

19. Group reserves

	Share Premium £m	Profit and Loss £m	Total £m
At 28th March 2003	0.1	(9.1)	(9.0)
Profit for the financial period	-	13.5	13.5
At 2nd April 2004	**0.1**	**4.4**	**4.5**

20. Company Reserves

	Share Premium £m	Profit and Loss £m	Total £m
At 28th March 2003	0.1	-	0.1
Profit for the financial period	-	16.3	16.3
At 2nd April 2004	**0.1**	**16.3**	**16.4**

21. Cash flow from Operating Activities

Reconciliation of operating profit to net cash inflow from operating activities

	2004 **£m**	2003 (30 weeks) £m
Operating profit	**65.5**	13.0
Depreciation charge (net of loss on disposal)	**16.0**	9.8
Goodwill amortisation	**13.7**	8.0
(Increase)/decrease in stocks	**(16.8)**	0.8
Increase in debtors	**(0.3)**	(14.2)
Increase in creditors	**36.7**	0.6
Net cash inflow from operating activities	**114.8**	18.0

22. Acquisitions

The Group purchased Halfords Limited on 30th August 2002 for a total consideration of £400.6m. At the time of acquisition the book value of the assets were £146.7m and in the period to 28th March 2003 goodwill was adjusted for fair value adjustments of £20.5m to arrive at net assets of £126.2m. During the period an adjustment of £0.4m has been made to provide for the estimated level of sales returns in accordance with the new Application Note G "Revenue Recognition" to FRS 5. The final fair value of the assets at acquisition is therefore £125.8m as shown in the table below.

	Fair value to the Group 2003 £m	Adjustment due to Application Note G 2004 £m	Final fair value to the Group 2004 £m
Tangible fixed assets	82.3	-	82.3
Stock	91.1	-	91.1
Debtors	9.0	-	9.0
Creditors	(61.7)	-	(61.7)
Provisions	(0.2)	(0.4)	(0.6)
Taxation			
- Current	(12.1)	-	(12.1)
- Deferred	(3.4)	-	(3.4)
Cash	21.2	-	21.2
Net Assets acquired	126.2	(0.4)	125.8
Consideration (including fees of £4.6m)	400.6	-	400.6
Acquisition goodwill (see note 9)	274.4	0.4	274.8

23. Reconciliation of movement in net debt

	At 28th March 2003 £m	Cash Flow 2004 £m	Non cash changes 2004 £m	At 2nd April 2004 £m
Cash in hand and at bank	25.0	0.6	-	25.6
Bank overdraft	(13.2)	6.1	-	(7.1)
Debt due within 1 year	(4.8)	5.2	(182.6)	(182.2)
Debt due after 1 year	(422.9)	79.2	158.7	(185.0)
Finance lease due within one year	-	(0.2)	-	(0.2)
Finance lease due after one year	-	(0.6)	-	(0.6)
Short term deposits	20.0	(20.0)	-	-
	(395.9)	70.3	(23.9)	(349.5)

The total debt cash outflow of £84.4m consists of £81.9m net repayment of borrowings and £2.5m issue costs of loans.

Non cash changes relate to interest charges of £10.0m for the amortisation of capitalised issue costs and £13.9m in respect of interest rolled into the principal of the mezzanine facility and deep discount bonds. The changes also reflects £182.6m of loans being reclassified as less than one year as explained in note 17.

23. Reconciliation of movement in net debt (continued)

Movement in borrowings	**2004 £m**
Debt due within 1 year:	
Secured bank loan	(5.2)
Capital element of finance lease borrowings	0.2
Debt due after 1 year:	
Secured bank loans	(8.5)
Deep discount bond	(68.2)
Issue costs of new loans	(2.5)
Capital element of finance lease borrowings	0.6
Cash outflow	(83.6)

24. Group commitments

a) Future capital expenditure approved by the directors and not provided for in these financial statements is as follows:

	2004 £m	2003 £m
Contracts placed	**1.9**	0.4

b) Annual commitments under operating leases at:

	2nd April 2004		28th March 2003	
	Land and Buildings £m	**Other assets £m**	Land and Buildings £m	Other assets £m
Expiring:				
Within one year	**0.5**	**0.2**	0.9	0.2
Over one year and less than five years	**2.4**	**0.4**	1.4	0.3
Over five years	**59.0**	**-**	54.0	-
	61.9	**0.6**	56.3	0.5

The operating lease commitments are shown before receipts of sublet income.

