

24 November 2005

**HALFORDS GROUP PLC (“HALFORDS”)
INTERIM RESULTS TO 30 SEPTEMBER 2005**

Strong sales growth and cash generation

Halfords, the UK’s leading auto, leisure and cycling products retailer, today announces its interim results for the 26 weeks to 30 September 2005.

Financial Highlights

- Revenue up 4.7% to £337.7m (2004: £322.7m)
- Like-for-like¹ sales up 2.6%
- Operating profit up 8.7% to £46.0m (2004: £42.3m)
- Pre-tax profit up 20.6% to £40.4m (2004: £33.5m)
- Strong cash generation reduces net bank borrowings by £11.6m
- Interim dividend up 8.1% to 4.0 pence per share (2004: 3.7 pence)

Operational Highlights

- Strong sales growth in Car Enhancement and Cycling
- Store portfolio now 402 stores with further expansion planned in the Republic of Ireland
- On track to deliver 100 supermezzanine stores by the year end
- Tight cost control

Ian McLeod, Chief Executive commented:

“Our growth strategy, underpinned by our unique service proposition, has continued to deliver positive results despite a challenging retail environment. In the six weeks since 30 September 2005 Halfords’ like-for-like sales performance has continued to strengthen, particularly within cycling and in-car technology, giving us confidence for the second half of our financial year”.

Notes:

1. Like-for-like sales growth is based upon 374 stores, which reached their opening anniversary at or before 1 April 2005.
2. From 2 April 2005 the Group is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”). These interim results for the period ending 30 September 2005 have been prepared in accordance with the accounting policies which have been adopted under IFRS and which are published on the Halfords website (www.halfordscompany.com).

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Halfords Group plc

Halfords is the UK’s leading auto, leisure and cycling products retailer with 402 stores and nearly 10,000 employees.

The Group sells 11,000 different product lines ranging from car parts and cycles through to the latest in-car technology, alloy wheels, child seats, roof boxes and the latest outdoor leisure and camping equipment. Halfords’ own brands include Ripspeed, for car enhancement, and Bikehut, for cycles and cycling accessories, including the Apollo and Carrera brands. Stores offer a “We’ll Fit It” service for car parts, child seats, satellite navigation and in-car technology systems, together with newer concepts such as Kidszone.

Halfords is a FTSE 250 company. It was established in 1892 and was successfully floated on the London Stock Exchange in June 2004.

www.halfordscompany.com
www.halfords.com

Overview

Halfords is the UK's leading auto, leisure and cycling products retailer, with 402 stores across the UK and the Republic of Ireland. The strong trading performance in the first six months of the year has been underpinned by the Company's unique position as a destination retailer, offering niche products supported by a superior service offering.

Adherence to our growth strategy, with a focus on maximising sales and increasing cash margin, has generated increases in revenue and gross profit. The Company's sales mix is changing as Halfords moves into new growth markets, which has had some adverse impact upon gross profit percent. The Company benefits from operating margins in the top quartile of the retail sector and its strong cash generation has enabled a further reduction in bank borrowing.

Summary of Group Results

Unaudited	26 weeks to		
	30 September 2005 £m	1 October 2004 £m	Change
Revenue	337.7	322.7	4.7%
Gross profit	173.8	170.8	1.8%
<i>Gross profit %</i>	<i>51.5%</i>	<i>52.9%</i>	
Operating profit	46.0	42.3	8.7%
Profit before tax	40.4	33.5	20.6%
Basic earnings per share	12.1 pence	11.7 pence	3.4%

Financial Review

Income Statement

The unaudited results for the 26 weeks to 30 September 2005 are the first Halfords has prepared under IFRS. Comparative results disclosed in this report have been restated and further information regarding the impact of the transition from UK GAAP to IFRS has been included in the Accounting Policies in the notes to the interim report and the Appendix.

Halfords' business remains resilient against the backdrop of a challenging retail environment. Sales during the period rose by 4.7% to £337.7m (2004: £322.7m) and like-for-like sales increased by 2.6%.

The timing of Easter in the last two years means that in the current financial year there is no Easter, whereas in the comparable financial year there were two Easter trading periods. Adjusting for Easter, underlying like-for-like sales were up 4.1% in the period.

Gross profit for the first half of this financial year at £173.8m (2004: £170.8m) was 1.8% up on the comparable period last year and gross profit as a percentage of turnover was 51.5% (2004: 52.9%). There continues to be a change in sales mix, driven by a strong sales performance from the Car Enhancement and Cycling categories, where the margins tend to be

lower than other product categories. Whilst the mix factor has resulted in a dilution of gross profit percent by 140 basis points the overall trading performance has continued to deliver improvements in both cash generation and gross margin contribution.

During the half year Halfords has kept firm control of costs, with net operating expenses before exceptional items as a percentage of turnover falling from 38.5% to 37.8%. Although selling and distribution costs have increased year-on-year by 3.8%, administrative expenses have fallen by 2.7%. Our focus on labour costs and in-store efficiency has proved successful in driving down the level of store payroll as a percentage of turnover from 11.7% reported in the first half of last year to 11.2% in the corresponding period this year. Halfords has continued to leverage its investment in a series of *We'll Fit It* training programmes to ensure our competitive service advantage is maintained. Proactive management of the property estate has facilitated higher landlord contributions to support either a store downsize or relocation. This activity is likely to continue and helps to manage rental costs and support mezzanine installations.

Operating profit for the period has grown by 8.7% to £46.0m.

Net finance costs for the first half of this financial year was £5.6m (2004: £8.8m). The year-on-year decrease is attributable to the Company's continued ability to generate a strong cash flow from its operating activities and the higher levels of debt prior to the IPO in June 2004.

The taxation charge is based on an estimated effective tax rate of 31.7% on profit for the 52-week period ending 31 March 2006. The tax charge exceeds the charge based on the statutory rate of UK corporation tax of 30%, principally due to the non-deductibility of depreciation charged on capital expenditure in respect of mezzanine floors and other store infrastructure.

Balance Sheet and Cash Flow

Capital additions for the 26 weeks to 30 September 2005 was £13.9m (2004: £13.8m). The cost of opening new stores and store conversions accounted for £11.7m (2004: £8.7m), of which £5.2m (2004: £5.1m) was in respect of 20 stores (2004: 22 stores) converted to the supermezzanine format.

