Halfords Limited

Annual report and financial statements

for the period ended 2 April 2010

Registered number 103161

Halfords Limited

Annual report and financial statements for the period ended 2 April 2010

Halfords Limited

Directors and advisors

Directors
P T McClenaghan
A J Torrance
N B E Wharton
D J Wild

Secretary
C A Henderson

Registered office
Icknield Street Drive
Washford West
Redditch
Worcestershire
B98 0DE

Independent auditors
KPMG Audit Plc
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Halfords Limited

Directors' report
for the period ended 2 April 2010

The directors present their annual report together with the audited financial statements for the period ended 2 April 2010

Principal activities
The Company is engaged in the retailing of auto, leisure and cycling products

The Company is the main trading subsidiary of Halfords Group plc "the Group" Further details on the performance of the Group can be found in the Chairman's Statement, Business Review and Finance Director's Report in the Group's annual report, which does not form part of this report

Review of the business
A full review of the Group's results is contained on pages 88 and 128 within the Annual Report and Accounts of Halfords Group plc The directors have no plans to change the activities of the Company

Results for the period
Turnover for the period to 2 April 2010 was £817 6m (2009 £809 2m), producing an operating profit before exceptional items of £114 1m (2009 £106 6m) After exceptional items of £6 6m (2009 £12 3m) (see Note 5) operating profit was £107 5m (2009 £94 3m) Net assets for the period ended 2 April 2010 were £261 5m (2009 £229 8m)

The profit before tax for the period was £109 2m (2009 £101 4m) Profit attributable to shareholders was £74 8m (2009 £72 4m) An interim dividend of 38 4p (2009 32 4p) per £1 ordinary share was paid in the period resulting in a reduction in distributable reserves of £46 2 million (2009 £39 0 million) in total The directors do not recommend a final dividend (2009 nil)

Supplier payment policy
The Company 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 Company was 49 days (2009 39 days)

Charitable donations and political contributions
During the period the Company contributed £82,800 (2009 £26,000) to charities in the UK, including donations to BEN, a charity supporting individuals and families linked to the motor industry and associated trades

In May 2009 the Company commenced a two-year partnership with Macmillan Cancer Support In the 52-week period to 2 April 2010 the Company raised over £56,000 for the charity with stores selling carrier bags and sweets, holding events and individual employees undertaking fund raising events ranging from running marathons to holding charity auctions

Directors
The details of directors in office at the date of this report are shown on page 1 There have been no changes to the board of directors during the period and up to the date of signing the financial statements

Directors' report
for the period ended 2 April 2010 (continued)

Employees

The Board seeks to instil high standards of customer care and service in the Company and the commitment of every employee to this business requirement is considered to be critical The Company has established a communication framework for employees concerning business performance, company benefits and innovation Group-wide training reinforces the Company's commitment to employee involvement and development The Company regularly meets with union representatives and has a range of channels through which to cascade and consult with employees on a two way basis

The Company is committed to the principle of equal opportunity in employment and to ensuring that no applicant or employee 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 Company applies employment policies which are fair and equitable and which ensure entry into and progression within the Company Appointments are determined solely by application of job criteria, personal ability and competency

The Company 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 Should an employee become disabled when working for the Company, 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 Company or their employment, without fear of recrimination, and includes the risk of things going wrong or of malpractice taking place such as fraud, risks to health and safety, etc In addition, the Company 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

The Company's pension arrangements for the UK-based employees of the Company are summarised in Note 23 on page 28

Owning shares in the Group is an important way of strengthening employees' involvement in the development of the Group's business and bringing together their and shareholders' interests The Company therefore encourages and helps its employees to participate in the Group's Sharesave Scheme

Directors' report for the period ended 2 April 2010 (continued)

Going concern
The Company's business activities, together with the factors likely to affect its future development and position, are set out below

The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries

The directors, having assessed the responses of the directors of the Company's ultimate parent, Halfords Group Plc, to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Halfords group to continue as a going concern or its ability to continue with secured banking arrangements

