

# DIRECTORS' REMUNERATION REPORT

This report, prepared by the Remuneration Committee ("the Committee") on behalf of the Board, has been prepared pursuant to s420 of the Companies Act 2006 and Schedule 7A of the Companies Act 1985. Part 3 of Schedule 7A requires designated parts of the Remuneration Report to be subject to audit. In preparing this report, consideration has been given to the Listing Rules issued by the Financial Services Authority and to the Combined Code on Corporate Governance 2006.

The report has been approved both by the Remuneration Committee and by the Board, and a resolution to approve the report will be proposed at the Annual General Meeting ("AGM") of the Company on 29 July 2009.

## PART A — UNAUDITED INFORMATION

### Remuneration Committee

#### Membership

The Committee comprised the following non-executive Directors during the financial period to 3 April 2009:

Keith Harris (Committee Chairman)  
Richard Pym (resigned 22 August 2008)  
Bill Ronald  
Nigel Wilson

#### Meetings

During the financial period to 3 April 2009 the Committee met on five occasions. The executive Directors are invited to attend the Committee's meetings, when appropriate, but are not present when their own remuneration is discussed.

#### Role

The Board has delegated to the Remuneration Committee responsibility for reviewing and recommending the pay and benefits and contractual arrangements of the Chairman, executive Directors and the Company Secretary and for overseeing the Group's share schemes.

The Committee recommends and monitors the structure and levels of remuneration for senior managers throughout the Group and ensures that contractual terms on termination, and any payments made, are fair to the individual and the Company, ensuring that failure is not rewarded and that the departing manager's duty to mitigate loss is fully recognised.

It is committed to principles of accountability and transparency to ensure that remuneration arrangements demonstrate a clear link between reward and performance. In its work, the Committee considers fully the principles and provisions of the Combined Code on Corporate Governance and its terms of reference are available on the Group's website, [halfordscompany.com](http://halfordscompany.com).

#### Responsibilities

- To review and recommend the remuneration policy of executive Directors and senior managers;
- Within the remuneration policy agreeing individual remuneration packages for the Chairman, executive Directors and senior managers, including the Company Secretary;
- Reviewing and recommending the terms and conditions to be included in service agreements for executive Directors;

- Reviewing and recommending any employee share-based incentive schemes and any changes to the rules of such schemes; and
- Reviewing and recommending appropriate performance conditions and targets for the variable element of remuneration packages.

#### Advisers

During the year the Hay Group have continued to provide advice to the Committee on matters relating to remuneration, including market comparison data and best practice. During the year the Committee has also received advice from The Miles Partnership in connection with the recruitment of a new Chief Executive Officer and Egon Zehnder in connection with the search process for a new Chairman. None of these companies has any other connection with the Group.

During the year the Committee also consulted with the Chief Executive, and prior to his appointment with the acting joint Managing Directors, as appropriate, and is also supported by the Director of Human Resources.

#### Activities

During the financial year to 3 April 2009 the Committee:

- Recommended the salary and incentive package for the new Chief Executive Officer;
- Carried out salary reviews for executive Directors and senior managers, including the Company Secretary;
- Reviewed and recommended the annual bonuses for the executive Directors and senior managers in respect of the financial year ended 28 March 2008;
- Approved proposals and targets to the variable discretionary bonus schemes that affect the Chief Executive Officer, other executive Directors and senior managers in respect of the 2009 financial period;
- Reviewed the performance conditions of the Halfords Performance Share Plan 2005 ("PSP") for awards under the Long-Term Incentive Plans ("LTIP");
- Granted awards under the LTIP 2008 to a maximum of 21 senior managers. In addition David Wild was granted an award equivalent of 200% of his salary as a consequence of his appointment as a Director on 4 August 2008;
- Approved the maturity of options granted to employees under the Company Share Option Scheme ("CSOS") 2005, having first taken advice on determination of the performance conditions;
- Approved the granting of awards over Halfords Group plc shares under the CSOS 2008;
- Granted awards under the employee sharesave scheme ("SAYE") 2008, which included all eligible employees in the United Kingdom and Republic of Ireland;
- Considered the principles behind the establishment of SAYE share option schemes in 2009;
- Reviewed the remuneration policy for executive Directors and senior managers, including the Company Secretary;

## DIRECTORS' REMUNERATION REPORT CONTINUED

- Conducted an internal effectiveness review, which concluded that there were no items of concern needing to be considered by the committee;
- Reviewed and amended the committee's Terms of Reference and in response to the Combined Code made these available on the Company's website; and
- Approved the Directors' Remuneration Report for inclusion in the Annual Report and Financial Statements 2008.