Net cash flow generated from operations was £61.0m (2004: £62.7m). At 30 September 2005 the net value of stock was £149.0m (2004: £116.9m), reflecting the Company's forward investment in stock levels of high average selling price products and in-car technology units, where action was taken to secure product in a market which has seen consumer demand moving ahead of market supply. This year-on-year increase has substantially reduced since the half year and will continue to do so ahead of the financial year end. A working capital inflow of £1.9m was generated during the first half of the financial year, with the increase in creditors more than offsetting the increase in stock and debtors.

Due to strong cash generation, net debt, excluding finance leases, at the end of the first half has reduced by £11.6m to £157.5m (2004: £169.1m). Reclassification of the head office operating lease to a finance lease under IFRS has added £12.6m to total net debt. At 30 September 2005 total net debt was £170.7m (2004: £182.4m).

Dividend

In light of the strong half year performance and the Board's confidence for the second half of the year, an increased interim dividend 4.0 pence per share (3.7 pence per share for the 26 weeks ended 1 October 2004) will be paid on 9 January 2006 to those shareholders on the share register as at 2 December 2005.

Operating Review

The retail environment is currently challenging and, whilst not immune to the current economic conditions, Halfords continues to demonstrate that it possesses resilient qualities.

The performance of Car Maintenance has demonstrated the resilient nature of products within this category, where we have seen further growth in the first six months of this year. The introduction of quality Far East sourced tools and storage, together with the introduction of a Trade Card, has enabled Halfords to maintain its market leading position in this sector.

During the period, launches of a new, upgraded, range of *Apollo* cycles and a *Bikehut* branded range of cycle accessories have both been well received. With the launch in October of a new premium cycle range under the *Carrera* brand, the Company is well placed to optimise performance from the Cycling category in the second half of the year.

Following the broadening of our child safety range, supported by the free fit service for child safety seats, *Kidszone* has benefited from further extending the range into child strollers, as the Company continues to leverage the brand into this sector. This is particularly true in supermezzanine format stores where space is available for improved displays. The growth of ride-on toys has been encouraging during the period and we anticipate that it will follow the same trend as last year when sales grew considerably from gift purchases as we entered the Christmas trading period. Our ranges have been broadened and sourced directly from the Far East in support of the forecast growth for the year.

The largest growth area within Halfords continues to be in the Car Enhancement category. This growth has been underpinned by the *Ripspeed* brand and a strong sales performance from in-car technology products. Leveraging our brands into new product categories remains a key element of the Company's strategy to increase like-for-like sales. Halfords has realigned space in all stores to reflect the change in consumer demand for in-car technology and has invested heavily in training colleagues in-store to offer sound advice, product set-up demonstration and a product fitting service. This strategy of providing a strong range and service combination has enabled Halfords to establish market leadership in this sector.

The market for downloading music from the internet into MP3 hardware has been growing significantly and the Company has identified an opportunity to supply a solution to the challenge of playing MP3 downloads with quality and safety in-car. Consequently, from November onwards, Halfords will be marketing a new range of audio systems, which can connect with MP3 players, such as the *iPod*, for in-car use. We will also be introducing a fully fitted *iPod* connectivity solution to enable the use of these devices with existing in-car audio units, further exploiting the competitive advantage of our service proposition.

In July Halfords signed a Memorandum of Understanding with Autobacs Seven of Japan (“Autobacs”) with the intention of seeking opportunities through shared learning and the joint sourcing of products from the Far East. As part of this collaborative agreement Halfords has introduced a limited store trial of a previously unavailable range of Japanese branded car accessories. These accessories will be introduced into 150 Halfords stores prior to Christmas. Management will continue to seek areas of synergy with Autobacs which operate to the mutual benefit of the two companies.

The *We'll Fit It* service proposition differentiates Halfords from its competitors and continues to attract new customers to its stores. Colleague training programmes, both off-site and in-store, continue to support technology set-up and installation, bike care maintenance and child safety seat fitting, as well as fitting basic car maintenance consumables. The comprehensive fitting service is to be further promoted during the second half of the year, externally, through the launch of a five-point car health check plan and, internally, by colleagues improving consumer awareness of our fitting service in car bulbs, wiper blades and batteries.

The Company continues to make progress in increasing the volume of products that it imports directly, particularly from the Far East. This has reduced cost prices and has allowed the Company to re-invest some of these savings in lower retail prices, thereby offering better value to our customers.

Store Portfolio

At 30 September 2005 Halfords was trading from 402 stores. During the period the company opened seven new stores and closed three, a net increase of four stores. In addition, a store was relocated and converted from a blue fascia superstore to the supermezzanine format. Space from new stores contributed 2.1% (2004: 2.1%) to first half sales growth. New and converted stores have added approximately 100,000 square feet to the portfolio, which now stands at 3.3 million square feet.

The Company converted 31 (2004: 31) stores during the first half of the year, of which 20 (2004: 22) were stores converted into the supermezzanine format. With four new store openings and one store relocation the estate now has 82 supermezzanines compared to 57 at the financial year end and 39 at the end of the equivalent period last year.

Supermezzanine stores that have been converted during the last 12 months account for 1.6% of the sales growth in the 26 weeks to 30 September 2005. The Company is pleased by the ongoing performance of the supermezzanine format. Stores that have reached their conversion anniversary are trading at a small premium to the rest of the estate, which compares favourably to the supermezzanine investment case, whereby it was prudently assumed that on its anniversary a converted store would trade in line with the rest of the estate.

Second Half Outlook and Current Trading

The Christmas period provides Halfords with the opportunity for capitalising on sales within gift related sectors such as cycles and also within new product areas such as ride-on toys and in-car technology. The season is therefore an important period for the Company but not a

critical one, with December typically accounting for approximately one and half times average monthly sales.

In the six weeks since 30 September 2005 Halfords' like-for-like sales performance has continued to strengthen, particularly within cycling and in-car technology. This sales growth, combined with like-for-like sales comparatives reducing from 10.6% in the first half of the year to 7.0% in the second half, provides an encouraging outlook, which therefore gives us confidence for the remainder of our financial year.

