Accounting Policies

BASIS OF PREPARATION

The accounts of the Company are prepared for the period up to the Friday closest to 31 March each year. Consequently, the financial statements for the current period cover the 52 weeks to 30 March 2007, whilst the comparative period covered the 52 weeks to 31 March 2006. The accounts are prepared under the historical cost convention, in accordance with the Companies Act 1985, applicable accounting standards and specifically in accordance with the accounting policies set out below.

A consolidated cash flow statement has been included in the Halfords Group plc consolidated accounts. The Company has therefore taken advantage of the exemption under FRS 1 (Revised 1996) "Cash flow statements" not to produce a cash flow statement.

PENSIONS

Employees are offered membership of Halfords Pension Plan, a defined contribution pension arrangement. The costs of the contribution to the scheme are charged to the profit and loss account in the period that they arise.

SHARE-BASED PAYMENTS

The Company operates a number of equity-settled, share-based compensation plans that are awarded to employees of the Company's subsidiaries.

In accordance with UITF Abstract 44 'FRS 20 (IFRS 2) — Group and treasury share transactions' the fair value of the employee services received under such schemes is recognised as an expense in the profit and loss account of the subsidiary that benefit from those services received. The Company has recognised the fair value of the options as an increase to equity with a corresponding adjustment to Investments. The impact of this change on the comparative period has been to increase investments by £2.3m with a corresponding £0.1m decrease in amounts owed by Group undertakings and £2.2m increase in amounts owed to group undertakings.

Fair value is determined by use of the Black-Scholes option pricing model for Options granted under the Halfords Company Share Option Scheme and Share Save Scheme. Rights granted under the Company's Long-Term Incentive Plan have been valued using the Monte Carlo simulation option pricing model.

The total fair value recognised is determined by reference to the fair value of share incentives, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of share incentives that are expected to vest. At each balance sheet date, the Company revises its estimates of the number of share incentives that are expected to vest. The impact of the revision of original estimates, if any, is recognised as an adjustment to equity, with a corresponding adjustment to investments, over the remaining vesting period.

INVESTMENTS

Investments in subsidiary undertakings are stated at the original cost of the investments. Provision is made against cost where, in the opinion of the directors, the value of the investments has been impaired.

EQUITY DIVIDENDS

Final dividends are recognised in the Group's financial statements in the period in which the dividends are approved by shareholders. Interim equity dividends are recognised in the period they are paid.