Halfords Group Plc "the Group" currently has a £300m borrowing facility with a syndicate of banks that is due to mature on 13 July 2011 As part of the ongoing review of capital structure in order to provide the necessary flexible funding to deliver its strategic agenda, management have been reviewing, with the Group's brokers, the optimal capital structure of the Group on an ongoing basis Negotiations with a new syndicate of banks around a replacement borrowing facility are at an advanced stage and the Directors of the Group and Company are confident that a new £300m facility will be in place in advance of the maturity of the existing facility As of the date of signing of these financial statements Group management expect the replacement facility to be in place by 8 November 2010

On the basis of the imminent expected arrangement of this new facility and their assessment of the Company's financial position and of the enquiries made of the directors of Halfords Group Plc, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Financial risk management
The Company's financial risks are managed at a Group level A detailed review of the Group's financial risk policy is contained within the Annual Report and Accounts of Halfords Group plc The Directors of the Group and Company consider that the financial risks of the Group and Company remain the same as those outlined in the Halfords Group Annual Report and Accounts for the period ended 2 April 2010

Principal risks and uncertainties
From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately Accordingly, the principal risks and uncertainties of Halfords Group plc, which include those of the Company, are discussed on pages 55 to 57 of the Group's annual report, which does not form part of this report The Directors of the Group and Company consider that the principal risks and uncertainties of the Group and Company remain the same as those outlined in the Halfords Group Annual Report and Accounts for the period ended 2 April 2010

Directors' report
for the period ended 2 April 2010 (continued)

Statement of Directors' Responsibilities
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Disclosure of information to auditors
Each of the persons who are directors at the date of approval of this report confirm, that so far as he is aware, there is no relevant audit information of which the Company's auditors are individually unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors
PricewaterhouseCoopers resigned as senior statutory auditors during the period The directors have invited KPMG Audit Plc to be appointed as senior statutory auditor A resolution to this effect will be proposed at the Annual General Meeting

By order of the board

CA Henderson

C A Henderson
Secretary
2 November 2010

Independent auditors' report to the members of Halfords Limited

We have audited the financial statements of Halfords Limited for the period ended 2 April 2010 set out on pages 8 to 29 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements·

- give a true and fair view of the state of the company's affairs as at 2 April 2010 and of its profit for the period then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report to the members of Halfords Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

GA Watts

GA Watts
Senior Statutory Auditor
For and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

2 November 2010

Halfords Limited

Profit and loss account
for the period ended 2 April 2010

		52 weeks to 2 April 2010			53 weeks to 3 Apnl 2009		
		Before exceptional items	Exceptional items (Note 5)	Total	Before exceptional items	Exceptional items (Note 5)	Total
	Notes	£m	£m	£m	£m	£m	£m
Turnover	2	**817 6**	**-**	**817 6**	809 2	-	809 2
Cost of sales		**(382.5)**	**-**	**(382 5)**	(389 0)	-	(389 0)
Gross profit		**435 1**	**-**	**435 1**	420 2	-	420 2
Operatıng costs	3	**(321.0)**	**(6 6)**	**(327 6)**	(313 6)	(12 3)	(325 9)
Operating profit	4	**114 1**	**(6 6)**	**107.5**	106 6	(12 3)	94 3
Net ınterest receıvable	6	**1 7**	**-**	**1.7**	7 1	-	7 1
Profit on ordınary actıvıtıes before taxatıon		**115 8**	**(6 6)**	**109 2**	113 7	(12 3)	101 4
Taxatıon on profit on ordınary actıvıtıes	7	**(35 6)**	**1 2**	**(34 4)**	(32 3)	3 3	(29 0)
Profit for the fınancial period	19	**80.2**	**(5.4)**	**74 8**	81 4	(9 0)	72 4

The results for the perıod are wholly attrıbutable to the contınuıng operatıons of the Company

There ıs no materıal dıfference between the results as stated above and theır hıstorıcal cost equıvalents

The Company has no recognısed gaıns and losses other than those recognısed above
The notes on pages 11 to 29 form part of these financıal statements

Halfords Limited

Reconciliation of movements in shareholders' funds for the period ended 2 April 2010

