

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about its contents, or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services and Markets Act 2000.

If you have sold or transferred all your shares in Halfords Group plc you should pass this document and the accompanying documents to the purchaser or transferee or to the person through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.



## **Halfords Group plc**

*(Incorporated in England and Wales with registered number 4457314)*

*Directors:*

D Millard (Chairman)  
D Wild  
N Wharton  
P McClenaghan  
K Harris  
W Ronald  
N Wilson

*Registered Office:*

Icknield Street Drive  
Redditch  
Worcestershire  
B98 0DE

29 June 2009

**To Shareholders and, for information only, to the holders of options under the Company's share option schemes**

Dear Shareholder

### **2009 ANNUAL GENERAL MEETING**

The 2009 Annual General Meeting is to be held at the Alveston Manor Hotel, Clopton Bridge, Stratford-upon-Avon, Warwickshire CV37 7HP on Wednesday 29 July 2009 at 12.30 pm. The formal Notice convening the meeting is set out on pages 5 to 7 of this document. In addition to the ordinary business set out in items numbered 1 to 9 of the Notice, you will find resolutions numbered 10 to 14, which will be proposed as special business at the meeting. Resolutions 10 to 14 will be proposed in order to:

- appoint a replacement auditor of the Company;
- renew authorities and powers relating to the Company's share capital given by the shareholders at the Annual General Meeting of the Company held on 23 July 2008;
- authorise the Company to make market purchases of its own shares;
- renew and replace the authority granted to the Company to make political donations previously approved by shareholders in 2009.

This circular provides you with a detailed explanation of resolutions 10 to 14 and explains the action you should take.

### **Resolution 10 - Appointment of replacement auditor**

Resolution 10, if passed, would appoint KPMG LLP as the Company's replacement auditor to hold office from the conclusion of the Annual General Meeting. Resolution 10 is proposed as an ordinary resolution. Special notice of the intention to move resolution 10 was received by the Company in accordance with Section 312 and Section 515 of the Companies Act 2006 (the "2006 Act").

Having retained the services of PricewaterhouseCoopers LLP as statutory auditor of the Company since 2003, the Audit Committee has progressed a complete review of such services available to the Company. As a result of this process, the Directors are proposing the appointment of KPMG LLP as auditor for the forthcoming financial year.

### **Resolution 11 - Authority to allot relevant securities**

This ordinary resolution seeks to renew the general authority previously given to the Directors at last year's Annual General Meeting to allot relevant securities (such as ordinary shares in the Company), which expires at the conclusion of the forthcoming Annual General Meeting. It would, if passed, give the Directors the authority to allot relevant securities up to a maximum nominal amount of £699,453 representing a maximum number of 69,945,256 ordinary shares of 1 pence each or approximately one third of the Company's issued ordinary share capital as at 19 June 2009 (which is the latest practicable date for which numbers can be confirmed prior to the date of this circular). This authority would expire fifteen months after the date of passing this resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2010. The Directors have no present intention of exercising this authority, except in relation to the Company's share incentive schemes. As at 19 June 2009, the Company did not hold any treasury shares in the Company.

### **Resolution 12 - Disapplication of statutory pre-emption rights**

This special resolution, if passed, would renew the authority given to the Directors at last year's Annual General Meeting to allot equity securities (such as ordinary shares) for cash, and sell its own shares out of treasury for cash, without first offering them to existing shareholders pursuant to statutory pre-emption rights. The authority would be limited to:

- allotments being made for a rights issue or similar offering of equity securities to shareholders; and
- the allotment of equity securities for cash or the sale of shares out of treasury for cash up to a maximum amount of £104,918, representing a maximum number of 10,491,788 ordinary shares or 5 per cent of the issued ordinary share capital of the Company as at 19 June 2009.

This power would expire fifteen months after the date of passing this resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2010. Again, the Directors have no present intention of exercising this power but believe it is in the interests of shareholders for the Directors to have this flexibility to allot shares for cash and to sell treasury shares for cash in those limited circumstances. The Directors intend to seek renewal of this authority at future Annual General Meetings.

