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Matt Davies: Okay, ready? Okay? Morning everyone. Okay, let's – if everyone wants to make themselves comfortable, we will make a start. In a few minutes, I will talk you through, I think, the progress that we've made over the last year and some of our plans for the year ahead. I also really want to spend some time talking through how we're doing against the Getting Into Gear strategy that we set out about a year ago now. But to kick off, Andrew will sort of focus on some of the detail of our performance for the year and then talk everybody through guidance. Okay?

Andrew Findlay: Thanks Matt. Good morning everyone. I'll now take you through a review of our performance in the year. Group revenue at £940 million is 7.9%. The retail gross margin was, as expected, down 144bps at 51.8%. Profit before tax was up 1.1%, reflecting strong retail revenue growth and a significant uplift in operating costs investment in the business. Lower interest and tax helps underlying earnings per share increase by 4% to 28.8p. Net debt was lower than anticipated at £99.6 million, down from last year's £110.6 million. This was despite a one-off tax settlement of £21 million in the year plus an up-weighted CAPEX programme designed to support the Getting Into Gear retail strategy. The Board has recommended an unchanged final dividend of 9.1p per share, taking the full year dividend to 14.3p, in line with my comments 12 months ago.

In line with that guidance, we will now look to maintain a circa 2x dividend cover over the medium term, growing full year dividends broadly in line with earnings per share. To better match the phasing of operating cash flow profile of business, we also anticipate moving towards a 30/70 split between interim and final dividends over time.

Before we get into the detail of performance this year, I thought it would be worth taking a moment to consider just how sales momentum has grown in the retail business in recent times. After a number of consecutive periods of like-for-like decline, our Q4 performance was the seventh quarter of growth. Driving the Top Line via leveraging our service specialist credentials and expertise continues to be our focus and is the only way we'll get this business to deliver incremental, sustainable profits and sustained shareholder value in the future.

So turning to FY14, retail like-for-like revenues were up by 7.6%. Cycling stood out markedly with revenue growth of over 19% in the year. Every element of the category grew with, for example, cycle repairs sales up by 29% and premium bike sales up by 30%. Car maintenance again performed strongly with growth of 4.9%; workshop and body repairs sales doing particularly well. Despite the lack of any real winter conditions, we continue to focus on capitalising on the colleague and marketing investments made in 3Bs fitting in FY13.

With a performance that many of you wouldn't have been used to seeing, car enhancement sales were flat this year. Although SAT NAV sales continue to struggle in a declining market, car cleaning revenues grew by 14%, boosted by the remerchandising of the range to emphasise the strength of Halfords offer. Key price points and broader promotions were also targeted to improve value perception.

Travel solutions delivered growth of 2.1%, as we benefited from more favourable weather. Additional clearance and more compelling offers also drove improved sales of camping and travel equipment products. In the table at the foot of the slide, you can see that our online retail business grew by about 18% in the year. A wholesale upgrade of the website during the third quarter drove a 28% increase in Q4 sales – recycling and car enhancement now representing over three-quarters of online sales. Matt is going to take you through some of the changes to the Halfords website and app later on.

Looking at the retail P&L more closely, total revenue has increased by 7.7%, driving an uplift in the cash gross margin of £19 million. In line with full year guidance, the gross margin by 144 bps. Operating costs increased by 5.4%, reflecting strong volumes, performance related colleague incentives and the investments made in key areas of the business. Retail EBIT of £75.2 million was 2.2% ahead of the prior year. The focus measure of EBITDA was down by 1.1% with the 11.7% EBITDA margin in line with my guidance of a low double digit EBITDA margin in the medium term.

Cash remains our priority. The trading decisions we make are focused on maximising sustainable cash margins. As anticipated, there are a number of factors that put the margin percentage under pressure in the year; firstly cycling at a lower than average margin group by over 19% with a clear overall mix impact. Our hugely increased presence in cycling parts, accessories or clothing or PACs came with a multitude of cash accretive, lower margin, third party brands, whilst we continue to promote more effectively in areas such as car cleaning and work shop tools.

Our aggressive clearance approach was prevalent throughout the year but we took decisions to clear faster and deeper to ensure unwanted old stock didn't linger and new ranges could excite. Much Legacy stock has now been cleared, though this approach is business as usual from now on.

Turning to the margin accretive factors, the income that we derive from in store services mitigated some of the dilution. Cycle repair and the fitting of bulbs, blades and batteries of 3Bs made up the largest elements of this important revenue stream. Both have booked 100% gross margin and with 3Bs fitting income up by 13% and cycle repairs sales up by 29%, total in-store service income rose to over £24 million.

Finally within car maintenance, despite the mild weather, mild winter weather, we still saw an uplift of our profitable parts business of 3%. If we look at retail OPEX, the increase of 5.4% was again in line with guidance. Strong sales volumes impacted store staffing costs, primarily through additional payroll hours and store incentives. This, together with the increase in national minimum wage, resulted in store staffing costs rising 8.6%. It's worth noting that the impact of Three Gears training programme and store staffing costs was immaterial, with the major effects of the Gear 2 wage uplifts coming through in FY15 as our colleagues begin to qualify.