HALFORDS GROUP PLC
Consolidated Income Statement
26 weeks to 30 September 2005

	Notes	26 weeks to 30 September 2005 Unaudited £m	26 weeks to 1 October 2004 Unaudited £m	52 weeks to 1 April 2005 Unaudited £m
Revenue		337.7	322.7	628.4
Cost of sales		(163.9)	(151.9)	(290.7)
Gross profit		173.8	170.8	337.7
Operating expenses		(127.8)	(128.5)	(247.1)
Operating profit		46.0	42.3	90.6
Operating profit before exceptional items		46.0	46.5	90.8
Exceptional items	2	-	(4.2)	(0.2)
Operating profit		46.0	42.3	90.6
Net finance costs	3	(5.6)	(8.8)	(15.0)
Profit before tax		40.4	33.5	75.6
Taxation	4	(12.8)	(9.6)	(23.2)
Profit attributable to equity shareholders		27.6	23.9	52.4
Earnings per share				
Basic	6	12.1p	11.7p	24.3p
Diluted	6	12.1p	11.7p	24.3p
Earnings per share before exceptional items				
Basic	6	12.1p	12.6p	23.9p
Diluted	6	12.1p	12.6p	23.9p

The directors have approved an interim dividend of 4.0 pence per share in respect of the 26 weeks ended 30 September 2005 (3.7 pence per share for the 26 weeks ended 1 October 2004).

HALFORDS GROUP PLC

Balance Sheet

As at 30 September 2005

	30 September 2005 Unaudited £m	1 October 2004 Unaudited £m	1 April 2005 Unaudited £m
Non-current assets			
Goodwill	253.1	253.1	253.1
Intangible assets	6.0	5.8	6.2
Property, plant and equipment	101.3	93.6	97.8
	360.4	352.5	357.1
Current assets			
Stock	149.0	116.9	112.2
Trade and other receivables	29.5	24.3	23.6
Derivative financial instruments	1.4	-	-
Cash and cash equivalents	4.9	0.9	1.1
	184.8	142.1	136.9
Current liabilities			
Borrowings	(45.1)	(47.1)	(53.0)
Derivative financial instruments	(3.6)	-	-
Trade and other payables	(143.9)	(109.9)	(99.3)
Current tax liabilities	(14.4)	(11.4)	(13.3)
Provisions	(1.4)	(1.1)	(1.6)
	(208.4)	(169.5)	(167.2)
Net current liabilities	(23.6)	(27.4)	(30.3)
Non-current liabilities			
Borrowings	(130.5)	(150.2)	(130.5)
Deferred tax liabilities	(4.8)	(5.0)	(5.1)
Other non-current liabilities	(14.6)	(10.9)	(11.6)
	(149.9)	(166.1)	(147.2)
Net assets	186.9	159.0	179.6
Shareholders' equity			
Ordinary shares	2.3	2.3	2.3
Share premium	133.1	132.9	132.9
Fair value and other reserves	(0.6)	0.4	1.0
Retained earnings	52.1	23.4	43.4
Total equity	186.9	159.0	179.6

HALFORDS GROUP PLC

Consolidated Statement of Changes in Shareholder Equity

26 weeks to 30 September 2005

	Share capita £m	Share premium £m	Fair value and other reserves £m	Retained earnings £m	Total equity £m
Balance at 2 April 2004	-	0.	-	(4.7)	(4.6)
Profit for the period	-	-	-	23.9	23.9
Shares issued	2	134.	-	-	136.9
Bonus issue in respect of ordinary shares	-	(1.	-	-	(1.8)
Movement arising from the issue of share options	-	-	-	4.2	4.2
Employee share options	-	-	0.4	-	0.4
Dividends	-	-	-	-	-
Balance at 1 October 2004	2	132.	0.4	23.4	159.0
Balance at 2 April 2004	-	0.	-	(4.7)	(4.6)
Profit for the period	-	-	-	52.4	52.4
Shares issued	2	134.	-	-	136.9
Bonus issue in respect of ordinary shares	-	(1.	-	-	(1.8)
Movement arising from the issue of share options	-	-	-	4.2	4.2
Employee share options	-	-	1.0	-	1.0
Dividends	-	-	-	(8.5)	(8.5)
Balance at 1 April 2005	2	132.	1.0	43.4	179.6
Balance at 1 April 2005 as previously reported	2	132.	1.0	43.4	179.6
Application of IAS 39 Fair value at opening balance sheet	-	-	(2.9)	-	(2.9)
Balance at 1 April 2005 restated	2	132.	(1.9)	43.4	176.7
Profit for the period	-	-	-	27.6	27.6
Shares issued	-	0.	-	-	0.2
Cash flow hedges net of tax	-	-	0.7	-	0.7
Employee share options	-	-	0.6	-	0.6
Dividends	-	-	-	(18.9)	(18.9)
Balance at 30 September 2005	2	133.	(0.6)	52.1	186.9

HALFORDS GROUP PLC
Consolidated Cash Flow Statement
26 weeks to 30 September 2005

	Notes	26 weeks to 30 September 2005 Unaudited £m	26 weeks to 1 October 2004 Unaudited £m	52 weeks to 1 April 2005 Unaudited £m
Cash flows from operating activities				
Cash generated from operations	7	61.0	62.7	117.0
Interest received		-	0.3	0.4
Interest paid		(5.4)	(6.7)	(12.5)
Taxation paid		(11.9)	(8.4)	(20.1)
Net cash from operating activities		43.7	47.9	84.8
Cash flows from investing activities				
Purchase of property, plant and equipment		(12.9)	(13.8)	(27.6)
Net cash used in investing activities		(12.9)	(13.8)	(27.6)
Cash flows from financing activities				
Proceeds from issue of ordinary shares		0.2	135.1	135.1
Repayment of borrowings		(26.0)	(194.8)	(217.6)
Finance lease principal payments		(0.1)	(0.1)	(0.2)
Issue costs of new bank loan		-	(3.1)	-
Dividends paid to shareholders		(18.9)	-	(8.5)
Net cash used in financing activities		(44.8)	(62.9)	(91.2)
Net decrease in cash and bank overdrafts		(14.0)	(28.8)	(34.0)
Cash and bank overdrafts at beginning of period	8	(15.5)	18.5	18.5
Cash and bank overdrafts at the end of the period	8	(29.5)	(10.3)	(15.5)

These interim statements should be read in conjunction with the following notes.

HALFORDS GROUP PLC

Notes to Interim Report

26 weeks to 30 September 2005

Accounting Policies

Basis of Preparation

The interim financial report and accounts for the 26 weeks to 30 September 2005 and for the comparative 26 weeks to 1 October 2004 are unaudited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

From 2 April 2005 Halfords Group plc is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) endorsed by the European Union. Reconciliations and descriptions of the effect of the transition from UK GAAP to IFRS on the Group’s equity and its income statement are provided in the Appendix to the interim report.

