Part V. Accountants' Report on the Group

The following is the text of the report on the Company by PricewaterhouseCoopers LLP, Reporting Accountants:

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

The Directors
Halfords Group Plc
Icknield Street Drive
Washford
Redditch
Worcestershire
B98 0DE

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London
EC1A 1HQ

3 June 2004

Dear Sirs

Halfords Group Plc

Introduction

We report on the combined and consolidated financial information (the "Combined and Consolidated Financial Information") set out below. This Combined and Consolidated Financial Information has been prepared for inclusion in the listing particulars dated 3 June 2004 (the "listing particulars") of Halfords Group Plc (the "Company"). The Company and its subsidiaries are referred to as the "Halfords Group".

Basis of preparation

Halfords Group Plc was incorporated on 10 June 2002 and commenced trading on 30 August 2002 when it acquired Halfords Limited (the "CVC Acquisition"), the trading company in the Halfords Group.

The Combined and Consolidated Financial Information set out below is based on the audited financial statements of the companies that comprised the Halfords Group in the periods ended 29 March 2002, 28 March 2003 and 2 April 2004 and has been prepared on the basis set out in the 'Basis of Preparation' section on page 72, to which no adjustments were considered necessary.

52 week period to 29 March 2002

The Combined and Consolidated Financial Information is based on the audited financial statements of Halfords Limited.

52 week period to 28 March 2003

The Combined and Consolidated Financial Information is based on an aggregation of the audited financial statements of Halfords Limited for the five month period to 30 August 2002 and the audited consolidated financial statements of Halfords Group Plc for the seven months to 28 March 2003. Halfords Group Plc was incorporated on 10 June 2002 but did not trade in the three months to 30 August 2002.

53 week period to 2 April 2004

The Combined and Consolidated Financial Information is based on the audited consolidated financial statements of Halfords Group Plc.

Responsibility

Such financial statements are the responsibility of the directors of the companies who approved their issue.

The directors of Halfords Group Plc are responsible for the contents of the listing particulars in which this report is included.

It is our responsibility to compile the Combined and Consolidated Financial information set out in our report from the financial statements, to form an opinion on the Combined and Consolidated Financial Information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the Combined and Consolidated Financial Information. The evidence included that previously obtained by us and that recorded by the previous auditors relating to the audits of the financial statements underlying the Combined and Consolidated Financial Information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Combined and Consolidated Financial Information and whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our work 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 Combined and Consolidated Financial Information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Combined and Consolidated Financial Information gives, for the purposes of the listing particulars, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended.

Combined and Consolidated Profit and Loss Accounts	Note	52 weeks ended 29 March 2002 £m	52 weeks ended 28 March 2003 £m	53 weeks ended 2 April 2004 £m
Turnover	3	519.8	525.8	578.6
Cost of sales	4	(243.3)	(244.4)	(269.0)
Gross profit		276.5	281.4	309.6
Selling and distribution costs	4	(193.0)	(190.2)	(195.2)
Administrative expenses excluding goodwill amortisation and exceptional costs		(32.0)	(40.4)	(35.2)
Goodwill amortisation		–	(8.0)	(13.7)
Exceptional administrative expenses		–	(9.3)	–
Administrative expenses	4	(32.0)	(57.7)	(48.9)
Operating profit before goodwill amortisation and exceptional costs		51.5	50.8	79.2
Goodwill amortisation		–	(8.0)	(13.7)
Exceptional costs		–	(9.3)	–
Group operating profit		51.5	33.5	65.5
Loss on the sale of business	5	(2.3)	–	–
Profit on the sale of fixed assets	5	–	–	6.4
Net interest payable	6	(0.5)	(21.9)	(44.1)
Profit on ordinary activities before taxation	7	48.7	11.6	27.8
Tax on profit on ordinary activities	8	(16.7)	(6.5)	(14.3)
Profit for the financial period		32.0	5.1	13.5
Dividends	9	–	(11.0)	–
Retained profit/(loss) for the financial period	22, 23	32.0	(5.9)	13.5
Earnings per 1p share				
– basic	10	19.5	3.1	8.1
– diluted	10	18.8	3.0	7.8
Earnings per 1p share before goodwill amortisation				
– basic	10		8.0	16.3
– diluted	10		7.7	15.7

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

Halfords Group Plc acquired Halfords Limited on 30 August 2002. Prior to this date Halfords Limited was a wholly owned subsidiary of The Boots Company Plc. Consequently the results across the three periods reflect the differences in the capital and financing structure under the different ownerships and the goodwill arising on the CVC Acquisition leading to amortisation charges in the post-CVC Acquisition periods.

Combined and Consolidated Statement of Total Recognised Gains and Losses	52 weeks ended 29 March 2002 £m	52 weeks ended 28 March 2003 £m	53 weeks ended 2 April 2004 £m
Profit attributable to shareholders	32.0	5.1	13.5
Total gains recognised since last annual report	32.0	5.1	13.5

Combined and Consolidated Reconciliation of Movements in Group Shareholders' Funds	£m
Balance at 1 April 2001	111.9
Profit for the financial period	32.0
Balance at 29 March 2002	143.9
Profit for the financial period up to the date of the CVC Acquisition	14.0
Interim dividend	(11.0)
Balance at 30 August 2002	146.9
Elimination of Boots Invested Capital	(146.9)
Net proceeds of ordinary shares issued for cash (note 22, 23)	(0.1)
Loss for the financial period from the date of the CVC Acquisition	(8.9)
Balance at 28 March 2003	(9.0)
Profit for the financial period	13.5
Balance at 2 April 2004	4.5

Combined and Consolidated Balance Sheets	Note	29 March 2002 £m	28 March 2003 £m	2 April 2004 £m
Fixed assets				
Intangible assets	11	–	266.4	253.1
Tangible assets	12	106.3	78.8	82.5
Investments	13	–	–	–
		106.3	345.2	335.6
Current assets				
Stock	14	94.9	90.3	107.1
Debtors	15	36.9	23.2	23.5
Cash at bank and in hand		53.3	45.0	25.6
		185.1	158.5	156.2
Creditors – Amounts falling due within one year	16	(80.2)	(84.6)	(293.8)
Net current assets/(liabilities)		104.9	73.9	(137.6)
Total assets less current liabilities		211.2	419.1	198.0
Creditors – Amounts falling due after more than one year	17	(49.8)	(424.4)	(190.2)
Provisions for liabilities and charges	20	(17.5)	(3.7)	(3.3)
Net assets/(liabilities)		143.9	(9.0)	4.5
Capital and reserves				
Called up share capital	21	–	–	–
Share premium account	22	–	0.1	0.1
Profit and loss account	22	–	(9.1)	4.4
Boots Invested Capital	23	143.9	–	–
Shareholders' funds		143.9	(9.0)	4.5

Halfords Group Plc acquired Halfords Limited on 30 August 2002. Prior to this date Halfords Limited was a wholly owned subsidiary of The Boots Company Plc. Consequently the balance sheets across the three periods reflect the differences in the capital and funding structures that existed under the different ownerships and the goodwill arising on the CVC Acquisition.

Combined and Consolidated Cash Flow Statements

	Note	52 weeks ended 29 March 2002 £m	52 weeks ended 29 March 2002 £m	52 weeks ended 28 March 2003 £m	52 weeks ended 28 March 2003 £m	53 weeks ended 2 April 2004 £m	53 weeks ended 2 April 2004 £m
Net cash inflow from operating activities	25		63.6		61.9		114.8
Returns on investments and servicing of finance							
Interest received		–		1.0		2.8	
Interest paid		(0.1)		(7.5)		(26.8)	
Issue costs of new bank loan		–		(10.0)		(2.5)	
Interest element of finance lease payment		(0.1)		–		–	
Net cash outflow from returns on investments and servicing of finance			(0.2)		(16.5)		(26.5)
Taxation			(11.7)		(16.0)		(8.1)
Capital expenditure and financial investment							
Purchase of tangible fixed assets		(21.6)		(20.9)		(19.3)	
Sale of tangible fixed assets		0.3		1.5		6.9	
Net cash outflow for capital expenditure and financial investment			(21.3)		(19.4)		(12.4)
Acquisitions and disposals							
Purchase of subsidiary undertakings		–		(400.6)		–	
Consideration from sale of garage business		3.9		–		–	
Net cash inflow/(outflow) for acquisitions and disposals	28		3.9		(400.6)		–
Equity dividends paid to shareholders			(65.5)		(11.0)		–
Net cash outflow before use of liquid resources and financing			(31.2)		(401.6)		67.8
Management of liquid resources							
Increase/(reduction) in short-term deposits with banks			–		(20.0)		20.0
Financing							
Issue of ordinary share capital		–		0.1		–	
Expenses of share issue		–		(0.2)		–	
Finance leases		(0.5)		(1.3)		0.8	
Decrease in borrowings to Boots Group		–		(45.9)		–	
Increase/(decrease) in borrowings		11.1		427.4		(81.9)	
Net cash inflow/(outflow) from financing			10.6		380.1		(81.1)
(Decrease)/increase in net cash			(20.6)		(41.5)		6.7
Reconciliation of net cash flow to movement in net cash/(debt)							
Net cash/(debt) at start of period	26		37.3		6.1		(395.9)
(Decrease)/increase in net cash			(20.6)		(41.5)		6.7
Movement in deposits	26		–		20.0		(20.0)
Movement in borrowings			(10.6)		(370.2)		83.6
Other non-cash changes	26		–		(10.3)		(23.9)
Net cash/(debt) at end of period			6.1		(395.9)		(349.5)

The cash flows for the periods up to the CVC Acquisition on 30 August 2002 reflect the capital structure and financing of Halfords Limited within The Boots Company Plc. These are different from those that have existed since the CVC Acquisition.