Store occupancy costs marginally fell with inflationary increase in utilities, investment in store repair and non-capitalisible store refresh costs offset by continued, save-some-rent negotiations and relocation surrender payments. Depreciation was also down, given the age and profile of the store portfolio.

Warehouse and distribution costs increased by 18.2%, driven by the surge in store and, in particular, online volumes, as well as increase in transport and utility costs. A number of service focused trials were also undertaken during the year, including out-of-hours deliveries and more frequent store deliveries. Matt will give you more insight on this later on.

Support costs rose by 7.9%, reflecting increased activity associated with the Getting Into Gear strategy, as well as the new PACs range and the relaunched, retail website. The increase also reflected the up weighted marketing investment to support higher sales volumes, increase in pay role costs and a result to the annualisation of headcount increases in FY13 and the strengthening of the management team were offset by savings in recruitment costs. This followed the move to bring recruitment of store colleagues in-house. Given the performance of the business over the period, incremental colleague incentive payments were also accrued for payment.

So now I'm moving onto Autocentres. Revenues are up by 8.6%, though like-for-like sales were marginally down by 0.1%. Improvements in like-for-like sales in the second half at +2% were outweighed by the performance in the first six months of the year. This performance reflected the operational market challenges faced by the business. Closing three centres and opening a further 23 in the year, took the centre estate to 303. We are committed to the continued investment in Autocentre to secure medium term growth, though we do plan to slow down the centre opening programme from the prevailing 20 to 30 new centres per year to 10 to15; focus on fewer, larger, better quality centres. We'll continue to close sub-optimal centres as a matter of course.

The gross margin improved by 78bps as we reduced our dependence on tyre sales through affiliates and core servicing MOT and repair margins were strong. And the margin was further underpinned by continuing improvements in parts buying.

Operating costs increased by around 13% with the vast majority of the increase coming from centres open since the acquisition of the business in 2010. Operating costs from the original acquired centres increased by £1 million. A small element of the overall increase came from the support costs as we expanded the support centre structure further to manage the extended portfolio of centres.

EBIT fell to £4.3 million in the year with EBITDA margin of 5.5%. We continue to anticipate a mid to high single digit EBITDA over the, margin over the medium term but to be clear, this will be required improvement in our Top Line performance.

Halfords continues to generate significant amounts of cash. Before what was a reduced dividend payment, the business generated around £40 million of free cash. The outflow of the second half affected the £21 million one-off tax settlement I mentioned earlier, plus CAPEX phasing and working capital payment timings I mentioned at the interims. The adverse movement in working capital masks an underlying improvement of £2 million. And accounting reclassification of provisions of around £7 million, related to employee and product liability plus unused gift vouchers was transferred out of accruals in the year. This was reflected in a similar and opposite movement in provision/other.

The marginal improvement in underlying working capital comprise a number of offsetting factors. In May last year, I talked about a one-off step tension stock levels and this year, retail inventories rose by around £17 million to deliver an improved, on-shelf availability for our customers, especially as we enter another important summer of cycling. Against this, the March 2014 payroll payments this time fell into the new financial year, leaving a higher payroll creditor and a higher bonus and incentive payment, first to prior period was accrued.

Cash capital investment this year amounts to £26.6 million versus the £20.4 million in the prior period, as we completed the first year of getting into gear. With net debt falling to below £100 million, non-lease adjusted net debt to EBITDA was 1x in the year versus 1.1x in the prior period. Finally just to recap, a new £200 million revolving credit facility was secured in the year, expiring in November 2017.

Our performance in FY14 was in line with guidance. The only beat was sales growth, which you know I don't guide on. And FY15 is a 53 week year, but if we look at the 52 period, anticipate retail gross margin declining by around 25 to 75bps, reflecting the ongoing mix effect from the growth of cycling. The decline will also be a result of a switch of various cycle suppliers of duty-free Cambodia to Vietnam. This move has been designed to assure supply, given ongoing and increasing levels of significant, industrial action in Cambodia. The strong demand for cash accretive products, such as margin dilutive packs and flat wiper blades will continue whilst we focus on the pricing of dozen of key value indicator products.

I anticipate our retail operating costs increasing by around 4-5%, a significant proportion of this increase being dependent on performance. Major investments will include the Gear 2 wage uplift to leverage sales, while store labour and warehouse and distribution costs are anticipated to rise if materially higher volumes are delivered. In retail, depreciation is set to increase by around 25%, given our up weighted CAPEX programme.

One-off operating costs investments of around £35,000 – £40,000 for each refreshed store will also be notable. Total CAPEX guidance for the year is around £35 million. Autocentres CAPEX will increase from £6 million to around £8 million, given the need to focus on key areas, such a property and equipment, diagnostics and IT systems. On the base of a material uplift in like-for-like sales, we anticipate Autocentres EBITDA to be up on FY14.

Below EBIT, net finance costs are expected to be lower than FY14, whilst we anticipate our effective tax rate to fall to around 21%-22% in line with the movement in UK Corporate Tax rates.

So to summarise, we drove a much stronger retail top line and we look to build on this momentum. Retail gross margins were in line with guidance, impacted by one-off factors such as the launch into PACs. We will continue our up weighted retail CAPEX programme to support Getting Into Gear, whilst Autocentres will require incremental investments to underpin medium term profitable growth. Cash generation remains strong with net debt to EBITDA down at 1x. And finally our cleared dividend policy reflects our continued recognition of the importance of dividend to our shareholders.

