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Pace plc: Interim Results for the 6 months ended 30 June 2013

Saltaire, UK, 30 July 2013: Pace plc, a leading global developer of technologies and products for PayTV and broadband service providers, today announces its results for the 6 months ended 30 June 2013.

Strong H1 trading performance: adjusted EBITA up 57.0% to $96.7m and free cash flow of $92.0m. Interim dividend increased 27.1% and full year profit guidance increased.

Financial highlights

- Revenues up 31.0% to $1,318.4m (H1 2012: $1,006.5m).
- Adjusted EBITA[1] up 57.0% to $96.7m (H1 2012: $61.6m).
- Operating margin[2] 7.3% (H1 2012: 6.1%).
- Basic Earnings Per Share ("EPS") up 221.6% to 16.4c (H1 2012: 5.1c) with adjusted basic EPS[3] up 72.7% to 22.1c (H1 2012: 12.8c).
- Interim dividend 1.83c per share, a 27.1% increase on H1 2012 (H1 2012: 1.44c).
- Free cash flow[4] $92.0m (H1 2012: $94.6m).
- Closing net debt[5] $68.2m (31 December 2012: $163.3m), a $95.1m (58.2%) reduction (H1 2012: reduction of $78.4m from 31 December 2011).

Operating highlights

- Significant further progress made against the Strategic Plan laid out in November 2011:
- **Transform core economics**:
  - Underlying operating costs reduced whilst significantly investing in the growth areas of software and services.
  - Transformation of our supply chain is progressing well; over 85% of volume with our core Electronic Manufacturing Services ("EMS") partners.
  - Strong cash flow generation (95.1% conversion of adjusted EBITA to free cash flow) reflecting the benefits of working capital re-alignment, the EMS transition plus further measures to improve cash flow efficiency.
- **PayTV hardware leadership**:
  - Reconfirmed market leader; global number 1 in Media Servers[6], Set-top boxes ("STBs")[7] and Telco Gateways[8].
  - Maintained position at the forefront of Media Server development with wins and deployments at major operators including Liberty Global and Get TV.
  - Continuing strong Media Server demand in North America; Pace has shipped over 2 million Genie™ Advanced Whole-Home HD DVRs for DIRECTV since launch in June 2012 and the next generation HR44 Genie™ Media Server and C41 mini Genie™ client devices are now in production.
  - Selected by GCI to deploy TiVo enabled Pace Media Server solution.
  - Achieved next generation hardware wins at longstanding tier one customers across all regions.
- **Widen out into Software, Services and Integrated Solutions**:
  - Pace achieved a number of key wins and deployments across all areas of our Software and Services offerings and has a strong pipeline.
  - Notable developments in the period include:
    - Telefonica Group Cable Operator - Vivo TV Brazil has selected Pace to provide integrated Zapper and PVR solutions.
    - Telmex, the largest telco in Mexico, has selected Pace's next generation ECO Service Management platform.
    - Latens software based Conditional Access System ("CAS") deployed on over 3m devices across the world; growth of over 65% in the last 12 months.

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1 Adjusted EBITA is operating profit before exceptional costs and amortisation of other intangibles.
2 Operating margin is adjusted EBITA margin.
3 Adjusted basic EPS is based on earnings before the post-tax value of exceptional costs and amortisation of other intangibles.
4 Free cash flow is calculated as cash flow before proceeds from issue of shares, dividends, acquisition cash flows and debt repayment / draw down.
5 Net debt is borrowings net of cash and cash equivalents.
6 By volume (2012) – IHS Multimedia Home Gateways: The future of the digital home.
7 By volume (2012) – IHS Set-Top Box Market Monitor report for H1 2013.
8 By value (2012) – Infonetics-4Q12-BB-CPE-Subs-Mkt-Fcst.

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2013 Outlook

Trading in the first half of the year has been strong and the outlook for the remainder of the year has improved. As a result we anticipate that full year profits for the Group will be higher than previous guidance:

- Revenues for FY2013 expected to be broadly in-line with 2012;
- Operating margin for FY2013 is expected to be greater than 7.5%; and
- Strong cash flow to continue and Pace expects to report a net cash position at the end of 2013.