### Remuneration policy

The remuneration policy of the Committee and of the Board is to provide remuneration packages for the executive Directors and other senior managers in the Group which are appropriate to the size and nature of the Group's business and which will attract and retain high calibre executives. The Board also considers this policy annually as part of its risk review process and obtains benchmarking information to ensure that the levels of remuneration for executive Directors and senior managers are sufficient to achieve the above objectives.

It is the policy of the Committee and the Board to maintain the above approach to remuneration packages for executive Directors and other senior executives of the Group for the current financial year and future financial years, subject to review in the light of any changes in relevant legislation, regulations or market practice. No significant changes to the remuneration arrangements for executive Directors are currently anticipated except for changes to the LTIP, see page 49. However, the Committee will continue to review base salaries and performance targets to ensure that they align with the remuneration policy of the Committee and the Board and with the Company's strategic objectives. The individual salary, bonus and benefit levels of the executive Directors are, and will continue to be, reviewed annually by the Committee.

Annual salaries continue to be rigorously tested and reviewed and set at levels not normally exceeding median. In relation to bonuses and long-term incentive plans, the policy will continue to be to provide an opportunity for executives to earn total remuneration packages in the upper quartile range, provided that stretching and demanding performance conditions are met.

The Committee has reviewed all aspects of the remuneration policy, including pay benchmarking for the most senior roles and consideration of the performance measures used, and have not made any changes to the remuneration policy.

While committed to the use of equity-based performance-related remuneration as a means of aligning Directors' interests with those of shareholders, the Committee is aware of shareholders' concerns on dilution through the issue of new shares to satisfy such awards. Therefore, when reviewing remuneration arrangements, the Committee takes into account the effects such arrangements may have on dilution.

In determining the remuneration arrangements for executive Directors, the Committee is sensitive to the pay and employment conditions elsewhere in the Group, especially when determining base salary increases.

### Shareholding

The shareholding guidelines require executive Directors, in post at the time of the adoption of the LTIP, to retain shares to a value equal to 200% of their basic annual salary. Newly appointed executive Directors

will be required to acquire and retain shares to a value equal to 100% of their basic annual salary over a five year period following their appointment to the Board.

### Remuneration for executive Directors

It is the Company's policy that a substantial proportion of the executive Directors' remuneration should be performance related in order to encourage and reward superior business performance and shareholder returns and that remuneration should be linked to both individual and Company performance. The executive Directors in position at the time of the IPO have, in the past, also benefited from participation in the CSOS as set out below, on page 53. No further awards have or will be made under this share option scheme to the executive Directors but they are able to participate in the LTIP. The executive Directors are also able to participate in an all-employee SAYE scheme (the "Halfords Sharesave Scheme"), referred to on page 52.

In arriving at the balance between fixed and variable remuneration it is agreed that the fixed portion will relate only to annual salary, whilst the variable portion includes both annual bonuses and long-term incentive arrangements.

### Base salaries

Basic salary for executive Directors takes into account the individual's experience, roles, responsibilities and performance. This is normally reviewed annually unless responsibilities change. For an executive Director who is experienced and fully effective in his role, basic salary is targeted at the retail market median for comparable roles. In April 2008 the salaries of Nick Wharton and Paul McClenaghan were increased to £255,000 and on appointment David Wild was awarded a salary of £500,000. There have been no increases since these dates, but in line with the rest of the organisation these salaries will be reviewed in October 2009.

