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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 04457314)

Directors:

D Millard (Chairman)
M Davies
A Findlay
D Adams
C Arney
H Jones

Registered Office:

Icknield Street Drive
Washford West
Redditch
Worcestershire
B98 0DE

27 June 2014

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

Dear Shareholder

2014 ANNUAL GENERAL MEETING

The 2014 Annual General Meeting is to be held at the Hilton Garden Inn, 1 Brunswick Square, Brindley Place, Birmingham B1 2HW on Tuesday 29 July 2014 at 11.30 am. The formal Notice convening the meeting is set out on pages 7 to 12 of this document.

This circular provides you with explanatory notes for each of the resolutions in the Notice and explains the action you should take.

Explanatory Notes to the Resolutions

Resolution 1 – Financial Statements

The Directors are required to present to the meeting the Company's audited financial statements and related Directors' and Auditor's Reports for the period ended 28 March 2014.

Resolution 2 – Approval of Final Dividend

If resolution 2 is approved by shareholders, the final dividend for the period ended 28 March 2014 recommended by the Directors of 9.1 pence for each ordinary share will be paid on 1 August 2014 to shareholders whose names are on the register of members at the close of business on 4 July 2014.

Resolution 3 – To Approve the Company's Remuneration Report

The Directors are required to prepare an annual report detailing the remuneration of the Directors and a statement by the Chairman of the Remuneration Committee (together, the "Annual Report on Remuneration"). The Company is required to seek shareholders' approval in respect of the contents of the Annual Report on Remuneration on an annual basis (excluding the part containing the Company's policy on remuneration of directors, which is dealt with in resolution 4). The vote is an advisory one.

Resolution 4 – To Approve the Directors’ Remuneration Policy

The Company is separately required to seek shareholders’ approval of its policy on remuneration of directors (the “**Directors’ Remuneration Policy**”) set out on pages 92 to 101 of the Company’s Annual Report 2014. This is a binding vote.

The Directors’ Remuneration Policy, if approved, will take effect from the date of approval by shareholders and will apply until replaced by a new or amended policy. Once the policy is effective, the Company will not be able to make remuneration payments to a director, or loss of office payments to a current or past director, unless the payment is consistent with the approved policy or has been otherwise approved by shareholders.

If the Directors’ Remuneration Policy is not approved by the shareholders for any reason, the Company will, if and to the extent permitted to do so under the Companies Act 2006 (the “**Act**”), continue to make payments to Directors in accordance with the Company’s existing policy on directors’ remuneration and will seek shareholder approval for a revised policy as soon as practicable.

Resolutions 5 to 10 – Re-election and Election of Directors

The Directors are committed to measures that promote good corporate governance. In accordance with the UK Corporate Governance Code (the “**Code**”), Helen Jones will stand for election at this year’s meeting following her appointment effective 1 March 2014, and if elected will submit herself for re-election at each subsequent annual general meeting of the Company until further notice. Consequently, resolution 5 will be proposed in order to allow Helen Jones to retire from office at the 2014 Annual General Meeting and, being eligible, and in accordance with the Company’s Articles and the Code offer herself for election. In accordance with the Code, each of the other Directors will be submitting themselves for re-election at this year’s meeting, and each subsequent annual general meeting of the Company until further notice. Consequently, resolutions 6 to 10 will be proposed in order to allow each of the Directors to retire from office at the conclusion of the 2014 Annual General Meeting and, being eligible, and in accordance with the Company’s Articles and the Code offer themselves for re-election.

Biographical details of all of the Directors who are proposed for re-election are set out on pages 70 to 71 of the Company’s Annual Report and are also available for viewing on the Company’s website www.halfordscompany.com. The Board of Directors (the “**Board**”) considers that David Adams, Claudia Arney, and Helen Jones, as independent Non-Executive Directors, continue to be effective members of the Board and each demonstrates a strong commitment to their role. As Chairman, Dennis Millard’s performance during the past year has been reviewed by the Non-Executive Directors led by the Senior Independent Director, at the time, Bill Ronald. The Board recommends that each Director be elected or re-elected, as appropriate, at the 2014 Annual General Meeting.

Resolutions 11 and 12 – Reappointment and Remuneration of Auditor

An auditor must be appointed at each general meeting at which the Company’s accounts are presented to shareholders. KPMG LLP has advised of its willingness to stand for re-appointment as the auditor of the Company.

