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DAVID WILD: Good morning, everybody, and thank you very much for coming this morning to hear our presentation on the interims we announced at seven o'clock. I'd like to welcome you. I'd also like to welcome our Chairman, Dennis Millard, who's here; as well as a number of members of our executive team; Paul McClenaghan, our Commercial Director; Jonathan Crookall, our HR Director; Kevin Thomas, who looks after Operations; Robin Caley, who looks after Business Services; and Bill Duffy, the Chief Executive of our Autocentre business, is also here today.

The agenda for this morning is, after a quick introduction from me, and an overview of the results, I'll hand over to Andrew, who will go through our - who will go through the numbers; before I come back and give a bit of colour on the business, our strategy, and the trading activities that we have planned for the rest of the year. After I've summarised the presentation, Andrew and I will then be happy to take any questions that you may have around specifics.

The performance that we're announcing this morning is in line with our expectations. Broadly, what we've been able to do is hold our Group revenue flat, in what is undoubtedly a very tough environment.

We've driven sales by focusing on cash margin, rather than percentage margin, and there has been some dilution in percentage margin, as we expected.

Once again, we've controlled our costs well.

The Halford's balance sheet remains strong, and the business, once again, has generated cash, which has allowed us not only to continue the buyback that we started in April, but also to hold our interim dividend at last year's level of 8 pence.

And finally, with the re-launch of the Autocentre business under the Halford's brand in March, we've seen good progress in our Autocentre's operation over the course of the last six months.

With that summary, I'll now hand over to Andrew, who'll go through the numbers in detail.

ANDREW FINDLAY: Thanks, David, and good morning. I will start by taking you through the financial headlines of what was, and is expected, a challenging trading period for the business.

Excluding the results for Central Europe in FY '11, underlying Group revenue, at £454 million, was flat, versus the prior year; down just 0.1%.

At the Group level, gross margins were 54.3%, versus 55% last year. UK and Republic of Ireland retail margin was 52.7%; 128 basis points lower than last year, as anticipated; with Autocentre gross margin at 66.5%; up 36 basis points.

Profit before tax of £54.7 million reflects both strong cost management within Retail, and a continued programme of investment within Autocentres.

Adjusted basic EPS, at 19.8p, was down 17.8%; reflecting an increased finance charge of £2.2 million, and an underlying effective tax rate of 26.9%.

Net debt at the end of September was £140.7 million, with a pre-dividend and share buyback free cash flow of over £40 million in the half; reflecting a business in a strong financial position.

The Board has approved an interim dividend of 8 pence per share. This is in line with last year, and underpins the Board's continued confidence in the cash generation capabilities of the business. The Board recognises the importance of dividend to our shareholders, and continues to maintain a progressive dividend policy, whilst, over the medium-term, targeting broadly 2 times earning cover.

Within Retail in the UK and Republic of Ireland, revenues were down 1.2%, which represents a constant currency, a like for like reduction of 1.9%.

Car Maintenance revenues were subdued during the period. This was not helped by customers' exposure to higher fuel insurance costs, combined with the impact of reduced motoring. However, our bulbs, blades and batteries fitting penetration was up, as we saw a higher proportion of car maintenance customers taking our unique seven day a week fitting solution.

Car Enhancement sales were down 9.8%. During the half, we improved market share of both sat nav and audio, to 37% and 52% respectively, which has put us in an even stronger position, both in the market and with our suppliers.

Leisure like for like sales in the first half were up 3.9%, with Cycling like for likes up 8.6%. In all areas of Cycling, year on year sales were up, particularly in our premium range, and in cycle accessories. Performance of Travel Solutions adversely impacted the Leisure performance.

As we outlined in October, the demand for camping equipment was soft during the summer. And we also saw indications of dampened market demand for child seats and child travel, during the period. This was partially offset by our strong market position in Travel Equipment; for example, roof boxes, with a better year on year performance, helped by our fitting proposition.

In line with full year guidance, gross margin reduced by 128 basis points; reflecting our continued focus on maximising cash margins; increase the level of participation by our customers in our promotions; increase sales of lower margin product ranges; and the impact of product cost inflation.

Operating costs were up 1.9% in the half. Although this is a good result, and reflects our culture of strong cost control, the full year guidance of a 4 percentage point uplift on the underlying adjusted FY '11 base of £300 million remains unchanged. This effectively means that Retail operating costs in pound terms, in the second half of the year, are anticipated to be broadly in line with those in the first half.

This performance delivered a reduced operating profit margin of 13.7%, against the abnormally high ratio of 16.2% last year, I referred to in June.

So what is driving the margin percentage decline within Retail? We have reduced the level of promotional overlays year on year. However, we are seeing a greater demand for value from our customers, and more customers are participating in the deals we are offering. The take-up of our Spend and Save promotion, and cycle accessory three for two offers, illustrates this, where increased volumes have driven incremental sales, and incremental cash return.

With new basket analysis tools recently introduced into the business, linked to our POS and finance systems, we are now better able to assess the effectiveness of these promotions, learn quicker, with more granular data, and ensure we are better set up to leverage the deals we offer.

We have delivered increased sales of lower margin ranges. Introduction of our tracks (?) box range, where we previously didn't have an offer, plus the increased sales of our lower margin premium products, has also had an impact on margin per cent. These products have contributed to the success of our Cycling category, and resulted in an increase in year on year sales, and cash return.

Import (?) cost inflation has clearly been a factor. Within Car Maintenance, we have seen oil, screen wash and antifreeze cost prices increase by low double-digit percentages. And the inflationary pressures from Asia, particularly impacted workshop, travel accessories and cycles.

In some cases, we have looked to alleviate the pressure on the customer, by not passing these costs on; retaining a price point that helps the range hierarchy work harder. Examples of this include the entry level kids' bikes, such as the Sweetie and the 150-piece socket set, currently headlining on our online toolkit page, at £99.

These influences have been offset by a continued focus on better cost effective sourcing. Moving more cycle production to Cambodia, with zero duty rates, has been a key part in alleviating the import cost pressures experienced in cycles this year.