With that, I will now hand you back to Matt.

Matt Davies: Let's grab my water. Good, thank you very much Andrew. So really what I'd like to do this morning is give you some insight, not only into the reasons for our performance in FY14, but also give you a flavour of lots of the stuff that we've got planned for the year ahead. Although I'm really confident in our category opportunities and the strategic improvements in the business, I'm also very conscious of the tough like-for-like comps that we're already starting to lap and I really want to stress that these are early days. There's a lot of work to do in the years ahead but I'm delighted with the start that we've made.

Our retail sales performance was better than any of us could have expected this year, especially in cycling, which in FY14 was our biggest category, making up a third of total retail sales. Now I've no doubt that better weather did help cycling although to be fair, a really mild winter did not benefit our car maintenance business at all. For me, however, this was really the year of our colleagues who worked so incredibly hard and focused on what really matters, improving the service and the consistency of the service that we provide to our customers.

If we just take a moment and have a look at this slide, I think it gives a few examples of successes we've had in retail in the year just gone. As Andrew highlighted earlier, online revenues, driven by cycling, rose by around 18%, whilst the number of bulb, blade and battery fits that we carried out continued to climb, increasing by 12% in the year, despite the very mild winter. This also helped to maintain growth in part sales which were up by around 3%. Against the milestone target of 25%, cycle repair sales rose by 29% as we put a huge amount of focus into this area. And this meant that the total in store service income climbed by a further 17% to over £24 million.

So if we turn to our retail strategy, Getting into Gear, and I give you some insight into our three category pillars, and then I take a few minutes to help you understand the early progress that we're starting to make against our execution priorities. So we start with Auto. I feel that we've definitely moved our retail offer forward this year. We've reconfigured some of our Auto space in stores, recognising the strategic importance of the offer with our 3B centres. This meant that we could increase our range and improve merchandising to make the offer much, much easier for our customers to shop. After three major years of decline, our workshop sales were up by over 13% this year, through a refocus on quality, the right range and by leveraging a more aggressive promotional strategy. Another example of self-help is moving car cleaning to three-for-two across the board, with car cleaning sales up by over 22% in Q4 alone.

Our retail auto strategy in the year ahead is going to be based on doing what we do now, only better. I think a good example of where we've taking the business is if you look at the work that we're doing with our hard-parts offer in the car maintenance category. It's been behind where we would have liked it to have been, for some time now. We struggled to get hold of parts for our customers a lot of the time because of our Legacy IT systems. So I'm really pleased that, by the end of the summer, we should be able to launch Car Parts Direct, giving us and our customers in store and then very quickly afterwards on our website, access to over 130,000 car parts for really prompt availability. An incremental opportunity like this is vital to further strengthen our specialist auto credentials. We've got to remember how important auto is for the overall Halfords business and keep on getting better.

We move on and I talk about cycling. Now, we know the cycling market was up this year but we are very confident that we did a lot better than the market. Launching into PACs 12 months ago, we delivered a C-change in store merchandising in our in-store offer. However, online was really the big focus for PACs, with a huge jump in the size of the range driving PACs web sales up by 61%.

In bikes, our autumn cycle range refreshers went extremely well, with Boardman volumes actually doubling for us, year-on-year, in the second half. I'm really pleased that we're also starting to address some gaps in our range, so our female range is getting stronger and you'll see us launching, over the next few weeks, some really strong products in the junior category, whether they be Carrera bikes or whether they be Baby Boardman bikes, which I'm really interested in getting for my daughter. I keep nagging as to when they're going to be in stock. 'A few days' time,' I keep getting told.

In cycle repair, we're going to build on this year's 29% growth. We've begun to train our cycle mechanics to a much greater level at our purpose built facility in Leicester. And we're now operating in dedicated cycle repair hubs in back stores in a lot of the country.

So in terms of what else is going on in cycling in FY15, there's a couple of things I'd like to talk to you about. Now firstly, there's a big focus on the summer of cycling at Halfords that's going to be beefed up by some big additions to our brand range, which will significantly handle[?] the breadth of our offer as a specialist cycle retailer.

So if we start with Mongoose; Mongoose is synonymous with bikes that perform on the smoothest tracks to the biggest drops. And we're proud to announce we've signed an agreement to sell an exclusive range of Mongoose BMX bikes, mountain bikes, scooters and helmets in our stores. In addition, the entire 2014 range is available online. We love this brand; so do cyclists. Mongoose is the biggest BMX search brands or the biggest sort of searches online for Mongoose. So that shows you how powerful it is as a BMX brand. To just give you a flavour actually of what it looks like, we went into one of our stores a couple of weeks ago in [inaudible] and in the dead of night, sort of shot this video. So just have a quick look at this.

[BREAK IN AUDIO]

I'm not sure what part of our Gear 2 training programme teaches those skills. That's certainly a level that I'll never attain. So that's Mongoose.