The remuneration of the auditor must be fixed by the Company in a general meeting or in such manner as the Company may determine in general meeting. The usual practice is for shareholders to be asked to resolve at the annual general meeting that the Directors be authorised to determine the level of such remuneration.

Resolution 13 – Authority to Allot Securities

This ordinary resolution seeks to renew the general authority previously given to the Directors at the 2013 Annual General Meeting to allot securities (such as ordinary shares in the Company), which expires at the conclusion of the forthcoming 2014 Annual General Meeting. Paragraph (a) of resolution 13 would, if passed, give the Directors the authority to allot unissued shares up to a maximum nominal amount of £663,544 representing a maximum number of 66,354,407 ordinary shares of 1 pence each or approximately one third of the Company’s issued ordinary share capital as at 27 June 2014 (which is the latest practicable date for which numbers can be confirmed prior to the date of this circular).

Paragraph (b) of resolution 13 proposes that, consistent with the guidance issued by the Association of British Insurers concerning directors' powers to allot share capital in the context of a rights issue (the "**ABI Guidance**"), a further authority be given to the Directors to allot equity securities in connection with a rights issue to holders of equity securities (which would include ordinary shareholders), up to a maximum nominal amount of £1,327,088 representing a maximum number of 132,708,800 ordinary shares of 1 pence each or approximately two thirds of the Company's issued ordinary share capital as at 27 June 2014 (such amount being reduced by the nominal amount of any securities issued under the authority conferred by paragraph (a) of resolution 13). Where the aggregate actual usage of this authority exceeds the threshold set out in paragraph (a) then, in the circumstances described in the ABI Guidance, all of the Directors will stand for re-election at the following annual general meeting to the extent required in compliance with the ABI Guidance (it being noted that, in any event, as explained above each of the Directors will be submitting themselves for re-election at this year's meeting and each subsequent annual general meeting until further notice).

The authorities sought in paragraphs (a) and (b) of resolution 13 would expire at the conclusion of the annual general meeting of the Company to be held in 2015, or, if earlier, on 30 September 2015. The Directors have no present intention of exercising this authority, except in relation to the Company's share incentive schemes. As at 27 June 2014, the Company held no treasury shares in the Company. The Directors intend to seek renewal of this authority at future annual general meetings.

Resolution 14 – Disapplication of Statutory Pre-Emption Rights

This special resolution, if passed, would renew the authority given to the Directors at the 2013 Annual General Meeting to allot equity securities (such as ordinary shares) for cash without first offering them to existing shareholders pursuant to statutory pre-emption rights. The authority would be limited to allotments of equity securities:

- to ordinary shareholders in proportion to their existing shareholdings;
- to holders of other equity securities as required by the rights attaching to those securities or as the Directors consider necessary; and
- for cash up to a maximum amount of £99,532 representing a maximum number of 9,953,161 ordinary shares or approximately 5 per cent of the issued ordinary share capital of the Company as at 27 June 2014.

The authority sought and the limits set by resolution 14 would also disapply the application of section 561 of the Act from a sale of treasury shares to the extent specified in that resolution. This power would expire at the conclusion of the annual general meeting of the Company to be held in 2015, or, if earlier, on 30 September 2015. 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.

The Directors will have due regard to institutional guidelines in relation to any exercise of this power, in particular the requirement for advance consultation and explanation before making any non pre-emptive cash issue pursuant to this resolution which exceeds 7.5% of the Company's issued share capital in any rolling three year period.

Resolution 15 – Purchase of Own Shares

This special resolution, if passed, would authorise the Company to make market purchases of its own ordinary shares. If resolution 15 is approved, the Directors may utilise the authority to continue to make market purchases of the Company's shares through the London Stock Exchange. The maximum number of shares which may be purchased if resolution 15 is approved is 19,906,322 representing approximately 10 per cent of the Company's issued ordinary share capital as at 27 June 2014. The authority would, again, expire at the conclusion of the annual general meeting of the Company to be held in 2015, or, if earlier, on 30 September 2015. 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, then the shares in issue would thereby be reduced.

The Directors confirm that they will exercise the authority granted by the successful passing of this resolution only when, in the light of prevailing market conditions, they consider that such purchases would result in an increase in earnings per share and would be in the best interests of the shareholders generally. The Board is making no recommendation as to whether shareholders should sell their shares in the Company.

