

## Arkadin Managed Calls



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OPERATOR: Good morning ladies and gentlemen and welcome to the Halfords Analyst conference call. Throughout the call all participants will be in listen only mode and afterwards there will be a question and answer session. Just to remind you, this conference call is being recorded. Today I am pleased to present David Wild. Please begin your meeting, sir.

DAVID WILD: Thank you, Phillip, and thank you everybody for joining the call. I am conscious today is a busy day for everyone so I'm just going to give you a brief run through of the announcement before Andrew Findlay, our Finance Director who is with me, and I will take questions.

We regard this as an encouraging underlying performance over the last three months. Our group total revenues were down in the quarter by 2.1% and in retail like-for-like sales declined by 4.8%. Whereas in Autocentres we achieved like-for-like sales growth of over 10% and total growth of almost 20%.

One of the key issues for us in the quarter was the weather comparison with last year with very mild conditions in late November and December in contrast to heavy frost and snow at the same period in 2010. This undoubtedly changed the mix of our retail sales with a marked adverse effect on our car maintenance range, similar to the effect seen in January/February/March 2011 compared to January/February/March 2010. The unusual weather comparison directly affected sales of winter products such as de-icer, anti-freeze and scrapers where sales were down 50% year-on-year, but it also had an effect on sales of everyday products like batteries which, inevitably, have a higher failure rate for customers when the temperature drops below freezing and, of course, helps our sales.

Excluding the weather effect our car maintenance sales saw a moderate improvement on the trend seen in the first half, driven predominantly by the gains that we achieved in We Fit. We achieved record levels of penetration with 29% of

the bulbs, blades and batteries that we sold being fitted by colleagues in-store, compared to only just over 25% last year.

Looking at other categories we are very pleased with the result in cycles where our market share again grew through the launch of new ranges, new products and the effective marketing campaign which ran throughout the autumn period into December. We achieved our fourth successive quarter of significant growth in our cycle business increasing by 15.1% like-for-like in the quarter, led by a strong recovery in children's bikes and its most important trading period of the year and continued momentum in the sales of cycle accessories.

Our online sales declined by just over 3%, predominantly due to the continuing market contraction of satellite navigation which, in 2010, accounted for a quarter of all Halfords.com online sales.

Our overall visitor numbers to the site were up by 4%, demonstrating the increased usage of our mobile app which allows customers to research products and check availability online before dropping in to a store.

This is a very difficult time for motorists who have been hit both by rising fuel prices and increasing costs of insurance but our expansion in auto aftercare is proving very popular in a market which, although not audited, we believe to be significantly down year-on-year.

Halfords Autocentres bring great value to customers in this car servicing sector and our like-for-like sales in the quarter grew by 10.9%. As well as attracting new customers, launching new products like tyres and refreshing longstanding products through campaigns such as Brakes for Life we have seen the benefit of our new store opening programme which meant that total sales in Halfords Autocentres grew by over 18%.

This morning we're also providing further guidance on the out turn for the full year. Our retail gross margin will decline in line with market expectations and we've narrowed the guidance from the previous level of at least 100 basis points. We are

continuing to bear down on the costs within our business and our guidance this morning is that operating expenses will increase by around 3% based on the adjusted FY11 number. This is 100 basis points better than the previous guidance due to savings in store occupancy and staffing costs with the benefit of rental negotiations indicated at the half year coming earlier than anticipated.

Within Autocentres we will continue to invest to build on the growth delivered so far since the rebranding and we will launch our spring MOT campaign earlier this year in the month of February, and we will spend more money, to guarantee that our share continues to grow and we continue to win new customers.

Summing up. The environment remains very challenging but we're encouraged by the underlying performance of our business. We've made good progress particularly in cycles, in fitting car maintenance products in-store and in the roll out and rebranding of our Autocentres. Halfords has a strong balance sheet and continues to generate cash. We will also continue the share buy-back programme towards the objective of £75 million which we announced in April last year and we're anticipating achieving this level by the end of the current financial year. We're confident that the areas that we're focusing on are in line with customer needs at this challenging time and will provide the right platform for future growth.

Thank you and Andrew and I will now be happy to take any questions.

**OPERATOR:** Thank you, sir. Ladies and gentlemen, if you do wish to ask a question please press zero one on your telephone keypad and if you wish to withdraw your question you may do so by pressing zero two to cancel. There'll be a brief pause while questions are being registered. Our first question comes from the line of Chris Havieras from Barclays Capital. Please go ahead. Your line is now open.