So moving on from Mongoose, I'm delighted to announce the launch of our partnership with Kona. Now Kona is a top ten global bike brand that's synonymous with great quality in the outdoors. The Kona range offers 66 bikes up to around £6,000 so what we're going to be doing is we're going to be launching a four model range with Kona up to £800 that consists of one hybrid bike and three mountain bikes into 88 stores. We're using a really great looking merchandising to showcase the bikes and those bikes will also feature online at Halfords.com supported by comprehensive brand and product pages. So they'll be available to people right across the length and breadth of the country. So we're really excited to be announcing these two partnerships.

As I said before, to be a specialist retailer you have to offer a real breadth of choice and brands. And as well as adding Kona and Mongoose we've deepened the relationship this year with both Pinarello and Raleigh with a much wider range online and in a larger number of stores. In fact we've now been confirmed as the largest retailer of Pinarello bikes in the whole of Europe. I think this slide blows me away as it shows how much our range has moved on in just over two years with a more than doubling of our biggest brands going from every day to top end, from own label and exclusive to third party.

We said before that 90% of our focus was going to be on auto and cycling, however leisure and camping at Halfords is still a really important seasonal part of our business. Our attention has been on how we can make life easier for our customers. I think a good example of this is the work that we've been doing on roof boxes and the single pricing policy now with roof boxes because buying a roof box at Halfords used to be quite complex. There was a price for the roof box, a price for the bars, a price for the fix points, a price for the fitting etc. We've changed all that – now you have one all-in price for a fitted roof box of around £300. Along with our focus on family camping we're also going to have a presence at two festivals over the summer as a trial so some of you might see us there. In July we're going to have an onsite store and click and collect service at both Knebworth for Sonisphere and at Camp Bestival in Dorset. I've been really keen to establish a much clearer identity for Halfords within the broader community. This was an imperative for me on joining.

A couple of things I'd like to talk to you about. In FY14 over 20,000 children and parents attended a kids bike workshop to learn the basics of bike safety and how to look after their bike, so introducing a whole new generation to Halfords' bike business. We're now a partner with the Scouts Association and we're starting to offer a tailored workshop in schools where we going to take thousands of kids through a school programme this summer. It's aimed at Year 6 pupils as they progress through Bikeability or as you and I used to call it, Cycle Proficiency.

If I move on to our charity partnership with Re-Cycle that I talked to you about. This is the first year of our partnership with Re-Cycle. We helped double the number of containers sent to Africa through we believe to be the world's largest trade-in event. We took over 10,000 unwanted bikes into our stores, diverting over 150 tonnes of waste to a sustainable alternative and generating around £1.5million in sales for us. So I think it's a great example of CSR is really good business as well.

Finally I want to tell you something that we're just starting to do. We've opened a Cycle Repair Academy in Onley Prison in Northamptonshire where nine prisoners close to their release dates are being trained as bike mechanics with a view to being employed in Halfords stores once released. I wish we had some pictures actually I could show you. But it's a dedicated sort of Halfords branding facility that we've fitted out into the prison. The programme is going to provide Halfords with some potentially very, very loyal, trained and motivated colleagues whilst at the same time supporting the broader goal of rehabilitation of offenders and giving back to wider society.

Our shift in our marketing approach has added to our evolving identity over the past year. On TV we started in the summer with our Tour of Britain campaign, making us more famous for cycling and we're going to continue this this year. But we're also now taking our brand identity a step further with our Keep on Rolling campaign. You might have seen some of these ads recently but, you guessed it, just in case you haven't, we've got an advert to play you now.

[BREAK IN AUDIO]

Good, right, so moving on. We've made our colleagues in the friendly expertise-based service they deliver, an absolutely central part of our strategy. Now I've talked to you at length before about some of the main things we're doing under our service revolution and how long this is going to take but today I thought it would be useful to give you a sense of what the impact has been in the first year of our repositioning and where we've been focusing.

So we focused on recruitment, payroll hours, rotas, weekly contracted hours as well as training this year. This has meant that despite investment in additional payroll hours we now have a thousand fewer retail colleagues than a year ago. We've seen a significant increase in the proportion of full-timers in store and a rise in average weekly contracted hours to 22 plus an older colleague population. Now although we didn't target an overall turnover milestone for FY14 you remember I talked to you about colleagues that leave us within their first three months in the business? Well, we've seen a really encouraging fall in the number from around 21% a year ago to just over 10% now which I think is outstanding progress.

Now I don't want to spend too much time on our store refresh programme as many of you attended our site visit in March. Back then we said our refresh stores were performing in line with our expectations and our investment criteria and this hasn't changed. By the end of this year we had 27 stores trading in refreshed format and by the time the kids break up for their summer holidays in July we'll have around 45 refreshed stores, with around 80 refreshed stores by the end of this year, it's worth noting that we're seeing like-for-like disruption in a refreshed store of around 5% for around five weeks. We're also continuing to develop a series of models from a full refresh to a much lighter touch. You'll see an example of the lighter touch close by in Wandsworth where we've left the auto department as it was. So if you want to see a fully refreshed store a quick tube journey will take you to our Mile End store.

A year ago I said we needed to review our supply chain infrastructure to ensure we had nothing standing in the way of our growth plans. To support this we appointed Jason Keegan as our Supply Chain Director a few months ago and Jason has already kicked off a number of initiatives and is a great addition to the leadership team.