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

Corporate history

Halfords Group Limited was incorporated on 10 June 2002 and commenced trading on 30 August 2002 when it acquired Halfords Limited. Prior to 30 August 2002, Halfords Limited was a wholly owned subsidiary of The Boots Company Plc.

On 12 May 2004, Halfords Group Limited re-registered as a public limited company and changed its name to Halfords Group Plc.

Companies in the Combined and Consolidated Financial Information

This Combined and Consolidated Financial Information presents the financial record for the 52 week periods ended 29 March 2002 and 28 March 2003 and the 53 week period ended 2 April 2004 of those businesses that are part of the Halfords Group at the date of this document. The Combined and Consolidated Financial Information therefore comprises an aggregation of amounts included in the financial statements of the following companies.

Company	Nature of operations	Country of incorporation
Halfords Group Plc	Holding company	England
Halfords Holdings Limited	Intermediate holding company	England
Halfords Finance Limited	Intermediate holding company	England
Halfords Limited	Retailing of auto parts, accessories, cycles and cycle accessories	England
Halfords Payment Services Limited	Provides payment process services	England
Halfords Vehicle Management Limited	Dormant	England

The above subsidiaries are wholly owned directly or indirectly by Halfords Group Plc.

Basis of aggregation

The Combined and Consolidated Financial Information represents an aggregation of the financial information of the various companies, which comprised the Halfords Group during the three financial periods as follows:

52 week period to 29 March 2002

The Combined and Consolidated Financial Information is based on the financial statements of Halfords Limited.

52 week period to 28 March 2003

The Combined and Consolidated Financial Information is based on an aggregation of the financial statements of Halfords Limited for the five month period to 30 August 2002 and the consolidated financial statements of Halfords Group Plc for the seven months to 28 March 2003. Halfords Group Plc was incorporated on 10 June 2002 but did not trade in the three months to 30 August 2002.

53 week period to 2 April 2004

The Combined and Consolidated Financial Information is based on the consolidated financial statements of Halfords Group Plc.

Accounting reference date

As permitted under the Companies Act 1985, the companies within the Halfords Group prepare financial statements drawn up to the nearest Friday to 31 March each year.

2. ACCOUNTING POLICIES

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

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings.

The acquisition method of accounting has been adopted. The net assets of acquired undertakings are incorporated at their fair value at the date of acquisition. All changes to those assets and liabilities, and the resulting gains and losses that arise after the Group has gained control are credited and charged to the post-acquisition profit and loss account or the statement of recognised gains and losses as appropriate.

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

Turnover

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

Depreciation

Tangible fixed assets are written off in equal instalments to their estimated residual value over their expected useful economic lives. This policy is reviewed on a regular basis to ensure that the estimated useful economic 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
Short leasehold improvements	Over the period of the lease
Motor vehicles	33 per cent. per annum
Fixtures, fittings and equipment	10 to 25 per cent. per annum
Computer equipment	33 per cent. per annum

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

Pensions

Prior to the CVC Acquisition, Group employees participated in the Boots group-wide pension scheme providing benefits based on final pensionable pay. The cost of providing pensions was charged to the profit and loss account over the periods benefiting from the employees' services in accordance with SSAP 24.

Since the CVC Acquisition, employees have been offered membership of the 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.

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 is included within 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.

Intangible assets
The costs of intangible assets acquired, which are capitalised only if separately identifiable, are amortised over estimated useful economic 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 is reviewed annually and any impairment in value charged to the profit and loss account.

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

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.

Financial 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 instruments.

The principal derivative instruments utilised by the Group are interest rate swaps and forward rate agreements. These instruments are used for hedging purposes in line with the Group risk management policy and no trading of financial instruments is undertaken. Interest differentials are taken to net interest payable in the profit and loss account, and premiums and fees are amortised at a contract rate over the life of the underlying instruments.

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.

3. TURNOVER ANALYSIS

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

Turnover by product category	52 weeks ended 29 March 2002 Total £m	52 weeks ended 28 March 2003 Total £m	53 weeks ended 2 April 2004 Total £m
Car maintenance	156.7	170.2	172.0
Car enhancement	164.2	174.7	201.4
Travel solutions	69.4	68.9	82.1
Cycling	112.2	112.0	123.1
	502.5	525.8	578.6
Garage services	17.3	–	–
	519.8	525.8	578.6

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 business as defined in SSAP 25. Accordingly the additional disclosures set out in SSAP 25 are not considered to be required.

4. COST OF SALES, GROSS PROFIT, SELLING AND DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

	52 weeks ended 29 March 2002 Total £m	52 weeks ended 28 March 2003 Total £m	53 weeks ended 2 April 2004 Total £m
Turnover	519.8	525.8	578.6
Cost of sales	(243.3)	(244.4)	(269.0)
Gross profit	276.5	281.4	309.6
Selling and distribution costs	(193.0)	(190.2)	(195.2)
Administrative expenses	(32.0)	(40.4)	(35.2)
Goodwill amortisation	–	(8.0)	(13.7)
Exceptional costs (see below)	–	(9.3)	–
Total administrative expenses	(32.0)	(57.7)	(48.9)
Net operating expenses	(225.0)	(247.9)	(244.1)
Group operating profit	51.5	33.5	65.5

As set out in note 5, in August 2001, Halfords Limited sold its garage services business. In the period from 31 March 2001 through to the date of disposal, the garage services business contributed £17.3 million to turnover, £5.2 million to cost of sales, £13.0 million to distribution costs and £0.3 million to administrative expenses, resulting in an overall operating loss for this business in the 52 weeks ended 29 March 2002 of £1.2 million.

Exceptional costs in the 52 weeks ended 28 March 2003 were as follows:

	£m
Write off of pension prepayment	8.1
Professional costs incurred as a result of the change of ownership	0.5
Transfer of property obligations and other obligations to the Boots Group	(4.0)
Restructuring costs	4.7
Total exceptional costs	9.3

The £4.7m restructuring costs related to redundancy and similar charges, covering head office (£2.7 million) and retail operations (£2.0 million).

5. NON OPERATING EXCEPTIONAL ITEMS

	52 weeks ended 29 March 2002 £m	52 weeks ended 28 March 2003 £m	53 weeks ended 2 April 2004 £m
Loss on disposal of business	(2.3)	–	–
Profit on sale of property	–	–	6.2
Profit on sale of fixed asset investments	–	–	0.2
	(2.3)	–	6.4

Loss on sale of business

In August 2001, Halfords Limited sold its garage services business for net consideration of £4.3 million in cash (see note 28). Expenses incurred on the disposal totalled £0.4 million.

Profit on sale of property

In March 2004, the Group exercised an option to acquire its head office premises for £11.2 million. The property was then immediately subject to a sale and leaseback for total consideration of £21.2 million. Of these proceeds, £3.8 million is considered to represent a reverse premium and has been deferred and will be amortised over the term of the lease.

6. NET INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 29 March 2002 £m	52 weeks ended 28 March 2003 £m	53 weeks ended 2 April 2004 £m
Unwinding of discount in provisions	(0.3)	–	–
Interest payable on bank loans and overdrafts	–	(13.8)	(23.9)
Premium on deep discount bond	–	(7.9)	(12.1)
Amortisation of issue costs	–	(0.7)	(1.3)
Exceptional amortisation of issue costs	–	–	(8.7)
Commitment and guarantee fees	–	(0.5)	(0.7)
Interest payable on finance leases	(0.1)	–	–
Other interest payable	(0.1)	(0.1)	(0.1)
Total interest payable and similar charges	(0.5)	(23.0)	(46.8)
Bank interest receivable	–	1.1	2.7
Net interest payable and similar charges	(0.5)	(21.9)	(44.1)

As explained in note 18, the existing borrowings of the Group will be repaid from the proceeds from the Global Offer and the New Bank Facilities. Accordingly the amortisation of the debt issue costs has been accelerated in the 53 week period ended 2 April 2004. In addition, during the 53 week period ended 2 April 2004, the Group repaid all of the borrowings under its mezzanine facility and has therefore written off the remaining unamortised issue costs relating to this facility.