The Directors also intend to seek the renewal of this authority at future annual general meetings. As at 27 June 2014, options over a total of 9,122,803 ordinary shares were outstanding and not exercised. That number of ordinary shares represents 4.58 per cent of the Company's issued ordinary share capital as at 27 June 2014. It would represent 5.73 per cent of the issued ordinary share capital if the authority to purchase the Company's own shares granted at the 2013 Annual General Meeting and the authority proposed to be granted under resolution 15 were both exercised in full and assuming no further ordinary shares are issued. As at 27 June 2014, the Company held no treasury shares in the Company and no warrants over ordinary shares in the capital of the Company existed.

Resolution 16 – Renewal of the Halfords Company Share Option Scheme

The Company currently operates the Halfords Company Share Option Scheme (the "CSOS"). The CSOS expired on 3 May 2014 and authority is sought to renew the CSOS.

The CSOS, under which options to acquire shares in the Company at the market value of shares at the time of grant, may be granted to selected employees, is split into two parts, Part A and Part B. Part A is a tax advantaged scheme which enables participants to acquire shares in the Company with an initial market value (as at the time of grant) of up to £30,000, on a tax favoured basis. Part B, the non-tax advantaged section of the CSOS, allows the grant of options in any year over shares with an initial market value of up to 250% of the relevant employee's basic salary, taking account of any options granted to the employee under Part A.

The Directors are keen to retain the ability to incentivise employees under the CSOS, granting tax efficient awards to employees under Part A at the levels permitted by relevant tax legislation. The CSOS will continue to operate within the 5% and 10% dilution limits which currently apply to the CSOS and the Company will manage its remaining capacity within these limits carefully and may use new issue shares, treasury shares and shares purchased in the market to satisfy options.

The CSOS as it will be renewed is substantially similar to the CSOS as previously drafted. The main provisions of the CSOS are summarised in the Appendix to this Notice of Annual General Meeting (the "**Appendix**").

Resolution 17 – Renewal of the Halfords Sharesave Scheme

The Company also operates the Halfords Sharesave Scheme (the "**Sharesave Scheme**"). The Sharesave Scheme expired on 3 May 2014 and authority is sought to renew the Sharesave Scheme.

Under the Sharesave Scheme, an eligible employee who enters into an approved savings contract for a period of three or five years is granted an option to acquire shares in the Company at the end of that period using the proceeds of his savings contract (and, if applicable, any bonus or interest payable in relation to the savings contract). The exercise price of an option is fixed at the time the invitation to apply for an option is issued and will not be less than 80% of the market value of a share at that time.

The Sharesave Scheme is a tax advantaged all-employee scheme under which all participants are eligible to participate on the same basis. The Directors are keen to retain the ability to grant tax efficient awards to employees at the levels permitted by relevant tax legislation. The Sharesave Scheme will continue to operate within the 10% dilution limit which applies to the Sharesave Scheme and the Company will manage its remaining capacity within this limit carefully and may use new issue shares, treasury shares and shares purchased in the market to satisfy options.

The Sharesave Scheme as it will be renewed is substantially similar to the Sharesave Scheme as previously drafted. The main provisions of the Sharesave Scheme are summarised in the Appendix.

Resolution 18 – Share Plans for Employees Resident or Working Outside of the United Kingdom

Reflecting the international profile of the Group, shareholder authority is sought to enable the Directors to add schedules to each of the CSOS and the Sharesave Scheme or to adopt share plans based on the CSOS and the Sharesave Scheme to enable the grant of options and awards to employees outside of the UK, taking account of local tax, exchange and securities laws issues in the relevant jurisdiction.

By way of initial exercise of this authority, if granted, the Directors will adopt the Halfords Irish Sharesave Scheme, an all-employee scheme which is intended to qualify for approval by the Irish Revenue Commissioners, allowing eligible Irish employees of the Halfords group to acquire Shares on a similar basis to their eligible UK counterparts under the Sharesave Scheme.

A copy of the rules of each of the CSOS and the Sharesave Scheme is available for inspection at the offices of Pinsent Masons LLP, 30 Crown Place, London EC2A 4ES during business hours on any weekday from the date of this Notice of Annual General Meeting until the close of the Annual General Meeting. The rules will also be available for inspection at the Annual General Meeting venue for 15 minutes prior to, and until the end of, the Annual General Meeting.