The financial information set out in this interim report has been prepared in accordance with the accounting policies under IFRS published on the Halfords Group website (www.halfordscompany.com). These policies are expected to be followed in the full financial statements for the year ended 31 March 2006.

Standards currently in issue and adopted by the EU are subject to interpretation issued from time to time by the International Financial Reporting Interpretations Committee (“IFRIC”). Further standards may be issued by the International Accounting Standards Board that may be adopted for financial years beginning 2 April 2005. Additionally, IFRS is currently being applied in the United Kingdom and in a large number of countries simultaneously for the first time. Furthermore, due to a number of new and revised Standards included within the body of the Standards that comprise IFRS there is not yet a significant body of established practice on which to draw in forming options regarding interpretation and application. Accordingly, practice is continuing to evolve. At the preliminary stage, therefore, the full financial effect of reporting under IFRS as it will be applied and reported on in the Company’s first IFRS financial statements for the 52 weeks ending 31 March 2006 may be subject to change.

The principal adjustments arising from the adoption of IFRS are:

- Goodwill is no longer amortised, but is subject to impairment review, in line with IFRS 3 “Business Combinations” and IAS 36 “Impairment of Assets”
- Recognition of the cost of share based payments granted after 7 November 2002, in line with IFRS 2 “Share Based Payments”, which had not vested by 2 April 2005
- Dividends are recognised in the period when they are approved, in line with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”
- Tax implications, in accordance with IAS 12 “Income Taxes”
- Recognition of holiday pay benefits under IAS 19 “Employee Benefits”
- The recognition of the fair value of derivative financial instruments, in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”

HALFORDS GROUP PLC

Notes to Interim Report

26 weeks to 30 September 2005

UK GAAP to IFRS Reconciliations

	26 weeks to 30 September 2005 £m	26 weeks to 1 October 2004 £m	52 weeks to 1 April 2005 £m
Operating profit under UK GAAP	38.9	34.9	78.3
Goodwill amortisation	6.9	6.9	13.7
Share based payment	(0.6)	(0.4)	(1.0)
Holiday pay	1.3	1.3	-
Reclassification of assets from operating to finance leases	0.2	0.2	0.4
Lease incentives	(0.3)	(0.6)	(0.8)
Retranslation of trade creditors	(0.4)	-	-
IFRS adjustments	7.1	7.4	12.3
Operating profit under IFRS	46.0	42.3	90.6

	30 September 2005 £m	1 October 2004 £m	1 April 2005 £m
Net assets under UK GAAP	168.0	151.7	156.3
Goodwill amortisation	20.6	6.9	13.7
Holiday pay accrual	0.8	0.8	(0.5)
Reclassification of assets from operating to finance leases	(0.7)	(0.2)	(0.5)
Lease incentives	(6.7)	(6.3)	(6.4)
Tax on above adjustments	(1.6)	(2.4)	(1.9)
Dividend recognition	9.1	8.5	18.9
Retranslation of trade creditors	(0.4)	-	-
Recognition of foreign exchange cash flow hedges	1.4	-	-
Recognition of interest rate swap cash flow hedge	(3.6)	-	-
IFRS adjustments	18.9	7.3	23.3
Net assets under IFRS	186.9	159.0	179.6

Further details of the IFRS restatement are given in the Appendix to this report "Transition to International Financial Reporting Standards".

HALFORDS GROUP PLC

Notes to Interim Report

26 weeks to 30 September 2005

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 segment reporting format reflects the Group's management and internal reporting structure.

2. Exceptional Items

	26 weeks to 30 September 2005	26 weeks to 1 October 2004	52 weeks to 1 April 2005
	£m	£m	£m
Employee share options ¹	-	(4.2)	(4.2)
Lease incentive premium ²	-	-	4.0
	-	(4.2)	(0.2)

Notes:

1. Operating exceptional items in the 26 weeks to 1 October 2004 relate to a non-cash charge of £4.2m in respect of employee share options, which were exercised at the time of the IPO.
2. In August 2001 Halfords Limited sold its garaging servicing business to the AA. Under the terms of the sale 124 garage premises were sublet to GB Gas Holdings by way of an underlease agreement from Halfords Limited. On 16 November 2004 the Group entered into an agreement with GB Gas Holdings Limited and the AA, under which the Group received a £4.0m premium in consideration for providing consent to the assignment of the above underlease from GB Gas Holdings Limited to the AA and the subsequent subletting by the AA of 49 premises to Nationwide Autocentres Limited.

The Group's tax charge for the periods to 1 October 2004 and 1 April 2005 include credits of £2.0m and £0.8m respectively for the above exceptional items.

HALFORDS GROUP PLC

Notes to Interim Report

26 weeks to 30 September 2005

3. Net Finance Costs

	26 weeks to 30 September 2005 Unaudited £m	26 weeks to 1 October 2004 Unaudited £m	52 weeks to 1 April 2005 Unaudited £m
Finance costs:			
Bank borrowings	(4.6)	(7.3)	(12.4)
Premium on deep discounted bond	-	(1.5)	(1.5)
Amortisation of issue costs on loans and deep discounted bonds	(0.4)	(0.3)	(0.8)
Exceptional amortisation of issue costs on loans and deep discounted bonds ¹	-	(1.7)	(1.7)
Exceptional swap close out ²	-	2.2	2.2
Commitment and guarantee fees	(0.2)	(0.2)	(0.4)
Interest payable on finance leases	(0.4)	(0.4)	(0.8)
Finance costs	(5.6)	(9.2)	(15.4)
Finance income	-	0.4	0.4
Net finance costs	(5.6)	(8.8)	(15.0)

Notes:

1. At IPO, on 8 June 2004, Halfords Group plc redeemed and replaced all of its existing borrowings. As a consequence, a charge of £1.7m was made in respect of accelerated amortisation of the issue costs associated with these borrowings.
2. On repayment of the existing borrowings the Group hedged its new borrowing facilities during the 52 weeks ending 1 April 2005 using new interest rate swaps and received £2.2m of exceptional income on the termination of its existing interest rate swaps.

HALFORDS GROUP PLC

Notes to Interim Report

26 weeks to 30 September 2005

4. Taxation

The taxation charge in the 26 weeks to 30 September 2005 is based on an estimated effective tax rate of 31.7% on profit before tax for the 52-week period ended 31 March 2006.

The tax charge exceeds the charge based on the statutory rate of UK corporation tax of 30%, principally due to the non-deductibility of depreciation charged on capital expenditure in respect of mezzanine floors and other store infrastructure.

