

Notes to the Financial Statements

1. PROFIT AND LOSS ACCOUNT

The Company made a profit before dividends for the financial period of £74.2m (2006: £29.9m). The directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and not presented a profit and loss account for the Company alone.

2. AUDIT FEES

The total fees payable by the Company to PricewaterhouseCoopers LLP and their associates during the period were borne by Halfords Limited. In the 52 weeks to 30 March 2007 and 31 March 2006 the Company did not expense any fees relating to PricewaterhouseCoopers LLP.

3. EMPLOYEE BENEFIT EXPENSE

The Company has no employees other than the directors. Full details of the directors' remuneration and interests are set out in the Directors' Remuneration Report on pages 30 to 35.

4. INVESTMENTS

	£m
Shares in Group undertaking	
Cost	
At 31 March 2006	0.1
Restatement for UITF 44 — share-based payments	2.3
As at 31 March 2006 — restated	2.4
Additions	0.1
Additions — share-based payments	1.9
Disposal	(0.1)
At 30 March 2007	4.3

The investment represents shares in the following subsidiary undertaking as at 30 March 2007 and the recognition of share-based compensation plans that are awarded to employees of the Company's subsidiaries.

	Incorporated in	Ordinary shares percentage owned %	Principal activities
Halfords Holdings (2006) Limited	Great Britain*	100	Intermediate holding company

* Registered in England and Wales.

Halfords Holdings (2006) Limited was established on 7 June 2006 and was acquired by the Company on 27 June 2006. As part of a reconstruction of the Group, on 11 July 2006 Halfords Holdings (2006) Limited issued shares to the Company in exchange for the shares held in Halfords Holdings Limited.

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

Principal subsidiaries

The principal subsidiary undertakings of the Company at 30 March 2007 are as follows:

	Principal activity	% Ownership
Halfords Holdings (2006) Limited	Intermediate holding company	100
Halfords Holdings Limited†	Intermediate holding company	100
Halfords Finance Limited†	Intermediate holding company	100
Halfords Limited†	Retailing of auto, leisure and cycling products	100

† Indirect subsidiary undertakings.

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

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5. DEBTORS

	2007 £m	Restated 2006 £m
Falling due within one year:		
Amounts owed by Group undertakings	0.2	37.6
Falling due after more than one year:		
Amounts owed by Group undertakings	201.6	149.3

Amounts owed by Group undertakings that fall due after one year are subject to interest. At 30 March 2007 the amounts bear interest at a rate of 5.89% (2006: 5.22%).

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £m	Restated 2006 £m
Amounts owed to Group undertakings	(2.5)	(2.2)

7. EQUITY SHARE CAPITAL

	2007 Number of shares	2007 £	2006 Number of shares	2006 £
Ordinary shares of 1p each:				
Authorised	295,000,000	2,950,000	295,000,000	2,950,000
Allotted, called up and fully paid	219,046,537	2,190,465	228,027,743	2,280,277

Allotted, called up and fully paid share capital decreased during the period due to the Company's £50m share purchase programme. During the period the Company acquired 9.0m shares at a cost of £30.0m. Distributable reserves have been reduced by £29.9m, being the consideration paid for the shares.

The Company's share capital increased by 22,750 shares (2006: 91,000) due to the early exercising of share options by members of the Halfords Share Option Scheme. Early exercise of the options are allowed if an option holder ceases to be employed by reason of death, injury, disability, redundancy, retirement or on the sale of his employing company or business.

Potential issue of ordinary shares

The Company has three employee share option schemes. Further information regarding these schemes can be found in note 20 of the Group financial statements.

Interest in own shares

At 30 March 2007 the Company held in Trust 877,498 (2006: 881,350) own shares with a nominal value of £8,774 (2006: £8,814). The Trust has waived any entitlement to the receipt of dividends in respect of its holding of the Company's ordinary shares.

8. RESERVES

	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 31 March 2006	133.2	—	52.4	185.6
Profit for the financial period	—	—	74.2	74.2
Purchase of own shares	—	0.1	(30.0)	(29.9)
Employee share options	—	—	1.9	1.9
Dividends	—	—	(29.5)	(29.5)
At 30 March 2007	133.2	0.1	69.0	202.3

The Company settled dividends of £29.5m in the period, as detailed in note 7 of the Group financial statements.

9. RELATED PARTY DISCLOSURES

Under FRS 8 “Related party disclosures” the Company is exempt from disclosing related party transactions with entities over which it has 90% control or more.

10. CONTINGENT LIABILITIES

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 guarantees, the bank has the right to recover the sum in full from the Group. The total amount of guarantees in place at 30 March 2007 amounted to £3.2m (2006: £3.1m).

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