

NOTES TO THE FINANCIAL STATEMENTS

1. Segmental reporting

The Group has one main business segment, which is retail, and one main geographical segment, which is the United Kingdom. The business segmental reporting format reflects the Group's management and internal reporting structure.

2. Operating expenses

For the period	53 weeks to 3 April 2009 £m	52 weeks to 28 March 2008 £m
Selling and distribution costs before exceptional items	271.3	256.7
Exceptional selling and distribution costs	10.3	—
Selling and distribution costs	281.6	256.7
Administrative expenses before exceptional items	46.1	44.8
Exceptional administrative expenses	2.0	—
Administrative expenses	48.1	44.8
	329.7	301.5

3. Operating profit

For the period	53 weeks to 3 April 2009 £m	52 weeks to 28 March 2008 £m
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Operating profit is arrived at after charging/(crediting) the following expenses/(incomes) as categorised by nature:

Operating lease rentals:		
— plant and machinery	1.3	0.8
— property rents	82.1	74.8
— rentals receivable under operating leases	(7.6)	(8.2)
Landlord contributions	(2.7)	(4.5)
Loss on disposal of property, plant and equipment	0.3	0.4
Amortisation of intangible assets	2.7	2.2
Depreciation of:		
— owned property, plant and equipment	21.8	18.5
— assets held under finance leases	0.6	0.7
Trade receivables impairment	0.1	0.1
Staff costs (see note 4)	128.9	124.5
Cost of inventories consumed in cost of sales	379.2	391.1

The total fees payable by the Group to PricewaterhouseCoopers LLP and their associates during the period was £0.3m (2008: £0.3m) in respect of the services detailed below:

For the period	53 weeks to 3 April 2009 £'000	52 weeks to 28 March 2008 £'000
Fees payable for the audit of the Company's accounts	30	33
Fees payable to PricewaterhouseCoopers LLP and their associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	137	125
Other services supplied pursuant to such legislation	23	23
Other services relating to taxation	113	95
Fees in respect of the audit of Halfords Pension Plan	21	20
All other services	—	19
	324	315

Fees payable by the Group to Deloitte & Touche LLP with regard to internal audit services totalled £0.2m (2008: £0.2m).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. Staff costs

For the period	53 weeks to 3 April 2009 £m	52 weeks to 28 March 2008 £m
The aggregated remuneration of all employees including Directors comprised:		
Wages and salaries	110.2	112.5
Social security costs	7.8	7.8
Share-based payment charge (note 21)	1.7	1.0
Other pension costs (note 23)	3.2	3.2
Exceptional redundancy costs (see note 5)	6.0	—
	128.9	124.5

	Number	Number
Average number of persons employed by the Group, including Directors, during the period:		
Stores	9,573	9,676
Central warehousing	192	197
Head office	551	544
	10,316	10,417

Full details of Directors' remuneration and interests are set out in the Directors' Remuneration Report on pages 47 to 53 which form part of these financial statements.

Key management compensation

For the period	53 weeks to 3 April 2009 £m	52 weeks to 28 March 2008 £m
Salaries and short-term benefits	2.2	2.0
Compensation for loss of office	0.2	—
Social security costs	0.3	0.3
Pensions	0.2	0.2
Share-based payment charge	0.6	0.3
	3.5	2.8

Key management compensation includes the emoluments of the Board of Directors and the emoluments of the Halfords Limited Management Board.

5. Exceptional items

For the period	53 weeks to 3 April 2009 £m	52 weeks to 28 March 2008 £m
Exceptional operating expenses:		
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	—
Exceptional operating expenses	12.3	—
Exceptional finance costs:		
Swap close out costs ^(d)	4.6	—
	4.6	—
Exceptional items before tax	16.9	—
Tax on exceptional items ^(e)	(4.6)	—
Exceptional items after tax	12.3	—

^(a) Cost of staffing reductions in Head Office and stores, to access efficiencies arising from the Group's investment in core enterprise systems over the past four years.

^(b) Exit costs associated with the cessation of the Group's stand-alone cycle concept, including the closure of stores where necessary.

^(c) Costs associated with the re-configuration and consolidation of the Group's distribution infrastructure.

^(d) On 1 April 2009, the Group closed out its existing interest rate hedging instruments, which were contracted until 2011, at a cost of £4.6m.

^(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 £12.3m exceptional operating expenses above consists of £6.0m redundancy costs, £0.8m impairment charges, £2.3m onerous lease costs and £3.2m of other costs.