Commenting on the results, Mike Pulli, Chief Executive Officer said:

"Pace has had a strong first half. Revenue growth in the period was driven largely by the continuing demand for Media Server products in North America. The revenue growth coupled with our continued focus on operating efficiency has enabled Pace to deliver significant EPS growth and a third consecutive half of strong cash generation.

The 27.1% increase in the interim dividend is in line with Pace's progressive dividend policy and reflects both the solid cash flow performance as well as the Board's continued confidence in the outlook and future prospects for Pace.

We continue to make good headway on executing our strategy; key wins of both integrated Pace solutions and next generation hardware with major customers along with ongoing operational improvements give management confidence that we will make further progress in the second half of 2013 and beyond."

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Pace's Half Year Results Presentation to Analysts will be held at the offices of Jefferies International Ltd at Vintners Place, 68 Upper Thames Street, London EC4V 3BJ, commencing at 09:00am.

This Presentation will also be available via live audio webcast, commencing at 09:00am. To register for this audio webcast, please go to: http://www.pace.com/ir

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Business Review

Key highlights in the period

Pace has had a strong first half, when compared with H1 2012, with revenue growth of $311.9m (31.0%) to $1,318.4m, and profit growth of $35.1m (57.0%) to adjusted EBITA of $96.7m delivering $92.0m of free cash flow, a 95.1% adjusted EBITA to cash conversion ratio.

Innovation and leadership in hardware has been key to the success with revenue from Media Servers, the next generation device in the home, contributing over $300m of period on period revenue growth.

The Strategic Review undertaken in 2011 set three objectives; maintain leadership in hardware, widen out into software, services and integrated solutions, and transform the core economics of the Group. We are pleased to report that good progress has been made against these goals in H1 2013 and we are confident of further progress in H2 2013 and are on track to achieve our medium-term target of 9% operating margin in 2015.

Strategic plan

Transform core economics

Significant progress has been made in improving the efficiency and effectiveness of the business in the period. As the major initiatives commenced in 2012 continue to deliver tangible benefits, a cost-focussed discipline and high level of accountability is becoming more ingrained Pace.

- Continued focus on operating efficiency has enabled Pace to reduce underlying operating cost (excluding IAS 38[9] adjustments, bonus accruals and one-off EMS transition costs) whilst significantly increasing investment in the growth areas of Software and Services.
- The transformation of our supply chain is progressing well; we now have over 85% of volume with our core EMS partners and expect to complete the transition by the end of Q3 2013.
- In H1 2013, Pace expanded its Hong Kong office, positioning our procurement operations closer to the majority of our supply base.
- The implementation of a single Product Lifecycle Management system and related engineering and design processes across the whole business has enabled Pace to improve the speed and efficiency of design and also provided greater control of component selection and procurement. As such, the Approved Vendor List ("AVL") has reduced by 18.0% since H1 2012 and we expect further reductions going forward.
- Cash generation was strong in the period; free cash flow was $92.0m (95.1% of adjusted EBITA) reflecting improving inventory and working capital management. This has enabled Pace to further reduce its net debt by $95.1m, which is now $68.2m, giving a net debt to last twelve months ("LTM") adjusted EBITDA ratio of 0.32x. H1 2013 is the third successive half year period that Pace has achieved an adjusted EBITA to cash conversion ratio in excess of 90%.

PayTV hardware leadership

Pace was reconfirmed as the market leader in PayTV hardware; global number 1 in Media Servers[10], STBs[11] and Telco Gateways[12].

- STB and Media Server revenues were up 51.8% in H1 2013 driven largely by the continuing high demand for Media Servers from both Comcast and DIRECTV. Pace has now shipped over 2 million Genie™ Advanced Whole-Home HD DVRs for DIRECTV since launch in June 2012 and the next generation HR44 Genie™ Media Server and C41 mini Genie™ client devices are now in production.
- Pace has been selected by GCI, a cable operator in North America, to provide Media Servers running TiVo software and have a strong pipeline for this offering building on the strategic partnership with TiVo announced H1 2012.
- The move to Media Servers is gaining speed beyond North America; Liberty Global, a leading international cable operator, has selected Pace to provide Media Server products to a number of their operations in Europe, and Get

9 IAS 38 adjustments are the net of capitalised and amortised development costs under *IAS38 – Intangible Assets.*
10 By volume (2012) – IHS Multimedia Home Gateways: The future of the digital home.
11 By volume (2012) – IHS Set-Top Box Market Monitor report for H1 2013.
12 By value (2012) – Infonetics-4Q12-BB-CPE-Subs-Mkt-Fcst.