### **Resolution 13 – Purchase of own shares**

This special resolution, if passed, would authorise the Company to make market purchases of its own ordinary shares. The Company completed its £50m share buy-back programme that it began in June 2006 in January 2008. Following authority given at the Annual General Meeting in July 2008, the Company has continued to use the share buy-back as a flexible tool in balance sheet management and as at 19 June 2009, a total of 23,145,510 shares have been purchased under the programme at a total cost of £72.9m (excluding expenses)[, which includes a total of 1,009,524 shares purchased at a cost of £2.8m (excluding expenses) between the date of the Annual General Meeting in July 2008 and 19 June 2009]. If resolution 13 is approved, the Directors may utilise the authority to continue to make market purchases of the Company's shares in the same way. This should not be taken to imply that ordinary shares will be purchased at any particular price or indeed at all. The Board's intention

remains to maintain an efficient capital structure, returning excess capital via the cancellation of shares subject to buy-back. However, in the current economic climate, the Board has a preference for financial flexibility and lower gearing. The Board has therefore decided, in the short term, to suspend the share buy-back programme. The Directors will continue to keep the position under review in light of the Board's intention to maintain an efficient capital structure and retain financial flexibility. Purchases of own shares would only be made through the London Stock Exchange.

The maximum number of shares which may be purchased is 20,983,577 representing 10 per cent of the Company's issued ordinary share capital as at 19 June 2009. The authority would, again, expire fifteen months after the date of passing this resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2010. The minimum price that could be paid for an ordinary share would be 1 pence and the maximum price would be equal to 105 per cent of the average of the middle market quotation for an ordinary share of the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is purchased, in each case excluding expenses. Any ordinary shares purchased pursuant to this authority may either be held as treasury shares or cancelled by the Company, depending on which course of action is considered by the Directors to be in the best interests of the shareholders at the time. If the shares purchased were held as treasury shares, they would carry no voting rights and no entitlement to any dividend for as long as they were held as treasury shares. If the shares purchased were cancelled (as is the case with shares purchased pursuant to the buy-back programme), then the shares in issue would thereby be reduced.

The Directors also intend to seek the renewal of this authority at future Annual General Meetings. As at 19 June 2009, options over a total of 6,649,710 ordinary shares were outstanding and not exercised. That number of ordinary shares represents 3.17 per cent of the Company's issued ordinary share capital as at 19 June 2009. It would represent 3.96 per cent of the issued ordinary share capital if the authority to purchase the Company's own shares granted at last year's Annual General Meeting and the authority proposed to be granted under resolution 13 were both exercised in full and assuming no further ordinary shares are issued. As at 19 June 2009, the Company did not hold any treasury shares in the Company and no warrants over ordinary shares in the capital of the Company existed.

#### **Resolution 14 - Political Donations**

This ordinary resolution seeks to renew and replace the authority granted to Halfords Group plc and its subsidiaries by shareholders at the Annual General Meeting in 2008 to make political donations, and which expires at the conclusion of the 2009 Annual General Meeting. This resolution concerns Part 14 of the 2006 Act, which provides that political donations made by a company to political parties, to other political organisations and to independent election candidates or political expenditure incurred by a company must be authorised in advance by shareholders.

It is not the policy of the Company to make political donations of the type caught by these provisions and the Directors have no intention of changing that policy. However, as a result of the wide definitions in the 2006 Act, normal expenditure (such as expenditure on organisations concerned with matters of public policy, law reform and representation of the business community) and business activities (such as communicating with the Government and political parties at local, national and European level) might be construed as political expenditure or as a donation to a political party or other political organisation and fall within the restrictions of the 2006 Act.

This resolution does not purport to authorise any particular donation or expenditure but is expressed in general terms as required by the Act and is intended to authorise normal donations and expenditure. If passed, resolution 14 would allow the Company and its subsidiaries to make donations to political parties, other political organisations and independent election candidates and to incur political expenditure (as defined in the 2006 Act) up to an aggregate limit of £150,000 during the

period up to fifteen months after the passing of this resolution whilst avoiding inadvertent infringement of the statute. Any political donation made or political expenditure incurred which is in excess of £200 will be disclosed in the Company's Annual Report and Accounts for the next year, as required by the 2006 Act. The authority will not be used to make political donations within the normal meaning of that expression.

### **Action to be taken**

Shareholders will find enclosed a reply-paid Form of Proxy for use in connection with the Annual General Meeting. Whether or not you are able to attend the Annual General Meeting, you are requested to complete the Form of Proxy and return it to Capita Registrars, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible and, in any event, so as to arrive no later than 12.30 pm on 27 July 2009. The completion and return of a Form of Proxy will not preclude you from attending the meeting and voting in person, if you wish to do so.