### Annual bonus

Executive Directors may earn up to an additional 100% (120% in the case of the Chief Executive Officer) of their basic salaries as a performance bonus. 80% of the entitlement is dependent upon Earnings before Tax ("EBT") targets and 20% is dependent upon Earnings per Share ("EPS") targets. The Remuneration Committee believes that this is a very stretching and demanding performance schedule, with the maximum bonus only being achievable for exceptional performance, being 106% of target. Bonuses are not pensionable.

### Remuneration for senior managers

As for executive Directors it is the Company's policy that a substantial proportion of remuneration should be performance related in order to encourage and reward superior business performance and shareholder returns and that remuneration should be linked to both individual and Company performance. Basic salary is targeted at the retail market median for comparable roles and is benchmarked on a regular basis. Bonuses of up to 100% of salary can be earned based on the Company's performance. 80% of the entitlement is dependent upon EBT targets and 20% is dependent upon EPS targets. Maximum bonus only being paid at 106% of target.

The senior managers also benefit from participation in the 2005 Performance Share Plan, the Company's LTIP.

**Share plans**

Halfords Group plc has adopted three share option schemes. In May 2004 the Company adopted the Halfords CSOS and the Halfords Sharesave Scheme, under which employees are eligible for the grant of options to acquire ordinary shares in the Company. In July 2005 the Company adopted the PSP, under which annual awards are made to senior executives.

**Halfords Company Share Option Scheme**

Options are granted at an exercise price not less than market value at the date of grant and may normally only be exercised if performance conditions set at the time of grant have been achieved. These performance conditions require EPS for the financial year last preceding the third anniversary of the grant date to equal or exceed the percentage growth in Retail Price Index ("RPI") plus an additional percentage determined as appropriate at the time of the grant. These additional percentages were 3.5% for options granted in 2006, 2007 and 2008 respectively.

The executive Directors participate in the PSP and no further awards will be made to them under the Company Share Option Scheme.

**Halfords Sharesave Scheme**

Options are granted at an exercise price not less than 80% of market value at the date of grant. Options may not normally be exercised until the option holder has completed his or her savings contract, which will normally be three or five years, from the date of commencement of the savings contract. Executive Directors may also join the Halfords Sharesave Scheme.

**Performance Share Plan**

Under the PSP, approved by shareholders at the AGM in 2005, conditional rights to receive shares will be awarded to participants. Awards have been made in every year since 2005.

The extent to which such rights vest will depend upon the Group's performance over the three-year period following the award date. The vesting of 50% of the awards will be determined by the Group's relative total shareholder return ("TSR") performance and the vesting of the other 50% by the Group's absolute earnings per share performance against RPI. The Group's TSR performance will be measured against the FTSE 350 general retailers as a comparator group.

No retesting will be permitted. In order to ensure that the performance targets for the current live schemes (2006, 2007 and 2008) remain stretching but achievable, the earnings per share performance spread will be RPI plus 4% compound at entry to RPI plus 11% per annum compound at maximum.

Annual awards under the LTIP are normally 100% of base salary. David Wild was appointed to the Board of Halfords Group plc on 4 August 2008 and in deliberating on the remuneration package for the new Chief Executive Officer, the Remuneration Committee believed that it was necessary, in attracting the right calibre of individual to lead the Company's business strategy, to offer awards in excess of the usual maximum. Therefore it recommended to the Board that the new Chief Executive Officer should receive an award of 200% of salary in the first and second

years of his tenure, reverting to the normal level for executive Directors thereafter. This is in line with the plan rules approved by shareholders. These awards will be subject to the same stretching performance conditions as all other awards made under this plan. On the vesting of any of this award David Wild will be encouraged to retain shares, so enabling him to achieve the Group's shareholding guidelines more quickly.

Following best practice, the Group's LTIP design has been kept under regular review in order to ensure the design is relevant and appropriate. The remuneration policy as stated above is for total remuneration to be upper quartile provided that stretching and demanding performance conditions are met. The benchmarking exercise carried out by the Remuneration Committee's advisers, The Hay Group, suggests that this objective is not being met, that the market has moved in terms of long-term incentive award quantum and that upper quartile total remuneration is not being achieved. As a consequence, the Committee's recommendation is to increase the level of normal awards made within the rules of the scheme and the Company will be consulting with shareholders about award quantum before the next LTIP award is made.