	52 weeks to 2 April 2010 £m	53 weeks to 3 April 2009 £m
Profit for the financial period	**74 8**	72 4
Dividends (see Note 8)	**(46 2)**	(39 0)
Employee share options (see Note 1)	**2.5**	1 7
Translation reserve	**0.6**	-
Net increase in shareholders' funds	**31.7**	35 1
Opening shareholders' funds	**229 8**	194 7
Closing shareholders' funds	**261 5**	229 8

Halfords Limited

Balance sheet
as at 2 April 2010

	Notes	2 April 2010 £m	3 April 2009 £m
Fixed assets			
Intangible assets	9	-	-
Tangible assets	10	**96 1**	103 2
Investments	11	**12.4**	-
		108 5	103 2
Current assets			
Stocks	12	**137.4**	148 6
Debtors amounts falling due within one year	13	**142 9**	38 0
Debtors amounts falling due after more than one year	13	-	80 6
Cash at bank and in hand		**61 3**	38 9
		341 6	306 1
Creditors· amounts falling due within one year	14	**(160.0)**	(96 8)
Net current assets		**181 6**	209 3
Total assets less current liabilities		**290.1**	312 5
Creditors amounts falling due after more than one year	15	**(7.6)**	(63 1)
Provisions for liabilities and charges	16	**(21 0)**	(19 6)
Net assets		**261.5**	229 8
Capital and reserves			
Called up share capital	18	**120 2**	120 2
Profit and loss account	19	**141 3**	109 6
Total shareholders' funds		**261.5**	229 8

The notes on pages 11 to 29 form part of these financial statements

The financial statements on pages 8 to 29 were approved by the Board of Directors on 2 November 2010 and are signed on its behalf by

N B E Wharton
Director

Company number 103161

Notes to the financial statements for the period ended 2 April 2010

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 accounts are prepared under the historical cost convention, on the going concern basis, in accordance with the Companies Act 2006, applicable accounting standards in the United Kingdom and specifically in accordance with the accounting policies set out below which have been applied consistently

The financial statements are prepared for the period up to the Friday closest to 31 March Consequently, the financial statements for the current period cover the 52 weeks to 2 April 2010, whilst the comparative period covered the 53 weeks to 3 April 2009

A cash flow statement has not been presented in the financial statements of the Company as permitted by paragraph 5a of FRS 1(revised 1996) "Cash Flow Statements" A consolidated cash flow statement is presented in the financial statements of the Company's ultimate parent company

The Company is exempt under section 400 of the Companies Act 2006 from the obligation to prepare group accounts, as it is included in the consolidated accounts of Halfords Group Plc

Going concern
The going concern basis is considered appropriate based on the assessment made by the Directors in the Directors' report

Halfords Group Plc currently have a £300m borrowing facility with a syndicate of banks that is due to mature on 13 July 2011 As part of the ongoing review of capital structure in order to provide the necessary flexible funding to deliver its strategic agenda, management have been reviewing, with the Group's brokers, the optimal capital structure of the Group on an ongoing basis Negotiations with a new syndicate of banks around a replacement borrowing facility are at an advanced stage and the Directors of the Group and Company are confident that a new £300m facility will be in place in advance of the maturity of the existing facility As of the date of signing of these financial statements Group management expect the replacement facility to be in place by 8 November 2010

As a result of the imminent expected arrangement of this new facility the Directors of the Company consider that a going concern basis of accounting in preparing the financial statements should continue to be adopted

Investments
Investments in subsidiary undertakings are stated at the original cost of the investment Provision is made against cost where, in the opinion of the directors, the carrying value of the investments has been impaired

Notes to the financial statements for the period ended 2 April 2010 (continued)

1. Accounting policies (continued)

Depreciation
Tangible fixed assets are valued at cost less accumulated depreciation Cost is written off in equal instalments over their expected useful lives This policy is reviewed on a regular basis to ensure that the expected useful lives are appropriate The periods over which the assets are being depreciated are as follows

Short leasehold land and buildings	over the period of the lease
Motor vehicles	33% per annum
Leasehold improvements	over the period of the lease to a maximum of 25 years
Fixtures, fittings and equipment	10 to 25% per annum
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 less rebates received and cost related to distribution.