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TV in Norway, has launched a whole home solution supported by a Pace Media Server, the first Media Server deployment for Pace outside North America.

- Pace has been selected by Telefonica as the major supplier of High Definition Zapper and PVR devices for their IPTV operations in Latin America as part of their rollout of the Telefonica Global Service Platform. Initial deployments will take place in Brazil and Chile later in 2013.
- Building on our strong multi-year customer relationships, Pace achieved next generation hardware wins at a number of longstanding tier one customers.
- GVT, one of the leading telcos in Brazil, has selected Pace to provide VDSL ("very-high-bit-rate digital subscriber line") Gateways with Pace Helium Gateway software, Pace's first Gateway product win in the key growth market of Brazil.

Widen Out in Software, Services and Integrated Solutions

The win rate and pipeline of new business remains strong across all areas of our software and services offerings and we have made good progress in the delivery of the landmark customer projects won in 2012 and H1 2013.

- The Pace Elements software platform continues to gain significant traction as part of an advanced integrated solution with a number of wins in the period, including Telefonica Group Cable Operator - Vivo TV Brazil, who selected Pace to provide an integrated PVR solution consisting of Pace Elements software and Pace hardware.
- The Latens business continues to make good headway, and the software based CAS and Digital Rights Management (DRM) products are now deployed on over 3m devices across the world, representing over 65% growth over the last 18 months. This is due to both increasing digital subscriber numbers at our current customers and a number of significant wins in key growth markets in the period. Latens' innovative technology is leading the move to software-based conditional access technology, highlighted by an industry first deployment of an integrated product combining CAS and DRM for both Broadcast and Over-the-Top (OTT) services, earlier in the period.
- As the connected home becomes more complex and operators provide more services, the need to be able to effectively manage and support the customer becomes greater. This is driving increasing demand for the Pace ECO Service Management platform and we have been selected by Telmex, the largest telco in Mexico, to provide our next generation platform and have achieved wins with a number of tier one operators in North America.

Business performance

Product type revenue split

	H1 2013 $m	H1 2012 $m	FY 2012 $m
STB and Media Servers	**1,074.6**	708.0	1,826.0
Gateways	**190.3**	247.2	469.4
Software and Services	**53.5**	51.3	108.0
Total	**1,318.4**	1,006.5	2,403.4

The split in revenue across the various product categories is as follows: 81.5% STB and Media Servers (H1 2012: 70.3%), 14.4% Gateways (H1 2012: 24.6%) and 4.1% Software and Services (H1 2012: 5.1%).

The 51.8% increase in STB and Media Server revenue in the period is mainly due to the sustained high demand for next generation media server products in North America.

Revenue from Gateway products reduced by 23.0% as the impact of expected dual sourcing supply at a major customer started to take effect.

Revenue from Software and Services was up 4.3% due to wins achieved in 2012. A number of key software projects are scheduled to deliver in H2 2013 underpinning stronger growth expectations.

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Regional revenue split

	H1 2013 $m	H1 2012 $m	FY 2012 $m
North America	**839.0**	517.6	1,317.6
Latin America	**199.2**	160.4	374.4
Europe	**158.8**	189.5	402.4
Rest of World	**121.4**	139.0	309.0
Total	**1,318.4**	1,006.5	2,403.4

Pace continues to have a globally diverse customer base and strong customer relationships from which to develop the business: in H1 2013 revenues split: 63.6% North America (H1 2012: 51.4%), 15.1% Latin America (H1 2012: 16.0%), 12.1% Europe (H1 2012: 18.8%), and Rest of World 9.2% (H1 2012: 13.8%).

In the period, Pace's three largest customers; AT&T, Comcast and DIRECTV accounted for 59% of the Group revenue (H1 2012: 44%). In H2 2013, we expect the proportion of revenue from these three leading customers will reduce as Media Server supply is dual-sourced. The mix of revenue will change in H2 reflecting growth in software and services plus customer wins which will enhance Group gross margin.