It should also be noted that because of the difficult market conditions, the Remuneration Committee did consider whether the challenging EPS performance condition range was still appropriate. It decided in the interests of strong shareholder alignment to leave it unchanged at a range of RPI +4% to RPI +11%.

The Committee has also recommended the reinvestment of dividends earned on award shares. This is in line with best practice as contained in the ABI guidelines on executive remuneration.

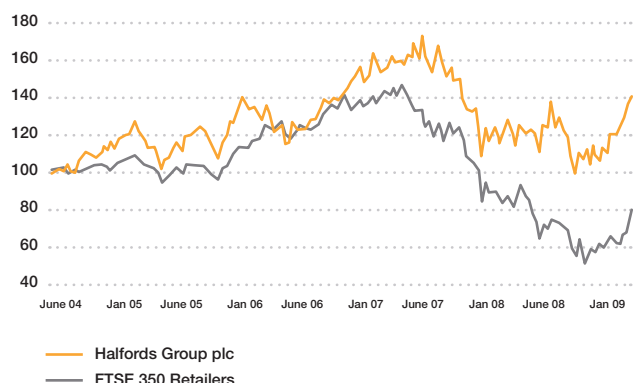
Details of options granted to executive Directors that are outstanding and further details of the share option schemes, including performance conditions, are set out on page 53.

**Performance graph**

The following graph shows the TSR performance of the Company since listing in July 2004, against the FTSE 350 General Retailers (which was chosen because it represents a broad equity market index of which the Company is a constituent).

TSR was calculated by reference to the growth in share price, as adjusted for reinvested dividends.

**Cumulative TSR Based to 100**



## DIRECTORS' REMUNERATION REPORT CONTINUED

### Directors' interests in ordinary shares

The beneficial interests of Directors, serving at the end of the financial period, in shares in Halfords Group plc were:

	Fully paid Ordinary Shares of 1p each	
	As at 3 April 2009	As at 28 March 2008
Richard Pym (Resigned 22 August 2008)	—	31,538
David Wild (Appointed 4 August 2008)	40,000	—
Nick Wharton	237,812	227,850
Paul McClenaghan	26,679	15,000
Nigel Wilson	20,396	20,000
Keith Harris	3,846	3,846
Bill Ronald	11,538	11,538

Directors' share interests include the interests of their spouses, civil partners and infant children, or stepchildren as required by section 822 of the Companies Act 2006. There were no changes in the beneficial interests of the Directors in the Company's shares between 3 April 2009 and 10 June 2009.

### Pensions

During the year the Company changed its pension arrangements to prepare for the Government's proposed 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. Both schemes were open to the executive Directors. The Group's contributions during the year are shown in the table on page 51.

### Other benefits

Executive Directors are entitled to be provided with a company car or an equivalent allowance, contribution to a personal pension scheme, permanent health insurance, life assurance cover, membership of a private medical insurance scheme and travelling and other expenses.

### Other Directorships

The Group is supportive of executive Directors who wish to take on a non-executive Directorship with a publicly quoted company in order to broaden their experience. They are entitled to retain any fees they may receive. No Director held any such positions during the year.

### Service agreements

The Committee periodically reviews the Group's policy on the duration of Directors' service agreements, and the notice periods and termination provisions contained in those agreements. Whilst the Company is aware that companies are strongly encouraged to consider notice periods of less than 12 months, the Committee believes that the current policy whereby notice periods contained in executive Directors' service contracts should be limited to 12 months (other than in exceptional circumstances, such as for the purposes of recruitment) is more in line with the Company's overall remuneration policy that is designed to attract and retain high calibre executives.

### Date of service

	agreement	Notice period
David Wild <sup>(1)</sup>	19 June 2008	12 months
Nick Wharton	17 May 2004	12 months
Paul McClenaghan	9 May 2005	12 months

<sup>(1)</sup> David Wild was appointed to the Board on 4 August 2008 and his Service Agreement was effective from that date.