We have also reduced sourcing from Southern China and moving to Northern China, where costs and inflationary presses are lower.

Increased margin accretive fitting penetration and attachment rates has also been key in helping alleviate margin percentage pressures; and at the same time, delivering incremental cash

3D (?) fitting penetration increased by a full 200 basis points year on year, to 22.2%; supported by a new radio advertising campaign, currently on air, which we are weather waiting, to generate the greatest impact for our investment.

Accessory attachment rates for cycles and sat navs were also up in the year, well above 60%; supported by specific in store colleague incentives.

Finally, we continue to develop and enhance our higher margin, own brand range of products, such as Pampero within child seats, Exodus in roof boxes, and Urban Escape in camping.

So what does all this mean? It means the previous full year guidance of at least 100 basis points decline in the Retail gross margins this financial year remains unchanged. As I've said before, the precise margin per cent outturn for the year will continue to be dependent on the sales mix over the balance over the year, and to some extent, will be influenced by continued focus on maximising cash returns.

Moving on to Retail costs. The timing of the one-off cost benefits last year, plus the annualisation of various cost saving initiatives, provides an odd year on year cost phasing profile. The 1.9% uplift was in line with our expectations, and is in line with the prevailing full year guidance.

That said, it is a good result. Even with the increased fitting penetration attachment rates, we have delivered in the half. Store staffing costs have increased only marginally.

Store occupancy costs have increased 3.4%; reflecting rent, rate and utility cost increases, and incorporate the revenue costs associated with the 53 store refreshes undertaken in the period.

Although an area of future inflationary pressure, particularly in the expectation of significantly higher business rates next year, we will still see store occupancy costs as an area of opportunity, with around 140 leases expiring in the next five financial years; giving us the opportunity to renegotiate, re-gear, downsize, or relocate individual store locations.

Warehousing and Distribution costs fell 8.4%. This was another strong result, and reflects the new warehouse and network configuration, that will annualise in the second half of this financial year. If we hadn't undertaken this transformation on a like for like basis, W&D costs would have been almost £2 million higher than those reported today; with the impact of increased fuel prices and changes in product mix towards the bulkier leisure-related skews, partly offsetting that full cost saving.

Support costs have increased £1.6 million; driven by increased marketing and IT-related investment, plus increased investment in recruitment and training. This figure also includes an accrual for head office discretionary bonus, which will be reviewed, as we near the end of the year.

As I said earlier, our full year Retail operating cost guidance of 4% on an FY '11 adjusted basis of £300 million, remains unchanged.

We announced a pay rise last month of an average of 2.5%. And we expect this, plus other inflationary pressures, to be offset over the next six months. So we anticipate second half costs to be broadly in line with, but not to exceed those incurred in the first half of the year.

As we mentioned in June, we are looking to invest in stock levels this year, to increase the in store availability, in response to adverse customer feedback last year. We have addressed this and, in line with our expectations, half year inventories in stores were up.

In addition to improved availability covered by the Other category, included in the charts, there are a number of other individual key influences on stock values, at the end of September.

The first, the impact of product cost inflation increased stockholding values by around 2%. We have also taken the decision to hold over a consignment of camping equipment, include tent packs until next year. The cost inflation of this product has been high, and a simple analysis, looking at the cost to clear, and the inflationary uplift risk, versus the incremental storage costs, meant it was economically sensible to hold this stock over into next year, rather than to deep discount in a soft market.

In Q3 last year, although we felt we did a good job delivering the winter needs of our customers, we could have executed better. So this year, we have brought forward our stock build, so that we are ready, should there be another cold Q3.

This has been strengthened by a number of new complementary products added to our winter range, such as shovels and tyre snow socks, that incidentally, are already selling well.

Finally, as part of our improved availability, we're also well set up in Cycles, particularly in tracks and premium, with stock on the water in DCs and stores, to ensure we have what our customers demand over the coming months.

The increased slant towards leisure, which is a higher Far East sourcing penetration, increased volumes on stock in transit, will become more characteristic of our stockholding profile, going forwards

It's now moving away from Retail onto Autocentres. Sales were up almost 9%, with like for like growth of 2.7%; which was a pleasing result, particularly in this current environment, where pressures on the motorist are evident.

Anecdotal information from our suppliers indicates we are gaining market share. At the end of September, we operated from 246 centres; up 6 in the period, and 16 on the year; with online bookings up 58% to almost 100,000 in the half; including the benefit of traffic through the Retail site.

Another good result was the improvement in gross margin. Although sales in lower margin tyre fitting have increased, better adherence to preferred part suppliers, year on year, by the centre managers; whilst joined-up supply and negotiation with Retail business has more than offset this impact in the period. This will mean we anticipate full year Autocentre gross profits to be broadly in line with FY '11.

Autocentre operating costs increased by almost £5 million in the year, which reflects our continued investment in the business. Almost half of this increase relates to new centres, with a further incremental investment in advertising and marketing; training, particularly in tyre fitting; and new staff, to help deliver the new centre rollout plan.

We remain confident in the long-term potential of the Autocentre business. Halford's will continue to prudently invest in the short and medium-term, where we believe it will benefit the long-term delivery of growth.

The new centres are doing well in what is currently a challenging market. We expect new openings to create an initial drag on the overall profitability of the business, but we fully anticipate they will reach profitability in line with our maturity curve expectations.

A further step towards Retail and Autocentres working close together, and to further ensure Autocentres is set up for growth, this week, we announced the proposed relocation of our Autocentre head office to Redditch, with the creation of a financial shared service function. Autocentres will continue to be managed, and trade and operate as a separate business within Halford's, under the leadership of Bill Duffy.

Halford's continues to prudently invest in capital spend. Expenditure on the Retail portfolio predominantly relates to both the 53 store refreshes we've undertaken in the period, and to the store relocation and downsize activity.

Other areas that attracted capital within Retail include logistics, with additional investment in our IT and online platforms.

£1.6 million of capital was invested in our Autocentre business, primarily on our new centres, plus equipment, particularly to support the delivery of our tyre proposition.

