

# HALFORDS GROUP LIMITED

## Directors' Report

Period ended 2<sup>nd</sup> April 2004

---

### Directors

N M Carter  
J P Feuer  
D Hamid  
R W Templeman  
S Vestergaard-Poulsen  
C K Woodhouse

### Secretary

N M Carter

### Registered Office

Icknield Street Drive  
Washford West  
Redditch  
Worcestershire  
B98 ODE

---

The directors present their annual report together with the audited financial statements for the 53 week period ended 2<sup>nd</sup> April 2004. The comparative figures represent the 30 week period ended 28<sup>th</sup> March 2003. The Company was incorporated on 10<sup>th</sup> June 2002, but commenced its business on 30<sup>th</sup> August 2003.

### Principal activities

The Group's principal activities during the period were the retailing of auto parts and accessories, cycles and cycle accessories.

### Review of the Business

The directors are satisfied with the results of the period that showed a sharp rise in profits, driven by continued sales growth. This strong trading performance of the Group gives the directors optimism for the results in the current financial period and over the longer term.

The directors are currently reviewing the future financing of the group and are examining a number of financing structures, including an initial public offering. Consequently, a proportion of existing borrowings of the Group have been reclassified as borrowings due within one year resulting in the Group showing net current liabilities. The directors are satisfied that the Group will have continual funds to support its ongoing operations.

### Results for the Period

During the period to 2<sup>nd</sup> April 2004, Group turnover was £578.6m (30 weeks to 28<sup>th</sup> March 2003: £294.8m), comprising Car Enhancement £201.4m, Car Maintenance £172.0m, Cycling £123.1m and Travel Solutions £82.1m (30 week period to 28<sup>th</sup> March 2003 Car Enhancement £98.9m, Car Maintenance £101.2m, Cycling £61.7m and Travel Solutions £33.0m), producing an operating profit before goodwill amortisation and exceptional items of £79.2m (30 weeks to 28<sup>th</sup> March 2003: £26.0m).

The amortisation over 20 years of the goodwill arising on the purchase of Halfords Limited resulted in a charge in the period of £13.7m (30 weeks to 28<sup>th</sup> March 2003: £8.0m).

After profit on disposal of assets of £6.4m (30 weeks to 28<sup>th</sup> March 2003: £nil) and net interest payable of £44.1m (30 weeks to 28<sup>th</sup> March 2003: £21.8m), there was a profit before tax for the period of £27.8m (30 weeks to 28<sup>th</sup> March 2003: loss of £8.8m).

During the period the Group repaid all of its borrowings under the mezzanine facility and repaid £68.2m of its deep discount bonds. As a consequence an additional £2.4m of unamortised issue costs have been charged to interest.

It is expected that the borrowings under the Group's senior facility, deep discount bonds and fixed rate subordinated loan notes will be repaid as part of the refinancing exercise. Consequently, they have been classified as borrowings due within one year, except those borrowings that are to be replaced by new long-term senior facilities, which have been classified as due after one year. Accordingly, the amortisation of debt issue costs has been accelerated during the period resulting in an exceptional interest charge of £6.3m.

The profit attributable to shareholders was £13.5m (30 weeks to 28<sup>th</sup> March 2003: loss of £8.9m).

# HALFORDS GROUP LIMITED

## Directors' Report

Period ended 2<sup>nd</sup> April 2004

### Payment to suppliers

The Group agrees appropriate terms and conditions for its transactions with suppliers (by means ranging from standard written terms to individually negotiated contracts) and that payment should be made in accordance with those terms and conditions, provided that the supplier has also complied with them.

The number of days purchases outstanding at 2<sup>nd</sup> April 2004 was 58 (30 weeks to 28<sup>th</sup> March 2003: 32).

### Staff

The Group continues to involve staff in the decision-making process and communicated regularly with them during the period. Their involvement in the Group's performance is encouraged with business wide employee bonus schemes.

The Group aim, for all members of staff and applicants for employment, is to fit the qualifications, aptitude and ability of each individual to the appropriate job, and to provide equal opportunity, regardless of sex, religion or ethnic origin. The Group does all that is practicable to meet its responsibility towards the employment and training of disabled people. Where an employee becomes disabled, every effort is made to provide continuity of employment in the same job or a suitable alternative.

### Corporate Social Responsibility

The Group has in place both an Environmental policy and a Corporate Social Responsibility policy. These are closely aligned and the focus of the Group in both these policy areas is on Legislation & Industry Standards compliance, Pollution prevention and waste management, natural resource use and health & safety matters together with working conditions & pay.

In particular, Halfords Limited is an active member of Greening The High Street and has provided financial support to the Oil Care Campaign. Furthermore, Halfords Limited is closely linked with the National Household Hazardous Waste Forum and is a host organisation for the Envirowise Retail Supply Chain Partnership Forum.

All of the Group's suppliers are reviewed against our requirements associated with environmental management, health & safety and conditions of employment (including minimum age, wage and working hours). The Group ensures that our overseas suppliers comply with our sourcing code of conduct, and instigates audits to verify compliance against our code and the social accountability standard SA8000.

### Charitable Donations

The charitable donations made by the Group and charged in the accounts were £44,896 (30 weeks to 28<sup>th</sup> March 2003: £33,846). £30,000 of the donations were made to the employee benevolent fund, £10,000 was made to the Group's Charity Committee who make donations to various charities nominated by employees. There were no political donations during the period.

### Directors

The details of directors in office at the date of this report are shown on page 2. There have been the following changes to the board of directors during the period and up to the date of signing the financial statements:

#### Appointments

D Hamid  
N M Carter

#### Date

27<sup>th</sup> June 2003  
19<sup>th</sup> September 2003

#### Resignations

R M Scribbins  
R C C Saville

#### Date

7<sup>th</sup> May 2003  
30<sup>th</sup> September 2003

# HALFORDS GROUP LIMITED

## Directors' Report

Period ended 2<sup>nd</sup> April 2004

### Remuneration of directors and directors' shareholding

Details of the remuneration and shareholdings of the directors are included in notes 26 and 27 on page 24.

### Statement of Directors' Responsibilities

Company law requires directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and Group and of the profit and loss of the Company and Group for that period. In preparing these financial statements, directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and Group and to prevent and detect fraud and other irregularities.

### Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the board

  
\_\_\_\_\_  
N M Carter  
Secretary

12 MAY 2004  
\_\_\_\_\_  
Date