Pensions
The Halfords Pension Plan is a contract based plan, where each member has their own individual pension policy, which they monitor independently The Group pays fixed contributions and has no legal or constructive obligation to pay further amounts The costs of contributions to the scheme are charged to the income statement in the period that they arise

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

Contributions received from landlords in respect of all or part of units previously occupied by the Company, that do not represent an incentive for future rental commitments are recognised in the profit and loss account on the exchange of contracts, where there are no further substantial acts to complete This income is netted off against selling and distribution costs

The cost of assets held under finance leases is 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

The Company leases properties from which it no longer trades These properties are often sublet to third parties Rents receivable are recognised by offsetting the income against rental costs accounted for within selling and distribution costs in the profit and loss account

1. Accounting policies (continued)

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

Deferred taxation assets are recognised to the extent that is probable that future taxable profit will be available against which the temporary differences can be utilised

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011 The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011 This will reduce the company's future current tax charge accordingly It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liabilities/assets accordingly

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 period 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

Turnover

Turnover comprises the fair value of the sale of goods and services to external customers, net of value added tax, rebates, promotions and returns Turnover is recognised on the sale of goods when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably Turnover on goods delivered is recognised when the customer accepts delivery The Company operates a variety of sales promotion schemes that give rise to goods being sold at a discount to standard retail price Turnover is adjusted to show sales net of all related discounts A provision for estimated returns is made, representing the profit on goods sold during the period, which will be returned and refunded after the period end based on past experience Turnover is reduced by the value of sales returns provided for during the period

Exceptional items

Income or costs that are both material and non-recurring, whose significant is sufficient to warrant separate disclosure in the financial statements, are referred to as exceptional items These items are included and separately identified within the profit and loss account categories

Notes to the financial statements for the period ended 2 April 2010 (continued)

1. Accounting policies (continued)

Share-based payments
The fair value of the employee services received under such schemes is recognised as an expense within the employing company with a corresponding adjustment to equity

Fair values are determined by use of appropriate pricing models The amount to be expensed over the vesting period is determined by reference to the fair value of share incentives, excluding the impact of any non-market vesting conditions Non-market vesting conditions are included in assumptions about the number of share incentives that are expected to vest At each balance sheet date, the Company revises its estimates of the number of share incentives that are expected to vest The impact of the revision of original estimates, if any, is recognised in the profit and loss account, with a corresponding adjustment to equity, over the remaining vesting period

Full disclosures required under IFRS2/FRS 20 "Share-based payment" of employee share option schemes have been given in the Halfords Group plc financial statements for the period ended 2 April 2010

Loans and trade debtors
Loans and debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the asset They are included in current assets in the balance sheet and measured at amortised cost

Trade debtors are recognised and carried at original invoice amount less provision for impairment A provision for impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of trade debtors The amount of the provision is recognised in the profit and loss account

Provisions
Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated

Provisions are not recognised for future operating losses Where there are a number of similar obligations, the likelihood that an outflow will be required is determined by considering the class of obligations as a whole A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small

Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset when the reimbursement is certain

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability Where discounting is used, the increase in the provision due to the passage of time is recognised within interest in the profit and loss account

Notes to the financial statements for the period ended 2 April 2010 (continued)

2. Turnover

Turnover comprises retail sales wholly in the UK, the Republic of Ireland and the Czech Republic to external customers

Due to the related nature of the Company's products, the common distribution channel and the manner in which the Company's activities are organised, the directors do not believe that the Company has different classes of business as defined in SSAP 25 Accordingly the additional disclosures set out in SSAP 25 are not considered to be required

3. Operating costs

	52 week to 2 April 2010 £m	53 weeks to 3 April 2009 £m
Selling and distribution costs before exceptional items	269 3	267 6
Exceptional selling and distribution costs (see Note 5)	6.0	10 3
Selling and distribution costs	275.3	277 9
Administrative expenses	51 7	46 0
Exceptional administrative expenses (see Note 5)	0 6	2 0
Administrative expenses	52 3	48 0
Operating costs	327 6	325 9

Notes to the financial statements for the period ended 2 April 2010 (continued)