As you can see, the Halford's business, even with this store refresh activity underway, and growth in Autocentres, has a low capital expenditure requirement, which helps underpin its cash generation capability.

So moving onto cash. As you can see from the slide, before share buybacks and dividends, the business generated over £40 million of cash during the period. By 7 November, we purchased 14.7 million shares. 5.4 million of these shares are to be used by the Group, to satisfy future employee share schemes. The remaining 9.3 million have been cancelled. The total spend to date on the buyback programme has been £51.6 million, with a targeted completion date within the current financial year.

After taking into account the share buyback activity during the half, and the FY '11 final dividend payment of 14 pence, net debt at the end of September was £140.7 million. This represents a rolling 12-month EBITDA net debt ratio of 1 times cover; reflecting a continued strong balance sheet position.

I'll conclude the financial review by reiterating our guidance. We still have a significant proportion of the year to go. As we continue to push the delivery of maximum cash returns, we anticipate a full year gross margin decline within Retail of at least 100 basis points.

Full year operating costs, including using the FY '11 adjusted base of £300 million, are expected to be up by 4%; reflecting both inflation and investment.

We continue to guide Retail capital spend of around £20 million, with Autocentre's CapEx around £5 million.

Finally, our full year Group finance charge will be, broadly, £6 million; slightly lower than the £6.5 million I guided to earlier in the year.

I'll now hand you back to David.

DAVID WILD: Thanks, Andrew. In what is undoubtedly a tough environment for customers, the Halford's value proposition remains centred around the delivery of great prices, quality and innovative products, and excellent service to our customers, through the stores. This value triangle is what's guided us over the course of the last year, and the reason why we've performed as well as we have.

We execute the value triangle through a retail strategy which has been consistent for a number of years, built around four pillars.

Firstly, extending our range and service advantage. Halford's is market leader in almost every category in which it competes. But we seek to extend that advantage consistently. Secondly, by investing in our store portfolio. Thirdly, by continuing to focus on cost control. And fourthly, and finally, by increasingly leveraging our brand into multi-channel. What I'll do now is go through each of these in turn.

Starting with range. Probably the best area that illustrates the execution of our range strategy is cycles, where we have five own-brand or exclusive-brand product ranges, covering every price point. From tracks, we start at around £60, through to Boardman, which extends up to £1,800.

In the half, we re-launched our complete range of Carrera, our biggest selling premium bike range. We also saw the benefits of the annualisation of the work that had been done last year on the re-launch of Apollo. Our entry point tracks, where the range was extended, availability improved, and the decision was taken to sell them in boxes, rather than built, at prices than compete with non-specialist, also performed well.

And we were particularly pleased by the growth in cycle accessories sales. We achieved this through a higher attachment rate; and, as Andrew mentioned, through the continuation of the three for two promotion across the entire range.

Looking forward, we finished the revision of the Apollo range with a new range of kids' bikes, which came into store in September and will be on sale at Christmas. What this means is that more half the bikes on our sales floor this Christmas will be new, compared to the ranges that we had at Christmas last year.

Turning now to services. Creating value through service is integral. And service is a central part of the Halford's proposition to customers. Customers look to Halford's for expert advice and information. Our products both in automotive, and in cycling, absolutely lend themselves to the type of added value service that we can offer in store. And it's an important competitive strength, not just against pure play online retailers, but against non-specialists.

What we've seen in the half is a continued growth in our fitting income. Andrew talked about the 200 basis point improvement in participation of fitting of bulbs, blades and batteries. But additionally, our roof box performance was helped by an increase in fitting. And on audio, we fitted 11% more headsets than we'd done in the first half of last year.

In terms of margin management, the higher level of attachment remains an integral part of the mix. And both in the case of sat nav and cycle accessories, close to two-thirds of the hardware we sell now has accessories attached to it.

Additionally, in September, we launched a new customer feedback link, which we've been trialling in one area earlier in the year. Organised by the firm Empathica, what this does is encourage customers to give qualitative feedback at branch-specific or colleague-specific level, when they've been in our stores. And this has provided a very rich stream of data, to help individual store managers and individual colleagues improve the offer that they're giving to customers.

Turning now to the store portfolio. With a change in product mix and a move more away from car enhancement to leisure, it's been very important that we refresh and reconfigure our stores. What we've sought to do in the refresh programme, is rebalance our category space and make each category easier for customers to shop.

As Andrew mentioned, we completed 53 refreshes in the first half, and we're targeting up to 30 in the remainder of the financial year. These are low cost remodels, costing on average about £50,000 a store, and with a payback achieved in around 19 or 20 months.

The other area where we're investing in the store portfolio is through downsizing, or rightsizing our stores. This is particularly important in the changing world in which we live, with very high occupancy costs. What we're able to do is negotiate with landlords, in part, because of the relatively high number of leases we have that are close to expiring. But additionally, we're able, in other stores, where we have a very good store, well located store, to offer that back to the landlord and take a smaller unit adjacent. Or in some cases, we can talk to the landlord about potentially staying in the same location in the same size, but significantly reducing the square footage rent.

These are all avenues that we're exploring, as we look to reshape the store portfolio for the business that we need in the years ahead.

Finally, on London. As you know, we've opened three high street stores in London. These are trading promisingly, and we continue to monitor the range balance between cycles and best of the rest, as we progressively roll out more of these units.

The third area of focus in retail is cost control. This is a historic strength of Halford's, which has a very strong cost control culture, and in eight procurement disciplines within all our colleagues.

We're pleased with the delivery of the W&D project, which took a year to plan, and six months to execute, which is absolutely delivering the expected savings, as well as providing good service to our stores.

We've been able to hold store payroll flat, despite increases in activity around fitting, by taking advantage of the flexibility that we engineered into our workforce last year.

Looking forward, it won't surprise you that our priority on cost control is now around occupancy costs, taking advantage of the opportunities that I described under investing in the store portfolio.

Fourthly, leveraging our brand into multi-channel. Our online penetration is 8.6%. It's still relatively low, compared to many retailers. In the first half, aided by the launch of our mobile site in August 2010, we saw an increase in visitors; almost 22 million people looking on the Halford's site.