Resolution 19 – Political Donations

This ordinary resolution seeks to renew and replace the authority granted to the Company and its subsidiaries by shareholders at the 2013 Annual General Meeting to make political donations, which expires at the conclusion of the 2014 Annual General Meeting. This resolution concerns Part 14 of the 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 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 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 19 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 Act) up to an aggregate limit of £150,000 during the period up to fifteen months after the passing of resolution 19 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 for the next year, as required by the Act. The authority will not be used to make political donations within the normal meaning of that expression.

Resolution 20 – Notice of Meetings other than Annual General Meetings

This special resolution is proposed to allow the Company to continue to call general meetings on 14 clear days' notice pursuant to the Companies (Shareholders' Rights) Regulations 2009 (the "**Regulations**"), which implement the Shareholder Rights Directive. The Regulations increase the notice period for general meetings of the Company to 21 clear days unless shareholders approve a shorter period (which cannot be less than 14 clear days). This approval was given at the 2013 Annual General Meeting and the Company would like to continue to have the flexibility to convene general meetings (other than annual general meetings) on 14 clear days' notice. The Directors do not intend to use this authority as a matter of routine, but only when time-sensitive matters are to be discussed and where they consider it to be merited in the interests of shareholders as a whole, and will have regard to other best practice recommendations as regards its use. The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed in order to renew this power. The Company will need to meet the requirements for electronic voting under the Regulations in order to call a general meeting on 14 days' notice.

Action to be Taken

Shareholders will find enclosed a reply-paid Form of Proxy for use in connection with the 2014 Annual General Meeting. Whether or not you are able to attend the 2014 Annual General Meeting, you are requested to complete the Form of Proxy and return it to Capita Registrars at PXS, 34 Beckenham Road, Beckenham, BR3 9ZA as soon as possible and, in any event, so as to arrive no later than 11.30 am on Friday 25 July 2014. 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 the 2014 Annual General Meeting on pages 7 to 10 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 or her own beneficial holding of shares in the Company.

Yours faithfully,

Dennis Millard
Chairman
27 June 2014

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2014 Annual General Meeting of the Company will be held at the Hilton Garden Inn, 1 Brunswick Square, Brindley Place, Birmingham B1 2HW on Tuesday 29 July 2014 at 11.30 am to consider the following resolutions, which in the case of resolutions 14, 15 and 20 will be proposed as special resolutions with the remainder being proposed as ordinary resolutions:

1. To receive the audited financial statements for the period ended 28 March 2014 and the Directors' and Auditor's reports thereon.
2. To declare a final dividend for the period ended 28 March 2014 of 9.1 pence for each ordinary share, to be paid on 1 August 2014 to shareholders whose name appears on the Company's register of members at the close of business on 4 July 2014.
3. To approve the annual report on remuneration, other than the part containing the directors' remuneration policy which is dealt with at resolution 4, for the period ended 28 March 2014 as set out on pages 102 to 110 of the Company's Annual Report 2014.
4. To approve the directors' remuneration policy set out on pages 92 to 101 of the Company's Annual Report 2014.
5. To elect Helen Jones as a Director.
6. To re-elect Dennis Millard as a Director.
7. To re-elect David Adams as a Director.
8. To re-elect Claudia Arney as a Director.
9. To re-elect Matt Davies as Director.
10. To re-elect Andrew Findlay as a Director.
11. To re-appoint KPMG LLP as Auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company.
12. To authorise the Directors to determine the remuneration of the Auditor.

Authority to allot shares

13. That, in substitution for all existing authorities, the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "**Act**") to exercise all the powers of the Company to:
 - (a) allot shares (as defined in section 540 of the Act) in the Company or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £663,544; and
 - (b) allot equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount of £1,327,088 (such amount to be reduced by the aggregate nominal amount of shares allotted or rights to subscribe for or to convert any security into shares in the Company granted under paragraph (a) of this resolution 13) in connection with an offer by way of a rights issue:
 - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) to holders of other equity securities (as defined in section 560(1) of the Act) as required by the rights attaching to those securities or, subject to such rights, as the Directors otherwise consider necessary;

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter;

such authorities to apply (unless previously renewed, revoked or varied) until the end of the Company's next annual general meeting after this resolution is passed (or, if earlier, until the close of business on 30 September 2014) but, in each case, so that the Company may make offers and enter into agreements before the authority expires which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority expires and the Directors may allot shares or grant such rights under any such offer or agreement as if the authority had not expired.