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	52 weeks ended 29 March 2002 £m	52 weeks ended 28 March 2003 £m	53 weeks ended 2 April 2004 £m
Profit on ordinary activities before taxation is stated after charging/(crediting):			
Amortisation of goodwill	–	8.0	13.7
Depreciation of tangible fixed assets			
– owned assets	12.9	15.9	15.8
– under finance leases	0.5	0.2	–
Loss on disposal of fixed assets			
– adjustment to depreciation	3.0	1.4	0.2
Hire of machinery and equipment	0.1	0.2	0.7
Other operating lease rentals	54.4	54.5	56.4
Rents received	(8.7)	(10.7)	(9.5)
Group audit fees and expenses	0.1	0.1	0.1

Fees paid to PricewaterhouseCoopers LLP for non-audit services in the UK were £Nil, £2.2 million and £0.6 million for the periods ended 28 March 2002, 29 March 2003 and 2 April 2004. These comprise the following non-audit services:

Non-Audit Services

	52 weeks ended 29 March 2002 £m	52 weeks ended 28 March 2003 £m	53 weeks ended 2 April 2004 £m
Assurance related services	–	1.5	0.4
Taxation services	–	0.4	0.1
Other services	–	0.3	0.1
	–	2.2	0.6

The directors recognise that there are occasions when it is advantageous to use the auditors for non audit work due to their knowledge and understanding of the Group. The directors monitor the level of audit and non audit services to ensure that the independence and objectivity of the auditors are not compromised.

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	52 weeks ended 29 March 2002 £m	52 weeks ended 28 March 2003 £m	53 weeks ended 2 April 2004 £m
Analysis of charge in period			
United Kingdom			
Corporation tax at 30 per cent. (2003: 30%; 2002: 30%)	14.7	9.7	15.2
Prior periods	(0.8)	0.7	0.1
	13.9	10.4	15.3
Deferred tax			
Origination and reversal of timing differences	2.8	(3.9)	(1.0)
Tax on profit on ordinary activities	16.7	6.5	14.3

The tax for the period is higher/(lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	52 weeks ended 29 March 2002 £m	52 weeks ended 28 March 2003 £m	53 weeks ended 2 April 2004 £m
Profit on ordinary activities before taxation	48.7	11.6	27.8
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30 per cent. (2003: 30 per cent.; 2002: 30 per cent.)	14.6	3.6	8.3
Effects of:			
Adjustments to tax in respect of prior periods	(0.8)	0.7	0.1
Adjustment in respect of fixed asset disposals	1.3	–	–
Movement in pension fund prepayment	(1.4)	2.2	–
Expenses not deductible for tax purposes	0.7	0.9	0.7
Capital allowances in excess of depreciation	–	1.0	0.7
Goodwill amortisation	–	2.4	4.1
Timing difference on premium received on property transactions	–	–	1.1
Other timing differences	0.1	(0.4)	0.3
Profit on sale of fixed assets covered by rollover relief/capital gains tax	(0.6)	–	–
	13.9	10.4	15.3

9. DIVIDENDS

	52 weeks ended 29 March 2002 £m	52 weeks ended 28 March 2003 £m	53 weeks ended 2 April 2004 £m
Equity – Ordinary			
Dividend paid	–	11.0	–
	–	11.0	–

The dividend was paid to the former parent company prior to the CVC Acquisition. This represents a dividend of 9.15 pence per share in respect of the 120,216,500 ordinary shares in Halfords Limited held by Boots.

10. EARNINGS PER SHARE

The calculation of the basic earnings per ordinary share has been based on the profit for the relevant period and on 166,673,388 shares for the 53 week period ended 2 April 2004, 163,744,304 shares for the 52 week period ended 28 March 2003 and 163,689,127 shares for the 52 week period ended 29 March 2002, being the weighted average share capital after taking account of the restructuring of the existing share capital conditional on Admission (see note 35).

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares are in respect of the warrants issued on 30 August 2002 and consequently the calculation of the diluted earnings per ordinary share has been based on the profit for the relevant period and on 173,281,073 shares for the 53 week period ended 2 April 2004, 170,235,372 shares for the 52 week period ended 28 March 2003 and 170,178,010 shares for the 52 week period ended 29 March 2002, being the weighted average share capital after taking into account the restructuring of the share capital conditional on Admission (see note 35).

For the purposes of calculating earnings per share for the 52 week period ended 29 March 2002, the number of shares is based on those issued on the CVC Acquisition adjusted to take account of the restructuring conditional on Admission.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	52 weeks ended 29 March 2002			52 weeks ended 28 March 2003		
	Earnings £m	Weighted average number of shares million	Per-share amount pence	Earnings £m	Weighted average number of shares million	Per-share amount pence
Basic EPS						
Earnings attributable to ordinary shareholders	32.0	163.7	19.5	5.1	163.7	3.1
Effect of dilutive securities						
Warrants		6.5			6.5	
Diluted EPS						
Adjusted earnings	32.0	170.2	18.8	5.1	170.2	3.0
Supplementary earnings per share						
Basic EPS				5.1		
Effect of goodwill amortisation				8.0		
Basic EPS excluding goodwill amortisation				13.1	163.7	8.0
Diluted EPS				5.1		
Effect of goodwill amortisation				8.0		
Diluted EPS excluding goodwill amortisation				13.1	170.2	7.7

	53 weeks ended 2 April 2004		
	Earnings £m	Weighted average number of shares million	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	13.5	166.7	8.1
Effect of dilutive securities			
Warrants		6.6	
Diluted EPS			
Adjusted earnings	13.5	173.3	7.8
Supplementary earnings per share			
Basic EPS	13.5		
Effect of goodwill amortisation	13.7		
Basic EPS excluding goodwill amortisation	27.2	166.7	16.3
Diluted EPS	13.5		
Effect of goodwill amortisation	13.7		
Diluted EPS excluding goodwill amortisation	27.2	173.3	15.7

Supplementary basic and diluted EPS have been calculated to exclude the effect of amortisation of goodwill arising on the CVC Acquisition which took place during the 52 weeks ended 28 March 2003. The adjusted numbers have been provided in order that the effects of goodwill amortisation on reported earnings can be fully appreciated.

11. INTANGIBLE FIXED ASSETS

	Goodwill £m	Trademarks £m	Total £m
Cost			
At 31 March 2001 and 29 March 2002	–	0.2	0.2
On CVC Acquisition	274.4	–	274.4
At 28 March 2003	274.4	0.2	274.6
Additions	0.4	–	0.4
At 2 April 2004	274.8	0.2	275.0
Amortisation			
At 31 March 2001 and 29 March 2002	–	0.2	0.2
Charge for the period	8.0	–	8.0
At 28 March 2003	8.0	0.2	8.2
Charge for the period	13.7	–	13.7
At 2 April 2004	21.7	0.2	21.9
Net book amount			
At 29 March 2002	–	–	–
At 28 March 2003	266.4	–	266.4
At 2 April 2004	253.1	–	253.1

The goodwill arising on the CVC Acquisition of Halfords Limited is being amortised on a straight-line basis over 20 years. This is the period over which the directors estimate that the value of the underlying business acquired is expected to exceed the value of the underlying assets.

The increase in goodwill in the 53 week period ended 2 April 2004 reflects an additional fair value adjustment in respect of a provision for sales returns.

The trademark relates to the "Ripspeed" registered trademark and was fully amortised by the beginning of the period.