Halford's really is a multi-channel retailer. 87% of halfords.com transactions involve a visit to the store. Because customers prefer to come and collect the products that we sell from the branch. That's a great opportunity to engage with customers, sell them added-value services or products, and is integral to our dot com proposition.

In the half, we did rebalance our promotion activity, harmonising prices closely between stores and online, rather than offering advantageous prices online, which had been the case in certain categories the previous year. What that meant was that our online sales were slightly down on the half, about 2% lower. And this wasn't helped by the market softness in some of our key online categories, such as sat nav, camping or child travel.

We continue to develop our online functionality, re-platforming the site in June onto a web sphere seven platform, which gives us the capacity, going forward, to deal with the expected customer volume at Christmas. As well as launching a shopping App, and continuing to optimize our site for mobile usage.

Let me turn now to Autocentres. Within Autocentres, we've been working for a year to grow our tyre sales, through a combination of investment in colleagues, investment in equipment, and investment in marketing. And we were very pleased, in a soft market, to see a significant increase from a small base in our tyre business.

Our most recent launch within Autocentres has been the Brakes for Life offer, which is a retention offer, and a loyalty offer for customers who choose to have their brakes changed by Halford's Autocentres.

Additionally, as Andrew said, we continue to invest for future growth, both in revenue costs through marketing and training, and head office resource; as well as in capital, to roll out the centres, to take advantage of the opportunity which undoubtedly exists in this fragmented market.

And we're doing that whilst maintaining a low cost culture, and taking advantage of opportunities to purchase together, or, as Andrew said, to create a financial shared services centre in Redditch, which will deal with the growth more cost effectively.

The most important component of our Autocentre strategy, however, remains the leveraging of the Halford's brand. And it's quite clear from the numbers that we're reporting, that the brand is gaining increased traction in the aftercare market.

As you know, we launched our first media campaign on radio, on 28 February. We've seen a growth in online bookings of over 60% And the brand awareness, whilst it's doubled over the course of the last six months, is still only 33%. So our Marketing Director's got another 67% to go.

Additionally, we have active customer retention programmes, as well as acquisition programmes; leveraging the halfords.com site, as well as working with other affiliates, to market the proposition.

Before summarising, I just want to share with you some of the trading initiatives we have planned for this quarter.

We've been advertising our three Bs fitting offer; that's bulbs, blades and batteries, on the radio for two years. This year, we decided we would triple the level of expenditure, and start the campaign earlier. So we started the campaign in the third week of September. As Andrew said, we've done a deal with the radio stations, which means that the media spend will be weather related. So when it gets cold, the spend will go up. But we've been very pleased with the response for that.

Additionally, within Car Maintenance, we've taken the opportunity to work with Castrol, who are the market leaders in oil, to sell their number one brand, Magnatec, at a very low price, £17.50. And we launched that campaign two weeks ago, to encourage customers to check the oil at this time, in readiness for the winter.

For those of you who enjoy being guided by Jeremy Clarkson, we launched a Top Gear sat nav with TomTom exclusively, three weeks ago. The BBC, just after we had delivery of stock, decided to ban it. So it made it a very attractive item, and we've actually been very pleased with the publicity that we've received.

But our most important component of the Q3 campaign, without doubt, is the Christmas Bikes campaign. That launched with a leaflet three weeks ago. We've been on TV for the last 10 days. And for those of you that don't watch the X Factor, I'll show you the ad now.

(Video playing)

Okay. Let me summarise. We're pleased that we've made good progress in the last six months, in what has undoubtedly been a very tough consumer environment, particularly tough for the motorist. We've held our Group revenue in UK and Republic of Ireland flat. We're issuing no change this morning to full year guidance on either percentage gross margin or costs.

Halford's continues to be a very cash generative business. And the Board have approved, as Andrew said, the maintenance of the interim dividend at last year's level.

In stock, in trading, in operations terms, we're absolutely set up, both for Christmas and the Winter Motoring campaign. And our autocentres clearly provide an avenue for future growth in the organisation.

Thank you. Andrew and I will now take questions.

CHRIS CHAVIARAS: Hi there. Chris Chaviaras from Barclays Capital. Two questions from me, please. The first on gross margin, I'm afraid. I appreciate that you've kept your guidance at minus - at least minus 100 basis points, but I would appreciate any more colour there. And since I'm not expecting any more guidance ahead of Christmas there, I'm just trying to pick up your brains for how you deal with promotions, how much of that is planned, and how you react to consumer spending, as you see it. So what are your planned promotions year on year, ahead of Christmas? And how do you choose between promoting more, rather than keeping the margin and whatever sales comes, it comes?

And the second question, or do you want to take one at a time? Second question is on the marketing campaign for autocentres. Can you remind us what is the total cost there? And if you think that you will be continuing your marketing spend, since you had success with your marketing campaign? Thank you.

DAVID WILD: Shall I just talk about promotions for a minute, and then Andrew can talk about gross margin and pick up on autocentres?

We've got a very full promotion programme planned between now and Christmas. As Andrew said, we're actually doing fewer overlay promotions over and above the plan this year, than we did last year. And I think in range terms, we're in a much stronger position, because we have the boxed bikes. So we're able to compete more effectively on price at that entry point bike - sorry, that entry point price level on cycles.

So I think we're in a much better position. And by advertising fitting earlier, that's created some momentum, which gives us a degree of margin cushion, should it be that we need to invest competitively in price.

ANDREW FINDLAY: I think with respect to the guidance, we've been very consistent with what our guidance has been, today. I think we've still got six months to go. Our focus is predominantly cash. So when we look at promotions, as I said, we've got a new tool now, that really does leverage what we can out of every promotion, and we can learn better and quicker and faster, and be more flexible.

With respect to the more specific guidance, we've got six months to go, we've got Christmas and winter in between that time and now, and we'll give you further updates as we go through the year. But at this stage, we're sticking with that. But we've got the tools in place and, clearly, with the team, we're continuing to look at ways of leveraging - alleviating that input cost pressure we've been seeing.