Renewal of the power to disapply pre-emption rights

14. That, in substitution for all existing powers and subject to the passing of resolution 13, the Directors be generally empowered pursuant to section 570 of the Companies Act 2006 (the "**Act**") to allot equity securities (as defined in section 560(1) of the Act) for cash pursuant to the authority granted by resolution 13 and/or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Act, in each case free of the restriction in section 561 of the Act, such power to be limited:

- (a) to the allotment of equity securities in connection with an offer of equity securities (but in the case of an allotment pursuant to the authority granted by paragraph (b) of resolution 13, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue only):
 - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) to holders of other equity securities (as defined in section 560(1) of the Act), as required by the rights attaching to those securities or, subject to such rights, as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

- (b) to the allotment of equity securities pursuant to the authority granted by paragraph (a) of resolution 13 and/or an allotment which constitutes an allotment of equity securities by virtue of section 560(3) of the Act (in each case otherwise than in the circumstances set out in paragraph (a) of this resolution 13) up to a nominal amount of £99,532 calculated, in the case of equity securities which contain or comprise rights to subscribe for, or to convert securities into, ordinary shares (as defined in section 560(1) of the Act) by reference to the aggregate nominal amount of relevant shares which may be allotted pursuant to such right,

such power to apply (unless previously renewed, revoked or varied) until the end of the Company's next annual general meeting after this resolution is passed (or, if earlier, until the close of business on 30 September 2014) but so that the Company may make offers and enter into agreements before the power expires which would, or might, require equity securities to be allotted after the power expires and the Directors may allot equity securities under any such offer or agreement as if the power had not expired.

Authority to purchase own shares

15. That the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006 (the “**Act**”)) of its own ordinary shares of 1 pence each 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 19,906,322 (representing approximately 10 per cent of the issued ordinary share capital);
 - (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 at the end of the Company’s next annual general meeting after this resolution is passed (or, if earlier, at the close of business on 30 September 2014), 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.

Renewal of the Company Share Option Scheme

16. That the Directors be and are hereby authorised to renew the Halfords Company Share Option Scheme (the “**CSOS**”), a copy of the draft rules of which has been produced to the meeting and initialled by the Chairman (for the purpose of identification only) and a summary of the main provisions of which is set out in the Appendix to the Notice of Annual General Meeting dated 27 June 2014 (the “**Appendix**”), and to do all such acts and things as may be necessary or expedient for the purposes of extending the CSOS for a further period of ten years and implementing and giving effect to the amendments to update the rules of the CSOS, including amending the rules of Part A of the CSOS (“**Part A**”) in such manner as may be necessary to ensure that Part A meets the requirements for such tax advantaged plans as set out in Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003.

Renewal of the Sharesave Scheme

17. That the Directors be and are hereby authorised to renew the Halfords Sharesave Scheme (the “**Sharesave Scheme**”), a copy of the draft rules of which has been produced to the meeting and initialled by the Chairman (for the purpose of identification only) and a summary of the main provisions of which is set out in the Appendix, and to do all such acts and things as may be necessary or expedient for the purpose of extending the Sharesave Scheme for a further period of ten years and implementing and giving effect to the amendments to update the rules of the Sharesave Scheme, including amending the rules of the Sharesave Scheme in such manner as may be necessary to ensure that the Sharesave Plan meets the requirements for such tax advantaged plans as set out in Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003.

Share Plans for Employees Resident or Working Outside of the United Kingdom

18. That the Directors be and are hereby authorised to establish schedules to, or other share plans based on each of the CSOS and the Sharesave Scheme, but modified to take account of local tax, exchange control or securities laws in overseas territories provided any shares made available under any such schedules or further plans are treated as counting against the limits on individual and overall participation in the CSOS and the Sharesave Scheme as appropriate.

Authority to make political donations

19. 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 “**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 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 Act), not exceeding £50,000 in aggregate; and
- (c) incur political expenditure (as such term is defined in section 365 of the Act), not exceeding £50,000 in aggregate,

during the period beginning with the date of the passing of this resolution and ending at the end of the Company’s next annual general meeting after this resolution is passed (or, if earlier, at the close of business on 30 September 2014), provided that the maximum amounts referred to in (a), (b) and (c) above 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.

