

HALF YEAR REPORT

for the half year ended 30 September 2012

Summary

	2012 £'000	2011 £'000
Revenue	82,571	86,709
Profit before tax	512	241
Adjusted profit before tax *	439	268
	p	p
Basic earnings per share	15.4	6.4
Adjusted earnings per share *	13.4	7.9
Interim dividend per share	5.0	5.0
* Adjusted for non-underlying items (as restated)		

Highlights

- Profit before tax up to £512,000 from £241,000 last year
- Like for like new car unit sales up by 18.9%
- Successful property sale completed realising £1.3m
- Inventory levels in the half year reduced by £4.6m
- Brighton Volkswagen redevelopment completed
- Basic earnings per share increased to 15.4p from 6.4p last year
- Dividend maintained at 5.0p

The Chief Executive, Simon Caffyn, commented:

“Our improved profitability in the first half year has continued into the early part of our second half year. However, the trading for the full year will, as always, depend on our performance in the crucial month of March.”

Enquiries:

Caffyns plc

Simon Caffyn, Chief Executive
Mark Harrison, Finance Director

Tel: 01323 730201

The HeadLand Consultancy Tom Gough

Tel: 0207 367 5228
07717 896701

Interim Management Report

Summary

The Group has continued to trade profitably at levels above the previous year and reports a profit before tax for the half year of £512,000 (2011: £241,000). In the six months to 30 September 2012 revenue reduced to £82.6m (2011: £86.7m). Revenue on a like for like basis, excluding the disposal of four non-core operations, increased by 1.7%.

Profit before tax and non-underlying items (as restated) also rose to £439,000 (2011: £268,000). The net non-underlying gain of £73,000 comprised a gain on the sale of a property in Goring-by-Sea of £800,000 and a net credit on the pension scheme of £29,000 less the costs of closing businesses of £600,000 and other redundancies of £156,000. The net financing return and service cost on pension obligations in respect of the defined benefit scheme closed to future accrual is now presented as a non-underlying item due to the volatility of this amount. While the profit before tax for the Company is unchanged, the comparative figures in respect of non-underlying items for the previous periods have been restated accordingly.

Basic earnings per share are up at 15.4p (2011: 6.4p) and adjusted earnings per share (as restated) are 13.4p (2011: 7.9p).

Operating Review

New and Used Cars

- Our new unit sales were up by 18.9% on a like for like basis. Over the half year period, total new car registrations rose by 6.3%. Within this, the private and small business sector in which we operate rose by 12.8% so we are outperforming both the overall UK average and the specific sector in which Caffyns operates.
- Used car unit sales were down 5.9% on last year on a like for like basis, due largely to the reduction at our Brighton Volkswagen dealership which suffered disruption during a showroom upgrade.

Aftersales

- The decline of the new car parc over the last three years has led to a consequential decline in the number of one to three year old cars in circulation. We have restricted the fall in our aftersales revenue to 2.7% on a like for like basis as compared to 2011 levels.

Working Capital

- Inventory levels in the half year period reduced by £4.6m and debtors by a further £0.5m.

Operations

- The refurbishment work at our Brighton Volkswagen dealership is now complete with an enlarged car showroom and aftersales facility.
- Our loss-making Ford and Volvo business in Brighton was sold in July 2012 releasing working capital, comprising principally stocks, of £459,000. We closed our Ford retail dealership in Alton in September 2012 recording a non-underlying loss in the first half of the year of £194,000.
- We have begun trading as a Seat authorised repairer in Tunbridge Wells alongside our Skoda dealership and Seat sales are expected to follow.
- Our website presence continues to improve and in July we won the Motor Trader Award for the best mobile website and our dealer website was also highly commended.