CHRIS CHAVIARAS: Can I come back to that? So if I do a rough calculation, if you had kept the same gross margin, assuming that, that's all promotions, then by doing £10 million less, you'd have come to the same gross profit. So there is a risk reward between gross margin and sales. And I'm trying to see how you think about it, when you see sales going up or down, and your extra promotions. That's what I'm trying to get.

ANDREW FINDLAY: Cash pays the dividend. So our focus is cash, and we've got a model such that we focus on cash. Clearly, we take a view on the market and we look at each product as it - each product category. So we take a different approach maybe on audio and sat nav than we do on CM, so things to do with like elastic products, and you've got **(inaudible)** elastic products. We take a very different view, depending on the product set and the market that we're in, in those products. But clearly, cash pays the dividend.

DAVID WILD: The Castrol deal is a great example where, clearly, our percentage's gone down, sell Castrol for £17.50 for five litres. But we're actually happy that we're bringing more customers into the store, they're buying other products when they do it, we get a bit of support from Castrol. And the end result is we make more cash. So that's the art of managing the balancing act.

CHRIS CHAVIARAS: And on the marketing campaign.

ANDREW FINDLAY: Well, the marketing campaign, in the first half year, it was marginally under £1 million in Autocentres that we spent over and above last year. And it's working, and we'll continue to invest where we think we'll see appropriate returns.

CHRIS CHAVIARAS: Thank you.

JOHN STEVENSON: John Stevenson at Peel Hunt. Similar sort of theme, I think. Can we talk about where full price sales mix has been year on year through the first half?

DAVID WILD: Sorry, where?

JOHN STEVENSON: Full price sales mix, just to get a feel of promotion versus not.

Second question, just on the bikes. It's quite interesting to see how the sort of shape, if you like of good, better best sales has come through. Particularly, you know, is Carrera - I assume is higher margin than Boardman. Is that taking share out of Boardman? You know, how much is coming in at opening price point?

And the final question. I guess, you know, it comes back to gross margin. I mean I appreciate the guidance, obviously, keeps you flexibility, and I understand you don't want to get nailed down to a number, but what is it that gives you confidence that you can maybe pull back gross margin in the second half, rather than see it sort of move out from the 120 bps?

DAVID WILD: Well, shall I talk about bikes, and you pick up the other one?

ANDREW FINDLAY: Yes.

DAVD: Yes, we do make a higher gross margin on Carrera than we do on Boardman, because it's an own brand, as opposed to an exclusive brand. But Boardman is actually - there's relatively little price overlap between Carrera and Boardman. The majority of Carrera sales are in the £300 to £400 mark, whereas the majority of Boardman sales, Paul, would be £700 and £1,000, wouldn't they?

PAUL MCCLENAGHAN: Yes.

DAVID WILD: So they're absolutely complementary. And in some ways, we think of Carrera as being against the lower end of Giant, and Boardman being more of a Cannondale specialised mat. So they're absolutely complementary.

ANDREW FINDLAY: **(Inaudible)** you said about pulling back. As far as I'm - my view is that the guidance of at least 100 basis points decline is there. So we haven't given any promises around what exactly we'll do in the second half, but the full year is as it stands.

You spoke to the promotional mix. That's an interesting one. It's where - obviously, my **(inaudible)** it's a very different dynamic around how you manage full price versus promotion. It's a very different dynamic in the business that we've got at Halford's. So for example, in Car Maintenance, you'll have a much higher proportion of full price sales, versus some of the more elastic.

But just generally, I'd reiterate the comments we made. Our overlaid promotions, which are generally those that we've put to the market, so we've put full price - we've put 15% offers reduced half on half.

JOHN STEVENSON: You know, the planned promotions seem to be quite high. I mean is it fair to say your full price sales mix is lower year on year?

DAVID WILD: We've said the promotion participation is higher. So as Andrew said, you know, the £100 tool set that we do, or the £99 tool set, is a higher proportion of our workshop sales this year than it was last year. Now, that product is currently on at half price, £100, and it's a bigger proportion of sales. So that's what's driving that. But what we can do is, we can plan for that. And what we tend to do is, when we're purchasing product, we plan for the season what we're going to do with the price, both in terms of full price and promotion price. And it's only when we go into overlay mode that we're actually adrift from plan.

We're fortunate as well that most of our products - we don't have the sort of clearance burden that many retailers carry, because we're able to sell through products and they tend not to be deflationary.

JOHN STEVENSON: I mean the gross margin question, sorry to rattle on about it, but what I was getting at, I guess, is, is it reasonable to assume that second half margins, you know, the gap is going to widen? I appreciate it's within the guidance range.

DAVID WILD: All we can do is give our guidance.

ANDREW FINDLAY: Yes.

DAVID WILD: Jonathan?

JONATHAN PRITCHARD: Hi, Jonathan Pritchard at Oriel. Could you give us the sort of medium to longer-term view on where you think penetration online could come? And whether, again, on a sort of medium and long-term strategic view, you could end up with a slightly smaller still portfolio, on the basis that the Internet takes more sales.

DAVID WILD: I don't think anybody knows where the ceiling is online. And, you know, any number you give is a guess. The only thing I can say is 8.6 is actually still quite low, compared to many other retailers.

We are looking at our store portfolio. Our general view is that, broadly, we have about the right number of stores, but they're too big. Out of London, we think we're over-stored, so there are some towns where we may be slightly over-stored, we've got one store too many. But within London, our market share is significantly lower than it is in the rest of the country. So the London initiative is an important part of us penetrating the London market more successfully. And the net-net of opening more small stores in London, and potentially closing a few stores out of London, is probably that our store portfolio will remain unchanged.

SIMON STEWART STEELE: Hi, I'm Simon Stewart from CCLA. Just a couple of questions, longer-term questions really. The first one is, assuming that Autocentres continues to meet your return expectations, would you expect a much greater proportion of your free cash flow to be steered towards the rollout programme? And aligned to that, do you see share buybacks as a long-term strategic tool for managing and maintaining high levels of return?