Authority to call meetings on 14 days’ notice

20. That a general meeting of the Company other than an annual general meeting may be called on not less than 14 clear days’ notice, provided that this authority expires at the conclusion of the next annual general meeting of the Company after this resolution is passed.

Registered Office:
Icknield Street Drive
Washford West
Redditch
Worcestershire
B98 0DE

By Order of the Board
Justin Richards
Company Secretary

27 June 2014

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 11.30 am on Friday 25 July 2014. 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.
2. As an alternative to returning your Form of Proxy in hard copy you can complete your Form of Proxy online by logging onto www.capitashareportal.com by 11.30 am on Friday 25 July 2014. To vote online you will need to enter your surname, investor code (as shown on your hard copy Form of Proxy) and your postcode.
3. 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 (the "**Act**"), 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.
4. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of the same powers as the corporation could exercise if it were an individual member, provided they do not do so in relation to the same shares.
5. 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 Friday 25 July 2014 (or in the case of adjournment as at 48 hours before the time appointed for holding of the meeting) 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 Friday 25 July 2014 will be disregarded in determining the rights of any person to attend or vote at the meeting.
6. Copies of the service contracts and letters of appointment of the Directors and the current 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 Tuesday 29 July 2014 at 11.30 am and any adjournment(s) thereof by utilising the procedures described in the CREST Manual (available via www.euroclear.com/CREST). 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.
8. 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 Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com/CREST). 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 this Notice. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp 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. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
9. 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.

10. 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.
11. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with section 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on a website under section 527 of the Act.
12. Shareholders have the right to ask questions relating to the business of the Annual General Meeting and the Company has an obligation to answer such questions unless they fall within any of the statutory exceptions. No answer will therefore be required to be given if: (i) it is undesirable in the interest of the Company or the good order of the Annual General Meeting; (ii) if to do so would unduly interfere with the preparation for the meeting or involve the disclosure of confidential information; or (iii) if the answer has already been given on a website in the form of an answer to a question.
13. As at 27 June 2014, being the last practicable date prior to the printing of this circular, the Company's issued share capital consisted of 199,063,222 ordinary shares of 1 pence each, with each ordinary share carrying one vote. The Company holds no Treasury shares that hold no voting rights, therefore, the total voting rights in the Company as at 27 June 2014 was 199,063,222.
14. A copy of this Notice and other information required by section 311A of the Act can be found at www.halfordscompany.com.
15. You may not use any electronic address provided in this Notice to communicate with the Company for any purposes other than those expressly stated. Please note that the Company takes all reasonable precautions to ensure no viruses are present in any electronic communication it sends out but the Company cannot accept responsibility for loss or damage arising from the opening or use of any e-mail or attachments and recommends that recipients subject all messages to virus checking procedures prior to use.

APPENDIX

Summary of the principal terms of the Halfords Company Share Option Scheme and the Halfords Sharesave Scheme

1. The Halfords Company Share Option Scheme (the “CSOS”)

The CSOS is divided into two parts – a tax advantaged part (options granted under this part are eligible to benefit from favourable tax treatment) and a non-tax favoured part and which will be used for grants of options in excess of the limits which apply to the tax advantaged part. The following is a summary of the main features of the two parts of the CSOS:

1.1 Tax advantaged part of the CSOS – Part A

1.1.1 *Tax treatment*

Part A of the CSOS is a tax advantaged scheme under Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003.

1.1.2 *Eligibility*

Any full-time director (working a minimum of 25 hours per week) or any employee of a participating company who is not ineligible to participate due to the governing legislation, may be granted an option under Part A of the CSOS.

1.1.3 *Grant of Options*

Options to acquire shares may be granted at any time during the period of six weeks following approval of the renewal of the CSOS by shareholders (“**Renewal**”) or of the dealing day next following the announcement of the Company’s results for any period (and at other times in exceptional circumstances).

No options may be granted more than ten years after the Renewal. Options granted under the CSOS are personal to the participant and, except on the death of a participant, may not be transferred. No payment is made for the grant of an option. Options granted under the CSOS are not pensionable.

1.1.4 *Price*

The price payable for each share under an option will be determined by the Board of Directors (the “**Board**”) before the grant of the option, provided that, it shall not be less than the average of the middle market quotation of such shares on the three dealing days immediately preceding the date of grant or, if the Board so decides, the middle market quotation of such shares on the dealing day immediately preceding the date of grant, in each case as derived from the Daily Official List.