4. Operating profit

	52 weeks to 2 April 2010 £m	53 weeks to 3 April 2009 £m
Operating profit shown is arrived at after charging/(crediting)		
Operating lease rentals		
- plant and machinery	**1.8**	1.3
- other property rents	**81.8**	82.0
Rentals receivable under operating leases	**(7.1)**	(7.6)
Landlord contributions	**(1.1)**	(2.7)
Depreciation of fixed assets:		
- owned assets	**23.2**	24.4
- leased assets	**-**	0.1
Impairment of property, plant and equipment	**4.6**	-
Loss on disposal of fixed assets	**0.5**	0.3

The total fees payable by the Company to KPMG Audit Plc (2009 PricewaterhouseCoopers LLP) and their associates during the period was £1.1m (2009 £0.3m) in respect of the services detailed below

	52 weeks to 2 April 2010 £'000	53 weeks to 3 April 2009 £'000
Fees payable for the audit of the Company's accounts	**130**	130
Fees payable to KPMG Audit Plc (2009 PricewaterhouseCoopers LLP) and their associates for other services		
The audit of the Company's parent and fellow subsidiaries, pursuant to legislation	**136**	37
Other services supplied pursuant to such legislation	**15**	23
Other services relating to taxation	**439**	113
Other services relating to corporate finance activities	**299**	-
Internal audit services	**34**	-
All other services	**9**	21
	1,062	324

Included within "fees payable to the Company's auditors for the audit of the Company's subsidiary undertakings, pursuant to legislation" are amounts payable to KPMG Audit Plc and its associates incurred in respect of the audit work undertaken on *financial controls This work may include an* element, which goes beyond that strictly required by relevant Auditing Standards The amount is estimated not to exceed £0.1m

Fees payable by the Company to Deloitte & Touche LLP with regard to internal audit services in 2009 totalled £0.2m

5. Exceptional items

	52 weeks to 2 April 2010 £m	53 weeks to 3 April 2009 £m
Exceptional operating costs		
Head office rationalisation[a]	-	2 0
Store rationalisation[a]	-	0 8
Exit of standalone cycle store pilot[b]	-	1 2
Distribution and warehousing reorganisation[c]	-	8 3
Central Europe closure[d]	6.6	-
	6.6	12 3
Tax on exceptional items[e]	(1.2)	(3 3)
Exceptional items after tax	5.4	9 0

[a] Cost of staffing reductions in Head Office and stores, to access efficiencies arising from the Company's investment in core enterprise systems over the past four years

[b] Exit costs associated with the cessation of the Company's standalone cycle concept, including the closure of stores where necessary

[c] Costs associated with the re-configuration and consolidation of the Company's distribution infrastructure

[d] Exit costs associated with the closure of all seven stores in Central Europe

[e] This represents the tax credit on these exceptional costs, this credit is lower than the UK corporation tax standard rate of 28% due to the non-deductibility of certain legal expenses and depreciation associated with store infrastructure

The above £6 6m (2009 £12 3m) consisted of £0 3m (2009 £6 0m) redundancy costs, £4 8m (2009 £0 8m) in respect of property, plant and equipment and inventory, £2 2m (2009 £2 3m) onerous lease costs and £0 5m (2009 £3 2m) of other costs offset by £1 2m foreign currency translation gains

Notes to the financial statements for the period ended 2 April 2010 (continued)

6. Net interest receivable

	52 weeks to 2 April 2010 £m	53 weeks to 3 April 2009 £m
Interest receivable and similar income:		
Bank interest	**1.4**	4.4
Other interest receivable	**0.6**	0.5
Interest on loans to group undertakings	**0.1**	5.1
	2.1	10.0
Interest payable and similar charges:		
Interest on loans from group undertakings	**(0.1)**	(2.9)
Other interest payable	**(0.3)**	-
	(0.4)	(2.9)
Net interest receivable	**1.7**	7.1

Notes to the financial statements for the period ended 2 April 2010 (continued)

7. Taxation on profit on ordinary activities

	52 weeks to 2 April 2010 £m	53 weeks to 3 April 2009 £m
The tax charge on profit for the period consists of		
Current taxation		
UK corporation tax charge for the period	**36.6**	33 3
Adjustment in respect of prior periods	**(1.0)**	(2 3)
Total current tax	**35 6**	31 0
Deferred taxation		
Origination and reversal of timing differences	**(1 2)**	(2 0)
Tax charge on profit on ordinary activities	**34.4**	29 0