Property

- Capital expenditure in the six months was £565,000 (2011: £1.3m), of which £277,000 was incurred on the Brighton Volkswagen showroom upgrade.
- Our site in Goring-by-Sea was sold in May 2012 for £1.28m, giving rise to a gain on sale of approximately £0.8m.
- On 31 July 2012 we exchanged contracts for the sale of our Volvo business in Hove. We have retained our lease on the premises and granted a sub-lease to the purchaser.
- Following the closure of our Ford business in Alton, the agreement to sell the freehold property became unconditional in October 2012 and a non-underlying gain of £1.15m will be reported in the full year results.

Pensions

- The IAS 19 net pension position at 30 September 2012 was a deficit of £8.9m net of tax (£11.8m gross of tax) compared with a deficit of £4.75m net of tax at 31 March 2012 (£6.26m gross of tax). The higher deficit reflects the impact on liabilities of a reduction in the discount rate from 5.1% at 31 March 2012 to 4.4% at 30 September 2012 and lower than expected investment returns.
- The triennial valuation as at 31 March 2011 has now been completed and shows a deficit at that date of £14.4m. The Recovery Plan agreed with the trustees requires a cash payment of £375,000 in the year to 31 March 2013 followed by £346,000 in the year to 31 March 2014 increasing by 3.4% per annum thereafter.

People

- In August we announced the resignation from the Board of the Operations Director, Guy Ainsley.
- We are particularly pleased to report that in September we won the South East Regional Apprentice Large Employer of the Year Award and in November we were recognised as one of the top 100 Apprenticeship Employers of the Year in the UK.

Dividend

- The Board has decided to maintain the interim dividend at 5.0p per Ordinary Share. This will be paid on 11 January 2013 to shareholders on the register at close of business on 14 December 2012.

Current Trading and Outlook

Our improved profitability in the first half year has continued into the early part of our second half year. However, the trading for the full year will, as always, depend on our performance in the crucial month of March.

Simon G M Caffyn

Chief Executive

Condensed Consolidated Income Statement

for the half year ended 30 September 2012

		Half year to 30 September 2011			Year ended 31 March 2012			
	Note	Before non-underlying £'000	Non-underlying (note 3) £'000	Total £'000	Before non-underlying (as restated)* £'000	Total £'000	Before non-underlying (as restated)* £'000	Total £'000
Revenue		74,684	7,887	82,571	85,510	86,709	154,375	170,192
Cost of sales		(65,221)	(6,705)	(71,926)	(74,005)	(75,295)	(134,282)	(148,098)
Gross profit		9,463	1,182	10,645	11,505	11,414	20,093	22,094
Operating expenses		(8,545)	(1,935)	(10,480)	(10,703)	(11,200)	(18,468)	(21,806)
Operating profit/(loss)		918	(753)	165	802	214	1,625	288
Other income – net gains on disposal of fixed assets	3	-	800	800	-	444	-	2,024
Operating profit		918	47	965	802	658	1,625	2,312
Finance expense	4	(479)	(15)	(494)	(534)	(534)	(1,061)	(1,093)
Net finance income on pension scheme		-	41	41	-	117	-	237
Net finance (costs)/income		(479)	26	(453)	(534)	(417)	(1,061)	(856)
Profit before taxation		439	73	512	268	241	564	1,456
Income tax (expense)/credit	5	(67)	(18)	(85)	(48)	(63)	192	(40)
Profit for the period from continuing operations		372	55	427	220	178	756	1,416
Continuing operations earnings per share								
Basic	6			15.4p		6.4p		51.0p
Diluted	6			14.9p		6.2p		49.1p

*See note 2

Condensed Consolidated Statement of Comprehensive Income

for the half year ended 30 September 2012

	Half year to 30 September 2012 £'000	Half year to 30 September 2011 £'000	Year to 31 March 2012 £'000
Profit for the period	427	178	1,416
Other comprehensive income			
Actuarial losses recognised in defined benefit pension scheme	(5,749)	(1,619)	(1,196)
Deferred tax on actuarial losses	1,322	405	287
Other comprehensive income, net of tax	(4,427)	(1,214)	(909)
Total comprehensive income for the period	(4,000)	(1,036)	507