12. 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					
At 31 March 2001	27.7	4.1	180.4	0.9	213.1
Additions at cost	1.7	0.5	16.2	0.8	19.2
Disposals	(1.4)	(0.9)	(4.9)	–	(7.2)
Reclassifications	0.5	–	0.4	(0.9)	–
Disposal of business	(2.9)	–	(14.8)	–	(17.7)
At 29 March 2002	25.6	3.7	177.3	0.8	207.4
Additions for the period prior to the CVC Acquisition	0.3	0.4	9.0	0.9	10.6
Reclassifications	0.2	–	0.6	(0.8)	–
Disposals for the period prior to the CVC Acquisition	(0.3)	(0.7)	(5.9)	–	(6.9)
Eliminated on the CVC Acquisition	(25.8)	(3.4)	(181.0)	(0.9)	(211.1)
Fair value on CVC Acquisition	25.6	3.4	178.5	0.9	208.4
Additions for the period since the CVC Acquisition	0.8	–	6.0	0.8	7.6
Disposals for the period since the CVC Acquisition	(0.3)	(2.1)	(2.4)	–	(4.8)
Reclassifications	0.3	–	0.6	(0.9)	–
At 28 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)
Reclassification	0.2	–	0.6	(0.8)	–
At 2 April 2004	27.0	0.1	192.6	1.9	221.6
Accumulated depreciation					
At 31 March 2001	8.3	1.1	96.1	–	105.5
Charge for the period	1.1	0.7	11.6	–	13.4
Disposals	(0.2)	(0.4)	(3.3)	–	(3.9)
Disposal of businesses	(1.4)	–	(12.5)		(13.9)
At 29 March 2002	7.8	1.4	91.9	–	101.1
Charge for the period prior to the CVC Acquisition	0.4	0.3	6.1	–	6.8
Disposals for the period prior to the CVC Acquisition	(0.1)	(0.3)	(5.3)	–	(5.7)
Eliminated on the CVC Acquisition	(8.1)	(1.4)	(92.7)	–	(102.2)
Fair value on CVC Acquisition	9.4	1.4	115.3	–	126.1
Charge for the period since the CVC Acquisition	0.9	0.2	8.2	–	9.3
Disposals for the period since the CVC Acquisition	(0.2)	(0.8)	(2.0)	–	(3.0)
At 28 March 2003	10.1	0.8	121.5	–	132.4
Charge for the period	1.3	0.1	14.4	–	15.8
Disposals	(0.2)	(0.8)	(8.1)	–	(9.1)
At 2 April 2004	11.2	0.1	127.8	–	139.1
Net book amount:					
At 29 March 2002	17.8	2.3	85.4	0.8	106.3
At 28 March 2003	16.3	0.5	61.2	0.8	78.8
At 2 April 2004	15.8	–	64.8	1.9	82.5

	As at 29 March 2002 £m	As at 28 March 2003 £m	As at 2 April 2004 £m
Analysis of net book amount of land and buildings			
Leasehold:			
Under 50 years unexpired	17.8	16.3	15.8
	17.8	16.3	15.8

Assets held under finance leases, capitalised and included in plant and equipment and vehicles and office equipment.

	As at 29 March 2002 £m	As at 28 March 2003 £m	As at 2 April 2004 £m
Cost	1.9	–	0.8
Aggregate depreciation	(0.5)	–	–
Net book amount	1.4	–	0.8

13. INVESTMENTS

	As at 29 March 2002 £m	As at 28 March 2003 £m	As at 2 April 2004 £m
Interest in own shares	–	–	–

At 2 April 2004, certain employees held options to subscribe for shares in the Company at £1 per share under a share option scheme approved by shareholders on 19 November 2003. At that date options had been granted 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 option scheme are held in trust. As at 2 April 2004, the trust held 20,400 (2003: nil) ordinary shares of 1p each in the Company, with a nominal value of £204 (2003: nil).

14. STOCKS

	As at 29 March 2002 £m	As at 28 March 2003 £m	As at 2 April 2004 £m
Finished products held for resale	94.9	90.3	107.1
	94.9	90.3	107.1

15. DEBTORS

	As at 29 March 2002 £m	As at 28 March 2003 £m	As at 2 April 2004 £m
Amounts falling due within one year:			
Trade debtors	7.2	5.2	6.3
Amounts owed by former parent group	0.6	–	–
Other debtors	12.5	0.7	0.5
Prepayments and accrued income	16.1	17.3	16.7
	36.4	23.2	23.5
Amounts falling due after more than one year:			
Amounts owed by former parent group	0.5	–	–
	36.9	23.2	23.5

16. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 29 March 2002 £m	As at 28 March 2003 £m	As at 2 April 2004 £m
Bank overdraft	–	13.2	7.1
Bank borrowings (note 18)	–	4.8	93.0
Debentures and other loans (note 18)	–	–	89.2
Obligations under finance leases	0.4	–	0.2
Trade creditors	26.3	31.2	60.6
Amounts owed to former parent and group undertakings	14.2	–	–
Corporation tax	8.8	3.2	10.1
Other taxation and social security payable	5.0	2.8	7.5
Other creditors	3.8	1.1	1.5
Accruals and deferred income	21.7	28.3	24.6
	80.2	84.6	293.8

17. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	As at 29 March 2002 £m	As at 28 March 2003 £m	As at 2 April 2004 £m
Bank loans (note 18)	–	278.5	185.0
Debentures and other loans (note 18)	–	144.4	–
Obligations under finance leases	0.9	–	0.6
Amounts owed to former parent and group undertakings	45.9	–	–
Accruals and deferred income	3.0	1.5	4.6
	49.8	424.4	190.2

18. BANK AND OTHER BORROWINGS

	As at 29 March 2002 £m	As at 28 March 2003 £m	As at 2 April 2004 £m
Bank loans:			
Secured	–	283.3	278.0
Unsecured	–	–	–
	–	283.3	278.0
Debentures and other loans:			
Deep discount bonds	–	143.8	88.8
Other unsecured loan notes	–	0.6	0.4
Finance lease obligations	1.3	–	0.8
	1.3	427.7	368.0

Secured bank loans are stated net of unamortised issue costs of £1.7m (2003: £8.3m). In the period to 28 March 2003, the Group incurred total issue costs of £8.9m in respect of the arrangement of a senior facility of £220.0m and a mezzanine facility of £70.0m that were entered into on 25 July 2002. In the period to 2 April 2004, the Group incurred issue costs of £2.5m in respect of the arrangement of a senior term facility of £65m which was entered into on 12 November 2003. These costs were being charged to the profit and loss account over the term of the facilities. The charge has been accelerated in the 53 week period ended 2 April 2004 as the related borrowings are to be repaid from the proceeds of the Global Offer and associated New Bank Facilities.

The senior facility includes £89.7m that is redeemable in six monthly instalments from 30 September 2003 to 30 September 2009 and carries interest of LIBOR plus 1.5 to 2.0 per cent. Of the remaining senior loan, £62.5m is repayable on 30 September 2010, £62.5m is repayable on 30 September 2012 and £65.0m is repayable on 30 September 2014 and bears interest based on LIBOR plus 2.75 per cent., 3.25 per cent. and 3.75 per cent. respectively. It is expected that these borrowings will be repaid from the proceeds of the Global Offer and the New Bank Facilities and consequently they have been reclassified to reflect the repayment profile applicable to the New Bank Facilities.

The mezzanine facility was repayable on 30 September 2013 and bore annual interest of LIBOR plus 4 per cent., plus further interest of 4 per cent. per annum payable on redemption. Borrowings under this facility were repaid on 12 November 2003.

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

The deep discount bonds were issued at a discount on their nominal value and are redeemable at a value that will be determined at the time of redemption (up to 100 per cent. of the nominal value). The bonds will be redeemed on 30 September 2014 unless previously redeemed. The bonds are stated net of unamortised issue costs of £0.1m (2003: £1.0m). The Group incurred total issue costs of £1.1m in respect of the bonds. These costs together with the premium on redemption are charged to the profit and loss account over the term of the facility. The deep discounted bonds will be repaid from the proceeds of the Global Offer and New Bank Facilities and hence has been reclassified as due within one year and the amortisation charge in respect of the issue costs has been accelerated.

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

19. FINANCIAL INSTRUMENTS

Treasury policy

The Group's objective in using financial instruments is to minimise its exposure to financial risk. Halfords Group treasury's main responsibilities are to:

- Ensure adequate funding and liquidity for the Company;
- Manage the interest rate risk of the debt;
- Manage the foreign exchange risk on its non-sterling cash flows;
- Invest surplus cash; and
- Manage the clearing banking operations of the Company.

The main risk arising from the Group's financial instruments is interest rate risk. Policies for managing financial risks are governed by board approved policies and procedures, which are reviewed on an annual basis. The latest policy review was performed in January 2004.

Halfords' debt management policy is to provide an appropriate level of funding to finance the Business Plan over the next three to five years at a reasonable cost and ensure adequate flexibility to meet the changing needs of the enterprise.

Financial Risk

The business plan and cash flow forecasts are subject to key assumptions such as interest rates and the significance of these risks is dependent upon the level of the trading profit and the strength of the balance sheet.

Interest Rate Risk

Halfords maintains its policy to minimise interest rate risk on its borrowings and deposits by using interest rate derivatives where appropriate. The Group's policy aims to manage the interest cost of the Company within the constraints of the Business Plan and its financial covenants. The aim is to reduce exposure to the effect of interest rates movements and to take advantage of low interest rates by hedging at least 75 per cent. of the following financial period's net interest rate exposure, whilst maintaining the flexibility to minimise early termination costs.