North America

North America is the largest, most advanced and most profitable market for digital PayTV and broadband technology in the world, with over 110m PayTV subscribers and close to 120m broadband connections[13]. We believe the digital PayTV market in North America will continue to see low single digit annual growth in subscribers for the foreseeable future.

Pace is the only vendor to the largest operators in each of the Cable, Satellite and Telco markets; serving Comcast, DIRECTV and AT&T respectively. In each case Pace supplies their most advanced in-home technology. In addition, Pace also serves a large number of tier two Cable and Telco operators in both the USA and Canada.

Total revenues in North America increased by 62.1% to $839.0m in H1 2013 (H1 2012: $517.6m), driven largely by strong demand from DIRECTV and Comcast for Media Server products. These confirmed Pace's continued position of technological leadership in our sector and we remain confident about the long-term strength of the market for our products in North America.

Latin America

The Latin American market is a large, diverse and fast growing market, within which Pace serves Satellite, Cable, IPTV and hybrid operators across the region, with Brazil, Mexico and Argentina the key markets. The overall market has expanded significantly over the last few years and continues to display strong PayTV subscriber growth with a predicted 12% Compound Annual Growth Rate ("CAGR") from 2013 to 2017[14]. This growth is led by a number of factors including greenfield markets, deregulation in Brazil, and a number of growing PayTV operators in the region. Demand for PayTV is strong at all levels of technology; Standard Definition ("SD") to support analogue to digital transition, High Definition ("HD") to meet growing consumer expectations and operators starting to develop high-end Personal Video Recorders ("PVRs") and Media Servers for rollout in 2013 and beyond.

Pace has a well-diversified customer base in Latin America; providing products to eight of the ten largest PayTV providers in the region, and achieved 24.2% revenue growth in H1 2013 due to increased demand for high end hardware products with a number of major operators in the region.

Pace is making good progress in the sale and delivery of integrated solutions comprising Pace hardware and software and has been selected by Telefonica Group Cable Operator - Vivo TV Brazil, to launch both Zapper and PVR solutions in 2013 and 2014 respectively.

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13 and 14 IHS Television Intelligence Service 2013.

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Within the period, Pace has been selected by Telefonica as the major supplier of HD Zapper and PVR devices for their IPTV operations in Latin America, and by GVT, to provide VDSL Gateways with Pace Helium Gateway software.

The Group remains confident that Latin America offers opportunities for continuing strong revenues and profitability and is strategically well positioned in key markets and with key customers in the region.

Europe

Europe remains a fragmented and highly customer specific territory for Pace. Revenues in Europe were down by 16.2% to $158.8m (H1 2012: $189.5m). The decrease was mainly due to a reduced win rate of new products in 2011, which has adversely affected revenue in 2012 and 2013. Sales performance is improving and we have achieved a number of key wins with both new and existing customers in recent months. We expect these wins to result in increasing revenues in Europe in 2014 and beyond.

Low single-digit subscriber growth is predicted in the underlying European PayTV market[15]; however, we expect significant growth in the Media Server segment of the market as operators in Europe follow the innovation of North American operators. Liberty Global, a leading international cable operator, has selected Pace to provide Media Server products to a number of their operations in Europe, and Get TV in Norway has recently deployed a whole home solution supported by a Pace Media Server, Pace's first Media Server deployment outside of North America.

In addition, the Group is seeing increasing demand from operators for integrated solutions, incorporating Pace hardware and software assets, that can be quickly deployed and that enable the operator to innovate and differentiate in highly competitive markets. Pace has been selected by a number of operators in the region to provide integrated whole home, PVR and Zapper solutions.

Rest of World

Rest of World covers a diverse range of markets which are developing at different rates: the highly developed markets in Australia, New Zealand and South East Asia, the "fast following" markets in Middle East and Africa, and the fast growing Indian market. Revenues in Rest of World are down 12.7% to $121.4m (H1 2012: $139.0m). This decrease was due to reduced demand in major customers ahead of new product launches in H2 2013 and 2014, and we expect revenue growth in this region in H2 2013 and beyond. This is supported by key wins in the period with long term customers, including Astro, the largest PayTV operator in Malaysia, who has selected Pace to provide next generation PVR solutions.