**CHRIS HAVIERAS:** Good morning guys and Happy New Year.

DAVID WILD: Morning, Chris.

CHRIS HAVIERAS: Hello. How are you?

DAVID WILD: I'm good thanks. And you?

CHRIS HAVIERAS: I'm good. All good. I have a few questions. I'll narrow them to a couple of questions. First on Autocentres if we could touch base on those. Can you tell us what the total marketing investment was in fiscal year 12 because, given the very good performance in sales, I would expect the operating profits to be up year-on-year, although it might look like the cost base has also increased. Also what are your views going forward in terms of the marketing spend for Autocentres. When you say that you will compete(?) invest what do you mean. That will be my first question. Then my second question again on cost but in the store occupancy rate. You talked about lower occupancy rates which is a very good result. How do we think about going forward in the next year? If you could actually specify what your rental cost was and what kind of inflation we should expect for fiscal year 13 there, if possible? Then, if I may, a third one on the promotional environment because now you have a very good idea of where your gross margin is going to be after Christmas. Going forward, do you expect the promotional environment to continue into the new year or you have seen a kind of easing there?

DAVID WILD: Well, Andrew, will pick up the Autocentre question. As far as the occupancy costs really what we're saying this morning is that there are a few months benefit of the programme that we talked about at the interims. We said at the interims that we were negotiating hard with landlords on re-gears. You're never quite sure when these deals are going to be concluded and actually a few more of them came home

in this year than we'd anticipated, and we'll provide further guidance on occupancy costs in subsequent briefings.

As far as the question of the promotional environment's concerned I think we're striking the right balance now. The fastest growing area of our bike business was the box bikes and that made a real difference to customers, but we also had a compelling campaign on other bikes as well. This particular quarter that we're going into is a relatively quiet corner in terms of promotions because it's the least promotion sensitive quarter of the year. The big dependency on the gross margin this quarter is the mix of car maintenance where, if we have some frost, then we'll benefit from that, if we don't, then there could be - and that's why we've issued the range at 130 to 150.

Looking forward into the new year, we're in the process of developing our plans. We're working hard with suppliers and with sourcing to make sure that we can fund promotion activity. We're not issuing guidance on margins for next year this morning. We're very happy with the guidance that we've given for this year. I'll just ask Andrew to comment on the Autocentre costs.

ANDREW FINDLAY: Chris, morning. **We've just spoken to the market(?)** so we haven't given details of that kind of granularity and cost in Autocentres. I think the comment is really around the fact that we know that our marketing investment is working. You can see that from the top line performance. We'll continue to invest in this where we can see pay back.

Marketing incorporates quite a number of different facets. CRM activity, radio, online and advertising campaigns are all items together and we're still looking to leverage all four of those angles to maximise our top line and bring in the new customers.

With respect to going forward we'll continue to invest where appropriate but we're not going to give specific guidance.

I think the key message we want to give is that we've had a fantastic result in the top line as a result of our hard work and really the guidance is that we don't expect much change to the bottom line consensus of the Autocentres as a result of that top line because of our investment.

CHRIS HAVIERAS: Right. So, to follow up on the Autocentres, you expect the operating profit to be like flat year-on-year for fiscal year 12?

ANDREW FINDLAY: The consensus is around the high £6 million to low £7 million. From our perspective we don't expect much change to that, based on the top line, because of our investment in maintaining the brand momentum that we've generated so far.

CHRIS HAVIERAS: The last follow up on the Autocentres. You have mentioned in the past that the marketing campaign you had done was around £1 million if I can recall correctly. Then it means that you also invested in other operating costs like personnel expenses I guess, right?

ANDREW FINDLAY: Correct. Absolutely. The roll out of **these(?)** centres, we've bolstered up the capability there to make sure we can land the centre openings that we want to. Also with our initiative around tyres and brakes, clearly we invest appropriately there.

DAVID WILD: There is the concentration of new centre openings in the last couple of months of the year so that does require appropriate support.

CHRIS HAVIERAS: OK. Thank you very much. That is very helpful.

OPERATOR: Our next question comes from the line of John Stevenson from Peel Hunt. Please go ahead with your question. Your line is now open.

JOHN STEVENSON: Thanks. Morning gentlemen.

DAVID WILD: Morning, John.