Foreign Currency Risk

Halfords has a significant transaction exposure with increasing, direct-source purchases of its supplies from the Far East, with most of the trade being specifically US Dollar denominated. The Group's policy is to manage the foreign exchange transaction exposures of the business for a minimum period of twelve months forward to ensure the actual costs do not exceed the budget costs by 10 per cent. (excluding increases in the base cost of the product). The Company does not hedge either economic exposure or the translation exposure arising from the profits, assets and liabilities of non-sterling business whilst they remain immaterial.

Credit Risk

The Group's policy is to minimise the risk that foreign exchange and interest rate derivative counterparties, the holders of surplus cash and the providers of debt will be unable to fulfil their obligations and also, in the case of lenders, unwilling to renegotiate the terms of the borrowings.

Liquidity Risk

Halfords ensures that it has sufficient cash or loan facilities to meet all its commitments when required. Halfords ensures that it has sufficient funding to meet its business plan requirements so that it is not reliant on there being sufficient liquidity in the market when it needs the funding.

Short-term debtors and creditors

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures.

Interest rate risk profile of financial liabilities

The interest rate risk profile of the Halfords Group's financial liabilities for the period covered by the Consolidated Financial Information, after taking account of the interest rate and currency swaps used to manage the interest and currency profile, was:

Currency – Sterling	Total £m	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Financial liabilities on which no interest is paid £m
Financial Liabilities at 29 March 2002	61.4	–	1.9	59.5
Financial Liabilities at 28 March 2003	427.7	211.5	216.2	–
Financial Liabilities at 2 April 2004	368.0	207.2	160.8	–

All the Halfords Group's creditors falling due within one year (other than bank and other borrowings) are excluded from the above tables either due to the exclusion of short-term items or because they do not meet the definition of a financial liability, such as tax balances.

The effect of the Halfords Group's interest rate swap at 28 March 2003 and 2 April 2004 was to classify £71.8m of sterling borrowings in the above table as fixed rate. The Halfords Group has a sterling interest rate cap which receives interest compensation if LIBOR goes above 5.01% to the value of £145.7 million, which matures in September 2005.

In addition to the above, the Halfords Group's provisions of £4.5m, £0.4m and £0.6m at 29 March 2002, 28 March 2003 and 2 April 2004, respectively, for vacant leasehold properties (note 20) met the definition of financial liabilities. These financial liabilities were considered to be floating rate financial liabilities. This is because, in establishing the provisions, the cash flows were discounted and the discount rate re-appraised at each half yearly reporting date to ensure that it reflected the current market assessments of the time value of money and the risks specific to the liability.

Currency – Sterling	Weighted average interest rate %	Fixed rate financial liabilities Weighted average period for which rate is fixed years	Financial liabilities on which no interest is paid Weighted average period until maturity years
Financial Liabilities at 29 March 2002	–	–	–
Financial Liabilities at 28 March 2003	8.8	9.5	–
Financial Liabilities at 2 April 2004	6.6	9.5	–

Floating rate financial liabilities bear interest at rates, based on relevant national LIBOR equivalents, which are fixed in advance for periods of between one month and three months. The above calculations take account of the adjustment effect of interest rate hedges.

Interest rate risk of financial assets Currency	As at 29 March 2002 Cash at bank and in hand £m	 Short-term deposits £m	 Total £m	As at 28 March 2003 Cash at bank and in hand £m	 Short-term deposits £m	 Total £m	As at 2 April 2004 Cash at bank and in hand £m	 Short-term deposits £m	 Total £m
Sterling	53.3	–	53.3	10.4	20.0	30.4	17.9	–	17.9
US dollars	–	–	–	1.3	–	1.3	0.6	–	0.6
Euro	–	–	–	0.1	–	0.1	–	–	–
Other currencies	–	–	–	–	–	–	–	–	–
At end of period	53.3	–	53.3	11.8	20.0	31.8	18.5	–	18.5
Floating rate	53.3	–	53.3	11.8	20.0	31.8	18.5	–	18.5
Fixed rate	–	–	–	–	–	–	–	–	–
At end of period	53.3	–	53.3	11.8	20.0	31.8	18.5	–	18.5

The short-term deposits in sterling were placed with banks on a money market basis with stated terms of between one and fourteen days and in open ended money market funds. Floating rate cash earns interest based on relevant national LIBID equivalents or government bond rates.

Maturity of financial liabilities

The maturity profile of the carrying amount of the Halfords Group's financial liabilities, other than short-term trade creditors and accruals and the non-redeemable non-equity minority interests during the period of Consolidated Financial Information was as follows:

	As at 29 March 2002 Debt £m	 Finance leases £m	 Other financial liabilities £m	 Total £m	As at 28 March 2003 Debt £m	 Other financial liabilities £m	 Total £m	As at 2 April 2004 Debt £m	 Finance leases £m	 Other financial liabilities £m	 Total £m
Within one year, or on demand	14.2	0.4	1.1	15.7	2.6	0.3	2.9	182.2	0.2	0.6	183.0
Between 1 and 2 years	45.3	0.7	1.0	47.0	7.4	0.1	7.5	20.0	0.2	–	20.2
Between 2 and 5 years	–	0.2	1.3	1.5	46.2	–	46.2	60.0	0.4	–	60.4
Over 5 years	0.6	–	1.2	1.8	371.5	–	371.5	105.0	–	–	105.0
	60.1	1.3	4.6	66.0	427.7	0.4	428.1	367.2	0.8	0.6	368.6

Other financial liabilities includes the provisions for vacant leasehold properties £4.5m, £0.4m and £0.6m at 29 March 2002, 28 March 2003 and 2 April 2004.

Borrowing facilities

The Halfords Group has the following undrawn committed borrowing facilities available during the period covered by the Consolidated Financial Information in respect of which all conditions precedent had been met at that date:

	As at 28 March 2003 £m	As at 2 April 2004 £m
Expiring within 1 year	1.0	1.0
Expiring between 1 and 2 years	–	–
Expiring in more than 2 years	68.2	42.9
	69.2	43.9

The facilities expiring within one year were annual facilities subject to review at various dates during the period of the Consolidated Financial Information. The other facilities were arranged to help finance the proposed expansion of the Halfords Group's activities. All these facilities incurred commitment fees at market rates.

Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Halfords Group's financial assets and financial liabilities at 29 March 2002, 28 March 2003 and 2 April 2004. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates. Set out below the table is a summary of methods and assumptions used for each category of financial instruments.

	As at 29 March 2002		As at 28 March 2003		As at 2 April 2004	
	Book value £m	Fair value £m	Book value £m	Fair value £m	Book value £m	Fair value £m
Primary financial instruments held or issued to finance the group's operations:						
Short-term borrowings	(60.1)	(60.1)	–	–	–	–
Long term borrowings	–	–	(427.7)	(427.7)	(367.2)	(367.2)
Other financial liabilities	(4.5)	(4.5)	(0.4)	(0.4)	(0.6)	(0.6)
Finance leases	(1.3)	(1.3)	–	–	(0.8)	(0.8)
Short-term deposits	–	–	20.0	20.0	–	–
Cash at bank and in hand	53.3	53.3	11.8	11.8	18.5	18.5
Derivative financial instruments held to manage the interest rate and currency profit:						
Interest rate swaps	–	–	–	(1.8)	–	0.8
Forward currency contracts	–	–	–	–	–	0.1
Total	(12.6)	(12.6)	(396.3)	(398.1)	(350.1)	(349.2)

Under the Halfords Group's accounting policy, foreign currency assets and liabilities that are hedged using currency swaps are translated initially at the swap rates. Any gains or losses arising from changes in exchange rates are included in the book value of the relevant asset or liability. Changes in the value of the swap as a result of changes in interest rates are not included in the book value of the relevant asset or liability. (For purpose of the above table, the book value of the relevant asset or liability is shown separately from the effect of the currency leg of the cross-currency swap.)

Summary of methods and assumptions

Interest rate swap, currency swaps and forward foreign currency contracts	Fair value is based on market price of comparable instruments at the balance sheet date.
Short-term deposits and borrowings	The fair value of short-term deposits, loans and overdrafts approximates to the carrying amount because of the short maturity of these instruments.
Long-term borrowings	The fair value of the Halfords Group's bonds has been estimated using quoted market prices. In the case of bank loans and other loans, the fair value approximates to the carrying value reported in the balance sheet as the majority are floating rate where payments are reset to market rates at intervals of less than one year.

Hedges

The Halfords Group's policy is to hedge the following exposures:

- Interest rate risk – using interest swaps and a cap.
- Forward foreign currency contracts are also used for currency exposures on next year's expected sales.

The table below shows the extent to which the Halfords Group has off-balance sheet (unrecognised) and on-balance sheet (deferred) gains and losses in respect of financial instruments used as hedges at the end of the period. It also shows the amount of such gains and losses which were included in the profit and loss account for the period and those gains and losses which are expected to be included in next year's or later profit and loss accounts.