6. Net finance costs

For the period	53 weeks to 3 April 2009 £m	52 weeks to 28 March 2008 £m
Finance costs:		
Bank borrowings	(9.4)	(10.9)
Amortisation of issue costs on loans	(0.2)	(0.2)
Commitment and guarantee fees	(0.2)	(0.2)
Costs of forward foreign exchange contracts	(1.2)	(1.2)
Interest payable on finance leases	(0.9)	(0.8)
Interest payable on rent reviews	—	(0.2)
Finance costs before exceptional finance costs	(11.9)	(13.5)
Exceptional finance costs:		
Swap close out costs ¹	(4.6)	—
	(4.6)	—
Finance costs	(16.5)	(13.5)
Finance income: Bank and similar interest	2.3	2.7
Net finance costs	(14.2)	(10.8)

¹ On 1 April 2009, the Group closed out its existing interest rate hedging instruments, which were contracted until 2011, at a cost of £4.6m.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7. Taxation

For the period	53 weeks to 3 April 2009 £m	52 weeks to 28 March 2008 £m
Current taxation		
UK corporation tax charge for the period	27.6	27.4
Adjustment in respect of prior periods	(2.2)	(0.5)
	25.4	26.9
Deferred taxation		
Origination and reversal of timing differences	(4.2)	(0.6)
Adjustment in respect of prior periods	0.5	(0.1)
	(3.7)	(0.7)
Total tax charge for the period	21.7	26.2

The tax charge is reconciled with the standard rate of UK corporation tax as follows:

For the period	53 weeks to 3 April 2009 £m	52 weeks to 28 March 2008 £m
Profit before tax	77.5	90.2
UK corporation tax at standard rate of 28% (2008: 30%)	21.7	27.1
Factors affecting the charge for the period:		
Depreciation on expenditure not eligible for tax relief	0.9	0.9
Employee share options	0.2	0.2
Impact of intra-Group financing	—	(1.8)
Other disallowable expenses	0.6	0.5
Change in deferred tax rate to 28%	—	(0.1)
Adjustment in respect of prior periods	(1.7)	(0.6)
Total tax charge for the period	21.7	26.2

In this financial period, the UK corporation tax standard rate was reduced by 2% to 28%. The underlying tax rate on trading was 29.7% (2008: 31.7%), principally due to the non-deductibility of depreciation charged on capital expenditure in respect of mezzanine floors and other store infrastructure. This level of tax non-deductibility is anticipated for the foreseeable future.

The lower tax rate of 28.0% (2008: 29.0%) in this financial period is mainly due to the release of prior year tax provisions following the favourable settlement of tax computations, in particular relating to capital allowance claims. The lower tax rate in the previous financial period was mainly due to the financing structure put in place as part of the re-finance on 14 July 2006, the benefit of which ceased on 15 November 2007.

The tax charge of £21.7m includes a £4.6m credit in respect of the tax on exceptional costs, as detailed in note 5.

8. Dividends

For the period	53 weeks to 3 April 2009 £m	52 weeks to 28 March 2008 £m
Equity — ordinary shares		
Final for the 52 weeks to 28 March 2008 — paid 10.35p per share (2008: 9.5p)	21.8	21.0
Interim for the 53 weeks to 3 April 2009 — paid 5.0p per share (2008: 4.75p)	10.5	10.4
	32.3	31.4

In addition, the Directors are proposing a final dividend in respect of the financial period ended 3 April 2009 of 10.90p per share (2008: 10.35p per share), which will absorb an estimated £22.7m (2008: £21.8m) of shareholders' funds. It will be paid on 5 August 2009 to shareholders who are on the register of members on 18 June 2009.

9. Earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares excludes shares held by an Employee Benefit Trust (see note 20) and has been adjusted for the issue/purchase of shares during the period.

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. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the 53 weeks to 3 April 2009.

For the period	53 weeks to 3 April 2009	52 weeks to 28 March 2008
	Number	Number
	m	m
Weighted average number of shares in issue	210.6	219.3
Less: shares held by the Employee Benefit Trust	(1.1)	(0.9)
Weighted average number of shares for calculating basic earnings per share	209.5	218.4
Weighted average number of dilutive shares	0.3	—
Total number of shares for calculating diluted earnings per share	209.8	218.4

For the period	53 weeks to 3 April 2009	52 weeks to 28 March 2008
	£m	£m
Basic earnings attributable to equity shareholders	55.8	64.0
Exceptional items (see note 5):		
Operating expenses	12.3	—
Finance costs	4.6	—
Tax on exceptional items	(4.6)	—
Underlying earnings before exceptional items	68.1	64.0

Earnings per share is calculated as follows:

For the period	53 weeks to 3 April 2009	52 weeks to 28 March 2008
Basic earnings per ordinary share	26.6p	29.3p
Diluted earnings per ordinary share	26.6p	29.3p
Basic earnings per ordinary share before exceptional items	32.5p	29.3p
Diluted earnings per ordinary share before exceptional items	32.5p	29.3p

The alternative measure of earnings per share is provided because it reflects the Group's underlying performance by excluding the effect of exceptional items.

In the 52 weeks to 27 March 2009 the Group's underlying earnings before exceptional items was £66.7m. This converts to a basic earnings per ordinary share before exceptional items, using a consistent number of shares in issue, of 31.8 pence (2008: 29.3 pence).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. Intangible assets

	Computer software £m	Product rights £m	Goodwill £m	Total £m
Cost				
At 30 March 2007	9.5	0.2	274.8	284.5
Additions	1.2	—	—	1.2
At 28 March 2008	10.7	0.2	274.8	285.7
Additions	5.4	—	—	5.4
At 3 April 2009	16.1	0.2	274.8	291.1
Amortisation				
At 30 March 2007	4.8	0.2	21.7	26.7
Charge for the period	2.2	—	—	2.2
At 28 March 2008	7.0	0.2	21.7	28.9
Charge for the period	2.7	—	—	2.7
At 3 April 2009	9.7		0.2 21.7	31.6
Net book value at 3 April 2009	6.4	—	253.1	259.5
Net book value at 28 March 2008	3.7	—	253.1	256.8

Included in computer software are internally generated assets of £0.6m (2008: £0.8m).

The goodwill arose on the acquisition of Halfords Holdings Limited by the Company on 31 August 2002. The goodwill relates to a portfolio of sites, which have been allocated to groups of cash-generating units on a regional basis within the UK according to the level at which management monitors that goodwill.

The recoverable amount of goodwill is determined based on "value-in-use" calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period with growth no higher than past experience and after consideration of all available information.

The key assumptions used to determine value-in-use of goodwill held at 3 April 2009 and 28 March 2008 are as follows:

	Note	2009	2008
Discount rate	1	12.6%	12.6%
Growth rate	2	0.0%	0.0%

Notes:

1. Pre-tax discount rate applied to the cash flow projections.
2. Growth rate used to extrapolate cash flows beyond the budget period.

11. Property, plant and equipment

	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 30 March 2007	45.5	247.5	5.3	298.3
Additions	2.0	26.0	0.3	28.3
Disposals	(0.2)	(1.8)	(0.1)	(2.1)
Reclassifications	0.3	4.8	(5.1)	—
At 28 March 2008	47.6	276.5	0.4	324.5
Additions	1.5	12.4	0.1	14.0
Disposals	(0.1)	(1.3)	—	(1.4)
Reclassifications	0.1	0.2	(0.3)	—
At 3 April 2009	49.1	287.8	0.2	337.1
Depreciation				
At 30 March 2007	16.3	174.5	—	190.8
Depreciation for the period	2.2	17.0	—	19.2
Disposals	(0.1)	(1.6)	—	(1.7)
At 28 March 2008	18.4	189.9	—	208.3
Depreciation for the period	2.4	20.0	—	22.4
Disposals	—	(1.1)	—	(1.1)
At 3 April 2009	20.8	208.8	—	229.6
Net book value at 3 April 2009	28.3	79.0	0.2	107.5
Net book value at 28 March 2008	29.2	86.6	0.4	116.2

Included in the above are assets held under finance leases as follows:

	Short leasehold land and buildings £m	Fixtures, fittings and equipment £m	Total £m
As at 3 April 2009			
Cost	12.7	0.8	13.5
Accumulated depreciation	(2.5)	(0.8)	(3.3)
Net book value	10.2	—	10.2
As at 28 March 2008			
Cost	12.7	0.8	13.5
Accumulated depreciation	(2.0)	(0.7)	(2.7)
Net book value	10.7	0.1	10.8

No fixed assets are held as security for external borrowings.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12. Inventories

	2009	2008
	£m	£m
Finished goods for resale	147.0	151.6

Finished goods inventories include £6.6m (2008: £5.8m) of provisions to carry inventories at fair value less costs to sell where such value is lower than cost. The Group did not reverse any unutilised provisions during the period.

13. Trade and other receivables — current

	2009	2008
	£m	£m
Falling due within one year:		
Trade receivables	7.4	4.8
Less: provision for impairment of receivables	(0.1)	(0.1)
Trade receivables — net	7.3	4.7
Other receivables	6.5	10.3
Prepayments and accrued income	23.8	26.6
	37.6	41.6

During the period the Group created a provision of £0.1m (2008: £0.1m) for the impairment of trade receivables and utilised £0.1m (2008: £0.3m).

14. Cash and cash equivalents

	2009	2008
	£m	£m
Cash at bank and in hand	15.5	10.0

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

15. Trade and other payables — current

	2009	2008
	£m	£m
Trade payables	52.2	59.3
Other taxation and social security payable	7.9	18.0
Other payables	2.2	9.1
Accruals and deferred income — lease incentives	3.2	3.4
Accruals and other deferred income	28.6	31.5
	94.1	121.3

16. Borrowings

	2009 £m	2008 £m
Current		
Finance leases	0.2	0.2
Non-current		
Bank loan — unsecured	179.5	179.3
Finance leases	12.0	12.2
	191.5	191.5

The above borrowings are stated net of unamortised issue costs of £0.5m (2008: £0.7m).

The Group completed a debt refinancing exercise on 14 July 2006. The debt facility comprises a £180m five-year non-amortising loan, maturing with bullet repayment on 13 July 2011 and a £120m revolving credit facility. This facility is underwritten by The Royal Bank of Scotland Group plc and the syndication Group allocations were effected from 29 September 2006.

The term loan attracts an interest rate of LIBOR plus a fixed margin of 0.45%. This rate is set at the most competitive market price points, in line with the term facility agreement, and this can range from two weeks to six months.

The revolving credit facility permits further borrowings to a maximum of £120m. This facility matures on 13 July 2011 and drawings under the facility attract interest at LIBOR plus 0.45%–0.50% dependent upon covenant fulfilment.

17. Provisions

	Distribution reorganisation £m	Vacant property £m	Returns £m	Total £m
At 28 March 2008	—	1.1	0.9	2.0
Charged during the period	8.3	2.7	0.9	11.9
Utilised during the period	—	(0.6)	(0.9)	(1.5)
At 3 April 2009	8.3	3.2	0.9	12.4
Analysed as:				
Current liabilities	6.4	0.7	0.9	8.0
Non-current liabilities	1.9	2.5	—	4.4

The distribution reorganisation provision represents the costs associated with the re-configuration and consolidation of the Group's distribution and warehousing infrastructure.

The vacant property provision represents recognition of the net costs arising from vacant properties and sub-let properties. During the period an additional provision of £2.1m was made in this respect.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2008: 28%).

	2009 £m	2008 £m
The movement on the deferred taxation asset/(provision) is shown below:		
At the beginning of the period	(1.0)	(0.9)
Income statement credit (note 7)	3.7	0.7
Debit to equity	—	(0.8)
At the end of the period	2.7	(1.0)

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Deferred tax liabilities:

	Accelerated tax depreciation £m
At 30 March 2007	(7.9)
Credit to the income statement	0.7
At 28 March 2008	(7.2)
Credit to the income statement	1.5
At 3 April 2009	(5.7)

Deferred tax assets:

	Provisions and share options £m
At 30 March 2007	7.0
Debit to equity	(0.8)
At 28 March 2008	6.2
Credit to the income statement	2.2
At 3 April 2009	8.4
Net deferred tax asset/(liability)	
At 3 April 2009	2.7
At 28 March 2008	(1.0)

19. Financial instruments and related disclosures

Treasury policy

The Group's treasury department's main responsibilities are to:

- Ensure adequate funding and liquidity for the Group;
- Manage the interest risk of the Group's debt;
- Invest surplus cash;
- Manage the clearing bank operations of the Group; and
- Manage the foreign exchange risk on its non-sterling cash flows.

Treasury activities are delegated by the Board to the Finance Director ("FD"). The FD controls policy and performance through the line management structure to the Group Treasurer and by reference to the Treasury Committee. The Treasury Committee meets regularly to monitor the performance of the Treasury function. Monthly Treasury Reports provide management information relating to treasury activity.

Policies for managing financial risks are governed by Board approved policies and procedures, which are reviewed on an annual basis.

The Group's debt management policy is to provide an appropriate level of funding to finance the Business Plan over the medium term at a competitive cost and ensure flexibility to meet the changing needs of the Group. The Group has a syndicated five-year term facility totalling £300m that provides the Group with committed bank facilities until July 2011.

The key risks that the Group faces from a treasury perspective are as follows:

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 earnings before interest, tax, depreciation and amortisation and the strength of the balance sheet.

Interest rate risk

The Group's policy aims to manage the interest cost of the Group within the constraints of the Business Plan and its financial covenants. The Group's borrowings are currently subject to floating rate and the Group will continue to monitor movements in the swap market.

Foreign currency risk

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

During the 53 weeks to 3 April 2009, the foreign exchange management policy was to hedge between 75% and 80% of the material foreign exchange transaction exposures on a rolling 15–18 month basis. Hedging is performed through the use of foreign currency bank accounts, spot rates and forward foreign exchange contracts.

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 extend the loan facilities when they expire. The Group ensured that such counterparties used for credit transactions held at least an A credit rating at the time of syndication (July 2006). Ancillary business, in the main, is directed to the eight banks within the syndicated group.

The Treasurer is responsible for determining creditworthiness of each counterparty, based on the overall financial strength of the counterparty. The counterparty credit risk is reviewed in the Treasury report, which is forwarded to the Treasury Committee and the Treasurer reviews credit exposure on a daily basis.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19. Financial instruments and related disclosures continued

Liquidity risk

The Group ensures that it has sufficient cash or loan facilities to meet all its commitments when required. The Group ensures that there is sufficient cash or working capital facilities to meet the cash requirements of the Group for the current Business Plan. The minimum liquidity level is currently set at £30.0m.

Forecast liquidity is reviewed each month by the Treasurer to determine whether there are sufficient credit facilities to meet forecast requirements.

Covenants are monitored on a regular basis to ensure there are no significant breaches, which would lead to an "Event of Default". Calculations are submitted at least bi-annually to the syndication agent. Reporting on covenant compliance forms part of the Treasury Report. There have been no breaches of covenants during the reported periods.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Since June 2006 and until September 2009, the Group managed its capital structure partly through a share buy-back scheme, details of which are given in note 20.

The Group manages capital by operating within debt ratios. These ratios are lease adjusted net debt to Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") and fixed charge cover. Lease adjusted net debt is calculated as being net debt and leases capitalised at eight times, as a multiple of EBITDA plus operating lease charges. Fixed charge cover is calculated as being EBITDA plus operating lease charges as a multiple of interest and operating lease charges. As a result of the current economic conditions and the attitude towards debt the Group has decided to reduce the level of net debt and operates favourably to these target metrics.

The following table is a comparison by category of the carrying amounts and the fair values of the Group's financial assets and financial liabilities at 3 April 2009 and 28 March 2008.

	2009 Carrying value £m	2009 Fair value £m	2008 Carrying value £m	2008 Fair value £m
Cash and cash equivalents	15.5	15.5	10.0	10.0
Loan and receivables:				
Trade and other receivables	10.0	10.0	7.1	7.1
Held at fair value:				
Derivatives designated as accounting hedges				
Forward contracts	14.0	14.0	1.9	1.9
Total financial assets	39.5	39.5	19.0	19.0
Financial liabilities measured at amortised cost:				
Long-term borrowings	(179.5)	(179.5)	(179.3)	(179.3)
Finance leases	(12.2)	(12.2)	(12.4)	(12.4)
Trade and other payables	(77.5)	(77.5)	(94.7)	(94.7)
Provision for vacant property	(3.2)	(3.2)	(1.1)	(1.1)
Held at fair value:				
Derivatives designated as accounting hedges				
Forward contracts — current liabilities	(0.3)	(0.3)	(0.3)	(0.3)
Forward contracts — non-current liabilities	(0.4)	(0.4)	—	—
Total financial liabilities	(273.1)	(273.1)	(287.8)	(287.8)
Net financial liabilities	(233.6)	(233.6)	(268.8)	(268.8)

19. Financial instruments and related disclosures continued

Fair value assumptions

Trade receivables, trade payables and finance lease obligations	The fair value on these items approximate to their carrying value.
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 bank loans and other loans approximates to the carrying value reported in the balance sheet as the majority are floating rate where payments are reset to markets rates at intervals of less than one year.
Forward currency contracts	The fair value of forward currency contracts are calculated by using the closing spot rate and respective forward points as of the balance sheet date and comparing this to the outright contract rate.
Interest rate swaps	The fair value of interest rate swaps is calculated by taking the closing UK market rate for the outstanding period and comparing this to the outright contract rate.

Trade and other receivables

The following table reconciles trade and other receivables that fall within the scope of IAS 39 to the relevant balance sheet amounts. Other assets include prepayments and accrued income that are outside the scope of IAS 39. The financial assets are non-interest bearing.

	2009 £m	2008 £m
Trade and other receivables	37.6	41.6
Analysed as:		
Financial assets in the scope of IAS 39	10.0	7.1
Other assets	27.6	34.5
	37.6	41.6

The following table shows the age of such financial assets that are past due and for which no provision for bad or doubtful debts has been raised:

	2009 £m	2008 £m
Past due by 1–30 days	0.9	0.8
Past due by 31–90 days	0.7	0.4
Past due by 91–180 days	1.1	0.2
	2.7	1.4

The Group has not raised bad or doubtful debt provisions against these amounts as they are considered to be recoverable based on previous trading history.

Trade and other payables and other non-current liabilities

The following table reconciles trade and other payables that fall within the scope of IAS 39 to the relevant balance sheet amounts. Other liabilities include deferred income, lease incentives and tax and social security that are outside the scope of IAS 39. The financial liabilities are non-interest bearing.

	2009 £m	2008 £m
Trade and other payables	94.1	121.3
Analysed as:		
Financial liabilities in the scope of IAS 39	77.5	94.7
Other liabilities	16.6	26.6
	94.1	121.3

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19. Financial instruments and related disclosures continued

Sensitivity analysis

Financial instruments affected by market risk include borrowings, deposits, trade payables and derivative financial instruments. The following analysis is intended to illustrate the sensitivity of such financial instruments to changes in relevant foreign exchange and interest rates.

Foreign exchange sensitivity

The table below shows the Group's sensitivity to foreign exchange rates on its US dollar financial instruments, the major currency in which the Group's financial instruments are denominated.

	2009 Increase/ (decrease) in equity £m	2008 Increase/ (decrease) in equity £m
10% appreciation of the US dollar	11.5	10.0
10% depreciation of the US dollar	(9.4)	(8.2)

There are no material movements in the income statement. The movements in equity relates to the fair value movements on the Group's forward contracts that are used to hedge future stock purchases.

It should be noted that the sensitivity analysis reflects the impact on income and equity on all financial instruments held at the balance sheet date. It does not reflect changes in sales or costs that may result from changing interest or exchange rates.

Interest rate sensitivity

The table below shows the Group's sensitivity to interest rates changes.

	2009 Increase in finance cost £m	2009 Reduction in equity £m	2008 Increase in finance cost £m	2008 Reduction in equity £m
1% increase in sterling interest rates	(1.8)	—	(1.1)	(1.8)

A 1% decrease in interest rates would have an equal and opposite effect.

The movement in the income statement reflects the effect on finance costs on the unhedged borrowings of the Group as shown in the table below. In 2008 the movement in equity includes the fair value movement on the fixed leg of the Group's interest rate swap; this swap was closed out on 1 April 2009 (see note 5).

Interest rate movements on deposits, obligations under finance leases, trade payables, trade receivables, and other financial instruments do not present a material exposure to the Group's balance sheet.

The exposure of borrowings to interest rate changes when borrowings re-price is as follows:

	1 year £m	1-5 years £m	Total £m
Total bank borrowings as at 3 April 2009	180.0	—	180.0
	1 year £m	1-5 years £m	Total £m
Total bank borrowings as at 28 March 2008	180.0	—	180.0
Effect of interest rate swaps	(70.0)	70.0	—
	110.0	70.0	180.0

19. Financial instruments and related disclosures continued

The following is an analysis of the anticipated contractual cash flows, including interest payable, for the Group's non-derivative financial liabilities on an undiscounted basis. Interest is calculated based on debt held at the 3 April 2009 (28 March 2008) and is estimated using the prevailing interest rate at the balance sheet date.

	2009	2009	2009	2009	2009
	Bank borrowings	Finance leases	Trade and other payables	Vacant property provision	Total
	£m	£m	£m	£m	£m
Due less than one year	3.5	1.0	77.5	0.7	82.7
Expiring between 1 and 2 years	3.5	1.0	—	0.7	5.2
Expiring between 2 and 5 years	181.0	3.1	—	1.8	185.9
Expiring after 5 years	—	17.0	—	—	17.0
	188.0	22.1	77.5	3.2	290.8
	2008	2008	2008	2008	2008
	Bank borrowings	Finance leases	Trade and other payables	Vacant property provision	Total
	£m	£m	£m	£m	£m
Due less than one year	11.0	1.0	94.7	1.1	107.8
Expiring between 1 and 2 years	11.2	1.0	—	—	12.2
Expiring between 2 and 5 years	196.9	3.1	—	—	200.0
Expiring after 5 years	—	18.0	—	—	18.0
	219.1	23.1	94.7	1.1	338.0

The contractual obligations under finance leases include £9.9m (2008: £10.7m) of future finance charges to arrive at the present value of finance lease liabilities of £12.2m (2008: £12.4m).

The following table provides an analysis of the anticipated contractual cash flows for the Group's forward currency contracts. Cash flows receivable in foreign currencies are translated using spot rates as at 3 April 2009 (28 March 2008).

	2009		2008	
	Receivables	Payables	Receivables	Payables
	£m	£m	£m	£m
Due less than one year	90.5	(76.7)	80.6	(79.9)
Expiring between 1 and 2 years	13.0	(13.4)	9.2	(9.5)
	103.5	(90.1)	89.8	(89.4)

Cash flow hedges**Forward currency contracts**

Forward dated foreign exchange contracts are undertaken to hedge known exposure to foreign purchases in US dollars. The fair value of such derivatives are shown in the table on page 78.

Borrowing facilities

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

	2009	2008
	£m	£m
Expiring within 1 year	1.0	1.0
Expiring between 2 and 5 years	120.0	120.0
	121.0	121.0

The facilities expiring within one year were annual facilities subject to review at various dates during the period. The facility of £120.0m relates to the Group's revolving credit facility which was arranged to help finance the proposed expansion of the Group's activities. All these facilities incurred commitment fees at market rates.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20. Equity share capital

	2009	2009	2008	2008
Ordinary shares of 1p each:	Number of	£000	Number of	£000
	shares		shares	
Authorised	295,000,000	2,950	295,000,000	2,950
Allotted, called up and fully paid	209,786,251	2,097	214,348,661	2,143

Allotted, called up and fully paid share capital decreased during the period due to the Company's share repurchase programme. During the period the Company acquired 4,687,816 (2008: 9,453,738) shares at a cost of £13.1m (2008: £30.3m). Distributable reserves have been reduced by £13.1m (2008: £30.3m), being the consideration paid for the shares.

During the current period the Company's share capital increased by 3,000 shares (2008: 3,888,848 shares) due to the exercise by employees of share options at £2.60 under the 2004 Halfords Share Option Scheme. In addition, a further 122,406 nil cost options were exercised under the 2005 Long Term Incentive Plan. In 2008 a further 867,014 options were exercised at £2.65 by members of the 2004 Halfords Sharesave Scheme and in total the Company received proceeds of £12.4m from the exercise of share options.

Interest in own shares

At 3 April 2009 the Company held in Trust 1,113,985 (2008: 1,114,374) of its own shares with a nominal value of £11,140 (2008: £11,144). The Trust has waived any entitlement to the receipt of dividends in respect of its holding of the Company's ordinary shares. The market value of these shares at 3 April 2009 was £3.4m (2008: £3.3m).

21. Share-based payments

At present the Group has three share award plans:

1. Halfords Company Share Option Scheme ("CSOS")
2. Halfords Sharesave Scheme ("SAYE")
3. The Long-Term Incentive Plan ("LTIP")

1. Halfords Company Share Option Scheme

The CSOS was introduced in June 2004 and the Company has made annual grants since. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is ten years.

Options granted will become exercisable on the third anniversary of the date of grant, subject to the achievement of a three year performance condition. For grants up to 150% of basic salary the options can only be exercised if the increase in earnings per share ("EPS") over the period is not less than the increase in the Retail Price Index ("RPI") plus 5% per year for the 2005 scheme and 3.5% for options granted in 2006, 2007 and 2008 respectively. In the case of grants in excess of 150% of basic salary, the excess can only be exercised in full if the increase is not less than RPI plus 10% per year. Exercise of an option is subject to continued employment.

The expected volatility is based on historical volatility of a peer group of companies since the IPO in June 2004. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK government bonds.

21. Share-based payments continued

Options were valued using the Black–Scholes option-pricing models. No performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculations were as follows:

Grant date	7 August 2008	12 July 2007	6 July 2006	13 July 2005	2 June 2004
Share price at grant date	£3.0725	£3.9875	£3.010	£2.955	£2.600
Exercise price	£3.0725	£3.9875	£3.010	£2.955	£2.600
Number of employees	740	673	36	42	3598
Shares under option	1,881,467	1,600,591	252,000	294,000	6,556,953
Vesting period (years)	3	3	3	3	3
Expected volatility	27%	23%	35%	37%	40%
Option life (years)	10	10	10	10	10
Expected life (years)	4.85	4.85	4.85	4.85	3.85
Risk-free rate	4.61%	5.67%	4.70%	4.68%	4.68%
Expected dividend yield	4.83%	4.10%	4.00%	4.00%	4.00%
Possibility of ceasing employment before vesting	32%	32%	32%	32%	34%
Expectations of meeting performance criteria	100%	100%	100%	100%	100%
Fair value per option	£0.56	£0.75	£0.77	£0.79	£0.70
Number of options outstanding at 3 April 2009	1,801,918	1,454,925	189,000	—	292,950

2. Halfords Sharesave Scheme

The SAYE is open to all employees with eligible employment service. Options may be exercised under the scheme if the option holder completes his saving contract for a period of three years and then not more than six months thereafter. Special provisions allow early exercise in the case of death, injury, disability, redundancy, retirement or because the company or business which employs the option holder is transferred out of the Group, or in the event of a change in control, reconstruction or winding-up of the Company.

The fair value per option granted and the assumptions used in the calculations were as follows:

Grant date	7 August 2008	7 August 2007	1 August 2006	11 August 2005
Share price at grant date	£2.4083	£4.02	£3.01	£3.07
Exercise price	£1.9267	£3.22	£3.01	£3.07
Number of employees	821	1,064	343	573
Shares under option	1,491,586	929,890	173,558	269,037
Vesting period (years)	3	3	3	3
Expected volatility	29%	22%	22%	36%
Option life (years)	3	3	3	3
Expected life (years)	3.5	3.5	3.5	3.5
Risk-free rate	4.58%	5.54%	4.75%	4.68%
Expected dividend yield	4.83%	4.10%	4.10%	4.00%
Possibility of ceasing employment before vesting	44%	44%	44%	53%
Expectations of meeting performance criteria	100%	100%	100%	100%
Fair value per option	£0.61	£1.01	£0.44	£0.81
Number of options outstanding at 3 April 2009	1,349,562	287,118	65,082	1,370

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21. Share-based payments continued

3. The Long-Term Incentive Plan

The introduction of a Long-Term Incentive Plan ("LTIP") was approved at the Annual General Meeting in August 2005 awarding the executive Directors and certain senior management conditional rights to receive shares. To date four schemes have been approved for 2005, 2006, 2007 and 2008.

The extent to which such rights vest will depend upon the Company's performance over the three-year period following the award date. The vesting of 50% of the awards will be determined by the Company's relative total shareholder return ("TSR") performance and the vesting of the other 50% by the Company's absolute EPS performance against RPI. The Company's TSR performance will be measured against the FTSE 350 general retailers as a comparator Group. No retesting will be permitted.

The TSR element of the options granted under the 2007 scheme has been valued using a model developed by Deloitte. The Deloitte model uses the Group's share price volatility, the correlation between comparator companies and the vesting schedule attaching to the LTIP tranche rather than generating a large number of simulations of share price and TSR performance to determine the fair value of the award using a Monte Carlo model. For the 2005 and 2006 schemes the TSR element of the options were valued using a Monte Carlo simulation option pricing model. The fair value per option granted and the assumptions used in the calculation were as follows:

Grant date	7 August 2008	12 July 2007	11 July 2006	8 August 2005
Share price at grant date	£2.962	£4.02	£3.01	£3.07
Number of employees	20	21	18	17
Shares under option	866,340	539,893	596,908	537,417
Vesting period (years)	3	3	3	3
Expected volatility	30%	22%	22%	31%
Option life (years)	3	3	3	3
Expected life (years)	3	3	3	3
Expected dividend yield	4.83%	4.10%	4.25%	4.00%
Possibility of ceasing employment before vesting	30%	30%	30%	30%
Expectations of meeting performance criteria	100%	100%	100%	50%
Fair value per option	£1.97	£2.69	£1.82	£2.19
Number of shares outstanding 3 April 2009	796,719	352,914	351,102	—

As the LTIP awards have a nil exercise price the risk free rate of return does not have any effect on the estimated fair value and therefore is excluded from the above table.

A reconciliation of option movements for the CSOS, SAYE and LTIP performance plans over the year to 3 April 2009 are shown below:

	3 April 2009		28 March 2008	
	Number (‘000)	Weighted average exercise price	Number (‘000)	Weighted average exercise price
Outstanding at start of year	4,558	£2.59	7,455	£2.32
Granted	4,239	£2.04	3,070	£3.05
Forfeited	(173)	—	(553)	£1.07
Exercised	(126)	£0.07	(4,756)	£2.61
Lapsed	(1,555)	£2.58	(658)	£2.79
Outstanding at end of year	6,943	£2.36	4,558	£2.59
Exercisable at end of year	294	£2.60	334	£2.60

21. Share-based payments continued

Weighted average exercise price	3 April 2009				28 March 2008			
	Number of shares (000)	Weighted average remaining life (years)		Weighted average exercise price	Number of shares (000)	Weighted average remaining life (years)		
		Expected	Contractual			Expected	Contractual	
£1.93	1,350	2.3	2.8	—	—	—	—	
£2.60	293	—	5.2	£2.60	329	—	6.2	
£2.65	—	—	—	£2.65	5	—	—	
£2.95	—	—	—	£2.95	224	2.1	7.3	
£3.01	254	1.8	5.5	£3.01	346	2.7	5.9	
£3.07	1,803	4.2	9.3	£3.07	149	0.8	0.3	
£3.22	287	1.8	1.3	£3.22	799	2.8	2.3	
£3.99	1,455	3.1	8.3	£3.99	1,556	4.1	9.3	
£0.00	1,501	1.6	1.6	£0.00	1,150	1.3	1.3	

The weighted average exercise price during the period for options exercised was £0.07 (2008: £2.61). The total charge for the year relating to employee share-based payment plans was £1.7m (2008: £1.0m), all of which related to equity-settled share-based payment transactions.

22. Commitments

	2009 £m	2008 £m
Capital expenditure: Contracted but not provided	1.5	1.5

At 3 April 2009, the Group was committed to making payments in respect of non-cancellable operating leases in the following periods:

	Land and buildings 2009 £m	Other assets 2009 £m	Land and buildings 2008 £m	Other assets 2008 £m
Within one year	79.8	1.2	77.7	0.6
Later than one year and less than five years	305.9	1.2	302.3	0.7
After five years	390.4	—	437.3	—
	776.1	2.4	817.3	1.3

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

23. Pensions

Employees are offered membership of the Halfords Pension Plan. During the period the Group changed its pension arrangements to prepare for the government's 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 income statement in the period that they arise. The contributions to the scheme for the period amounted to £3.2m (2008: £3.2m).

24. 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 guarantee, the bank has the right to recover the sum in full from the Group. The total amount of guarantees in place at 3 April 2009 amounted to £2.9m (2008: £2.9m).

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