5. Dividends

The directors have approved an interim dividend of 4.0 pence per share (3.7 pence per share for the 26 weeks ended 1 October 2004), which equates to £9.1m (2004: £8.5m) and will be paid on 9 January 2006 to those shareholders on the share register at the close of business on 2 December 2005.

HALFORDS GROUP PLC

Notes to Interim Report

26 weeks to 30 September 2005

6. Earnings Per Share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue 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 26 weeks to 30 September 2005.

	26 weeks to 30 September 2005 Unaudited m	26 weeks to 1 October 2004 Unaudited m	52 weeks to 1 April 2005 Unaudited m
Weighted average number of shares in issue	227.5	204.2	215.6
Weighted average number of dilutive shares options	0.2	-	0.1
Total number of shares for calculating diluted earnings per share	227.7	204.2	215.7

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

	26 weeks to 30 September 2005 Unaudited £m	26 weeks to 1 October 2004 Unaudited £m	52 weeks to 1 April 2005 Unaudited £m
Basic earnings	27.6	23.9	52.4
Exceptional items net of tax:			
Operating profit (see note 2)	-	2.2	(0.6)
Interest	-	(0.3)	(0.3)
Underlying earnings before exceptional items	27.6	25.8	51.5
Diluted earnings	27.6	23.9	52.4
Underlying diluted earnings before exceptional items	27.6	25.8	51.5

HALFORDS GROUP PLC

Notes to Interim Report

26 weeks to 30 September 2005

7. Cash Generated from Operations

	26 weeks to 30 September 2005	26 weeks to 1 October 2004	52 weeks to 1 April 2005
	Unaudited £m	Unaudited £m	Unaudited £m
Operating profit	46.0	42.3	90.6
Depreciation	9.8	8.8	17.7
Amortisation	0.9	0.4	0.8
Non cash charge for employee share schemes	-	4.2	4.2
Share option scheme charges	0.6	0.4	1.0
Loss on sale of property, plant and equipment	-	-	0.4
Increase in stock	(36.8)	(9.8)	(5.1)
Increase in debtors	(5.9)	(0.8)	(0.1)
Increase in creditors	46.4	17.2	7.5
Net cash inflow from operating activities	61.0	62.7	117.0

8. Reconciliation of Movement in Net Debt

	At 1 April 2005 Unaudited £m	Cash flow £m	Other non cash changes £m	At 30 September 2005 Unaudited £m
Cash in hand and at bank	1.1	3.8	-	4.9
Bank overdraft	(16.6)	(17.8)	-	(34.4)
	(15.5)	(14.0)	-	(29.5)
Debt due within one year	(35.3)	26.0	(0.4)	(9.7)
Debt due after one year	(118.3)	-	-	(118.3)
Total net debt excluding finance leases	(169.1)	12.0	(0.4)	(157.5)
Finance leases due within one year	(1.1)	0.1	(0.1)	(1.1)
Finance leases due after one year	(12.2)	-	0.1	(12.1)
Total finance leases	(13.3)	0.1	-	(13.2)
Total net debt	(182.4)	12.1	(0.4)	(170.7)

The total debt cash outflow consists of £26.0m net repayment of borrowings and £0.1m repayment of finance lease obligations, offset by an increase in overdrafts of £14.0m.

Non-cash changes relate to the finance costs of £0.4m in relation to the amortisation of capitalised debt issue costs.

HALFORDS GROUP PLC

Notes to Interim Report

26 weeks to 30 September 2005

9. Interim Report

Copies of the interim report are available from the registered office of Halfords Group plc, Icknield Street Drive, Washford West, Redditch Worcestershire, B98 0DE.

Independent Review Report to Halfords Group plc

26 weeks to 30 September 2005

Introduction

We have been instructed by the Company to review the financial information for the 26 weeks ended 30 September 2005, which comprises a consolidated income statement, consolidated balance sheet, consolidated statement of changes in shareholder equity, consolidated cash flow statement and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in the Accounting Policies, Basis of Preparation section of the interim report, the next annual financial statements of the Group will be prepared in accordance with accounting standards adopted for use in the European Union. The interim report has been prepared in accordance with the basis set out as mentioned.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. As explained in the Accounting Policies, Basis of Preparation section of the interim report, there is, however, a possibility that the directors may determine that some changes are necessary when preparing the full annual financial statements for the first time in accordance with accounting standards adopted for use in the European Union. The IFRS standards and IFRIC interpretations that will be applicable and adopted for use in the European Union at 31 March 2006 are not known with certainty at the time of preparing this interim financial information.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

Independent Review Report to Halfords Group plc

26 weeks to 30 September 2005

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 26 weeks ended 30 September 2005.

PricewaterhouseCoopers LLP
Chartered Accountants
Birmingham
24 November 2005

Notes:

1. The maintenance and integrity of the Halfords Group website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

HALFORDS GROUP PLC

IFRS Restatement information

Appendix to the Interim Report

Transition to International Financial Reporting Standards

Introduction

The Group's financial statements for the 52 weeks ended 31 March 2006 will be the Group's first annual financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). Accordingly, the financial results for the 26 weeks ended 30 September 2005 have been prepared and reported under IFRS. In addition, the interim report includes restated comparative information for the 52 weeks ended 1 April 2005. For the purposes of IFRS the Group's transition date is 3 April 2004 and the Group's adoption date is 2 April 2005.

This report explains how the Group's financial results as previously reported under UK GAAP would have been restated under IFRS. It includes:

- The Group's consolidated Income Statements for 26 weeks ended 30 September 2005, 26 weeks ended 1 October 2004 and 52 weeks ended 1 April 2005
- The Group's consolidated Balance Sheets as at 30 September 2005, 1 October 2004 and 1 April 2005
- The Group's opening Balance Sheet, for the comparative period, as at 2 April 2004

The adoption of IFRS is an accounting change and will not change how the Group is managed or the cash flows of the Group.

Key Impacts

The main impacts of IFRS on the reported results of the Group are listed below and are described in greater detail in the following sections.

