

Halfords Group PLC
(the "Company" or together with its subsidiaries the "Group")

Group Tax Strategy
(the "Strategy")

Background

Halfords is the UK's leading retailer of motoring and cycling products and a leading independent operator in garage servicing and auto repair. The Halfords Group operates through two reportable segments; "Retail" and "Autocentres".

Further to legislation introduced in 2016, large companies trading in the UK are required by Her Majesty's Revenue and Customs (HMRC) to publish a Tax Strategy. Therefore, this document sets out the Group's Tax Strategy and the policies and procedures in place within the Group which we are committed to following in achieving its implementation.

This strategy is regarded as meeting the requirements under Schedule 19, Finance Act 2016 in the UK.

Overriding Objective

Our overriding objective is to manage the tax affairs of our Group in accordance with the spirit and letter of the law.

Aims

Our aims are:

- to ensure we pay the right amount of tax, in the right place, at the right time;
- to manage our tax affairs as efficiently as possible while also supporting our wider commercial objectives;
- to maintain strong compliance controls;
- to operate a policy of open and transparent dialogue with the tax authorities in each jurisdiction in which we operate;
- to maintain an acceptable level of tax risk as deemed appropriate by our Chief Financial Officer and our Board of Directors; and,
- to achieve these aims through the delivery of the key principles outlined below.

Key Principles

1. Effective Management of Tax Risks

This Strategy forms part of the Group's effective management of tax, setting the framework to ensure that suitable controls and processes are in place to enable the Group to fulfil its obligations in regard to tax reporting and compliance.

These controls and processes enable us to effectively manage the tax issues facing the business. Tax issues and the associated tax risks are managed by senior leadership level which includes the Chief Financial Officer, Head of Tax & Treasury and the Corporate Finance & Investor Relations Director.

The level of risk which the Group accepts in relation to tax is consistent with its overall objective of achieving compliance and transparency in its tax affairs.

Our key tax risks, and any associated issues that develop, are monitored and presented on a regular basis to the Board of Directors of the Company. Action is then taken to ensure the risks are mitigated and this is presented to the Board to ensure they are in agreement with any actions taken. The Board has approved the Group's Tax Strategy.

Our Tax Strategy is supported by internal control frameworks which govern the operations of the Group. These controls are subject to the oversight provided by the Group's Tax Department and also by the Group's internal audit function which provides an ongoing programme of review.

The responsibility for ensuring the:

- day to day application of the Group's Tax Strategy; and
- the management of the Group's tax affairs,

is delegated to the Group's Head of Tax & Treasury.

2. Responsible Attitude to Tax Planning

We will consider tax planning opportunities which deliver sustainable value to our shareholders, with regard to our commercial objectives, whilst seeking to maintain a low level of tax risk as determined by the Board. This will include seeking to benefit from available tax reliefs and incentives in line with the spirit and letter of the law.

We will have full regard for the potential impact on our reputation and perception in our key markets in evaluation of the tax implications of any significant business transactions. Any tax planning will have commercial and economic substance.

Appropriate advice from external advisers will be sought in respect of any significant uncertainty; and in unusual or complex matters, a second opinion may also be sought.

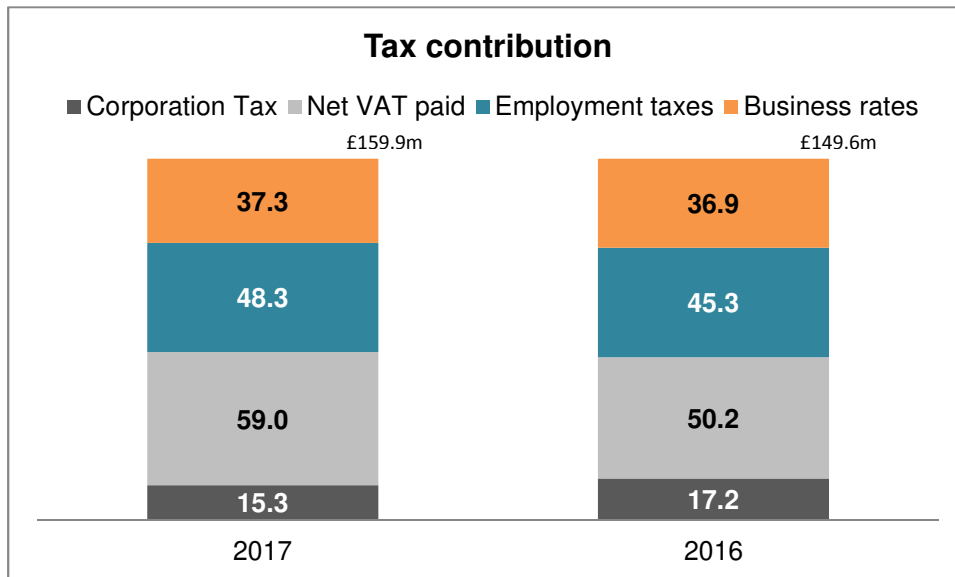
3. Constructive and Transparent Dialogue with HMRC

We will engage with HMRC in an open and transparent manner in regard to any on-going matters. Where appropriate we will engage with HMRC on a real-time basis to minimise tax risk as part of our effective management of tax.

If any enquiries are raised by HMRC into the tax affairs of the Group we will always seek to engage with them in the spirit of co-operative compliance, which supports the Group's tax objectives and aims as set out in this Strategy.

Effective Rate of Corporation Tax

Our effective rate of corporation tax for FY17¹ was 21.0% (FY16, 20.4%), and our tax payments to the Exchequer for the last two years break down as follows:



The Company makes a significant contribution to the UK Exchequer through:

- the taxes paid by the businesses operated by the Group; and,
- the net taxes collected from its customers on behalf of the Exchequer.

In total this contribution is approximately £160m in respect of the FY17 period (approximately £150m in respect of FY16).

Approved by the Board of Directors and signed on their behalf:

Chief Financial Officer
22 March 2018

¹ FY17 refers to the 52 week period ended 31 March 2017