Now one of our milestones focuses on stores working stock outside peak trading hours. We're already at one third of stores doing this but meanwhile, and I think for us potentially going forward, more importantly. We're already trialling five day a week delivery to selected stores from our DC. So if you think the typical store at the moment gets one delivery a week, we think this could form the basis for our logistics strategy going forward. So we'll tell you a little bit more about that in a few months' time.

Moving on to systems, a huge area of change aside the initiatives that we've driven in stores such as laptop for 3-Gears training, new chip and pin pads which have been sort of monumental in speeding up the transaction processing time in stores, and the trial of colleague tablets. We've also radically altered our capability and upgraded our IT talent and appointed an IT Director. And I'm delighted that we have made that investment because we've just come through a big programme regarding upgrading SAP our core retail operating platform, partnering with HP we went live with a full upgrade last weekend. And as a huge, huge step we're now in HP's Cloud giving us greater levels of flexibility. But if you think about the fact that SAP was last upgraded about ten years ago, you know, you can imagine the scale and size of the piece of work. So it's great that we finally achieved this and in reality we've had to spend months upgrading our systems which has added little immediate value to the business but provides us with a platform to take forward.

It's been a really busy time for our online offer as well. I think we've just skipped a slide. Great. Yes. Phase One of our website launch went live in November with a new App following at the end of January giving our customers much quicker and easier access to a range of functions. These included bar-coding and QR scanning as well as the ability to view videos and share content. A new App this year was vital as was the optimisation of our website for mobiles and tablets as those orders nearly doubled to make up more than a third of the total. We've got lots planned for the website this year. And for me, what's most encouraging is since November we've seen conversion rise by nearly 20% with our online revenues up by around 28% in Q4. But if you go away and you look at our website now and you contrast it to where it was a year ago – sure we've still got stuff to do – but boy we are in a fundamentally different and better place.

Now I've been asked an awful lot about milestones on calls and presentations and one of the things that we've tried to do is be as opaque and sort of transparent as possible as to the progress that we are making. So we're talking about sort of real numbers rather than benchmarking and there is quite a little bit of detail in these slides. But I think it flows from a lot of the questions that we've been asked. So if we look at the milestones that we set out last year.

If I start with sort of Gears, virtually all of our eligible colleagues have passed Gear 1 and I'm confident that about half of our colleagues should pass Gear 2 in FY15. But we're going to be rigorous in assessing in our colleagues, ensuring absolute quality in the whole process so that we can leverage sales from the expertise that they have. We've made progress already in short term colleague turnover whilst we've recently seen another uplift in colleague engagement, this time from 77% to 80%. And this was reflected in Halfords recently appearing in *The Sunday Times* list of the Best 25 Companies to Work For in the UK.

Moving on and looking at some of our operational milestones I think we've made good progress here. We're going to slow down the number of Autocentres that we'll open going forward as we focus on larger quality sites. I've already talked about our PACs launch and the works and cycle repair and we completed the light touch of a hundred cycle departments during the year. We surpassed our own targets for the number of store refreshes whilst online has worked really well for us especially in the second half.

Looking at customers, one of the best indicators of where the business is headed is our Net Promoter Score illustrating whether our customers would recommend Halfords to their friends or family. From a run rate of around 55% last year we've surpassed our FY14 target and we're now going to focus on achieving and maintaining a score of above 75%.

So that hopefully gives you a sort of good flavour for the retail business and where we're heading over the next year. If I move on and I talk about Autocentres – now we do know that this business didn't fulfil its full potential this year; that said, I am really pleased that we've leveraged the relationship with our retail business harder with increased cross-functional working, transfers of learning and general support across key functions. The work on the retail website influenced the successful launch of a new Autocentre site and our stores were helped by Autocentre colleagues with some of the fairly tricky fitting jobs.

There were so many other initiatives, particularly in the second half that we're now going to build on. We improved front-end processes in our centres and colleague incentives changed to embed Net Promoter Scores exactly as we've done in retail. With other initiatives such as enhanced training, first time all-colleague conferences, new uniforms etc. The Autocentres colleague engagement score also leapt a full 7% to 76%.

It's great that we've now got Andy Randall on board as Managing Director who's going to lead this business. Andy's going to focus on two core areas: our customers and our colleagues. Now I don't want to steal Andy's thunder as he'll want to talk to you over the next 6-9 months about what his priorities are going to be. But we do know that we've got real opportunities to improve a number of elements of our customer offer in Autocentres as well as address some big gaps. For example, 50% of UK motorists are female, yet males make up 70% of our customers. Now that just can't be right. We have to do more to make our services and our centres more engaging and that's one of the reasons why we're going to slow down slightly our opening programme. And as Andrew said earlier we need to catch up in some really vital areas which are going to need further investment.

So to summarise, I think it's been a really good year – a year of significant progress. But clearly these are still early days and we've got some tough coms[?] to lap. I'm really excited about the activity coming up and the foundations that we're building for sustainable profit growth going forward. And on the back of everything we've just outlined we now anticipate our 52 week FY15 Group EBITDA to be ahead of the £103million that we delivered a year ago.

So thank you very much for sort of listening – apologies if it was a bit lengthy and very happy to take questions.

Andrew Findlay: Just to say when you ask your question could you say your name and your institution please, thanks.