The tax assessed for the period is higher (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	52 weeks to 2 April 2010 £m	53 weeks to 3 April 2009 £m
Profit on ordinary activities before taxation	**109 2**	101 4
UK corporation tax at standard rate of 28% (2009 28%)	**30.6**	28 4
Factors affecting the charge for the period		
Depreciation on expenditure not eligible for tax relief	**1.5**	-
Capital allowances for the period less than depreciation	**1.3**	3 1
Employee share options	**0.6**	0 4
Movement in short term timing differences	**(0 2)**	-
Distribution and warehousing reorganisation	**-**	0 9
Central Europe closure	**0 3**	-
Disallowable expenses	**2 7**	0 5
Adjustments in respect of prior periods	**(1.0)**	(2 3)
Group relief claimed not paid for	**(0.2)**	-
Total current tax charge for the period	**35 6**	31 0

Notes to the financial statements for the period ended 2 April 2010 (continued)

8. Dividends

	52 weeks to 2 April 2010 £m	53 weeks to 3 April 2009 £m
Interim dividend paid 38 4p (2009 32 4p) per £1 ordinary share	**46 2**	39 0

9. Intangible assets

	Product rights £m
Cost	
At 3 April 2009 and **2 April 2010**	**0.2**
Amortisation	
At 3 April 2009 and **2 April 2010**	**0.2**
Net book value	
At 3 April 2009 and **2 April 2010**	**-**

Notes to the financial statements for the period ended 2 April 2010 (continued)

10. Tangible fixed assets

	Short leasehold land and buildings £m	Fixtures, fittings, and equipment £m	Payments on account and assets in course of construction £m	Total £m
Cost				
At 3 April 2009	36 3	303 3	0 2	339 8
Additions	0 6	12 4	7 3	20 3
Effect of movements in exchange rates	0 1	0 8	-	0 9
Disposals	(0 7)	(3 2)	-	(3 9)
Reclassifications	0 1	-	(0 1)	-
At 2 April 2010	**36.4**	**313.3**	**7.4**	**357 1**
Depreciation				
At 3 April 2009	18 1	218 5	-	236 6
Depreciation for the period	2 0	21 2	-	23 2
Impairment	0 3	4 3	-	4 6
Disposals	(0 5)	(2 9)	-	(3 4)
At 2 April 2010	**19.9**	**241.1**	**-**	**261.0**
Net book value				
At 2 April 2010	16 5	72 2	7 4	96 1
At 3 April 2009	18 2	84 8	0 2	103 2

Payments on account and assets in the course of construction mainly include the costs associated with the new distribution centre in Coventry

The impairment charge includes the impairment of assets in relation to the closure of stores in Central Europe

During the period the Company held equipment at a cost of £0 8m (2009 £0 8m) under a finance lease The net book value of these assets at 2 April 2010 is £nil (2009 £nil)

Notes to the financial statements for the period ended 2 April 2010 (continued)

11. Investments

Investments in subsidiary undertakings.

	Equity investments in Group undertakings £m
Cost	
At 3 April 2009	-
Additions	12 4
2 April 2010	**12.4**

The investment in the subsidiary undertakings as at 2 April 2010 is as follows

Subsidiary undertaking	Incorporated in	Ordinary shares percentage owned %	Principal activity
Halfords sp zo o	Poland	100	Retailer of auto, leisure and cycling products
Halfords Vehicle Management Limited	Great Britain*	100	Dormant
Halfords Limited	Ireland	100	Dormant

* Registered in England and Wales

Halfords Limited is a limited partner in Halfords Investments (2010) LP The partnership was incorporated in Great Britain and registered in England and Wales It's principal activity is that of an intermediate holding partnership The Company acquired 5% of the partnership capital of the partnership for £50,000, following its incorporation on 5 February 2010

Previously, Halfords Limited lent £13,600,000 to Halfords Finance Limited, which was repayable on demand During the period Halfords Limited and Halfords Finance Limited entered into an agreement such that when considered together the loan is effectively no longer repayable on demand but instead repayable on certain fixed dates over a 3 year period, the first repayment of £5,800,000 being due on 30 September 2010