JOHN STEVENSON: A couple of questions as well please. First upon the margin. I want to hear a little bit more of a breakdown between promo and mix and maybe just a bit of narrative on how people were shopping and, again, if it's driven by mainly promo activity or opening price point type stuff. Secondly, on Autocentres again, just a request for a bit more data really and whether you can talk to us about some of the KPIs, maybe in terms of new customers sign up, and how effective you've been at driving Halfords customers into Autocentres?

DAVID WILD: Andrew can pick up on the margin comment, John. As far as the customers the biggest growth in Autocentres has been on our online bookings where we've had something like a 55% increase year on year in online bookings. A year ago our online bookings were about a quarter of sales so it's not a small base; it was reasonably high based and we've grown that by 55%. Now the most important component of that are the people that click through from Halfords.com and we get a very high conversion rate on that as well.

We still think that there's a lot more that we can do and we're in the process of harmonising the customer databases and we're also on a programme to re-platform the website so that, again, that whole process becomes more streamlined.

The other thing that happened in the quarter was our fleet business. We saw a big recovery in our fleet business and in one particular major customer we've seen very significant growth. So encouragingly in the quarter we saw that the fleet business was growing roughly at the same pace as the retail business whereas, in the summer, it was more that the retail business was growing more rapidly than the fleet.

Andy, do you just want to talk about the gross margin in retail?

ANDREW FINDLAY: Morning. We're now in a position - I know it's been frustrating for you guys in respect to our at least 100 basis points guidance and there's been a demand for us to give you a cap on that. I think, now we're through Christmas and we've got a better visibility on car maintenance, we're obviously in a better position to give you some steer round that. That is where the 130/150 comes from.

Clearly some of that margin decline will be impacted by the mix. We are positive growth on cycles which has a margin which is marginally lower than our average and the car maintenance performance in Q3 has obviously had an impact on that.

With respect to the impact between mix and promotions we don't give that level of granularity but clearly the mix of car maintenance would have an impact.

With respect to promotion activity, as I said at the half, we haven't done anything significantly different year-on-year. I think we've still seen continued promotional participation by customers. We still did the online deal on Christmas Day which worked well. We still did a similar deal that we did last year around the sale on Boxing Day in the last week of the quarter. The number that we see at the end of the year is a combination of both things and, at this stage, the mix between promotion and mix I'm not going to give a detailed explanation.

JOHN STEVENSON: OK. Fair enough. Actually while I'm on just a quick last one. Just in terms of online. Do you have a figure for online sales performance ex-sat nav?

ANDREW FINDLAY: I think what we have with the sat nav, as David said in his opening piece, sat nav was around 25% of sales last year online. With respect to car enhancement, as we said at the half, we are managing to cash this business and one of the key areas of where we're managing the cash is sat nav so that we did see a drop off in sat nav sales. With respect to the proportion of online sales that relate to sat nav we haven't

got that detail today and we haven't disclosed that information but that was probably the biggest driver of the reduction of online sales in the quarter.

It must be said though that online sales did, as participation of total sales, were well over 10% in the quarter, which is a good result. So the sat nav performance as our focus on cash, rather than on top line performance, has had an impact on that number.

DAVID WILD: Yes, the bike business was up online, as you would expect, and there were other categories as well like car audio where we're actually slightly up online but, as Andrew said, sat nav and also child seats were down.

JOHN STEVENSON: OK. That's great. Thank you.

OPERATOR: Our next question comes from the line of Charlie Mewersan from Deutsche Bank. Please go ahead with your question. Your line is now open.

CHARLIE MEWERSAN: Sorry - mute key. My first question relates to the gross margin. I appreciate you don't want to give any guidance on the outlook but your range of guidance suggests that gross margin is down more in the second half than in the first half and I wondered whether there is a timing effect of the price investments you did this year which washes through into next year. If you could just remind us when exactly you took those actions and if there is an impact in the first half for next year? Secondly, similarly on both the cost of the investment that you originally made and also the cost saves that have allowed you to bring your cost guidance down. Should we, on a net basis, be expecting cost saves next year to mitigate some of the inflationary impact or do the investments continue to roll on? Then, thirdly, I appreciate it's a bit further off but you're on track with your buy-back programme for this year. Do you think that your year end net debt figure is where the company should be running in the future

and therefore it would be reasonable to expect that kind of leverage via either dividend or buy-back in future years? Thank you.

DAVID WILD: Morning, Charlie. Well Andrew can deal with the first two and I'll just pick up the buy-back point. As we've said, the business continues to be cash generative. We will deliver the £75 million buy-back this year. What we've said consistently is that the Board will review the balance sheet and the outlook in the spring. We recognise that the dividend needs to take a higher priority over buy-back for our shareholders and that will guide the Board's thinking but, beyond that, we're not going to make any comments about medium terms plans to return cash to shareholders.