### **Recommendation**

The Directors consider that each of the resolutions set out in the Notice of Annual General Meeting on pages 5 to 7 inclusive of this document are in the best interests of the Company and the shareholders as a whole and the Directors recommend that you vote in favour of them, as each of the Directors intends to do in respect of his own beneficial holding of shares in the Company.

Yours faithfully

**Dennis Millard**  
**Chairman**

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2009 Annual General Meeting of Halfords Group plc will be held at the Alveston Manor Hotel, Clopton Bridge, Stratford-upon-Avon, Warwickshire CV37 7HP on Wednesday 29 July 2009 at 12.30 pm for the following purposes:

### Ordinary business

- 1 To receive the audited financial statements for the year ended 3 April 2009 and the Directors' and Auditor's reports thereon.
- 2 To declare a final dividend for the year ended 3 April 2009 of 10.90 pence for each ordinary share to be paid on 5 August 2009 to shareholders on the register at the close of business on 19 June 2009.
- 3 To approve the Directors' Remuneration Report for the year ended 3 April 2009.
- 4 To re-elect Bill Ronald (a Director who is retiring by rotation under the Company's Articles of Association) as a Director.
- 5 To re-elect Nick Wharton (a Director who is retiring by rotation under the Company's Articles of Association) as a Director.
- 6 To re-elect Paul McClenaghan (a Director who is retiring by rotation under the Company's Articles of Association) as a Director.
- 7 To re-appoint Dennis Millard (a Director vacating office in accordance with the Company's Articles of Association) as a Director.
- 8 To re-appoint David Wild (a Director vacating office in accordance with the Company's Articles of Association) as a Director.
- 9 To authorise the Directors to determine the remuneration of the auditor.

### Special business

To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary or special resolutions, as indicated below:

- 10 As an ordinary resolution:  
  
To appoint KPMG LLP as auditor of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the Annual General Meeting next following their appointment.
- 11 As an ordinary resolution:  
  
That the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (the "1985 Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the 1985 Act) to such persons, at such times and on and subject to such terms and conditions as the Directors may determine. The maximum aggregate nominal amount of relevant securities which may be allotted pursuant to this authority shall be £699,453. This authority shall expire on the earlier of 29 October 2010 and the conclusion of the Annual General Meeting of the Company to be held in 2010, save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry

and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

12. As a special resolution:

That the Directors be and they are hereby empowered pursuant to Section 95(1) of the Companies Act 1985 (the "1985 Act") to allot equity securities (within the meaning of Section 94(2) of the 1985 Act) pursuant to the general authority conferred by resolution 11 as if Section 89(1) of the 1985 Act did not apply to any such allotment, provided that this power shall be limited:

- (a) to the allotment of equity securities in connection with a rights issue or other issue in favour of holders of ordinary shares in proportion (as nearly as practicable) to their existing holdings of ordinary shares, subject only to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or by virtue of shares being represented by depositary receipts, the requirements of any regulatory body or stock exchange, or any other matter; and
- (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities for cash up to an aggregate nominal value of £104,918,

and this power shall, unless renewed, varied or revoked, expire on the earlier of 29 October 2010 or the conclusion of the Annual General Meeting of the Company to be held in 2010, save that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power hereby conferred had not expired.

The power conferred on the Directors by this resolution 12 shall also apply to a sale of treasury shares, which is an allotment of equity securities by virtue of Section 94(3A) of the 1985 Act, but with the omission of the words "pursuant to the general authority conferred by resolution 11".

13. As a special resolution:

That the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of its own ordinary shares on such terms and in such manner as the Directors may, from time to time, determine, provided that:

- (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 20,983,577;
- (b) the minimum price which may be paid for an ordinary share is 1 pence (excluding expenses);
- (c) the maximum price which may be paid for an ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made (excluding expenses); and
- (d) the authority hereby conferred shall expire on the earlier of 29 October 2010 or the conclusion of the Annual General Meeting of the Company to be held in 2010, but a contract of purchase may be made before such expiry which will or may be executed

wholly or partly thereafter and a purchase of shares may be made in pursuance of any such contract.