All the gains and losses on the hedging instruments are expected to be matched by losses and gains on the hedged transactions or positions.

Under the Halfords Group's accounting policy, foreign currency transactions which are hedged using forward foreign currency contracts are translated at the contracted rates. Consequently, the carrying value of the relevant asset or borrowings effectively includes the gain or loss on the hedging instrument. Such gains and losses are treated as deferred for the purposes of the table below:

	Unrecognised			Deferred		
	Gains £m	Losses £m	Total net gains/losses £m	Gains £m	Losses £m	Total net gains/losses £m
Gains and losses on hedges at 29 March 2002	–	–	–	–	–	–
Gains and losses on hedges at 28 March 2003	–	(1.8)	(1.8)	–	–	–
Gains and losses on hedges at 2 April 2004	0.8	–	0.8	–	–	–

Financial instruments held for trading purposes

The Halfords Group does not trade in financial instruments.

20. PROVISIONS FOR LIABILITIES AND CHARGES

	Vacant properties £m	Sales returns £m	Deferred tax £m	Total £m
At 1 April 2001	5.0	–	10.2	15.2
Charged to profit and loss account	1.7	–	2.8	4.5
Utilised in period	(1.7)	–	–	(1.7)
Released in period	(0.8)	–	–	(0.8)
Amortisation of discount	0.3	–	–	0.3
At 29 March 2002	4.5	–	13.0	17.5
Charged to profit and loss account	0.5	–	–	0.5
Utilised in period	(0.9)	–	–	(0.9)
Released in period	(3.9)	–	(3.8)	(7.7)
Eliminated on CVC Acquisition	(0.2)	–	(9.2)	(9.4)
Fair value on CVC Acquisition (note 28)	0.2	–	3.4	3.6
Charged to the profit and loss account since CVC Acquisition	0.3	–	–	0.3
Utilised in period since CVC Acquisition	(0.1)	–	–	(0.1)
Released in period since CVC Acquisition	–	–	(0.1)	(0.1)
At 28 March 2003	0.4	–	3.3	3.7
Fair value adjustment (note 28)	–	0.4	–	0.4
Charged to profit and loss account	0.6	–	–	0.6
Utilised in period	(0.3)	–	–	(0.3)
Released in period	(0.1)	–	(1.0)	(1.1)
At 2 April 2004	0.6	0.4	2.3	3.3

Vacant properties	As at 29 March 2002 £m	As at 28 March 2003 £m	As at 2 April 2004 £m
Maturity profile of provisions			
Within 1 year	1.1	0.3	0.6
Between 1 and 2 years	1.0	0.1	–
Between 2 and 5 years	1.3	–	–
Over 5 years	1.2	–	–
	4.6	0.4	0.6

Deferred tax	As at 29 March 2002 £m	As at 28 March 2003 £m	As at 2 April 2004 £m
Provision for deferred tax comprises:			
Accelerated capital allowances	9.9	3.7	4.2
Pensions prepayment	3.1	–	–
Short-term timing differences	–	(0.4)	(1.9)
Deferred tax provision	13.0	3.3	2.3
Provision at the beginning of the period	10.2	13.0	3.3
Amount credited to profit and loss (note 8)	2.8	(3.9)	(1.0)
Fair value adjustment on CVC Acquisition	–	(5.8)	–
Provision at end of period	13.0	3.3	2.3

Factors that may affect future tax charges

Based on current capital investment plans, the Halfords Group expects to continue to be able to claim capital allowances in excess of depreciation in future periods at a similar level to the current period.

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.

21. CALLED UP SHARE CAPITAL

	As at 28 March 2003 £	As at 2 April 2004 £
Authorised		
1,050,000 ordinary shares of 1p each	10,500	10,500
	10,500	10,500
Allotted, called up and fully paid		
Ordinary shares of 1p each		
At beginning of period	–	9,830
Allotted on CVC Acquisition (978,000 ordinary shares)	9,780	–
Allotted in the period	50	170
At period end	9,830	10,000

Prior to 30 August 2002, Halfords Limited was owned by The Boots Company plc. The capital structure prior to the CVC Acquisition has been disclosed as "Boots Invested Capital" and amounted to £143.9m at 29 March 2002 (see note 23).

The share capital at 28 March 2003 and 2 April 2004 relates to Halfords Group Plc.

The Company was incorporated on 10 June 2002 when one ordinary share of £1 was issued nil-paid. On 22 July 2002, a further one ordinary share of £1 was issued nil paid. On 28 August 2002, the 2 existing shares were fully paid up and subdivided into 200 ordinary shares of 1p each. In addition 69,800 ordinary shares of 1p each were issued at a premium of 9p per share and 8,000 ordinary shares of 1p each were issued at a premium of 99p per share.

On 30 August 2002, 900,000 ordinary shares of 1p each were issued at a premium of 9p per share.

On 30 August 2002, the Company issued 38,500 warrants to subscribe for ordinary shares constituting in aggregate 3.85 per cent. of the fully diluted equity of the Company at the time of exercise of the warrants (which includes the shares to be issued on exercise of the warrants) at an exercise price of 1p per share.

On 4 March 2003, the Company issued 5,000 ordinary shares of 1p each at a premium of 99p per share.

On 27 June 2003, the Company issued 17,000 ordinary shares of 1p each to the Employees' Share Trust at a premium of 99p per share.

22. RESERVES

	Share premium £m	Profit and loss account £m
Premium on ordinary shares issued	0.1	–
Finance costs on share issue	–	(0.2)
On CVC Acquisition	0.1	(0.2)
Loss for the period following the CVC Acquisition	–	(8.9)
At 28 March 2003	0.1	(9.1)
Retained profit for the period	–	13.5
At 2 April 2004	0.1	4.4

23. BOOTS INVESTED CAPITAL

	£m
At 31 March 2001	111.9
Profit attributable to shareholders	32.0
At 29 March 2002	143.9
Profit attributable to shareholders for the period prior to the CVC Acquisition	14.0
Dividends	(11.0)
Eliminated on CVC Acquisition	146.9

24. SHAREHOLDERS' FUNDS

	As at 29 March 2002 £m	As at 28 March 2003 £m	As at 2 April 2004 £m
Equity	143.9	(9.0)	4.5

25. CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of operating profit to net cash inflow from operating activities:

	52 weeks ended 29 March 2002 £m	52 weeks ended 28 March 2003 £m	53 weeks ended 2 April 2004 £m
Operating profit	51.5	33.5	65.5
Depreciation charge (net of profit/loss on disposals)	16.4	17.6	16.0
Goodwill amortisation	–	8.0	13.7
Difference between pension charge and cash contributions	(4.2)	10.7	–
(Increase)/decrease in stocks	(3.1)	4.3	(16.8)
(Increase)/decrease in debtors	(3.2)	1.8	(0.3)
Increase/(decrease) in creditors	6.2	(14.0)	36.7
Net cash inflow from operating activities	63.6	61.9	114.8

26. RECONCILIATION OF MOVEMENTS IN NET DEBT

	At 1 April 2001 £m	Cash flow £m	Other non-cash changes £m	At 29 March 2002 £m
Cash in hand and at bank	73.9	(20.6)	–	53.3
Boots debt due after one year	(34.8)	(11.1)	–	(45.9)
Finance leases due within 1 year	(0.3)	0.8	(0.9)	(0.4)
Finance leases due after 1 year	(1.5)	(0.3)	0.9	(0.9)
	37.3	(31.2)	–	6.1

	At 29 March 2002 £m	Cash flow £m	Other non-cash changes £m	At 28 March 2003 £m
Cash in hand and at bank	53.3	(28.3)	–	25.0
Bank overdraft	–	(13.2)	–	(13.2)
Boots debt due after one year	(45.9)	45.9	–	–
Debt due after 1 year	–	(412.6)	(10.3)	(422.9)
Debt due within 1 year	–	(4.8)	–	(4.8)
Finance leases due after 1 year	(0.4)	0.4	–	–
Finance leases due within 1 year	(0.9)	0.9	–	–
Liquid resources	–	20.0	–	20.0
	6.1	(391.7)	(10.3)	(395.9)

	At 29 March 2003 £m	Cash flow £m	Other non-cash changes £m	At 2 April 2004 £m
Cash in hand and at bank	25.0	0.6	–	25.6
Bank overdraft	(13.2)	6.1	–	(7.1)
Bank debt due after one year	–	–	–	–
Debt due after 1 year	(422.9)	79.2	158.7	(185.0)
Debt due within 1 year	(4.8)	5.2	(182.6)	(182.2)
Finance leases due after 1 year	–	(0.6)	–	(0.6)
Finance leases due within 1 year	–	(0.2)	–	(0.2)
Liquid resources	20.0	(20.0)	–	–
	(395.9)	70.3	(23.9)	(349.5)

Liquid resources comprise short-term deposits with banks which mature within 12 months of the date of inception.