And the second question is, how long does it **take an autocentre to reach your levels of acceptable return? What's the period to maturity**?

DAVID WILD: I'll answer the first and the second one, and Andrew can come in with the Autocentre return.

As far as buyback's concerned, what we've said is that we will view that on a - the Board will view that on an annual basis, dependent on where the business is sitting. What we have said is that we would put dividend as a higher priority over buyback, were we to face a choice. But the business continues to be cash generative. We don't believe in structured permanent buybacks. We think it's important to review it annually, depending on where the business sits; recognising the importance that our shareholders attach to dividend.

As far as autocentres is concerned, the average autocentre costs about £130,000 to open. So the capital required to open a significant number of autocentres, in the context of the business, is not actually that material. The other thing is, Autocentres, as an entity, is cash generative. We tend to - we don't carry any stock within an autocentre. So we're generating positive working capital, usually from day two. And that means that it's a very capital light rollout program, so it won't place any burden on the balance sheet.

Do you just want to talk about the payback period then?

ANDREW FINDLAY: The maturity that I've previously presented effectively, by - roughly by period 11 the first year, it reached its first profit, monthly EBIT profit. By the second half of the second financial year, it's cumulatively in profit. And by the middle to end of the third year, it comes to full maturity. That's the profile of the model that we've got for autocentres at the moment. So far so good, a lot of our centres are well inside that curve. But as we roll out, we'll see how that curve pans out. But that's our expectation.

SIMON STEWART STEELE: Sorry, just for clarity. Mature return on invested capital, is that higher than Group average currently for the Autocentres business?

ANDREW FINDLAY: Sorry, I didn't hear.

SIMON STEWART STEELE: Is the return on invested capital higher than Group average for a mature autocentre?

ANDREW FINDLAY: On a mature, yes. I think you'll find that, on an individual centre, you know, our target payback is around three to four years.

SIMON STEWART STEELE: Right, thank you. And sorry, just for clarity. The emphasis on dividends, as opposed to buybacks, are you talking about special dividends as a return to shareholders, or are you talking about the normal dividend policy?

ANDREW FINDLAY: I'm talking about the normal dividend.

SIMON STEWART STEELE: Thank you.

SIMON DENISON-SMITH: Simon Denison-Smith from Metropolis Capital. Three questions, if I may. A quick one, on the buyback, is there any determining factor from the share price? I mean if the share price gets too high, does that become a weight on your decision to buy back shares?

The second question is, CapEx, what proportion of your retail CapEx is what I'd regard as Maintenance CapEx have you stopped investing in the stores?

And the third question is, you've done well on bikes. How does that compare to the market? Have you gained market share in this period?

DAVID WILD: I'll answer the first and the third, and Andrew can answer the middle one. The buyback; we plan to continue the buyback through to £75 million, as we announced back in April. So we don't plan to stop it if the share price gets too high.

As far as the bike market; the bike market's not particularly well audited. So it's something that we're actually looking at, whether we can create a retail order. My instinct is plus minus, the market is around 3% to 5%, Paul, year on year. Now, our numbers were 9% for like for like, probably 10% all stores. And then, you've got VAT on top of that. So our numbers were probably, in cash, north of 12%. Now, I don't believe the market's anywhere near that level, so we're definitely increasing market share.

And what's encouraging is, we've increased right the way across the board. So we've always - we've identified premium as an area where we've historically underperformed, but we actually had a very good performance in our mainstream bike offer, as well as in children and premium. So we're winning market share, and I don't have the exact number, but I'm confident that we are winning market share.

ANDREW FINDLAY: With respect to the capital expenditure, if we refer to the numbers that I presented this morning. So if you look at the total Retail portfolio, we spent around £5 million. I'd say around half of that would be maintenance. Logistics, all of that is maintenance. Infrastructure systems, that reflects a re-platforming role, online system, plus other investment. But I - around £500K would be maintenance. And within Autocentres, the majority of that has been fitting out of tyre equipment and the new centres. So I think it will be sub £1 million. So if you add those through, you'll get to your maintenance number.

ASSAD MALIC: Morning, Assad Malic from Credit Suisse. Just two questions, please. Just on Car Maintenance. It looks like there's been, I guess, over the last year, some shift in the sort of space or product away from what used to be sort of replacement parts, et cetera, perhaps more towards sort of winterised products. I was just wondering a) has there been a net change in the skew count there? And secondly, whether you are seeing stronger demand or earlier demand for sort of winter car maintenance products?

And secondly, just on the cost guidance. I mean thinking about the distribution costs being down sort of 8% in the first half, does that start to annualise in H2? Are there any other components that we should be thinking about in the increase, just to get to that 4% for the full year in H2? Thank you.

DAVID WILD: Andrew will pick up the cost guidance. As far as the space rebalancing, what we've done is, most of the space for leisure's come from car enhancement, rather than car maintenance. And there are some areas of leisure, I mean Andrew mentioned things like performance styling, which used to be big areas, things like alloy wheels, and stripes and furry dice. Those products have gone and we don't think they're coming back. So most of the rebalancing for leisure has been from car enhancement, rather than car maintenance.

Within car maintenance, we have seen some declines in what we would call the harder end of parts, so things like alternators, which we used to selling, we're selling less of those. But we've sought to do is continue to innovate in our core categories like bulbs and blades, and batteries. So we've had a super brilliant for a while, then we went extreme, and now we've gone ultra brilliant with bulbs, and we've got flat blades. So what we're doing is trying - and, of course, we've got a wider range of five-year life batteries. So what we're doing is innovating more in what we would describe as the softer end of car maintenance, rather than the harder end, where people are just not doing those sorts of jobs themselves; or indeed, they don't need to be done in some of those areas.