The Company may terminate any of the above service agreements by giving not less than 12 months' notice. In the event of early termination (other than for a reason justifying summary termination in accordance with the terms of the service agreement) the Company may (but is not obliged to) pay to the executive Director, in lieu of notice, a sum equal to the annual value of the executive Director's then salary, benefits, pension contributions and on-target bonus (calculated on a pro rata daily basis) which he would have received during the contractual notice period, the sum of which shall be payable in 12 monthly instalments. In such instances the executive Director shall use his best endeavours to secure an alternative source of remuneration, thus mitigating any loss to the Company, via the provision of his services as expedient as possible in the prevailing circumstances and shall provide the Board with evidence of such endeavours upon their reasonable request. If the Director fails to provide such evidence the Board may cease all further payments of compensation. To the extent that the executive Director receives any sums as a result of alternative employment or provision of services while he is receiving such payments from the Company, the payments shall be reduced by the amount of such sums.

No compensation would be payable if a service contract were to be terminated by notice from an executive Director or for lawful early termination by the Company.

The service contracts of executive Directors do not provide for any enhanced payments in the event of a change of control of the Company.

Details of individual Directors' remuneration and share options are set out on pages 47 to 53.

### Non-executive Directors

The Board as a whole, following a recommendation by the Chief Executive Officer, determines the fees of the non-executive Directors.

None of the non-executive Directors have employment contracts with the Company. However, each has entered into a letter of appointment with the Company confirming their appointment for a period of three years, unless terminated by either party giving the other not less than three months' notice or by the Company on payment of fees in lieu of notice. The appointments are subject to the provisions of the Companies Act 1985 and 2006 and the Company's Articles of Association, in particular the need for periodic re-election. Continuation of an individual non-executive Director's appointment is also contingent on that non-executive Director's satisfactory performance, which will be evaluated annually. No compensation would be payable to a non-executive Director if his engagement were terminated as a result of him retiring by rotation at an Annual General Meeting, not being elected or re-elected at an Annual General Meeting or otherwise ceasing to hold office under the provisions of the Articles of Association of the Company.

There are no provisions for compensation being payable upon early termination of an appointment of a non-executive Director.

Details of non-executive appointment periods appear below:

	Date of appointment	Date of current reappointment	Expiry date	Unexpired term at the date of this report
Richard Pym	17 May 2004	8 June 2007	Resigned 22 August 2008	—
Nigel Wilson	17 May 2004	8 June 2007	7 June 2010	12 months
Keith Harris	17 May 2004	8 June 2007	7 June 2010	12 months
Bill Ronald	17 May 2004	8 June 2007	7 June 2010	12 months

## PART B: AUDITED INFORMATION

The following section provides details of the remuneration, pension and share interests of the Directors for the 53 weeks to 3 April 2009 and has been audited.

### Remuneration of executive Directors

Details of the payments made to executive Directors were as follows:

	53 weeks to 3 April 2009				2008
	Salary & fees £'000	Bonuses £'000	Benefits £'000	Total £'000	Total £'000
David Wild <sup>(1)</sup>	333	300 <sup>(2)</sup>	166 <sup>(2)</sup>	799	—
Nick Wharton <sup>(3)</sup>	253	116	15	384	364
Paul McClenaghan <sup>(3)</sup>	253	116	14	383	365
Ian McLeod <sup>(4)</sup>	—	—	—	—	417
	<b>839</b>	<b>532</b>	<b>195</b>	<b>1,564</b>	1,146

<sup>(1)</sup> David Wild was appointed on 4 August 2008.

<sup>(2)</sup> The Remuneration Committee believed that it was necessary in attracting the right calibre of individual to lead the Company's business strategy to offer certain terms as part of the new Chief Executive Officer's initial employment terms. It therefore recommended to the Board that the new Chief Executive Officer should receive in the period to 3 April 2009 a bonus of 60% of his annual salary and a one-off relocation allowance of £150,000 to cover his expenses of relocating from California, USA to the UK.

<sup>(3)</sup> Nick Wharton and Paul McClenaghan joined the new Halfords Pension Plan and sacrificed some of their salary for like-for-like pension contributions.