John Stevenson: John Stevenson at Peel Hunt. First question just on bikes, could you maybe split out what's been going on in terms of volume versus value mix and maybe just comment on where your premium mix within that is? You know, a year ago you sort of talked about obviously the bulk of it was in Apollo – so see how that's shifted and how sort of the different brands have done?

Matt Davies: Okay. I mean our premium business has grown by 30% so we're delighted with how that's performed. But we're delighted with the performance right across our cycle business whether it be cycle repair, whether it be accessories, whether it be kids bikes, family bikes, premium bikes. We've delivered strong, strong growth across the board selling a significant number more bikes than last year.

So I think if you look at our offer in store and our price competitiveness we've improved the value proposition year-on-year as well as building our range authority and filling in some of the ranging gaps. Anything you want to add, from the sort of...?

Andrew Findlay: I think from the point of view of volume, our volumes are slightly higher than our uplift.

John Stevenson: Okay. Great stuff. And just – same question just on PACs. When PACs initially came into store you know, it was a little bit light – it's been beefed up. What's going to happen to PACs in terms of sort of [inaudible] count or depth – any colour you can give for next year?

Matt Davies: It's still early days on PACs and there's a lot of learnings for us because it's a relatively new business. And you'll have seen a big, big roll out this year of clothing where clothing has gone from a minority of stores to by far the majority of our estate. So we take the lessons as we go along. We've finessed our clothing range sort of significantly this year vis-a-vis last year. We're also building capability in-house so I'm delighted that we've attracted a gentleman who was the Trading Director of Chain Reaction who sort of lived and breathed trading PACs for many years. And he's a great addition to our overall cycle team.

John Stevenson: And just one last question on just on – in terms of cash. Net debts to EBITDA, you know, clearly getting a lot better. I don't know what you consider an inefficient balance sheet to be and what the implications are going forward?

Matt Davies: That's definitely a question for Andrew.

Andrew Findlay: As you say, we're comfortable where we are. You know, our allocation priorities are very clear: to manage a prudent balance sheet, to invest for growth and to recognise the importance of dividends. So we're clear from our perspective we don't want to go anywhere above 1.5 times net debt to EBITDA. That's clear. So I think we're in a good place at the moment.

Matt Davies: Thanks John. Matthew?

Matthew McEachran: Yes, Matthew McEachran from N+1 Singer. A couple of more questions on cycles if that's okay? Just in relation to your gross margin guide obviously there's some mix dilution coming through partly from PACs but I'm just wondering – you've obviously seen a very big improvement in sales quite quickly. I'm just wondering whether or not we should yet anticipate any offset from better intake margins on some of those third party brands? Or are you not at the levels yet where you can really anticipate that coming through?

Matt Davies: Do you want to talk about cycle margin guidance going forward?

Andrew Findlay: Yes, we spoke to – you're right the majority of the 25-75% is a result of the mix impact. Clearly with respect to intake margins you know given our incremental volumes that we're seeing coming through the business, we clearly have arrangements with our suppliers to ensure that's reflected in the prices we pay. You know, we're not going to give commercially sensitive information here but clearly we're in a strong position in that regard.

Matt Davies: And we are in negotiations with our suppliers at the moment on the basis of the significant growth that we are delivering for our business and their businesses and that everybody pays their way.

Matthew McEachran: Yes, okay, thanks for that. And then just on cycle repairs, you've had a good year in terms of the volume of cycle repairs but also I'm just wondering how close you're getting to a solution to tapping into urban demand for that repair service versus your capacity which in a lot of instances is out of town – whether or not you've got any solutions working there?

Matt Davies: I think the gap in our armoury is certainly our ability to address some markets from a cycle repair perspective and in particular Central London where we aren't accessing the number of people that we would like to from both a repair perspective and a sort of selling bikes perspective. So that's part of our challenge going forward. How do we address that, Matthew?

Matthew McEachran: Thanks.

Jonathan Pritchard: Morning, Jonathan Pritchard from Oriel – two from me, if I may? Car maintenance, strong advertising campaign last year but unfortunately the weather went against you. Do you sense that that campaign has worked and therefore there is given more normalised weather conditions next year that some pretty decent pent up demand for that? And secondly thanks for the very clear guidance for '15 but obviously I'm going to be greedy and ask for a little bit on 16 in terms of you've had a little bit of a step change with the training and the upgrades of the staff this year. So there's an upgrade of the cost base. Looking ahead could we expect to see perhaps a bit more operational gearing if sales growth continues to be strong into 16?

Matt Davies: Okay, so if I deal with the first half of the question then Andrew will deal with the second half of the question. You know, it is swings and roundabouts. If I think about the timing of our cycling campaign last year it was absolutely perfect – it coincided with sort of wonderful weather and we couldn't have timed it any better. We did make, okay, very significant investment in the sort of We Fit campaign, 'cheaper than a favour', and that coincided with virtually sort of no winter; having said that, we did grow our car maintenance business, so it's going to be sort of swings and roundabouts. Andrew?