Condensed Consolidated Balance Sheet

at 30 September 2012

	30 September 2012 £'000	30 September 2011 £'000	31 March 2012 £'000
Non-current assets			
Property, plant and equipment	27,468	27,192	26,669
Investment property	530	536	532
Goodwill	286	286	286
Deferred tax asset	1,409	268	172
Total non-current assets	29,693	28,282	27,659
Current assets			
Inventories	21,124	23,141	25,722
Trade and other receivables	6,201	5,543	6,712
Cash and cash equivalents	576	24	22
Non-current assets held for sale	2,108	2,704	3,180
Total current assets	30,009	31,412	35,636
Total assets	59,702	59,694	63,295
Current liabilities			
Interest bearing loans and borrowings	2,393	9,739	1,219
Trade and other payables	20,370	22,595	26,501
Tax liabilities	208	213	208
Total current liabilities	22,971	32,547	27,928
Net current assets/(liabilities)	7,038	(1,135)	7,708
Non-current liabilities			
Interest bearing loans and borrowings	7,500	-	7,500
Preference shares	1,237	1,237	1,237
Retirement benefit obligations	11,805	6,896	6,260
Total non-current liabilities	20,542	8,133	14,997
Total liabilities	43,513	40,680	42,925
Net assets	16,189	19,014	20,370
Equity			
Share capital	1,439	1,439	1,439
Share premium account	272	272	272
Capital redemption reserve	282	282	282
Non-distributable reserve	2,390	2,419	2,390
Other reserve	108	84	96
Retained earnings	11,698	14,518	15,891
Total equity	16,189	19,014	20,370

Consolidated Statement of Changes in Equity

for the half year ended 30 September 2012

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Non- distributable reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2012	1,439	272	282	2,390	96	15,891	20,370
Total comprehensive income							
Profit for the period	-	-	-	-	-	427	427
Other comprehensive income	-	-	-	-	-	(4,427)	(4,427)
Total comprehensive income for the period	-	-	-	-	-	(4,000)	(4,000)
Transactions with owners:							
Dividends	-	-	-	-	-	(193)	(193)
Share based payment	-	-	-	-	12	-	12
At 30 September 2012	1,439	272	282	2,390	108	11,698	16,189

for the half year ended 30 September 2011

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Non- distributable reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2011	1,439	272	282	2,419	72	15,786	20,270
Total comprehensive income							
Profit for the period	-	-	-	-	-	178	178
Other comprehensive income						(1,214)	(1,214)
Total comprehensive income for the period	-	-	-	-	-	(1,036)	(1,036)
Transactions with owners:							
Dividends	-	-	-	-	-	(195)	(195)
Purchase of own shares	-	-	-	-	-	(37)	(37)
Share based payment	-	-	-	-	12	-	12
At 30 September 2011	1,439	272	282	2,419	84	14,518	19,014

Consolidated Statement of Changes in Equity

for the year ended 31 March 2012

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Non- distributable reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2011	1,439	272	282	2,419	72	15,786	20,270
Total comprehensive income							
Profit for the period	-	-	-	-	-	1,416	1,416
Other comprehensive income	-	-	-	-	-	(909)	(909)
Realised surpluses on disposal of land and buildings	-	-	-	(29)	-	29	-
Total comprehensive income for the year	-	-	-	(29)	-	536	507
Transactions with owners:							
Dividends	-	-	-	-	-	(335)	(335)
Purchase of own shares	-	-	-	-	-	(104)	(104)
Issue of shares – SAYE scheme	-	-	-	-	-	8	8
Share-based payment	-	-	-	-	24	-	24
At 31 March 2012	1,439	272	282	2,390	96	15,891	20,370