Halfords Limited has agreed to transfer to Nationwide Autocentres Holdings Limited each principal repayment in respect of the loan due from Halfords Finance limited, in return for an issue of ordinary shares on each principal repayment date Hence, the fair value of the cash flows relating to the loan principal has been derecognised as a loan asset and recognised as cost of investment

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

12. Stocks

	2010 £m	2009 £m
Finished goods held for resale	**137.4**	148 6

Notes to the financial statements for the period ended 2 April 2010 (continued)

13. Debtors

	2010 £m	2009 £m
Falling due within one year.		
Trade debtors	**6 1**	7.6
Amounts owed by group undertakings	**105.9**	0 2
Other debtors	**5.7**	6 5
Prepayments and accrued income	**24 9**	23 7
Deferred tax (Note 17)	**0.3**	-
	142.9	38 0

The amount owed by group undertakings are non-interest bearing

	2010 £m	2009 £m
Falling due after more than one year·		
Amounts owed by group undertakings	-	80 6

The amount owed by group undertakings after more than one year includes an unsecured loan to Halfords Finance Limited of £nil (2009 £58 7m) and an unsecured loan to Halfords Holdings (2006) Limited of £nil (2009 £21 8m) These loans carry interest of LIBOR plus a margin of 0 45% in line with external borrowing costs There is no set repayment date These balances have been reclassified as falling due within one year, in the period ended 2 April 2010, following a decision to settle inter-group balances across the Halfords Group during the period ended 2 April 2011

Notes to the financial statements for the period ended 2 April 2010 (continued)

14. Creditors: amounts falling due within one year

	2010 £m	2009 £m
Trade creditors and accruals	**68.6**	51 2
Amounts due to group undertakings	**28.8**	-
Corporation tax	**16.0**	9 0
Other creditors	**2.7**	2 1
Other taxation and social security	**8.6**	8 0
Accruals and deferred income	**35.3**	26 5
	160.0	96 8

During the year, the Directors deemed that certain property related items within accruals and deferred income are more appropriately disclosed within provisions Accordingly £6 3m included within accruals and other deferred income in the prior period is now recognised within provisions, see Note 16

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

	2010 £m	2009 £m
Amounts due to group undertakings	**-**	53 0
Accruals and deferred income	**7 6**	10 1
	7.6	63 1

The amount owed to group undertakings after more than one year includes an unsecured loan from Halfords Group plc of £nil (2009 £48 7m) The loan carries interest of LIBOR plus a margin of 0 45% in line with external borrowing costs There is no set repayment date These balances have been reclassified as falling due within one year, in the period ended 2 April 2010, following a decision to settle inter-group balances across the Halfords Group during the period ended 2 April 2011

Notes to the financial statements for the period ended 2 April 2010 (continued)

16. Provisions for liabilities and charges

	Central Europe exit £m	Deferred taxation (Note 17) £m	Distribution reorganisation £m	Property related £m	Other trading £m	Total £m
At 3 April 2009	-	0 9	8 3	8 2	2 2	19 6
Charged during the period	3 2	-	-	1 8	0 8	5 8
Utilised during the period	-	(0 9)	(1 5)	(0 6)	(1 4)	(4 4)
At 2 April 2010	**3.2**	**-**	**6 8**	**9.4**	**1.6**	**21.0**

The Central Europe exit provision represents the costs associated with the closure of all seven stores trading in the Czech Republic and Poland, see Note 5 This is expected to be fully utilised within the year

The distribution reorganisation provision represents the costs associated with the re-configuration and consolidation of the Company's distribution and warehousing infrastructure This is expected to be fully utilised within the year

Property related provisions consist of costs associated with vacant property, rent reviews and dilapidations As disclosed in Note 14 the prior year balance includes certain items previously included in accruals and deferred income £1 9m of the provision is expected to be utilised in more than one year

Other trading provisions comprise of the sales returns provision and a provision for the costs associated with the cessation of the standalone cycle concept, including closure of stores where necessary This is expected to be fully utilised within the year