<sup>(4)</sup> Ian McLeod resigned on 29 February 2008.

Benefits include payments made in relation to private health insurance and the provision of a company car.

### Pension entitlements

Pension contributions made by the Group during the 53 weeks to 3 April 2009 in respect of executive Directors were as follows:

	53 Weeks to 3 April 2009 £'000	52 Weeks to 28 March 2008 £'000
David Wild <sup>(1)</sup>	50	—
Nick Wharton	69 <sup>(3)</sup>	58
Paul McClenaghan	40 <sup>(3)</sup>	33
Ian McLeod <sup>(2)</sup>	—	58
	<b>159</b>	149

<sup>(1)</sup> David Wild was appointed on 4 August 2008.

<sup>(2)</sup> Ian McLeod resigned on 29 February 2008.

<sup>(3)</sup> Includes two months of employee contributions reclassified as employer contributions under the new personal contract-based Halfords Pension Plan.

## DIRECTORS' REMUNERATION REPORT CONTINUED

### Remuneration of non-executive Directors

The remuneration of the Chairman is determined by the Remuneration Committee, whilst the Board as a whole, following a recommendation by the Chief Executive Officer, determines the fees of the non-executive Directors. These fees are reviewed every two years and were last reviewed in May 2008. Details of the payments made to non-executive Directors are shown below:

	53 weeks to 3 April 2009			2008
	Fees £'000	Committee Chairman's Fees £'000	Total £'000	Total £'000
Richard Pym <sup>(1)</sup>	65	—	65	150 <sup>(2)</sup>
Nigel Wilson <sup>(3)</sup>	60	5	65	60
Keith Harris	45	5	50	45
Bill Ronald	45	—	45	40
	<b>215</b>	<b>10</b>	<b>225</b>	<b>295</b>

<sup>(1)</sup> Richard Pym resigned on 22 August 2008.

<sup>(2)</sup> Included in Richard Pym's fees was an additional lump sum of £25,000 to recompense him for additional duties undertaken during the absence of a Chief Executive Officer.

<sup>(3)</sup> Nigel Wilson volunteered to receive no additional pay in stepping upto Chairman.

In April 2008, fees for the Chairman and non-executive Directors were increased and fixed for a further two years. The basic fee for the Chairman was increased to £165,000 with no additional fee for his Chairmanship of the Nominations Committee, for the Senior Independent Director it was increased to £60,000 and for non-executive Directors to £45,000. The Chairmen of the Remuneration and the Audit Committees continue to receive an additional £5,000.

The Chairman and the other non-executive Directors are not eligible to participate in the Company's bonus arrangements, share option schemes, long-term incentive plans or pension arrangements.

### Directors' interests in share options

At the beginning of the year and at 3 April 2009, the following Directors had options to subscribe for shares granted under the terms of the Halfords SAYE scheme:

	Options as at 28 March 2008	Granted in the period	Exercised in the period	Lapsed in the period	Options as at 3 April 2009	Exercise Price £	Exercisable from	Exercisable to
<b>Nick Wharton</b>								
2007 SAYE	2,934	—	—	2,934	—	3.22	1 Oct 2010	1 April 2011
2008 SAYE	—	4,878	—	—	<b>4,878</b>	1.93	1 Oct 2011	1 April 2012
Total	2,934	4,878	—	2,934	<b>4,878</b>			
<b>Paul McClenaghan</b>								
2006 SAYE	3,106	—	—	3,106	—	3.01	1 Sept 2009	1 Mar 2010
2008 SAYE	—	4,878	—	—	<b>4,878</b>	1.93	1 Oct 2011	1 April 2012
Total	3,106	4,878	—	3,106	<b>4,878</b>			

The SAYE scheme is open to all full-time Directors and employees with eligible employment service. Options may be exercised under the scheme at £3.01 per share (2006 scheme), £3.22 per share (2007 scheme) and £1.93 per share (2008 scheme) if the option holder completes his saving contract for a period of three years and then not more than six months thereafter.

At the beginning of the year and at 3 April 2009, no Directors had options to subscribe for shares granted under the terms of the Halfords CSOS. The executive Directors have since 2005 participated in the PSP and no further awards will be made to them under the CSOS.