Condensed Consolidated Cash Flow Statement

for the half year ended 30 September 2012

	Half year to 30 September 2012 £'000	Half year to 30 September 2011 £'000	Year to 31 March 2012 £'000
Cash flows from operating activities			
Profit before taxation	512	241	1,456
Adjustments for:			
Net finance expense	453	417	856
Depreciation and amortisation	476	493	990
Change in retirement benefit obligations	(163)	(87)	(180)
Impairment of property, plant and equipment	-	-	174
Gain on disposal of property, plant and equipment	(800)	(444)	(2,198)
Share-based payments	12	12	24
Decrease in inventories	4,598	3,128	547
Decrease/(increase) in trade and other receivables	511	459	(940)
Decrease in payables	(6,131)	(5,586)	(1,678)
Cash absorbed by operations	(532)	(1,367)	(949)
Income taxes	-	-	(4)
Interest paid	(494)	(534)	(1,093)
Net cash used in operating activities	(1,026)	(1,901)	(2,046)
Investing activities			
Proceeds on disposal of property, plant and equipment (net of sale costs)	1,164	1,812	4,557
Purchases of property, plant and equipment	(565)	(1,320)	(2,703)
Net cash used in investing activities	599	492	1,854
Financing activities			
Secured loans repaid	-	-	(3,000)
Secured loans received	-	-	2,500
Purchase of own shares	-	(37)	(104)
Issue of shares – SAYE scheme	-	-	8
Dividends paid to shareholders	(193)	(195)	(335)
Net cash used in financing activities	(193)	(232)	(931)
Net decrease in cash and cash equivalents	(620)	(1,641)	(1,123)
Cash and cash equivalents at beginning of period	(1,197)	(74)	(74)
Cash and cash equivalents at end of period	(1,817)	(1,715)	(1,197)

Notes to the Set of Financial Information

for the half year ended 30 September 2012

1. GENERAL INFORMATION

Caffyns plc is a company domiciled in the United Kingdom. The address of the registered office is Saffrons Rooms, Meads Road, Eastbourne BN20 7DR.

These condensed consolidated interim financial statements for the half year to 30 September 2012 and similarly for the half year to 30 September 2011 are unaudited. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2012.

The figures for the year ended 31 March 2012 have been extracted from the statutory accounts, filed with the Registrar of Companies on which the auditors gave an unqualified opinion and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

These statements have been reviewed by the Company's auditors and a copy of their review report is set out at the end of these statements.

These consolidated interim financial statements were approved by the Directors on 30 November 2012.

2. ACCOUNTING POLICIES

The annual financial statements of Caffyns plc are prepared in accordance with IFRSs as adopted by the European Union. The set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union. This interim financial report has been prepared under the historical cost convention as modified by the fair value accounting of defined benefit schemes and share based payment transactions. As required by the Disclosure and Transparency Rules of the Financial Services Authority, this set of financial statements has been prepared in accordance with the accounting policies set out in the Annual Report for the year ended 31 March 2012 apart from the disclosure of the pension charge to the Income Statement. The net financing return and service cost on pension obligations in respect of the defined benefit pension scheme closed to future accrual is now presented as a non-underlying item due to the volatility of this amount. Prior period figures have been restated on a consistent basis, the result of which was to reduce profit before taxation before non-underlying items by £102,000 and £215,000 for the period ended 30 September 2011 and year ended 31 March 2012 respectively. While the total tax charge for the Group is unchanged, the comparative taxation figures in respect of non-underlying items for the previous periods have been restated accordingly. The change in accounting policy had no impact upon the balance sheet of the group.

There are a number of accounting standards that have become effective in the current period. However, there is no material impact upon the financial statements.

Segmental reporting

Based upon the management information reported to the group's chief operating decision maker, the Chief Executive, in the opinion of the directors, the Group only has the one reportable segment. There are no major customers amounting to 10% or more of the Group's revenue. All revenue and non-current assets derive from, or are based in, the United Kingdom.

Basis of preparation: Going concern

The financial statements have been prepared on a going concern basis which the directors consider appropriate for the reasons set out below:

The Group meets its day to day working capital requirements through short-term stocking loans and bank overdraft and medium-term revolving credit facilities. The overdraft and revolving credit facilities include certain covenant tests. The failure of a covenant test would render these facilities repayable on demand at the option of the lenders.