Andy, do you want to just pick up the two points on the other that Charlie raised.

ANDREW FINDLAY: Morning, Charlie. We're not here today to give guidance on FY13. We're still going through the process of the budget, as you'd expect, and we'll give more clarity on that later in the year.

With respect to gross margin you are right. We landed on 128 for the first half so mathematically the margin decline would have been slightly worse in the second half and that is much around the car maintenance performance as anything.

With respect to next year we are seeing a softening in input cost inflation from the Far East as we buy product for next year but, as I've said on the **core centre**(?) and this morning, it's going to be a tough environment next year and will continue to be tough. We expect that customers will want to participate in deals. At this stage it's too early at this point to indicate what that impact will be on margin going forward but obviously we'll continue to focus on the input cost and managing that as we have done this year.

With respect to OpEx, as we said at the half, the key focus that we're going to look at for next year is around occupancy cost. There is opportunity there. It will take time. As you've seen in the guidance for this year we've made progress and we'll continue

to make progress. Whether it will offset the inflationary pressures of the other areas is unlikely. There will be cost uplift, but we're going to continue to focus on our occupancy costs in the coming months.

CHARLIE MEWERSAN: Great. In terms of the timing of the price investment and the timing of the cost investment and the timing of the cost (inaudible), can you just remind me when, during this year, they all came in?

DAVID WILD: The investments came in the early part of the year. I think the point that Andrew makes which is very relevant is that one of the big uncertainties about the second half margin performance is the mix of car maintenance because it is the highest margin category that we have and we've had a mild winter so far so car maintenance relative to last year has under participated. What we don't know is whether we're going to under participate in the final quarter because, again, we're not quite sure what the weather's going to do. That's the big delta really between the first half and the second half; what the impact of car maintenance in terms of the weather might be.

CHARLIE MEWERSAN: Yes. Thank you very much.

OPERATOR: Our next question comes from the line of Chris Havieras from Barclays Capital. Please go ahead. Your line is now open.

CHRIS HAVIERAS: Hi guys. Sorry for the question. You say that input cost inflation is softer in 2012. We had other retailers commenting, as they had reported Christmas trading updates, that wage growth in China is still up and only cotton and the rest of the raw materials that are used for clothes are down. Is cost inflation easing for you?

DAVID WILD: We talked, Chris, about the fact that we're buying, for example, more bikes from Cambodia and we've also talked about migrating procurement from southern China to northern China. That's a very active programme. The other thing that we have seen is an improvement in shipping costs. The point that you make about labour inflation in China is definitely an issue but what we're trying to do is manage that actively by migrating to other production sources and we're definitely seeing a reduction in shipping costs.

CHRIS HAVIERAS: I see so it's mostly those specific to your initiatives. Good. I get it. Thank you.

OPERATOR: Our next question comes from the line of Paul Rossington from HSBC. Please go ahead with your question. Your line is now open.

PAUL ROSSINGTON: Good morning gents.

DAVID WILD: Good morning, Paul.

PAUL ROSSINGTON: Just on car maintenance really because I think you've done very well in cycles and then enhancement is in line with where most people anticipated it. The reduction in car maintenance (inaudible) is obviously quite stark and much greater than you see in any other quarter. I appreciate there's going to be a weather effect in there but have you seen any noticeable increase in competition around the fringes of your offer? We know if you walk into a Tesco, for the sake of an example, they do now stock a basic entry point range of oils, for example. Have you seen any kind of increase in competition there?

DAVID WILD: I slightly disagree with you, Paul, because if you look at Q4 last year our car maintenance business was minus 11.7% like-for-like where we had exactly the same

situation that we had in Q3 this year where the cold weather came in in January 2010 and so this is something that is not unprecedented. I think the more disclosure that we're giving does bring it more to people's attention but the truth is that this is something that when we're up against mild versus winter we can expect double digit declines in car maintenance.

As far as the competitor environment's concerned, you are right, there are more and more people that are playing around with car maintenance. What we've sought to do, which is what we did do, is differentiate so the fact that our fitting penetration moved forward as strongly as it did, by 300 basis points year-on-year, shows that that is something that gives people a reason to shop in Halfords.