The table below shows gains made by individual Directors from the exercise of share options during the financial period ended 3 April 2009. The gains are calculated as at the exercise date, although the shares may have been retained.

	2009 £'000	2008 £'000
<b>2004 CSOS</b>		
Ian McLeod	—	264
Nick Wharton	—	171
<b>2004 SAYE</b>		
Nick Wharton	—	4
<b>2005 LTIP</b>		
Nick Wharton	51	—
Paul McClenaghan	61	—
Total gains on share options	<b>112</b>	439

### Long-Term Incentive Plan

The following table shows the executive Directors' interests in shares awarded under the long-term incentive plan.

These figures represent the maximum potential award.

	Award date	Mid-market price of awards £	Awards held 28 March 2008	Awards during the period	Lapsed during the period	Exercised during the period	Awards held 3 April 2009	Performance period 3 years to
David Wild	7 August 2008 <sup>(1)</sup>	2.96	—	337,643	—	—	<b>337,643</b>	1 April 2011
Nick Wharton	4 August 2005 <sup>(2)</sup>	3.07	47,321	—	30,436	16,885	—	1 April 2008
	11 July 2006	3.01	50,000	—	—	—	<b>50,000</b>	1 April 2009
	12 July 2007	4.02	54,726	—	—	—	<b>54,726</b>	1 April 2010
	7 August 2008	2.96	—	86,099	—	—	<b>86,099</b>	1 April 2011
Paul McClenaghan	4 August 2005 <sup>(2)</sup>	3.07	55,375	—	35,579	19,796	—	1 April 2008
	11 July 2006	3.01	60,465	—	—	—	<b>60,465</b>	1 April 2009
	12 July 2007 <sup>(3)</sup>	4.02	109,452	—	—	—	<b>109,452</b>	1 April 2010
	7 August 2008	2.96	—	86,099	—	—	<b>86,099</b>	1 April 2011

<sup>(1)</sup> The Remuneration Committee believed that it was necessary in attracting the right calibre of individual to lead the Company's business strategy to offer awards in excess of the usual maximum. Therefore it recommended to the Board that the new Chief Executive Officer should receive an award of 200% of salary in the first and second years of his tenure. This is in line with the plan rules approved by shareholders. On the vesting of any of this award David Wild will be encouraged to retain shares, so enabling him to achieve the Company's shareholding guidelines outlined on page 48.

<sup>(2)</sup> After measurement of the performance conditions of the awards made in August 2005, 37.5% of the award vested in August 2008.

<sup>(3)</sup> Paul McClenaghan was appointed to the Board of Halfords Group plc on 31 March 2007. In order to more closely align him with shareholders and with the equity participation of other current Board members, the Remuneration Committee decided to make a one-off award of 200% of base annual salary under the LTIP. On the vesting of any of this award Paul McClenaghan will be encouraged to retain shares, so enabling him to achieve the shareholding guidelines, outlined on page 48.

Vesting of awards is subject to the fulfilment of two performance conditions; 50% of the award is subject to the fulfilment of a TSR-based performance conditions measured over a three-year period against appropriate comparators. Relative TSR performance will be measured against a FTSE 350 general retailer comparator group.

The vesting of the remaining 50% of the award will be subject to the minimum requirement that Halfords Group plc's EPS performance spread will be RPI plus 4% compound at entry to RPI plus 11% per annum compound at maximum.

After measurement of the performance conditions of the awards made in July 2006, 87.6% of the award will vest in July 2009.

The Register of Interests, which is open to inspection, contains full details of Directors' shareholdings and options. No options have expired unexercised during the financial year to 3 April 2009 and there were no changes in the options held by the Directors between 3 April 2009 and 10 June 2009.

On 3 April 2009 the market price of ordinary shares of Halfords Group plc was 305.00p and the range during the financial year was 205.25p to 319.00p. For details of the grant dates of options see note 21 on page 82.

**KEITH HARRIS**  
CHAIRMAN OF THE REMUNERATION COMMITTEE  
10 JUNE 2009