1.1.5 *Exercise of Options*

An option granted under the CSOS will normally be exercisable between three years and ten years after the date of grant, provided that any specified performance condition has been satisfied. The performance condition will be determined by the Board before the options are granted. The performance condition applicable to the first grant of options under the CSOS is aligned with the performance conditions of the Halfords Performance Share Plan in that it will be based on Earnings before Interest, Tax, Depreciation and Amortisation (“EBITDA”) growth of 5.0% compound annual growth rate (“CAGR”) over the three-year performance period.

Early exercise of options is allowed under Part A if an optionholder ceases to be employed by reason of death, injury, disability, redundancy, retirement or on the sale of his employing company or business (subject to satisfying any relevant performance condition). If an optionholder ceases employment for any other reason, his option will normally lapse unless the Board decides otherwise. On early exercise, performance conditions attached to the options do not automatically fall away; the Board has discretion, acting fairly and reasonably, to determine whether the performance conditions shall be treated as satisfied.

Special provisions also allow early exercise in the circumstances of a takeover, reconstruction or winding-up of the Company subject to the satisfaction of the performance conditions (with the Board having a discretion to determine whether the conditions shall be treated as satisfied). Internal reorganisations do not trigger the early exercise of options.

1.1.6 *Variation of Capital*

In the event of any increase or variation in the share capital of the Company, the Board may make such adjustments as it considers appropriate to the number of shares under option and the price at which they may be acquired.

1.1.7 *Limits*

The CSOS is subject to the following limits:

- (a) the number of shares which may be issued on the exercise of options granted in any period of ten years under all the Company's employee share schemes may not exceed 10 per cent of the Company's issued ordinary share capital;
- (b) the number of shares which may be issued on the exercise of options granted in any period of ten years under all the Company's executive share schemes from time to time may not exceed 5 per cent of the Company's issued ordinary share capital; and
- (c) the total acquisition price for shares on the exercise of options held by any participant under Part A of the CSOS may not exceed the amount permitted under Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003 (currently £30,000).

1.1.8 *Amendments*

The Board may at any time amend the CSOS or the terms of any option granted under it. The prior approval of the Company in general meeting will be required for amendments to the advantage of participants to the provisions concerning eligibility, the limits on the number of shares that may be issued, the maximum entitlement for any participant, and the basis for determining a participant's entitlement to shares and for the adjustment thereof in the event of an increase or variation of share capital (except for minor amendments to benefit the administration of the CSOS, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control, or regulatory treatment for a participant or any participating company) or where the amendment relates solely to a specific term (e.g. a performance condition imposed by the Board, in which case the amended condition should overall be not less demanding). Any amendment that is to the disadvantage of participants requires the consent of a majority of them.

1.2 Unapproved part of the CSOS – Part B

The description of Part A of the CSOS also applies to Part B of the CSOS except where specified otherwise below. Part B of the CSOS has not been designed to be tax favoured and is intended for grants of options to UK executives in excess of the £30,000 limit set out above and applicable to Part A.

1.2.1 *Eligibility*

A person is eligible to be granted an option under Part B of the CSOS if he is an employee (including a director who is an employee) of a participating company.

1.2.2 *Grant of options*

Options may be granted in accordance with the periods specified in Part A of the CSOS in paragraph 1.1.3.

1.2.3 *Overall Limits*

The limits in Part A of the CSOS in paragraphs 1.1.7(a) and 1.1.7(b) above also apply to Part B, but not the limit in paragraph 1.1.7(c).

1.2.4 *Individual Limits*

It is intended to make an annual grant of options to participants. The aggregate market value of shares put under option in any year may not exceed 250 per cent of salary.

1.2.5 *Cash Equivalent*

Following the exercise of any option granted under Part B of the CSOS, the Board may elect, instead of issuing shares, to pay a cash sum to any participant, calculated by reference to the excess, if any, of the middle market quotation of such shares (as derived from the Daily Official List) on the day before the option was exercised and the price payable for such shares on the exercise of the option, less applicable withholding taxes, if any.

2. The Halfords Sharesave Scheme (the “Sharesave Scheme”)

The following is a summary of the main features of the Sharesave Scheme:

2.1 Tax treatment

The Sharesave Scheme is a tax advantaged scheme under Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003.