Andrew Findlay: Yes, with reference to FY16 yes – cheeky question – but you know we don't go out on FY16. But you've got to remember on Gears that we anticipate Gear 2 to – 50% of our Gear 2 colleagues to be completed by the end of FY15 so we're still going to have some annualisation of that plus some follow through on the remaining colleagues. So there will be some continued growth in that. But, you know, I think our whole strategy is set by this title here, 'Driving the Top Line' – that's what it's all about. And you're absolutely right, it's all around gaining leverage from that extra skill base that we're inserting into the business via that training to leverage a growth in sales. So, that's the endgame.

Matt Davies: If I go back to add to the sort of first half as well, the constant sort of balance that we're trying to strike is to what extent can we drive sales aggressively through marketing to what extent do we need to be patient and let sort of sales and sort of awareness build? So We Fit is a core strategic imperative for us and we are balancing that. But fundamentally what we're trying to do is to make sure that we drive cash margin for our shareholders. So there could come a point where actually we say that we are better to accept sort of slightly slower growth because we aren't able to generate the returns on some of the marketing investment. And if we're ever at that point then we'd be very happy to turn around and say, you know, 'Sales are a bit off but profitability's higher because of the calls that we made.' [Inaudible] the time.

Chris: Hi guys, Chris [inaudible] from Barclays. I do have one question actually and it's related to the guidance that you've given. So it's the first time that you've guided actually on sales a little bit I think. Because you do guide on gross margin quite clearly, you do guide on OPEX quite clearly – but you also guide on EBITDA being up on fiscal year 13 so at least a 3% growth now in order to do that. You do have to have an improvement in the like-for-likes. So you take that into account. A small calculation means that your OPEX and gross margin will mean a £19-£20million increase in costs or less for stability. So actually you do need a 5% in like-for-likes if I'm not wrong. So what comfort can you give to investors that you can grow your sales on the back of a very, very tough comp? Do you factor in a good marker or do you factor in better availability or better in cycling?

Andrew Findlay: This is an exam question. This is one of those sort of equations.

Chris: Let's focus on how you'd.. –

Andrew Findlay: Are you good at Sudoku, Chris? You are, aren't you? Admit it.

Chris: Let's focus how you grow your sales if you can give some sense there?

Matt Davies: Right, so our strategy is about driving profitable top line sales growth. It's not a one year strategy so clearly we have to continue to drive our sales. I would like to think that from some of the sort of information that we've given around ranges in store, the progress that we're making in terms of sort of training, the impact on availability, that there's recognition that, you know, some of that benefits will flow into subsequent years. The weather is always a very difficult factor so somebody told me sort of recently that selling bikes was like selling ice creams and it does, you know, feel a little bit like that. But I feel that we have loads of momentum in the business to generate what we need to generate going forward. Is there any more you want to...?

Andrew Findlay: No, I think, it's all the things, you know, talk about the new ranges. We've got colleague engagement survey up which very much underpins our belief in happy colleagues equals happy customers. The whole training aspect of what we're doing in the business – car parts direct we've talked about. A lot of the initiatives we've talked about with respect to the refresh of the stores, giving more space to the areas of the business that are in growth versus more in decline. An example, the small elements of car enhancement Pimp My Ride areas which we're declining. So all of things kind of add up to a confidence in the business and around the trading and the [terminology] initiatives that we've got that gives us that confidence to answer the Sudoku puzzle that you've clearly worked out. But I think from our perspective, we are up against tough comps. We do have that 5% over five weeks for each refresh store. That's for us to manage but I think from our perspective, don't get carried away in your numbers and I think that was clear on the calls we made this morning. I think for us, we've got lots of things going on and we're very busy.

Matt Davies: A large chunk of our cost investment as Andrew says, links directly into the top line so to the extent that the sales aren't there we don't make those investments.

Chris: To follow up there, the fact that your inventory's up 13% or 12-13% is that kind of an indicator of where you think your – of how you think your sales are going to do? Do you plan for...?

Matt Davies: No. It's – even I can answer that. I know what Andrew's response would have been. No, I mean the sort of increase in stocks – there's £17million more stock in the business. That has been a function of needing to secure availability for our customers and on the cycling side a very, very challenging supply chain where there's no easy answers. Effectively, it's about a six month lead time between us running out of a bike and us getting that bike sort of back into stock. So one of the things that we're focusing on now – and daily deliveries to stories are a part of it – is how can we over the next few years try and unwind that investment that we have made? But because our strategy is customer-focused and we have to make sure that we have stock available for our customer, the only way of solving that quickly was to put working capital into the business.

Andrew Findlay: And I think in my presentation I did refer to the Cambodia to Vietnam switch around – you know, industrial action – and that's one of the challenges that we face from the cycling. And that feeds into something – your question about intake margin – there'll be an impact there as well. Yes, availability is clearly very important for us as a business.

Chris: Thank you.

Matt Davies: Thanks, Chris. Adam?

Adam Cochrane: It's Adam Cochrane from UBS. In terms of the 4-5% cost increase guidance, what is the sort of volume related element of that? Is the first question. And then secondly, you're still lots of ongoing with your re-gears and your downsizing your portfolio. Can you sort of say what the average rental reduction you received on some of those re-gears or downsizes? Or even better, just what the cash number was in terms of rent saving, if you can please?

Matt Davies: Do you want to pick those up?