17. Analysis of deferred taxation

	2010 £m	2009 £m
Accelerated capital allowances	**(2 0)**	(1 9)
Other timing differences	**2.3**	1 0
Deferred tax asset/(liability)	**0.3**	(0 9)

Notes to the financial statements for the period ended 2 April 2010 (continued)

18. Called up share capital

	2010 Number of shares	2010 £m	2009 Number of shares	2009 £m
Ordinary shares of £1 each				
Allotted, called up and fully paid	**120,216,500**	**120 2**	120,216,500	120 2

19. Profit and loss account

	£m
At 3 April 2009	109 6
Profit for the financial period	74 8
Dividends (see Note 8)	(46 2)
Employee share options	2 5
Translation of foreign operations	0 6
At 2 April 2010	**141.3**

20. Commitments

	2010 £m	2009 £m
Capital expenditure contracted but not provided	**3 9**	1 5

Annual commitments under operating leases at

	2010 Land and buildings £m	2010 Other assets £m	2009 Land and buildings £m	2009 Other assets £m
Expiring				
Within one period	**0.4**	**0 2**	0 5	0 2
Over one period and less than five periods	**19 9**	**0 8**	12 2	1 2
Over five periods	**60.4**	**0.2**	67 1	-
	80 7	**1.2**	79 8	1 4

The operating lease commitments are shown before receipts from sublet income

Notes to the financial statements for the period ended 2 April 2010 (continued)

21. Staff numbers and costs

	2010 Number	2009 Number
Average monthly number of persons employed by the Company (including directors) during the period		
Stores	8,896	9,559
Central warehousing	162	192
Head office	516	550
	9,574	10,301

	52 weeks to 2 April 2010 £m	53 weeks to 3 April 2009 £m
The aggregated payroll cost was as follows		
Wages and salaries	**108.7**	110 0
Social security costs	**7.3**	7 8
Share-based payment charge	**2 5**	1 7
Other pension costs (see Note 23)	**3 2**	3 2
Exceptional redundancy costs (see Note 5)	**0 3**	6 0
	122.0	128.7

Notes to the financial statements for the period ended 2 April 2010 (continued)

22. Directors' remuneration

	52 weeks to 2 April 2010 £m	53 weeks to 3 April 2009 £m
Directors' emoluments for services to the Company	2 6	2 0
Compensation for loss of office	-	0 2
Aggregate value of pension contributions	0.3	0 2
Total remuneration	2.9	2 4
Remuneration of the highest paid director:		
Remuneration, excluding pension contributions	1 1	0 8
Contributions to pension scheme	0.1	0 1

	Number	Number
Number of directors who were members of Halfords defined contribution pension plan	4	4
Number of directors who received contributions to personal pension plans	1	1

23. Pensions

Employees are offered membership of Halfords Pension Plan During the period the Company changed its pension arrangement to prepare for the governments introduction of Personal Accounts The Halfords Pension Plan moved from a defined contribution scheme to a contract based plan, where each member has their own individual pension policy, which they monitor independently 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 £3.2m (2009 £3 2m)

24. Contingent liability

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

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 2 April 2010 amounted to £3 2m (2009 £2 9m)

25. Financial Instruments

As at 2 April 2010 the Company held forward foreign currency contracts with a fair value of £2 2m (2009 £13 3m) No gain has been recognised in these accounts as forward contracts mature over varying periods from the balance sheet date and the exchange rate is expected to fluctuate in the period up to maturity

Notes to the financial statements for the period ended 2 April 2010 (continued)

26. Ultimate holding company

The Company's immediate holding company is Halfords Finance Limited The Company's ultimate holding company and its ultimate controlling party is Halfords Group plc, a company incorporated in Great Britain and registered in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these financial statements The results of the Company are included in the Group financial statements of Halfords Group plc

Copies of the group financial statements may be obtained from the Company Secretary at Icknield Street Drive, Washford West, Redditch, Worcestershire, B98 0DE

As the Company is a wholly owned subsidiary of Halfords Group plc it has taken the exemption under FRS 8 "Related party disclosures" the Company has taken the exemption from disclosing related party transactions with wholly owned Group entities