- **Goodwill (IFRS 3)** – Acquired goodwill should no longer be amortised and is instead subjected to an annual impairment review. At the date of transition to IFRS the value of goodwill is frozen.
- **Share Based Payments (IFRS 2)** - Fair value based charges are required for all awards made for share schemes on or after 7th November 2002 which had not vested by 2 April 2005.
- **Property Leases (IAS 17)** – The building element of the lease relating to the Group's head office in Redditch has been reclassified as a finance lease. Lease incentives must now be amortised in the Income Statement over the lease term not to the date of the first rent review.
- **Timing and Recognition of Dividends (IAS 10)** - Final dividends declared after the Balance Sheet date cannot be recognised at the Balance Sheet date and instead are reported in the period in which they are approved.
- **Intangible Assets (IAS 38)** - Software costs previously categorised within tangible fixed assets must now be shown as intangible assets in the Balance Sheet.

HALFORDS GROUP PLC

IFRS Restatement information

Transitional Arrangements- Application of IFRS 1

IFRS 1 “First Time Adoption of International Financial Reporting Standards” sets out the procedures that the Group must follow on adoption. The Group is required to establish its IFRS accounting policies for the year ending 31 March 2006 and apply these retrospectively to determine the IFRS opening Balance Sheet at the transition date of 3 April 2004.

The Group has applied the mandatory exemptions and certain of the optional exemptions from full retrospective application of IFRS. The following is a summary of the key elections from IFRS 1 that were made by the Group.

- The Group has elected to adopt the IFRS 1 exemption in relation to business combinations and will only apply IFRS 3 “Business Combinations” prospectively from 3 April 2004. As a result, the balance of goodwill under UK GAAP as at 2 April 2004 will be deemed the cost of goodwill at 3 April 2004.
- The Group has elected to apply the share-based payment exemption. It has applied IFRS 2 from 3 April 2004 to those options that were issued after 7 November 2002 but which had not vested by 2 April 2005.
- The Group has elected to adopt the IFRS 1 exemption in relation to IAS 32 and IAS 39. As a result UK GAAP will be used in the comparative period in the first IFRS financial statements.

HALFORDS GROUP PLC
IFRS Restatement information

Consolidated Income Statement
UK GAAP to IFRS Interim Results (Unaudited)

	UK GAAP	IFRS		UK GAAP	IFRS		
	Ref	30 Sep 05	30 Sep 05	Diff	01 Oct 04	01 Oct 04	Diff
		£m	£m	£m	£m	£m	£m
Revenue		337.7	337.7	-	322.7	322.7	-
Cost of sales	1.1	(163.5)	(163.9)	(0.4)	(151.9)	(151.9)	-
Gross profit		174.2	173.8	(0.4)	170.8	170.8	-
Operating expenses	1.2	(135.3)	(127.8)	7.5	(135.9)	(128.5)	7.4
Operating profit		38.9	46.0	7.1	34.9	42.3	7.4
Operating profit before exceptional items and goodwill amortisation		45.8	46.0	0.2	46.0	46.5	0.5
Exceptional items		-	-	-	(4.2)	(4.2)	-
Goodwill amortisation		(6.9)	-	6.9	(6.9)	-	6.9
Operating profit		38.9	46.0	7.1	34.9	42.3	7.4
Net finance costs	1.3	(5.2)	(5.6)	(0.4)	(8.4)	(8.8)	(0.4)
Profit before tax		33.7	40.4	6.7	26.5	33.5	7.0
Taxation	1.4	(13.2)	(12.8)	0.4	(10.1)	(9.6)	0.5
Profit attributable to equity shareholders		20.5	27.6	7.1	16.4	23.9	7.5
Basic EPS (pence)		9.0p	12.1p	3.1p	8.0p	11.7p	3.7p

HALFORDS GROUP PLC
IFRS Restatement information

Consolidated Income Statement
UK GAAP to IFRS 52 weeks to 1 April 2005 (Unaudited)

	UK GAAP	IFRS	Diff
Ref	01 Apr 05	01 Apr 05	
	£m	£m	£m
Revenue	628.4	628.4	-
Cost of sales	1.1 (290.7)	(290.7)	-
Gross profit	337.7	337.7	-
Operating expenses	1.2 (259.4)	(247.1)	12.3
Operating profit	78.3	90.6	12.3
Operating profit before exceptional items and goodwill amortisation	92.2	90.8	(1.4)
Exceptional items	(0.2)	(0.2)	-
Goodwill amortisation	(13.7)	-	13.7
Operating profit	78.3	90.6	12.3
Net finance costs	1.3 (14.2)	(15.0)	(0.8)
Profit before tax	64.1	75.6	11.5
Taxation	1.4 (24.2)	(23.2)	1.0
Profit attributable to equity shareholders	39.9	52.4	12.5
Basic EPS (pence)	18.5p	24.3p	5.8p

The effect of adopting IFRS upon the profit attributable to the equity shareholders was:

Reference 1.1	30 Sep 05	1 Oct 04	1 Apr 05
Cost of sales	£m	£m	£m
IAS 21 "The Effects of Changes in Foreign Exchange Rates"			
requires that foreign currency creditors are translated at spot rates as opposed to contract rates. The effect on cost of sales was as follows:	(0.4)	-	-

HALFORDS GROUP PLC
IFRS Restatement information

Reference 1.2	30 Sep 05	1 Oct 04	01 Apr 05
Operating expenses	£m	£m	£m
IFRS 2 "Share Based Payments" requires the assignment of fair values at the date of grant to the options granted to employees after 7 November 2002 and not vested by 2 April 2005. The expense is spread over the vesting period of these options.	(0.6)	(0.4)	(1.0)
IAS 17 "Leases" results in the reclassification of the head office building from being held as an operating lease to a finance lease. The asset has been depreciated over the useful economic life and the interest associated with the lease reclassified from operating expenses to finance expenses.	0.2	0.2	0.4
IAS 17 "Leases" requires the release of lease incentives over the life of the lease rather than over the period ending in the first rent review. Consequently there has been a reduction in the release of lease incentives from the balance sheet.	(0.3)	(0.6)	(0.8)
IAS 19 "Employee Benefits" requires the recognition of holiday pay due to and from employees.	1.3	1.3	-
IFRS 3 "Business Combinations" requires the non-amortisation of goodwill arising on business combinations. Under UK GAAP goodwill was amortised over 20 years.	6.9	6.9	13.7
	7.5	7.4	12.3

Reference 1.3	30 Sep 05	1 Oct 04	1 Apr 05
Net finance costs	£m	£m	£m
IAS 17 "Leases" resulted in the reclassification of the head office building from an operating to a finance lease. The interest associated with the lease has been reclassified from operating expenses to finance expenses.	(0.4)	(0.4)	(0.8)