The directors have undertaken a detailed review of trading and cash flow forecasts for a period in excess of one year from the date of this Interim Management Report which projects that the facility limits are not exceeded over the duration of the forecasts. These forecasts have made assumptions in respect of future trading conditions, particularly volumes and margins of new and used car sales, aftersales and operational improvements together with the timing of capital expenditure. The forecasts take into account these factors to an extent which the directors consider to be reasonable, based on the information that is available to them at the time of approval of this financial information. These forecasts indicate that the group will be able to operate within the financing facilities that are available to it and meet the covenant tests with sufficient margin for reasonable adverse movements in expected trading conditions.

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For those reasons, they continue to adopt the going concern basis in preparing this Interim Management Report.

3. NON-UNDERLYING ITEMS

	Half year to 30 September 2012 £'000	Half year to 30 September 2011 (as restated) £'000	Year to 31 March 2012 (as restated) £'000
Impairment of property, plant and equipment	-	-	(174)
Net profit on disposal of property, plant and equipment	800	444	2,198
Losses incurred on closed businesses	(600)	(347)	(1,315)
Redundancy costs	(156)	(226)	(32)
Net finance income and service cost on pension scheme	29	102	215
	73	(27)	892

Losses incurred in the closure of businesses amounted to £600,000 (2011: £347,000). These costs include wind down expenses, recognised from the date of the announcement to close or terminate the dealer agreement with the manufacturer, and also branch specific redundancy costs. Dealerships affected included the sale of the Volvo/Ford dealership in Hove, Sussex and the closure of the Ford dealership in Alton, Hampshire together with the trading at Ashford and Tunbridge Wells following the termination notice with Vauxhall Motors in July 2011.

The Group undertook a programme of redundancies in its core business consequent to the current economic situation, resulting in non-underlying payments of £156,000 (2011: £226,000).

As stated in note 2 above, the net financing return and service cost on pension obligations in respect of the defined benefit scheme closed to future accrual is now presented as a non-underlying item due to the volatility of this amount. While the profit before tax for the Group is unchanged, the comparative figures in respect of non-underlying items for the previous periods have been restated accordingly.

4. FINANCE EXPENSE

	Half year to 30 September 2012 £'000	Half year to 30 September 2011 £'000	Year to 31 March 2012 £'000
Interest payable on bank borrowings	189	194	436
Vehicle stocking plan interest	191	217	413
Financing costs amortised	63	72	142
Preference dividends	51	51	102
Total finance costs	494	534	1,093

5. TAXATION

	Half year to 30 September 2012 £'000	Half year to 30 September 2011 (as restated) £'000	Year to 31 March 2012 (as restated) £'000
Current UK corporation tax			
Charge for the period	-	-	-
Deferred tax			
Origination and reversal of timing differences	127	110	227
Adjustment for change in rate of corporation tax	(42)	(47)	(86)
Adjustments recognised in the period for deferred tax of prior periods	-	-	(101)
Total	85	63	40
Total tax charged in the Income Statement	85	63	40
The tax charge/(credit) arises as follows:			
On normal trading	67	48	(192)
Non-underlying	18	15	232
Total	85	63	40

Taxation for the half year has been provided at the effective rate of taxation of 24% (2011: 26%) expected to apply to the whole year on ordinary trading. Tax on non-underlying items is provided at the actual rate applicable. The UK corporation tax rate reduction from 24% to 23% has been enacted and will be effective from 1 April 2013. This will reduce the Group's future tax charge accordingly. The effect on the deferred tax balance at 30 September 2012 was to increase the deferred asset by £42,000.

6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period. Treasury shares are treated as cancelled for the purposes of this calculation.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post-tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

Reconciliations of the earnings and the weighted average number of shares used in the calculations are set out below.