ANDREW FINDLAY: With respect to W&D, yes, it will annualise and in half two - the main uplifts are obviously rent and rents, and inflationary pressures there that we see half and half. Plus we've got the pay review of 2.5%. But there were a number of one-offs that we occurred last year. So if you look at the business, the business is not as seasonally affected as other retailers. So our cost base that we're seeing - that I'm predicting for this half - for this year, i.e., broadly flat half on half, is more - will be more typical. I think what's happened the last few years, given the store rota cost saving initiative, the WD cost saving initiative, all of those things have kind of tweaked with our - and the one-offs we talked about last year, have tweaked with our phasing. And I think this year's probably a better profile, and that would be a better profile to use, going forward.

ASSAD MALIC: Just to follow up on the fitting services. I mean when you look at, I guess, the incremental increase in penetration over the last few years, you know, it's starting to get less and less. I mean where do you think you can sort of take that through to - you know, over the next couple of years, in terms of penetration?

DAVID WILD: Truthfully, Assad, I don't think we know. I think, you know, the idea of the ad is to bring in new customers. So it's not just about fitting a product for customers who would have come to Halford's already. It's about reaching to new customers, who come not just to buy the product to fit themselves, but come for a full service solution. And that's really our focus, because we think that's a big opportunity for us. But our internal targets, as Kevin will confirm, are significantly higher than those than we're currently achieving.

ASSAD MALIC: Okay. Thank you.

GEOFF LOWERY: Geoff Lowery at Redburn. Can I ask two questions? Firstly, I'm very struck by your Retail staffing cost control number, up one and a bit per cent, in the context of inflation and the ongoing growth of services. Are you confident that you have enough staff hours in store, as opposed to fitting stuff, I guess, now?

And the second question is, in terms of the 87% of online orders that are collected in store, do they effectively come out of the central pool for online, or do you have the capability to pick them up - sorry, pick them off the shelf in store, if you see what I mean? Do you have to run a separate supply chain, effectively, for those in store order collections?

DAVID WILD: The answer is no, we don't, but we might in the future. The vast majority of the 87% are products that are in stock in the store, and which we - which is reserve and collect. Effectively what we do, is we give our customers access to our in store stock file, so that they can see which store that's local to them has that product in stock and they then come - and there's a pop-up that appears in the store when they've clicked. And then, we go into the process that puts that product aside and the customer comes and collects it.

A minority of our sales are what we call internally order and collect, which is where we make a special delivery to the store from the DC, of that product, either because the product doesn't - either because the store doesn't normally stock it, or because the store happens not to have one in stock at the point that the customer wants it. Now currently, that takes an average of five days, because we've put it on the vehicle that's making the delivery to the store. And we're actually reflecting on whether that's right, and we shouldn't do what you say, which is to bring - create a separate supply chain to deliver that product on a shorter lead time, and allow the customer to collect it more promptly. That opens up all sorts of opportunities around potentially carrying less stock in store, holding it centrally, and ultimately, potentially having smaller stores. So that's a live conversation that's going on in the business at the moment. But the 87% is - the bulk of that is product which is in store, the vast bulk of it which has been delivered either for sale to walk in customers or for sale through reserve and collect.

And what was your question?

ANDREW FINDLAY: Staff.

GEOFF LOWERY: If I decode it, it's do you have enough hours in store now?

DAVID WILD: I mean the answer is, it's something that we have to monitor very, very carefully. You know, and it's something we stay on top of all the time, and we measure satisfaction. I think we are definitely seeing a move more to weekends. And I think, as our product mix moves, particularly in the summer, you know, you may have seen our Leisure business was 47% of our sales in the summer, then having more people at the weekends is critical. We're putting more people in store to do fitting in the winter. The boxed bikes, we're actually fitting some of them but we're actually, as a percentage, fitting a few less bikes than we were, because of boxed bikes.

So it's something that we're constantly staying on top of and looking at ways that we can optimise it.

Other Geoff?

GEOFF RUDDELL: Sorry, yes, hi, Geoff Ruddell at Morgan Stanley. I was just wondering about your - the stores where you've had leases expire over the last, I don't know, six or 12 months. I'm wondering what sort of proportion of those you have been renewing leases on, what sort of lease terms you've been taking, and in particular, what sort of change in the rents that you've seen on stores where the leases have actually run out?

DAVID WILD: It's very hard to be specific. As I mentioned, there are a number of opportunities, Geoff, where in some cases, at least expiry, we will move. And there are some towns which we've identified where we've got too many stores, where we know that we're going to move. In other cases, we will see a reduction in the square footage rent, because it's not economic for the landlord to let the property to somebody else, it's not economic for him to split it, so we go in and negotiate hard. Typically what we do is, we will negotiate two or three years in advance, so that we have options. Because if we leave it 'til lease expiry, then the landlord knows we're going to want to trade somewhere in that town, and the lead time on finding a new location is long. But we have seen some very good deals that landlords have done in some of our less good locations, that other people may not want. But the whole portfolio piece is not just about lease expiry, it's actually about releasing space potentially in good stores where we're over spaced, where the landlord can bring in another tenant and use the space in total more effectively.

GEOFF RUDDELL: How much of your excess space is actually upstairs in mezzanines?

DAVID WILD: Some of it, but by no means the majority. And I think, with bikes growing, then actually, we'll probably be - we'll expand more on the mezzanines with our bike offer.

MALE SPEAKER: Sorry, just me again with a follow-up question to that. You said that you sort of tend to think about the lease expiries on a two to three year basis. So of the 140 that are expiring over the next five years, presumably there's some plans in place for a chunk of those. How much of that is going to be downsizing, and how much of that could be potentially exiting those stores?

DAVID WILD: I don't know. What do you think, Robin? I mean…

ANDREW FINDLAY: To be fair, that's something we're looking at, at the moment. I think we haven't given guidance on that. I think, from our perspective, we see it as a fantastic opportunity. We're working with the team to figure out what's the best deal to do with this specific. And it all comes down to the day, you know, things can change in that three-year period. Although we start engaging with the landlord beforehand, clearly, it all comes down to the specific location, specific opportunity, whether the funding, the landlord owner has the funding to do some development. And it really is on a case by case. So we can have all the plans in the world, but end up going to the landlord and it could be shut down. So - but we're clearly in a strong position in that regard.