14. As an ordinary resolution:

That the Company and all companies that are its subsidiaries at any time during the period for which this resolution has effect for the purposes of section 366 of the Companies Act 2006 (the "2006 Act") be authorised to:

- (a) make political donations to political parties or independent election candidates (as such terms are defined in sections 363 and 364 of the 2006 Act), not exceeding £50,000 in aggregate;
- (b) make political donations to political organisations other than political parties (as such terms are defined in sections 363 and 364 of the 2006 Act), not exceeding £50,000 in aggregate; and
- (c) incur political expenditure (as such term is defined in section 365 of the 2006 Act), not exceeding £50,000 in aggregate,

during the period beginning with the date of the passing of this resolution and ending on the earlier of 29 October 2010 or the conclusion of the Annual General Meeting of the Company to be held in 2010, provided that the maximum amounts referred to in (a), (b) and (c) may comprise sums in different currencies, which shall be converted at such rate as the Board may in its absolute discretion determine to be appropriate.

Registered Office:

Icknield Street Drive  
Redditch  
Worcestershire  
B98 0DE

By Order of the Board

Alex Henderson  
Company Secretary  
29 June 2009

## Important notes for Shareholders

1. You may appoint one or more persons of your choice to act as your proxy. A proxy may attend the meeting and exercise all or any of your rights to speak and vote at the meeting for you. You may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. A proxy need not be a member of the Company. A Form of Proxy is enclosed and you may use that Form of Proxy to nominate your proxy. To be valid, Forms of Proxy must reach the Company's Registrar no later than 12.30 pm on Monday 27 July 2009. Completing and returning a Form of Proxy to the Registrar will not preclude you from attending, speaking and voting at the meeting in person. If you do this and there is a poll vote, we will ignore your proxy votes.

If you are not a member of the Company, but have been nominated by a member of the Company (a "relevant member") to enjoy information rights in accordance with section 146 of the Companies Act 2006, you do not have a right yourself to appoint any proxies. You may, however, have a right under an agreement with the relevant member to be appointed or to have somebody else appointed as a proxy for the meeting. If you do not have such a right, or have such a right and do not wish to exercise it, you may have a right under an agreement with the relevant member to give instructions as to the exercise of voting rights.

2. In order to facilitate voting by multiple corporate representatives of any single corporate shareholder at the Annual General Meeting, arrangements will be put in place at the meeting so that if: (i) a corporate shareholder has appointed the Chairman of the Annual General Meeting as its designated corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) more than one corporate representative for the same corporate shareholder attends the Annual General Meeting but the corporate shareholder has not appointed the Chairman of the Annual General Meeting as its designated corporate representative, a designated corporate representative will be nominated from those corporate representatives who attend, who will vote (or withhold a vote) on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – [www.icsa.org.uk](http://www.icsa.org.uk) – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as designated corporate representative as described in (i) above.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered on the Company's relevant register of members at 6.00 pm on Monday 27 July 2009 shall be entitled to attend or vote at this Annual General Meeting in respect of the number of shares registered in their names at that time. Changes to entries on the relevant register after 6.00 pm on Monday 27 July 2009 will be disregarded in determining the rights of any person to attend or vote at the meeting.

4. Biographical details of executive directors Nick Wharton and Paul McClenaghan, and non-executive director Bill Ronald, being proposed for re-election at the meeting, are set out on pages 36 and 37 of the Company's Annual Report and Accounts that accompanies this Notice. The Board considers that Bill Ronald, as a non-executive director, continues to be an effective member of the Board and demonstrates a strong commitment to his role.

5. Biographical details of Dennis Millard, Chairman, and David Wild, Chief Executive Officer, being proposed for re-appointment at the meeting, are set out on pages 36 and 37 of the Company's Annual Report and Accounts that accompanies this Notice. The Board considers that Dennis Millard has sufficient time to commit to his role as Chairman of the Group.

6. Copies of the service contracts and letters of appointment of the Directors and the current Memorandum and Articles of Association will be available for inspection at the registered office of the Company during normal business hours on each business day from the date of this document until the date of the Annual General Meeting and, together with the register of Directors' interests, will be available for inspection at the place of the Annual General Meeting from 15 minutes prior to its commencement until its conclusion. The Directors have the benefit of qualifying third party indemnity provisions pursuant to the Company's Articles of Association, which are and will be available for inspection as described above.

7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on Wednesday 29 July 2008 at 12.30 pm and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the Notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. As at 19 June 2009, being the last practicable date prior to the printing of this circular, the Company's issued share capital consisted of 209,835,769 ordinary shares of 1 pence each, with each ordinary share carrying one vote. Therefore, the total voting rights in the Company as at 19 June 2009 was 209,835,769.