2.2 Eligibility

An individual must be an employee or full-time director of the Company or a participating company on the date that options are granted and must have been such an employee or full-time director for one month, or such period (not exceeding five years) as the Board may determine. An individual is a full-time director if he is obliged to devote not less than 25 hours per week to his duties with the company concerned. The Board has a discretion to nominate employees or directors who do not satisfy the above conditions to participate in the Sharesave Scheme.

2.3 Invitation and Grant of Options

The Board may invite all eligible employees to apply for options at any time during the six week period after the date of approval of the renewal of the Sharesave Scheme by the Board. Invitations may normally be issued only in the six weeks beginning on the dealing day next following the date on which the Company announces its results for any period (and at other times in exceptional circumstances).

No invitations may be issued more than ten years after the date of approval of the renewal of the Sharesave Scheme by shareholders . Options granted under the Sharesave Scheme are personal to the participant and, except on the death of the participant, may not be transferred. Options granted under the Sharesave Scheme are not pensionable.

2.4 Savings Contracts

An eligible employee who applies for an option under the Sharesave Scheme must also enter into a savings related contract which is a certified contractual savings scheme for sharesave purposes. Under this contract, the employee will agree to make monthly savings contributions of a fixed amount (currently not less than £5 and not more than £500). Shares may only be acquired under the Sharesave Scheme on exercise of the option using the payments under this contract. Payment will be taken as including any bonus payable under the savings contract, unless otherwise decided by the Board.

2.5 Price

The price payable for each share under option shall be determined by the Board, provided that it shall not be less than 80 per cent. of the market value of a share when invitations are issued to eligible employees.

2.6 Limit

The number of shares which may be issued on the exercise of options granted in any period of ten years under all the Company's employee share schemes may not exceed 10 per cent. of the Company's issued ordinary share capital.

2.7 Exercise of Options

An option granted may not normally be exercised until the optionholder has completed his savings contract (which will usually be three or five years from the date of commencement of the savings contract) and then not more than six months thereafter.

Special provisions allow early exercise in the case of death, injury, disability, redundancy, retirement or because the company or business which employs the optionholder is transferred out of the Group. If an optionholder ceases employment for any other reason within three years of the grant of an option, his option will lapse. Special provisions also allow early exercise in the event of a takeover, reconstruction or winding-up of the Company. Internal reorganisations do not trigger the early exercise of options.

2.8 Variation of Capital

In the event of an increase or variation of the share capital of the Company, the Board may make such adjustments as it considers appropriate to the number of shares under option and the price at which they may be acquired.

2.9 Amendments

The Board may at any time amend or add to all or any of the provisions of the Sharesave Scheme in any respect. The prior approval of the Company in general meeting is required for an amendment to the advantage of optionholder provisions relating to eligibility, the limits on the number of shares that may be issued, the maximum entitlement for any participant, the basis for determining a participant's entitlement to Shares and for the adjustment thereof in the event of an increase or variation of share capital (except for minor amendments to benefit the administration of the Sharesave Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for optionholder or any member of the Group).

This summary does not form part of the rules of either of the CSOS or the Sharesave Scheme and should not be taken as affecting the interpretation of their detailed terms and conditions. The Directors reserve the right up to the time of the Annual General Meeting to make such amendments and additions to the rules of the CSOS and the Sharesave Scheme as they consider appropriate provided that such amendments do not conflict in any material respect with this summary.

Share Plans for Employees Resident or Working Outside of the United Kingdom

The authority of the shareholders is sought under resolution 18, such that the Directors may at any time, without further reference to shareholders, add schedules to each of the CSOS and the Sharesave Scheme or to adopt share plans based on the CSOS and the Sharesave Scheme to enable the grant of options and awards to employees outside of the UK, taking account of local tax, exchange and securities laws issues in the relevant jurisdiction.

By way of initial exercise of this authority, the Halfords Irish Sharesave Scheme, established for Irish employees, will contain the same principal terms as those set out in this Appendix for the Sharesave Scheme, with appropriate modifications, in particular that:

- (a) references to relevant UK legislation shall be read as references to the relevant Irish legislation; and
- (b) the minimum and maximum monthly contribution for Irish participants shall be at the levels allowed by Irish legislation, being 12 Euros and 500 Euros respectively.