25. Staff numbers and costs

	2004	2003 (30 weeks)
	Number	Number
The average number of persons employed by the company during the period was as follows:	**9,209**	9,326
The aggregated payroll cost was as follows:	**£m**	£m
Wages and salaries	**86.6**	48.9
Social security costs	**6.4**	3.1
Other pension costs	**3.5**	2.8
	96.5	54.8

26. Directors' remuneration	**2004 £m**	2003 (30 weeks) £m
i) Directors' emoluments for services to the group	**2.2**	0.5
ii) Compensation for loss of office	**0.9**	-
iii) Aggregate value of pension contributions	**0.1**	0.1
Remuneration of the highest paid director:		
iv) (a) Remuneration, excluding pension contributions	**0.8**	0.2
(b) Contributions to pension scheme during the period	**-**	0.1

	2004 Number	2003 Number
v) Number of directors who are members of Halfords defined contribution pension plan	**1**	2
vi) Number of directors who received contributions to personal pension plans	**1**	2

27. Directors' shareholdings and share options

The beneficial interests of the directors and their families in the share capital of the Company at 2nd April 2004 are shown below. Disclosed below are also the fixed rate subordinated unsecured loan notes held by the directors and their families in Halfords Holdings Limited, a wholly owned subsidiary of the Company. No director holds any loan capital in the Company.

	Ordinary shares 2004	**Unsecured loan notes 2004 £'m**	Ordinary shares 2003	Unsecured loan notes 2003 £'m
N M Carter	**10,000**	**-**	-	-
J P Feuer	**4,057**	**-**	-	-
D Hamid	**19,600**	**0.2**	-	-
R W Templeman	**5,000**	**-**	2,500	-
S Vestergaard-Poulsen	**-**	**-**	-	-
C K Woodhouse	**5,000**	**-**	2,500	-

The Directors held no shares at the time of their appointment.

The unsecured loan notes are redeemable on 30th September 2013 and subject to a fixed interest rate of 10% payable on redemption.

28. Pensions

From 1st December 2002 employees have been offered membership of Halfords Pension Plan, a defined contribution pension arrangement. The costs of contributions to the scheme are charged to the profit and loss account in the period that they arise. The contributions to the scheme for the period amounted to £3.5m (30 week period ended 28th March 2003: £1.4m) being 5% to 12% of pensionable salaries for employees who were members of the Boots Group pension scheme, plus a further 2% to 7% for employees whose earnings are above the upper earning threshold and 3% of pensionable salaries for new employees.

29. Contingent liabilities and assets

The Group's banking arrangements include the facility for the bank to provide a number of guarantees in respect of liabilities owed by the Group during the course of its trading. In the event of any amount being immediately payable under the guarantee, the bank has the right to recover the sum in full from the Group. The total amount of guarantees in place at 2nd April 2004 amounted to £7.1m (2003: £11.3m).

The Group's banking arrangements are subject to a netting facility whereby credit balances may be offset against the indebtedness of other group companies. At 2nd April 2004 the amount of group borrowings available for offset against the Company was £16.0m (2003: £nil).

Halfords Payment Services Limited operates payment processing services for Halfords Limited. Similar arrangements are in operation by other major retailers, some of which are currently being challenged by Customs & Excise. In line with other retailers, no profit has been recognised from these arrangements. The group currently holds an un-recognised contingent asset of £2.0m (2003: £0.5m) dependent on the successful defence of the arrangements.