	Half year to 30 September 2012 £'000	Half year to 30 September 2011 £'000	Year to 31 March 2012 £'000
Basic			
Profit before tax	512	241	1,456
Taxation	(85)	(63)	(40)
Earnings	427	178	1,416
Basic earnings per share	15.4p	6.4p	51.0p
Diluted earnings per share	14.9p	6.2p	49.1p
Adjusted		(as restated)	(as restated)
Profit before tax	512	241	1,456
Adjustment: Non-underlying items (note 3)	(73)	27	(892)
Adjusted profit before tax	439	268	564
Taxation	(67)	(48)	192
Adjusted earnings	372	220	756
Adjusted earnings per share	13.4p	7.9p	27.2p
Diluted earnings per share	13.0p	7.6p	26.2p

The number of fully paid ordinary shares in issue at the period end was 2,766,779 (2011: 2,781,706). The weighted average shares in issue for the purposes of the earnings per share calculation were 2,766,779 (2011: 2,785,553). The shares granted under the Company's SAYE scheme are dilutive. The weighted average number of dilutive shares under option at fair value was 105,143 (2011: 102,348) giving a total diluted weighted average number of shares of 2,871,922 (2011: 2,887,901).

7. DIVIDENDS

Ordinary shares of 50p each

The interim dividend proposed at the rate of 5.0p per share (2011: 5.0p) is payable on 11 January 2013 to shareholders on the register at the close of business on 14 December 2012. The shares will be marked ex-dividend on 12 December 2012.

Preference shares

Preference dividends have been paid in October 2012. The next preference dividends are payable in April 2013. The cost of the preference dividends has been included within finance costs.

8. PENSIONS

The net liability for defined benefit obligations has increased from £6,260,000 at 31 March 2012 to £11,805,000 at 30 September 2012. The increase of £5,545,000 comprises contributions of £175,000 plus the net credit to the income statement of £29,000 and a net actuarial loss charged to Reserves of £5,749,000. The net actuarial loss has arisen principally due to low investment returns and sharply reduced bond yields, which determines the discount rate used and, consequently, the value of the liabilities over the period. The main assumptions subject to change are the discount rate 4.4% (31 March 2012 – 5.1%) and the rate of increase in inflation at 2.6 % (31 March 2012 – 3.1 %).

9. RELATED PARTY TRANSACTIONS

There have been no new related party transactions that have taken place in the first six months of the current financial year that have materially affected the financial position or performance of the Group during that period and there have been no material changes in the related party transactions described in the last annual report that could do so.

10. POST BALANCE SHEET EVENT

A contract for the sale of a freehold property in Alton became unconditional on 18 October 2012. Completion on the sale is on 7 December 2012 when the proceeds of £1.807m are receivable in cash. The gain on the disposal of the site after the costs of sale is £1.15m. The site traded as a Ford retail dealer until September 2012 at which time it closed and the costs of closure amounting to £194,000 have been charged in the accounts for the half year ended 30 September 2012.

11. RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The Board believes these risks and uncertainties to be consistent with those disclosed in our latest annual report, including general economic factors, their impact on the Group's defined benefit pension scheme, liquidity and financing, manufacturers' dependency and stability, used car prices and regulatory compliance.

12. RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

- a) the Interim financial statements have been prepared in accordance with IAS34 'Interim Financial Reporting';
- b) the Interim financial statements include a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules (indication of important events during the first six months and their impact on the set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year); and
- c) the Interim financial statements include a fair review of the information required by DTR 4.2.8R of the Disclosure and Transparency Rules (disclosure of related parties' transactions and changes therein).

By order of the Board

S G M Caffyn
Chief Executive

M S Harrison
Finance Director

30 November 2012

INDEPENDENT REVIEW REPORT

to Caffyns plc

Introduction

We have reviewed the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2012 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company's members, as a body, in accordance with ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the Company's members those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in Note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting,' as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Grant Thornton UK LLP

*Registered Auditor and
Chartered Accountants*

London

30 November 2012