Andrew Findlay: Yes, so let's just talk about the cost guidance next year – I'll just give you the buckets and some kind of context which will hopefully be helpful for you. So next year we've obviously got the Gears and pay review coming through which is a sizeable chunk in FY15. We've got a non-capitalisable cost associated with the refresh of the 50 stores which we referred to back in March which is around £35-£40,000 per store. We've got elements of cost associated with IT build we can't capitalise. Depreciation which I referred to in my presentation will be going up as assets have fallen off this year will be incrementally putting onto the balance sheet which will start depreciating as we speak that will take a hit on the costs. And also you will – I don't know if you've got round to seeing but in the RNS further back in the accounts we did have a benefit of around £3.5million worth of surrender premiums in FY14 which we don't think will fully repeat themselves in FY15. The balancing item will be the volume related aspects of the business clearly as we have models around payroll in store and various [inaudible] models about where that's fitting volumes or whether it's pick up and go volumes. And we have models around warehouse and distribution. But that's the balancing item of those – that amount.

Adam Cochrane: If you think about what you did in the current year, in FY14.

Andrew Findlay: Yes.

Adam Cochrane: How much did your costs increase above your original budget because of the volume increase last year? So irrespective of the guidance what happened to your cost base this year because of the increased volume?

Andrew Findlay: Well in warehouse and distribution we guided to around £4million. We came in around £5million up. Some of that was a result of incremental volumes. Some of that was a result of some of the trials that we referred to regarding five day a week deliveries and out of stores. Within colleague payroll it's not as straightforward given the sales we sell but there was a slug of incremental cost that we put into payroll to ensure we provided the good service. There'll be – but we do it on a weekly basis and we manage that on a weekly basis to the extent that we believe that we need to invest in incremental pay we will do so. But we keep a very tight control of it. So there was an element in there but the majority of the uplift in payroll costs also relate to the incentive payments that we're very pleased to pay our colleagues for supporting a great sales result.

With respect to average rent reductions, it's a fine line between getting a nice load[?] of payment from a landlord which we've taken £3.5million of this year versus the ongoing rental of that business. But we are seeing a significant proportion, around 60-70% of our renegotiations coming in around flat which is great. Clearly we've got business rates that you've got to add on to that. And our – we've got quite a number of rental reviews going on and we've got a fair sized provision. But that's roughly what we assume is around 60% of those come in flat. The others come in around 2% – it depends on the individual location. With respect to looking at those individual stores, we do take the opportunity to look at the space and the size and whether the landlord is interested in downsizing or moving or relocating. And it's an economic decision balanced off by the location and the retail team's desire to stay in that location because of the footfall and the desirability of the trading estate.

Adam Cochrane: Did you have any that were cheaper on lease expiry in the course of the year? So where you lease expired and you signed a new one for the same property, did you get any rental reductions at all?

Andrew Findlay: Generally, you get rent-free periods. I think it's either you get a rent-free period or you get a capital contribution. Most landlords find it difficult to reduce the rent because it obviously undermines their position from a valuation from their perspective. But obviously with the re-gearing we're in a good position because we're signing an extra 5-10 year lease. That's a good thing for them but they might give us a rent-free period which obviously we have to recognise over the period. So from a P&L perspective it benefits and from a cash perspective it benefits. But the passing rent generally passes as is.

Adam Cochrane: Okay. If you were to say, to include that rent-free period, what would the benefit be then over the course of the lease?

Andrew Findlay: Gosh.

Matt Davies: I'd say 5%. A couple of percent maybe.

Andrew Findlay: Yes, a couple of percent.

Matt Davies: 5% as a rough.

Adam Cochrane: Yes, thanks.

Kay Calvert: Kay Calvert from Investec[?] – a couple of questions on Autocentres – your move to opening fewer larger centres. The first question is: do you expect the new centres pre-opening cost to be up or down year-on-year – because obviously you've been having quite an aggressive roll-out programme? And the second question: are you expecting any change in the maturity curve of these centres because they're bigger?

Matt Davies: Okay, do you want to answer that?

Andrew Findlay: Yes, from our perspective – just to take you a step back to give some context. We've opened – you know, we're now at 303 centres. We did an exercise in the second half of the year that looked at which conurbations we really want to focus and we've identified around 60 locations in the UK that we really want to pinpoint and target great quality centres. So that's where we've got to with some of our thinking.

With respect to the pre-opening costs, you know, from a point of view of the expenditure on a centre we might have bigger locations but the pre-opening costs would be generally the same from the point of view you'd staff it up as demand fell through. And that's what we do on our existing centres anyway so you might start with two techs, move to three techs over time. With respect to the Capex cost for those, slightly more, but again we take a decision around whether we put in the full monty of ramps or we hold back and maybe put in two ramps and then add another one. And that depends on the economic model of that business. With respect to stock – we don't hold any stock so that's good. And with respect to the curve, no you wouldn't see significant difference between that and the curve that we've talked about in our existing centres. I think the key thing for us is the importance of making sure we can get enough ramp space. And parking space – that's one of the key things for us as well.

Kay Calvert: Thank you.

Matt Davies: Thanks, Kay. Any more questions? No, no more questions? Great, well look, thank you very much for attending and see you soon. Thank you.

Moderator: This presentation has now ended.