Non-cash changes for the 52 week period ended 28 March 2003 comprise £0.7 million for amortisation of issue costs, £7.9 million for the premium accrued on the deep discount bonds and £1.7 million for interest accrued on both the mezzanine debt and unsecured loan notes that are payable on redemption.

Non cash changes for the 53 week period ended 2 April 2004 comprise £10.0 million in respect of the amortisation of capitalised issue costs and £13.9 million in respect of rolled up interest on the principal of both the mezzanine facility and the deep discount bonds, of which £7.2 million was paid as part of the repayment of these borrowings during the period.

It is expected that the borrowings under the senior debt facility and the deep discount bond will be repaid from the Global Offer proceeds and New Bank Facilities.

Movement in borrowings	52 weeks ended 29 March 2002 £m	52 weeks ended 28 March 2003 £m	53 weeks ended 2 April 2004 £m
Debt due within 1 year:			
New/(repayment of) secured bank loan	–	5.2	(5.2)
(Repayment of)/new finance leases	(0.8)	–	0.2
Debt due after 1 year:			
New/(repayment of) secured bank loan	–	284.8	(8.5)
Fixed rate subordinated unsecured loan notes	–	0.5	–
New/(repayment of) deep discount bonds	–	136.9	(68.2)
New/(repayment of) debt with former parent	11.1	(45.9)	–
Increase/(decrease) in borrowings	10.3	381.5	(81.7)
Issue costs of new bank loan	–	(10.0)	(2.5)
	10.3	371.5	(84.2)
Capital element of finance lease payment	0.3	(1.3)	0.6
Cash flow	10.6	370.2	(83.6)

27. CASH FLOW RELATING TO EXCEPTIONAL ITEMS

Operating cash flows for the period to 28 March 2003 include under continuing operations an outflow of £2.4m which relates to the payments of £1.9m to The Boots Company plc to settle share scheme investments and professional fees of £0.5m.

During the period ended 29 March 2002, Halfords Limited disposed of its garage services business resulting in additional net cash inflow of £3.9 million.

28. ACQUISITIONS AND DISPOSALS

(a) Acquisitions

The Group purchased Halfords Limited on 30 August 2002 for a total consideration of £400.6m.

	Book value £m	Provisional fair value adjustments £m	Provisional fair value £m
Tangible fixed assets	108.9	(26.6)	82.3
Stock	91.4	(0.3)	91.1
Debtors	9.0	–	9.0
Creditors	(62.2)	0.5	(61.7)
Provisions	(0.2)	–	(0.2)
Taxation			
- Current	(12.0)	(0.1)	(12.1)
- Deferred	(9.2)	5.8	(3.4)
Cash	21.2	–	21.2
Net assets acquired	146.9	(20.7)	126.2
Goodwill			274.4
Consideration satisfied by cash (including fees of £4.6m)			400.6

The book value of the assets and liabilities has been taken from the management accounts of Halfords Limited at 30 August 2002.

Provisional fair value adjustments

The write down of fixed assets reflects the directors' view that the fair value of the assets are less than their book value as insufficient depreciation has been charged in the early years of the assets' lives.

The adjustment to stock reflects the net write down of stock held at acquisition to its estimated realisable value. This decrease in stock was offset by an increase of £0.1m in the corporation tax creditor to recognise the tax liability arising in the entity as a result of these stock changes.

The adjustment to creditors represents a release of £0.5m in respect of the provision for incentives received in respect of properties held on operating leases. The adjustment was made to ensure that all incentives are credited to the profit and loss account on a straight-line basis over the shorter of the lease term or the period to the rent review date. An adjustment of £0.2 was made to the corporation tax creditor to recognise the tax liability arising in the entity as a result of this adjustment.

The book value of the deferred tax liability of £9.2m was reduced by £5.8m to reflect the net effect of the above fair value adjustments in accordance with FRS 19 'Deferred Tax'.

Additional fair value adjustments
Further fair value adjustments of £0.4 million were recognised in the 53 week period ended 2 April 2004 in respect of a provision for sales returns.

In its financial period to 29 March 2002, Halfords Limited made a profit after tax of £32.0m. For the period from that date to the date of the CVC Acquisition, Halfords Limited's management accounts showed:

	£m
Turnover	231.0
Operating profit	20.5
Profit before taxation	20.4
Taxation	(6.4)
Profit attributable to shareholders	14.0
Dividend	(11.0)
Total recognised gains for the period	3.0

From the date of the CVC Acquisition to 28 March 2003 Halfords Limited contributed £291.8m to turnover, £21.0m to profit before interest and goodwill amortisation and £21.7 to profit before goodwill amortisation but after interest. Halfords Limited contributed £18.6m to the Group's net operating cash flows, received net interest of £0.7m, paid £9.1m in respect of taxation and utilised £8.7m for capital expenditure.

(b) Disposals

The Group disposed of its garage services business in August 2001:

	£m
Cash consideration	4.3
Less expenses incurred	(0.4)
	3.9
Assets disposed	(6.2)
Loss on disposal	(2.3)

The gross consideration of £5.8 million for this disposal was reduced by £1.5 million to recognise the effect of the compensation for future rental costs payable to Halfords Limited by the purchaser.

29. EMPLOYEES AND DIRECTORS

Staff costs for the group during the period	52 weeks ended 29 March 2002 £m	52 weeks ended 28 March 2003 £m	53 weeks ended 2 April 2004 £m
Wages and salaries	88.7	84.8	86.6
Social security costs	5.2	5.2	6.4
Other pension costs (note 30)	0.8	3.4	3.5
	94.7	93.4	96.5
Average monthly number of people (including executive directors) employed			
Stores	9,039	8,530	8,529
Central warehousing	221	234	231
Head office	535	562	449
UK retail business group	9,795	9,326	9,209

Directors	52 weeks ended 29 March 2002 £m	52 weeks ended 28 March 2003 £m	53 weeks ended 2 April 2004 £m
Aggregate emoluments	0.6	0.8	2.2
Company contributions to money purchase pension schemes	–	–	0.1
Compensation to past directors for loss of office	–	–	0.9
	0.6	0.8	3.2

For the periods ended 28 March 2003 and 2 April 2004 the number of directors to whom retirement benefits accrued under money purchase pension schemes comprised 2 and 1 directors respectively. In addition, for the period ended 29 March 2002, retirement benefits accrued to 6 directors, under The Boots Company plc's defined benefit pension scheme.

Highest paid director	52 weeks ended 29 March 2002 £m	52 weeks ended 28 March 2003 £m	53 weeks ended 2 April 2004 £m
Aggregate emoluments	0.3	0.3	0.8
Company contributions to money purchased pension scheme	–	0.1	–
Defined benefit pension scheme: Accrued pension at end of period	–	–	–

Directors' detailed emoluments

	52 weeks ended 29 March 2002			
	Salary and fees £'000	Benefits £'000	Annual bonus £'000	Total £'000
D C Clayton-Smith	125	9	31	165
M J Oliver	–	–	–	–
R M Scribbins	188	8	61	257
A N Smith	122	6	39	167
D A R Thompson	–	–	–	–
A J Torrance	10	1	2	13
N B E Wharton	5	–	1	6
	450	24	134	608

The above table relates to the directors' emoluments of Halfords Limited for the 52 week period ended 29 March 2002. The emoluments of M J Oliver and D A R Thompson were paid and borne by The Boots Company Plc.

	52 weeks ended 28 March 2003			
	Salary and fees £'000	Benefits £'000	Annual bonus £'000	Total £'000
D C Clayton-Smith*	54	–	11	65
M J Oliver*	–	–	–	–
R M Scribbins	229	10	94	333
D A R Thompson*	–	–	–	–
A J Torrance*	54	–	5	59
A N Smith*	10	–	–	10
N B E Wharton*	56	–	7	63
J P Feuer	15	–	–	15
S Vestergaard-Poulsen	15	–	–	15
R C C Saville	96	4	85	185
R W Templeman	30	–	–	30
C K Woodhouse	30	–	–	30
	589	14	202	805

*The above table relates to the directors' emoluments of the Company for the 52 weeks ended 28 March 2003 and includes directors of Halfords Limited (marked *) for the period to 30 August 2002 and therefore the amounts disclosed relate to the total emoluments earned in that period.

Benefits in kind include the provision of a company car, fuel, driver, financial counselling and medical and life insurance.