Of course the other thing that we did in the quarter was we had a very aggressive promotion on oil so we didn't just have the range of oils that we had which, as you say, is much wider than that which a supermarket would offer, but we went on the front foot with Castrol at the start of October with a very aggressive price.

If we take out the effect of weather, as we said in the release, if we take those weather items out like the fact that we sold half the anti-freeze, de-icer and scrapers or 35% less batteries, actually our car maintenance performance year-on-year improved from that which we saw in the first half of the year.

So I think we're aware of the competitive challenge but we're happy that the things that we're doing are addressing the opportunity that is there for us.

PAUL ROSSINGTON: That's very clear. Thank you very much.

OPERATOR: Our next question comes from the line of David Jury from Investec. Please go ahead with your question. Your line is now open.

DAVID JURY: Good morning, gentlemen.

DAVID WILD: Morning, David.

DAVID JURY: A couple of quick ones from me if I may please. Firstly on Autocentres, on gross margin there rather than in the retail chain, given the push into the lower margin tyres area but, conversely, given your market share gains, would one be right to assume that you're being able to mitigate the adverse mix effect of that. Firstly. Secondly, I just wondered if you'd give a bit more colour on cycling where it's obviously been a fantastic quarter but in terms of a bit more from the other areas; cycle to work, premium etc. That would be helpful.

DAVID WILD: Andrew will pick up the Autocentre point, David. I'll just talk about cycling. Cycle to work actually had its low point in the first quarter last year because we had all that **tax(?)** disruption if you remember in August 2010, so it was a soft comparator and, in fact, cycle to work was well up in the third quarter.

What we saw, as I mentioned, was that the two leading areas were children's bikes and accessories. Premium bikes didn't have quite as good a quarter as it had done in the first half because there were a lot of heavy discounting from pure play retailers, particularly on premium bikes, which was really in response to the fact that we'd had such a good first half and they'd been left with some stock of 2011 models that they needed to get out off, so they were discounting them very, very heavily. We decided not to invest margin because the third quarter's the least important quarter of the year for premium bike - it is much more about children's bikes - and hang on. I think that paid off in terms of profitability. What we did was we emphasised the children's bikes and accessorisation.

Our mainstream bike business was also strong and we saw the benefit of the box bikes in both mainstream and kids. In fact what was interesting was about half our customers who bought boxed mainstream bikes for us asked us to fit them for them, which was good news. We find in children's bikes that customers are happy to build

them themselves, whereas with mainstream bikes actually customers generally are prepared to pay us to build it for them which gives us the benefit of the build income and the attractive advertise price for a box bike. I think that was another interesting thing that happened in the last quarter.

Andy, do you just want to just pick up on the Autocentre point.

ANDREW FINDLAY: Morning, David. Yes, you are right, tyres do have a dilutory impact on sales in Autocentres and tyres are doing exceptionally well and it will have a dilutory impact. However, the team has done a great job on negotiating cost prices with the suppliers and, to be frank, the supplies are probably kicking themselves at the fact that we've done such a great deal on rebates because our like-for-likes are very much against a declining market so our rebates are coming through quite nicely in margin. The guidance on margin on Autocentres hasn't changed. We are managing to maintain that level of profitability that we saw in the first half. I think, going forward for the next few years, as tyres do increase and some of these benefits annualise, we will see a dilutory impact but that will just be a natural evolution of the mix of products, rather than anything else. But, so far, no change to the margin guidance for this year.

DAVID JURY: OK. Thanks, Andrew.

OPERATOR: Our next question comes from the line of Alan Cochrane from UBS. Please go ahead. Your line is now open.

ALAN COCHRANE: Good morning guys. With regard the reduction in your OpEx guidance from 4% to 3% I presume some of that's from the comments you made with regards the rental savings. Is there a degree of deferral into next year of any spend that you were

going to invest and how much would be related to volume related savings due to lower sales please?

DAVID WILD: There's a small amount related to payroll on lower sales but what we did a couple of years ago was we changed the part time/full time mix in the stores that gives us a lot more flexibility so that means that we can put labour into car maintenance at the weekends and do more fitting and we saw a bigger increase in the fitting penetration at weekends than in the week because we had people around to do it. Also we had the right number of people to build bikes for the run up to Christmas and we planned that very, very carefully. I think there wasn't really any deferral of spend.

As far as the occupancy costs are concerned we explained at the interims that we've got a lot of leases that need to be renegotiated because we're coming up to expiry and you're never quite sure how quickly these negotiations can be concluded. So we were a little bit conservative in saying what was the timing of this but actually what's happened is they've come through pretty well and we've been able to guide to a lower occupancy cost this year.