MALE SPEAKER: I guess two questions. One is, how many of those stores are expiring - the leases are expiring in, say, the next three years? And would the majority be - your view at the moment, in terms of your plan to downsize or close?

ANDREW FINDLAY: We've got 140 in the next five financial years. I've given you that number. That's a new number that you probably haven't seen before, but that's the number we're looking at. Clearly, it's going to be phased over the next three. We're focusing on that 140. And, at this point in time, we're not going to disclose plans of exactly how we're going to deal with those 140, but needless to say, it's a clear opportunity for us, from a cost perspective.

MALE SPEAKER: Okay. Thank you.

CHRIS CHAVIARAS: On the sourcing side, here - Chris, again, sorry, a follow-up. On the sourcing side, how much do you intend to do more - how much more do you intend to do from Northern China and Cambodia? Is it done, or do you have more opportunity to move sourcing there, you think?

DAVID WILD: I think the important thing about sourcing is that you have to keep looking. You know, how long were you working on Cambodia, Paul, three years? You know, when we started looking at Cambodia, which was a duty-free cycle area, there probably weren't any bike factories in Cambodia. So the reality is, you have to keep looking and moving around, and nothing can stay the same. So I think there's lots of opportunity because, you know, if you think about that Asian production area, whilst Cambodia's very good at the moment, we could reach a situation where the duty environment changes, in which case, we'll have to go somewhere else. So we're always on the lookout.

We opened our office in Shanghai, China, two and a half years ago. And that's been very successful in helping us identify producers in Northern China, and move away from the South Eastern sea border. There's still a lot more that we can do there. And, as I say, we're always looking around in our key areas like bikes for different production centres where we can move to.

CHRIS CHAVIARAS: Thank you.

JAMES DILKS-HOPPER: James Dilks-Hopper from Numis. I just wonder if you could provide some colour on what you're seeing from consumers in autocentres, whether they're deferring spend, how the average transaction value's changed? And maybe from a kind of internal operational efficiency side, jobs per productive per week? I know that's a KPI you've given in the past.

DAVID WILD: I'll ask Bill to come in, in a minute, just to give an overview. I mean the top line is that, because we've been promoting more aggressively, things like MOTs, half price MOT, that has diluted the amount that we've taken, on average, on MOT. But Bill, do you want to just talk generally about customer behaviour around the questions that James has raised?

BILL DUFFY: Sure. We're certainly - good morning. We're certainly seeing customers deferring some major repairs, and brake work and services, that's true, but we're growing our service business quite nicely, we're growing our MOT business quite nicely, as you've seen from the numbers. These repairs that are deferred, eventually turn into bigger repairs. And as long as we stay in touch with the customers, and the customers like what we have to offer, that business will actually come back to us. Of course, our job is to try and help the customer have good advice and get the job done early, when it's economic.

Our tyre business as well growing, changes the mix numbers around a little bit as well. And there's a move, you can see in tyres, people buying more budget tyres and more midrange tyres, rather than premium. So that also affects prices as well, but it's still a small part of the business.

But generally, you know, the same sort of squeeze on the consumer you can see there. But we're acquiring a lot of new customers, seeing cars for the first time, and people like the value that we're actually offering.

DAVID WILD: And what was it you were saying this morning, Bill, that five years ago, the first - the MOT pass rate - the MOT fail rate was 28%.

BILL DUFFY: It was.

DAVID WILD: This year it's 41%. So in five years, the MOT fail rate has moved from 28% to 41%, which is, I think, a measure of how people are deferring maintenance on their car.

BILL DUFFY: Yes, absolutely, and no sign of that actually abating, that rise.

MALE SPEAKER: While Bill's got the mike, what's the view on the **(inaudible)** legislation change?

DAVID WILD: I'm so glad you asked that question. Bill, what's the -- the question was, what's our view on the impending discussions around MOT frequency?

MALE SPEAKER: **(Inaudible)?**

BILL DUFFY: About ten minutes ago, there was a Transport Minister debate started in the House, and we've got three questions there about MOT frequency in front of the Minister, based on a campaign that a coalition has organised really, to influence the Government to not reduce frequency. And we can only hope that they are sensible about that, because it's very clear that, that would lead to around 250 additional road deaths per annum. So the campaign's all about raising awareness that it's dangerous, unwanted and expensive. And I'm sure if you'd like to sign up to the campaign and the petition, we could send you the link to the website, through the Investor Relations team.

It's hard to tell what any government's going to do in the current environment, but they are paying attention. We've had excellent feedback from the new Secretary of State, whom I would hope's got the opportunity to do the sensible thing. But predicting the outcome is different, but we should know in due course. And even if frequency is still within the proposed MOT review, that review will come out within the next month, we're assured, but we have been expecting it for several months now. And we'll participate in that review and help the Government to come to a decision.

DAVID WILD: Thanks very much. Any more questions? Just one more question there, Paul?

PAUL ROSSINGTON: Paul Rossington, HSBC. Why not commit to longer-term share buybacks?

DAVID WILD: Sorry, why not commit?

PAUL ROSSINGTON: Why not commit to a longer-term period of share buybacks?

DAVID WILD: Well, I think we're committed to the delivery of the £75 million share buyback. It's something that the Board keeps under constant review. It's something that we'll discuss in the New Year, and will make decisions, depending on where we're placed. We don't think it's appropriate to commit to structural buybacks, we think we need to take a view at the time, depending on where the business is placed. But at the moment, we've not delivered the buyback that we said we would. We've only bought 50 out of the 75, so let's finish that one first.

PAUL ROSSINGTON: In which case, could I just ask, what is your view on further or potential acquisitions?

DAVID WILD: What is our view on what?

PAUL ROSSINGTON: The view on potential acquisitions going forward

DAVID WILD: We're not looking at anything at the moment. We're absolutely focused on driving the business in Retail and Autocentres, and we have an open mind, potentially in the medium to long-term, to look, if the right opportunity comes up. But that's not a conversation piece at the moment.

PAUL ROSSINGTON: Thank you.

DAVID WILD: Thank you very much.