Reference 1.4	30 Sep 05	1 Oct 04	1 Apr 05
Taxation	£m	£m	£m
IAS 12 "Income Taxes" resulted in the recognition of a deferred tax liability regarding assets acquired in prior periods that did not qualify for capital allowances. This deferred tax liability has been released as follows:	0.3	0.4	0.8
IAS 17 "Leases" led to the creation of deferred tax assets relating to lease premiums that were not previously accounted for under UK GAAP. The movement on the deferred tax asset has been as follows:	0.1	0.2	0.1
IAS 19 "Employee Benefits" led to the recognition of a deferred tax asset for employee holiday pay.	(0.1)	(0.1)	0.1
IFRS 2 "Share Based Payments" led to the recognition of a deferred tax asset arising from the charges for employee options.	0.1	-	-
	0.4	0.5	1.0

HALFORDS GROUP PLC
IFRS Restatement information

Consolidated Balance Sheet
UK GAAP to IFRS Interim Results (Unaudited)

	Ref	UK GAAP 30 Sep 05 £m	IFRS 30 Sep 05 £m	Diff £m	UK GAAP 1 Oct 04 £m	IFRS 1 Oct 04 £m	Diff £m
Non-current assets							
Goodwill	2.1	232.5	253.1	20.6	246.2	253.1	6.9
Intangible assets	2.2	-	6.0	6.0	-	5.8	5.8
Property, plant and equipment	2.3	95.4	101.3	5.9	86.9	93.6	6.7
		327.9	360.4	32.5	333.1	352.5	19.4
Current assets							
Stock		149.0	149.0	-	116.9	116.9	-
Trade and other receivables	2.4	28.7	29.5	0.8	23.5	24.3	0.8
Derivative financial instruments	2.5	-	1.4	1.4	-	-	-
Cash and cash equivalents		4.9	4.9	-	0.9	0.9	-
		182.6	184.8	2.2	141.3	142.1	0.8
Current liabilities							
Borrowings	2.6	(44.2)	(45.1)	(0.9)	(46.2)	(47.1)	(0.9)
Derivative financial instruments	2.7	-	(3.6)	(3.6)	-	-	-
Trade and other payables	2.8	(152.6)	(143.9)	8.7	(118.4)	(109.9)	8.5
Current tax liabilities		(14.4)	(14.4)	-	(11.4)	(11.4)	-
Provisions		(1.4)	(1.4)	-	(1.1)	(1.1)	-
		(212.6)	(208.4)	4.2	(177.1)	(169.5)	7.6
Net current liabilities		(30.0)	(23.6)	6.4	(35.8)	(27.4)	8.4
Non-current liabilities							
Borrowings	2.9	(118.8)	(130.5)	(11.7)	(138.4)	(150.2)	(11.8)
Deferred tax liabilities	2.10	(3.2)	(4.8)	(1.6)	(2.6)	(5.0)	(2.4)
Other non-current liabilities	2.11	(7.9)	(14.6)	(6.7)	(4.6)	(10.9)	(6.3)
		(129.9)	(149.9)	(20.0)	(145.6)	(166.1)	(20.5)
Net assets		168.0	186.9	18.9	151.7	159.0	7.3
Equity							
Ordinary shares		2.3	2.3	-	2.3	2.3	-
Share premium		133.1	133.1	-	132.9	132.9	-
Fair value and other reserves	2.12	-	(0.6)	(0.6)	-	0.4	0.4
Retained earnings	2.13	32.6	52.1	19.5	16.5	23.4	6.9
Total equity		168.0	186.9	18.9	151.7	159.0	7.3

HALFORDS GROUP PLC
IFRS Restatement information

Consolidated Balance Sheet
UK GAAP to IFRS Full Year Results (Unaudited)

	Ref	UK GAAP 1 Apr 05 £m	IFRS 1 Apr 05 £m	Diff £m	UK GAAP 2 Apr 04 £m	IFRS 2 Apr 04 £m	Diff £m
Non-current assets							
Goodwill	2.1	239.4	253.1	13.7	253.1	253.1	-
Intangible assets	2.2	-	6.2	6.2	-	3.0	3.0
Property, plant and equipment	2.3	91.8	97.8	6.0	82.5	92.2	9.7
		331.2	357.1	25.9	335.6	348.3	12.7
Current assets							
Stock		112.2	112.2	-	107.1	107.1	-
Trade and other receivables	2.4	23.6	23.6	-	23.5	23.5	-
Derivative financial instruments	2.5	-	-	-	-	-	-
Cash and cash equivalents		1.1	1.1	-	25.6	25.6	-
		136.9	136.9	-	156.2	156.2	-
Current liabilities							
Borrowings	2.6	(52.1)	(53.0)	(0.9)	(189.4)	(190.3)	(0.9)
Derivative financial instruments	2.7	-	-	-	-	-	-
Trade and other payables	2.8	(117.7)	(99.3)	18.4	(94.3)	(94.8)	(0.5)
Corporation tax liabilities		(13.3)	(13.3)	-	(10.1)	(10.1)	-
Provisions for other liabilities		(1.6)	(1.6)	-	(1.0)	(1.0)	-
		(184.7)	(167.2)	17.5	(294.8)	(296.2)	(1.4)
Net current liabilities		(47.8)	(30.3)	17.5	(138.6)	(140.0)	(1.4)
Non-current liabilities							
Borrowings	2.9	(118.7)	(130.5)	(11.8)	(185.6)	(197.4)	(11.8)
Deferred tax liabilities	2.10	(3.2)	(5.1)	(1.9)	(2.3)	(5.2)	(2.9)
Other non-current liabilities	2.11	(5.2)	(11.6)	(6.4)	(4.6)	(10.3)	(5.7)
		(127.1)	(147.2)	(20.1)	(192.5)	(212.9)	(20.4)
Net assets		156.3	179.6	23.3	4.5	(4.6)	(9.1)
Equity							
Share capital		2.3	2.3	-	-	-	-
Share premium		132.9	132.9	-	0.1	0.1	-
Fair value and other reserves	2.12	-	1.0	1.0	-	-	-
Retained earnings	2.13	21.1	43.4	22.3	4.4	(4.7)	(9.1)
Total equity		156.3	179.6	23.3	4.5	(4.6)	(9.1)

HALFORDS GROUP PLC
IFRS Restatement information

The effect of adopting IFRS on the Balance Sheet was:

Reference 2.1	30 Sep 05	1 Oct 04	1 Apr 05	2 Apr 04
Goodwill	£m	£m	£m	£m
IFRS 3 "Business Combinations" resulted in the write back of goodwill previously amortised since the transition date, 3 April 2004.	20.6	6.9	13.7	-
Reference 2.2	30 Sep 05	1 Oct 04	1 Apr 05	2 Apr 04
Intangible assets	£m	£m	£m	£m
IAS 38 "Intangible Assets" requires the reclassification of software development costs from tangible fixed assets (property, plant and equipment) to intangible fixed assets.	6.0	5.8	6.2	3.0
Reference 2.3	30 Sep 05	1 Oct 04	1 Apr 05	2 Apr 04
Property, plant and equipment	£m	£m	£m	£m
IAS 17 "Leases" resulted in the reclassification of a building from an operating lease to a finance lease. The asset is being depreciated over its useful economic life.	11.9	12.5	12.2	12.7
IAS 38 "Intangible Assets" requires the reclassification of software development costs from tangible fixed assets (property, plant and equipment) to intangible fixed assets.	(6.0)	(5.8)	(6.2)	(3.0)
	5.9	6.7	6.0	9.7
Reference 2.4	30 Sep 05	1 Oct 04	1 Apr 05	2 Apr 04
Trade and other receivables	£m	£m	£m	£m
IAS 19 "Employee Benefits" requires the recognition of holiday pay due to and from employees. A prepayment has been recognised in the interim statements relating to holidays taken in advance of the benefit accruing.	0.8	0.8	-	-
Reference 2.5	30 Sep 05	1 Oct 04	1 Apr 05	2 Apr 04
Derivative financial instruments	£m	£m	£m	£m
IAS 39 "Financial Instruments: Recognition and Measurement" resulted in the recognition of the Group's foreign exchange hedging instruments as a fair value asset.	1.4	-	-	-
Reference 2.6	30 Sep 05	1 Oct 04	1 Apr 05	2 Apr 04
Borrowings	£m	£m	£m	£m
IAS 17 "Leases" results in the reclassification of a lease relating to the head office building which was formerly held as an operating lease as a finance lease.	(0.9)	(0.9)	(0.9)	(0.9)
Reference 2.7	30 Sep 05	1 Oct 04	1 Apr 05	2 Apr 04
Derivative financial instruments	£m	£m	£m	£m
IAS 39 "Financial Instruments: Recognition and Measurement" results in the recognition of an interest rate swap as a fair value liability.	(3.6)	-	-	-

HALFORDS GROUP PLC
IFRS Restatement information

Reference 2.8	30 Sep 05	1 Oct 04	1 Apr 05	2 Apr 04
Trade and other payables	£m	£m	£m	£m
IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" requires that dividends are recognised in the period in which they are approved.	9.1	8.5	18.9	-
IAS 21 "The Effects of Changes in Foreign Exchange Rates" requires that foreign currency creditors are translated at spot rates as opposed to contract rates. The effect on net assets was as follows:	(0.4)	-	-	-
IAS 19 "Employee Benefits" requires the recognition of holiday pay due to and from employees. A liability arises at the year-end due to employees carrying forward accrued benefits to the following financial year.	-	-	(0.5)	(0.5)
	8.7	8.5	18.4	(0.5)
Reference 2.9	30 Sep 05	1 Oct 04	1 Apr 05	2 Apr 04
Borrowings	£m	£m	£m	£m
IAS 17 "Leases" results in the recognition of a building as a finance lease, which was formerly held as an operating lease (see note 2.6).	(11.7)	(11.8)	(11.8)	(11.8)
Reference 2.10	30 Sep 05	1 Oct 04	1 Apr 05	2 Apr 04
Deferred income tax liabilities	£m	£m	£m	£m
IAS 12 "Income Taxes" results in the recognition of a deferred tax liability regarding assets acquired in prior periods that did not qualify for capital allowances.	(3.7)	(4.4)	(4.0)	(4.8)
IAS 17 "Leases" leads to the creation of deferred tax assets relating to lease incentives.	2.0	2.0	1.9	1.7
IAS 19 "Employee Benefits" led to the recognition of a deferred tax asset for employee holiday pay.	-	-	0.2	0.2
IFRS 2 "Share Based Payments" led to the recognition of a deferred tax asset arising from the charges for employee options.	0.1	-	-	-
	(1.6)	(2.4)	(1.9)	(2.9)
Reference 2.11	30 Sep 05	1 Oct 04	1 Apr 05	2 Apr 04
Other non-current liabilities	£m	£m	£m	£m
The adoption of IAS 17 "Leases" results in the profit on the sale of a property being reclassified as deferred income rather than being recognised in the Income Statement. The effect on deferred income was:	(3.5)	(3.6)	(3.6)	(3.7)
The adoption of IAS 17 "Leases" requires the release of lease incentives over the life of the lease rather than over the period ending in the first rent review. Consequently there has been a reduction in the release of lease incentives from the Balance Sheet. The effect on deferred income was:	(3.2)	(2.7)	(2.8)	(2.0)
	(6.7)	(6.3)	(6.4)	(5.7)

HALFORDS GROUP PLC
IFRS Restatement information

Reference 2.12	30 Sep 05	1 Oct 04	1 Apr 05	2 Apr 04
Fair value and other reserves	£m	£m	£m	£m
Adoption of IFRS 2 "Share Based Payments" requires the assignment of fair values at the date of grant to the options granted to employees after 7 November 2002 and not vested by 2 April 2005. The expense is spread over the vesting period of these options.	1.6	0.4	1.0	-
IAS 39 "Financial Instruments: Recognition and Measurement" resulted in the recognition of an interest rate swap as a fair value liability.	(3.6)	-	-	-
IAS 39 "Financial Instruments: Recognition and Measurement" resulted in the recognition of the Group's foreign exchange hedging instruments as a fair value asset.	1.4	-	-	-
.	(0.6)	0.4	1.0	-
<hr/>				
Reference 2.13	30 Sep 05	1 Oct 04	1 Apr 05	2 Apr 04
Retained earnings	£m	£m	£m	£m
The adoption of IFRS had the following net impact on retained earnings.				
Cumulative total of all adjustments to the Balance Sheet was:	19.5	6.9	22.3	(9.1)

HALFORDS GROUP PLC
IFRS Restatement information

Reconciliation of the Consolidated Cash Flow Statements (Unaudited)

The principle difference between UK GAAP and IFRS in the Group's statement of cash flow is the reconciliation to cash and bank overdrafts rather than net debt (which includes bank loans and finance lease creditors).