ALAN COCHRANE: If I put it another way you've saved £3 million roughly compared to what you saw before. Can you split that down at all for us?

DAVID WILD: No, we're not doing that this morning. Obviously when we meet in May to go through the results then Andrew will give a full breakdown of our cost trends in the categories that we use at the interims and we'll go through that in some detail then.

ALAN COCHRANE: OK. Thank you.

OPERATOR: Just to remind all participants that if you wish to ask a question please press zero one on your telephone keypad and if you wish to withdraw your question you may do

so by pressing zero two to cancel. There'll be a further pause while questions are being registered.

DAVID WILD: Phillip, I'm conscious it's a very busy morning for everybody. I'm wondering whether we should just end the call now.

OPERATOR: We have some additional questions, David.

DAVID WILD: Oh right. Well I think we'll just take two more questions.

OPERATOR: OK. Our next question comes from the line of Peter Smedley from Charles Stanley. Please go ahead with your question. Your line is now open.

PETER SMEDLEY: Yes, morning. I'll be brief. One question. Mathematically, which of the three categories has been the biggest contributor to the decline of 130 to 150 basis points in the gross margin please?

ANDREW FINDLAY: Right, OK. We haven't given detail on the mix or the specific margins of each of the categories. Just so you're aware car maintenance is historically our highest margin area, car enhancement is below the company average and leisure is broadly around but slightly lower than the average number, so you can tell from the mix of our sales what impact that has.

With respect to **intra**(?), as we said before, we are looking to manage car enhancements to cash and we will focus on cash. With respect to cycling, with the increase in premium and our **Trax**(?) box range that does have a dilutive impact on our leisure category, however it's cash accretion. With respect to car maintenance we do have a balancing act between cost inflation on componentary parts from China offset by our increased fitting penetration. So there are a number of combinatory

impacts but I think that gives you a flavour of the shape of the margins in the business.

PETER SMEDLEY: I appreciate you've kindly given that kind of guidance before. I was just wondering, to help us understand, whether the decline that you've guided from 130 to 150 - and I understand there are a lot of moving parts and dynamics driving each of those categories but it ultimately comes down to a mathematical equation. I was wanting to understand which of those three categories is the biggest single contributor, or is it roughly balanced between the three?

ANDREW FINDLAY: I'm not giving specific guidance on margins by category. I don't intend to on this call. At the end of the year I'll give you more feel around margins. Obviously the performance of car maintenance in the second half of the year was quite a contributory factor on the 130 to 150. Previous to now I've given at least 100 basis points - and I know it's been frustrating - but now we've got through the Christmas period and halfway through the winter period we've got a better feel on that and car maintenance was a big impactor in that regard. With respect to specifics around margins of each category we haven't given that detail and I don't intend to on this call.

PETER SMEDLEY: I understand that. I wasn't looking for those specifics; it was just a qualitative comment. Maybe we can catch up on that. Finally going back to the car maintenance, you've previously commented that that's the category that enjoys the highest percentage in terms of full price. That full price penetration versus promotional penetration in car maintenance, was that broadly maintained year over year in this third quarter?

ANDREW FINDLAY: Car maintenance is more of a needs based business. It doesn't react as favourably to promotional activity as the other areas so, as I said earlier, with respect to promotional activity we haven't done anything specifically different this year than last year except the deal that David referred to on the Castrol deal where we got significant support from our suppliers in that and we always ensure that these deals are driving cash accretion rather than cash dilution.

PETER SMEDLEY: Thank you very much.

OPERATOR: Our final question is a follow up from Paul Rossington from HSBC. Please go ahead with your question, Paul. Your line is now open.

PAUL ROSSINGTON: Thanks gents. Sorry, it's a (inaudible) question. Can you just remind me how many stores you have coming up for renewal or lease expiry over what period, if you wouldn't mind?

DAVID WILD: I think it's 140 stores in the next five financial years. They're all in play as far as conversations with the landlords are concerned. But we're also looking at downsizing other stores that may be mid lease which are over-spaced but the site's strong and potentially another tenant might want to take the store.

PAUL ROSSINGTON: Thank you very much.

DAVID WILD: OK.

OPERATOR: As per your request, sir, there are no further questions.

DAVID WILD:

All right. Thank you very much everybody. Have a good day. Thanks, Phillip.

Ladies and gentlemen this now concludes today's conference call. Thank you for attending. You may now disconnect your lines.