	53 weeks ended 2 April 2004				
	Salary and fees £'000	Benefits £'000	Annual bonus £'000	Compensation for loss of office £'000	Total £'000
R C C Saville	87	4	93	407	591
N M Carter	91	1	46	–	138
D Hamid	235	14	126	–	375
J P Feuer	25	–	–	–	25
S Vestergaard-Poulsen	25	–	–	–	25
R M Scribbins	27	1	–	495	523
R W Templeman	260	1	500	–	761
C K Woodhouse	250	1	500	–	751
	1,000	22	1,265	902	3,189

No director waived emoluments in respect of the periods ended 29 March 2002 and 2 April 2004.

Interest in shares

The interests of the Directors in the Company's ordinary shares of 1p each are as follows:

	D Hamid Number	N M Carter Number	R M Scribbins Number	R W Templeman Number	C K Woodhouse Number	R C C Saville Number
At 29 March 2002	–	–	–	–	–	–
Acquired	–	–	19,600	2,500	2,500	13,100
At 28 March 2003	–	–	19,600	2,500	2,500	13,100
Acquired	19,600	10,000	–	2,500	2,500	–
Disposed	–	–	(19,600)	–	–	(11,100)
At 2 April 2004	19,600	10,000	–	5,000	5,000	2,000

All directors' interests are beneficially held. There has been no change in the interests set out above between 2 April 2004 and 2 June 2004.

Capital Investors 2002 Limited holds 4,057 (2003: 4,140) shares in Halfords Group Plc on trust for J P Feuer. In total, at 2 April 2004, Capital Investors 2002 Limited, held 27,048 (2003: 27,600) ordinary shares in Halfords Group Plc.

Directors' pension entitlement

Set out below are details of The Boots Company plc pension benefits earned by each of the executive directors for the period to 29 March 2002:

	2002 Additional pension earned in the period £'000	Accrued entitlement £'000	Pension entitlement transfer value for the period £'000
R M Scribbins	11	75	10

The accrued pension entitlement shown is the amount that would be paid each period on retirement based on service to the end of the current period.

The increase in the additional pension earned during the period excludes any increase for inflation.

The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11, less directors' contributions. It does not represent a sum payable to individual directors and it, therefore, cannot be added meaningfully to annual remuneration.

Set out below are the pension contributions made on behalf of the directors under the defined contribution pension plan.

	28 March 2003 £'000	2 April 2004 £'000
J P Feuer	–	–
N M Carter	–	5
D Hamid	–	36
R C C Saville	57	18
R M Scribbins	86	5
R W Templeman	–	–
S Vestergaard-Poulsen	–	–
C K Woodhouse	–	–
Total	143	64

30. PENSION COMMITMENTS

Until 30 November 2002 Group employees participated in the Boots Group-wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme were held separately from those of the Group. The contributions were determined by a qualified actuary on the basis of triennial valuations using the projected unit method. In the period to 29 March 2002 contributions of £0.8m were charged to the profit and loss account. In the period from 29 March 2002 to 30 November 2002 contributions of £2.5m were charged to the profit and loss account.

In the period ended 28 March 2003, as a result of leaving the Boots Group-wide pension scheme, the Halfords Group incurred a SSAP 24 charge to the profit and loss account of £8.1m. (see Exceptional costs – representing a write off of the prepaid pension contributions).

From 1 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 £1.4m being 5 per cent. to 12 per cent. of pensionable salaries for employees who were members of the Boots Group pension scheme, plus a further 2 per cent. to 7 per cent. for employees whose earnings are above the upper earning threshold and 3 per cent. of pensionable salaries for new employees. In the period to 2 April 2004 contributions of £3.5 million were charged to the profit and loss account.

31. OPERATING LEASE COMMITMENTS

For the period covered by the Combined and Consolidated Financial Information, Halfords Group Plc has lease agreements in respect of properties, vehicles, plant and equipment, for which the payments extend over a number of years.

	As at 29 March 2002		As at 28 March 2003		As at 2 April 2004	
	Property £m	Vehicles, plant and equipment £m	Property £m	Vehicles, plant and equipment £m	Property £m	Vehicles, plant and equipment £m
Annual commitments under non-cancellable operating leases expiring:						
Within one year	0.6	–	0.9	0.2	0.5	0.2
Within two to five years	3.4	0.2	1.4	0.3	2.4	0.4
After five years	53.6	–	54.0	–	59.0	–
	57.6	0.2	56.3	0.5	61.9	0.6

32. CONTINGENT LIABILITIES AND ASSETS

Halfords Group's banking arrangements include the facility for the bank to provide a number of guarantees in respect of liabilities owned 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 28 March 2003 and 2 April 2004, amounted to £11.3m and £7.1m, respectively.

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.

33. CAPITAL AND OTHER FINANCIAL COMMITMENTS

	As at 29 March 2002 £m	As at 28 March 2003 £m	As at 2 April 2004 £m
Contracts placed for future capital expenditure not provided in the financial statements	16.2	0.4	1.9

34. RELATED PARTY TRANSACTIONS

During the 52 week period ended 28 March 2003 and the 53 week period ended 2 April 2004, non-executive director fees of £29,167 and £50,000 respectively were paid to CVC Capital Partners Limited and a predecessor company in respect of both Messrs Feuer and Vestergaard-Poulsen as directors.

During the 53 week period ended 2 April 2004, CVC Shareholders sold 7,101,665 nominal of deep discount bonds to the Employees' Share Trust for an aggregate consideration of £2,943,544.

The Employees' Share Trust acquired 4,000 ordinary shares of 1p each in Halfords Group Plc during the 53 week period ended 2 April 2004 from the CVC Shareholders.

The Group paid The Boots Company Plc £18,665,000 in the 52 weeks ended 28 March 2003 for the provision of goods for resale and for services under the transitional services agreement dated 30 August 2002.

In March 2004, the Group exercised an option to acquire its head office premises for £11.2 million from The Boots Company Plc.

At 2 April 2004, the Group had £134,869 (2003: £nil) of unsecured loan notes payable to D Hamid and £14,473 (2003: £7,500) of unsecured loan notes payable to each of R W Templeman and C K Woodhouse. The unsecured loan notes are redeemable on 30 September 2013 and subject to a fixed interest rate of 10 per cent. payable on redemption.

The Halfords Group Plc has granted options to the Executive Directors under the Halfords Company Share Option Scheme. The exercise price under these options is the Offer Price. The number of shares to be put under option for each Director is: D Hamid 298,076 Ordinary Shares; N M Carter 149,038 Ordinary Shares; and I McLeod 192,307 Ordinary Shares.

35. POST BALANCE SHEET EVENTS

On 12 May 2004, Halfords Group Limited re-registered as a public limited company.

On 17 May 2004, the Group entered into a new facilities agreement pursuant to which the lenders (as defined therein) have agreed to make available a £150.0 million sterling term loan facility and a £120.0 million multi-currency revolving facility.

Pursuant to the resolutions passed on 12 May and 2 June 2004:

(i) the authorised share capital of the Company was increased by £44,500 to £55,000 by the creation of 4,450,000 Ordinary Shares; and

(ii) by way of bonus issue (the "First Bonus Issue") (i) 4,000,000 Ordinary Shares were unconditionally issued credited as fully paid to the existing holders of Ordinary Shares on the register of the Company in the proportion of 4 new Ordinary Shares for each Ordinary Share held by them on such date; and (ii) 160,184 new Ordinary Shares were allotted credited as fully paid, conditional on exercise of warrants to subscribe for Ordinary Shares under the Warrant Instrument to the Warrantholders, in the proportion of 4 new Ordinary Shares for each Ordinary Share held by such holder on exercise of the Warrants.

On 12 May and 2 June 2004, the directors resolved that, conditional on Admission occurring, the Company issue an aggregate of 200,230 Ordinary Shares (including those Ordinary Shares allotted as part of the First Bonus Issue) to the Warrantholders on Admission at 1p per share in satisfaction of the exercise of the Warrants (except those Ordinary Shares allotted as part of the First Bonus Issue for which no subscription price shall be payable).

On 2 June 2004:

(i) the authorised share capital of the Company be increased from £55,000 to £2,950,000 by the creation of 289,500,000 Ordinary Shares; and

(ii) it was resolved that upon the Company's share premium account being credited with the net proceeds of the issue of Ordinary Shares pursuant to the Global Offer, a sum not exceeding £1,688,736 be capitalised and the directors be authorised to appropriate from such sum such amounts as the directors may determine to the holders of Ordinary Shares (including any Ordinary Shares issued on the exercise of the Warrants) on the registers of members and Warrantholders immediately prior to Admission, and to apply such amount in paying up in full new Ordinary Shares to be allotted to such holders in the proportion of 32.474 (rounded to three decimal places) Ordinary Shares for every Ordinary Share held and to be held on the exercise of Warrants (including any Ordinary Shares to be issued pursuant to the First Bonus Issue) (the "Second Bonus Issue") with authority to round such allotments to the nearest whole Ordinary Share or otherwise as the directors may determine.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants