

Notes to the Financial Statements

1. Profit and loss account

The Company made a profit before dividends paid for the financial period of £322.7m (52 week period to 2 April 2010: £1.4m). The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the Company alone.

2. Audit fees

The audit fees payable by the Group to KPMG Audit Plc and their associates during the period are detailed in note 3 to the Group financial statements. In the 52 weeks to 1 April 2011 the Company expensed £0.2m in fees relating to KPMG Audit Plc.

3. Staff costs

The Company has no employees other than the Directors. Full details of the Directors' remuneration and interests are set out in the Remuneration Report on pages 84 to 93 which form part of the audited information.

4. Investments

	£m
Shares in Group undertaking	
Cost	
As at 2 April 2010	172.1
Additions — share-based payments	2.4
Additions — increase in subsidiary undertaking investment	396.3
At 1 April 2011	570.8

During the year Halfords Group plc sold two £58m Eurobond investments, one to Halfords Holdings (Jersey) 1 Limited and one to Halfords Holdings (Jersey) 2 Limited, for consideration of 2,320,000 £1 ordinary shares in each company issued at a premium. Therefore, £116m of additions in subsidiary undertakings in the year relates to Halfords Holdings (Jersey) 1 Limited and Halfords Holdings (Jersey) 2 Limited.

Halfords Ireco 1 Limited and Halfords Ireco 2 Limited were incorporated as 100% owned subsidiaries of Halfords Group plc on 28 October 2010. Ireco 2 Limited was subsequently sold to Ireco 1 Limited and a contribution of £280.3m made from Halfords Group plc to Ireco 1 Limited. This contribution and the initial share capital are included in the additions in subsidiary undertakings in the year relating to the investment in Halfords Ireco 1 Limited.

The investments represent shares in the following subsidiary undertakings as at 1 April 2011 and the fair value of share-based compensation plans that are awarded to employees of the Company's subsidiary undertakings.

Subsidiary undertaking	Incorporated in	Ordinary shares percentage owned %	Principal activities
Halfords Holdings (2006) Limited	Great Britain*	100	Intermediate holding company
Halfords Holdings (Jersey) 1 Limited	Jersey	100	Intermediate holding company
Halfords Holdings (Jersey) 2 Limited	Jersey	100	Intermediate holding company
Halfords Ireco 1 Limited	Gibraltar	100	Intermediate holding company

* Registered in England and Wales.

In the opinion of the Directors the value of the investments in the subsidiary undertakings is not less than the amount shown above.

Notes to the Financial Statements continued

4. Investments continued

Principal subsidiary undertakings

The principal subsidiary undertakings of the Company at 1 April 2011 are as follows:

Subsidiary undertaking	Principal activity	% Ownership of ordinary equity shares
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 parts, accessories, cycles and cycle accessories	100
Halfords Investments (2010) LP†	Intermediate holding partnership	—
Halfords Autocentres Holdings Limited*	Intermediate holding company	100
Halfords Autocentres Limited*	Car servicing	100
Halfords Holdings (Jersey) 1 Limited	Intermediate holding company	100
Halfords Holdings (Jersey) 2 Limited	Intermediate holding company	100
Halfords Ireco 1 Limited	Intermediate holding company	100
Halfords Ireco 2 Limited*	Intermediate holding company	100
Halfords Finance UK LLP†	Intermediate holding partnership	—

* Shares held indirectly through subsidiary undertakings.

† Wholly owned indirectly through subsidiary undertakings.

Halfords Holdings (Jersey) 1 Limited and Halfords Holdings (Jersey) 2 Limited are incorporated and registered in Jersey. Halfords Ireco 1 Limited and Halfords Ireco 2 Limited are incorporated and registered in Gibraltar. All other subsidiary undertakings are incorporated in Great Britain and registered in England and Wales. The only subsidiaries to trade during the year were Halfords Limited and Halfords Autocentres Limited.

5. Debtors

	2011 £m	2010 £m
Falling due within one year:		
Amounts owed by Group undertakings	—	—
Tax and social security	—	0.1
	—	0.1
Falling due after more than one year:		
Amounts owed by Group undertakings	40.8	26.9

Amounts owed by Group undertakings that fall due after one year are subject to interest. At 1 April 2011 the amounts bear interest at a rate of 4.83% (2010: 1.06%).

6. Creditors

	2011 £m	2010 £m
Falling due within one year:		
Bank overdraft	—	0.1
Accruals and deferred income	0.6	—
Amounts owed to Group undertakings	—	15.7
	0.6	15.8
Falling due after more than one year:		
Bank borrowings (note 7)	86.8	—
Amounts owed to Group undertakings	60.0	2.5
	146.8	2.5

Amounts due to Group undertakings that fall due after one year are subject to interest. At 1 April 2011 the amounts bear interest at a rate of 2.07% (2010: 1.06%).

7. Borrowings

	2011	2010
	£000	£000
Maturity of debt — bank loans		
Expiring between one and two years	—	—
Expiring between two and five years ¹	86.8	—
	86.8	—

¹The above borrowings are stated net of amortised issue costs of £3.2m.

Details of the Company's borrowing facilities are in note 16 of the Group's financial statements.

8. Equity share capital

	2011	2011	2010	2010
	Number of shares	£000	Number of shares	£000
Ordinary shares of 1p each:				
Allotted, called up and fully paid	211,985,998	2,120	210,710,960	2,107

During the current period the Company's share capital increased by 1,275,038 shares (2010: 924,709 shares) due to the exercise by employees of share options. Details of shares exercised by scheme are shown in note 22 to the Group's financial statements.

In total the Company received proceeds of £4.5m (2010: £0.9m) from the exercise of share options.

Potential issue of ordinary shares

The Company has three employee share option schemes, which were set up following the Company's flotation. Further information regarding these schemes can be found in note 22 to the Group's financial statements.

Interest in own shares

At 1 April 2011 the Company held in Trust 1,108,520 (2010: 1,113,985) of its own shares with a nominal value of £11,085 (2010: £11,140). 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 1 April 2011 was £3.9m (2010: £5.4m).

9. Reserves

	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 2 April 2010	146.5	0.2	32.0	178.7
Profit for the financial period	—	—	322.7	322.7
Share options exercised	4.5	—	—	4.5
Share-based payment transactions	—	—	2.4	2.4
Dividends	—	—	(46.2)	(46.2)
At 1 April 2011	151.0	0.2	310.9	462.1

The Company settled dividends of £46.2m (2010: £35.3m) in the period, as detailed in note 8 of the Group's financial statements.

Included in the profit and loss account is £118m of reserves that are not distributable (2010: £nil).

10. Related party disclosures

Under FRS 8 'Related party disclosures' the Company is exempt from disclosing related party transactions with entities which it wholly owns.

Notes to the Financial Statements continued

11. 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 1 April 2011 amounted to £3.9m (2010: £3.2m).

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

12. Off balance sheet arrangements

The Company has no off balance sheet arrangements to disclose as required by S410A of the Companies Act 2006.

13. Post-balance sheet events

Share buyback programme

Following a review by the Board of the Company's capital structure and cash generation capabilities, with effect from 7 April 2011, the Company commenced a share buyback programme, returning up to £75m of cash to Shareholders over the following twelve months. As at 3 June 2011 approximately £20.7m of buyback has taken place via the purchase of 5.3 million shares.