The Group remains confident that Pace is well positioned to take advantage of the significant growth opportunities both at the high end of the market with HD, PVR and Media Server products, and also as the uptake of PayTV and digitisation continues in emerging greenfield markets allowing Pace to increase its footprint with new customers through Software and Integrated Solutions.

Board changes

On 24 April, Mike Inglis retired from his role as a Non-executive Director on the Board. We would like to thank Mike for his guidance and insight over the last six years.

Outlook

Trading in the first half of the year has been strong and the outlook for the remainder of the year has improved. As a result we anticipate that full year profits for the Group will be higher than previous guidance:

- Revenues for FY2013 expected to be broadly in-line with 2012;
- Operating margin for FY2013 is expected to be greater than 7.5%; and
- Strong cash flow to continue and Pace expects to report a net cash position at the end of 2013.

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15 IHS Television Intelligence Service 2013.

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Financial Review

Group trading results

	H1 2013 $m	H1 2012 $m	FY2012 $m
Revenue	**1,318.4**	**1,006.5**	**2,403.4**
Gross profit	233.1	187.6	433.0
Gross margin %	*17.7%*	*18.6%*	*18.0%*
Adjusted administrative expenses*	(136.4)	(126.0)	(274.9)
Adjusted EBITA*	**96.7**	**61.6**	**158.1**
Operating margin	*7.3%*	*6.1%*	*6.6%*
Exceptional costs	(1.3)	(4.4)	(12.5)
Amortisation of other intangibles	(22.4)	(27.1)	(51.8)
Net finance expense	(4.4)	(8.7)	(13.7)
Profit before tax	**68.6**	**21.4**	**80.1**
Tax charge	(17.9)	(6.1)	(21.7)
Profit after tax	**50.7**	**15.3**	**58.4**

*Pre-exceptional costs and amortisation of other intangibles

Group Revenue of $1,318.4m (H1 2012: $1,006.5m) increased by 31.0%; driven by continuing strong demand for next generation Media Server product from 2012.

Gross profit increased 24.3% to $233.1m (H1 2012: $187.6m). Gross margin percentage during the period was 17.7%, a decrease of 0.9ppt on H1 2012, but in-line with H2 2012 reflecting a higher revenue mix towards products for our largest customers.

Significant progress has been made in transforming our supply chain and leveraging procurement scale. The effects of this plus an improved revenue mix, including increased contribution from Software and Services, means that gross margin percentage will improve in H2 2013.

Administrative expenses pre-exceptional costs and amortisation of other intangibles increased by $10.4m (8.3%) to $136.4m (H1 2012: $126.0m) due to variance in IAS 38 adjustments and bonus accruals being made in H1 2013, but not in H1 2012. Underlying expenses, excluding the impact of IAS 38 accounting adjustments, bonus accruals and EMS transition costs, decreased by $5.1m (3.8%) to $128.5m (H1 2012: $133.6m).

Adjusted EBITA was $96.7m (H1 2012: $61.6m); an operating margin of 7.3% against 6.1% in H1 2012.

Exceptional costs of $1.3m (H1 2012: $4.4m) related to restructuring costs in the Americas and International Strategic Business Units (“SBUs”) and Corporate.

Amortisation of other intangibles, primarily reflecting the charge for intangible assets related to acquisitions made in 2010, was $22.4m (H1 2012: $27.1m).

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Segmental analysis
The Group operates through Strategic Business Units ("SBUs"). Pace Americas and Pace International are deemed by the Board to represent operating segments under IFRS 8, with revenues and EBITA as follows:

	H1 2013 $m	H1 2012 $m	FY 2012 $m
Revenue			
Pace Americas	908.3	567.9	1,441.9
Pace International	405.7	435.0	953.6
Other	4.4	3.6	7.9
Total revenue	**1,318.4**	**1,006.5**	**2,403.4**
Adjusted EBITA			
Pace Americas	84.4	62.3	144.0
Pace International	39.5	27.5	72.3
Other	(27.2)	(28.2)	(58.2)
Total adjusted EBITA	**96.7**	**61.6**	**158.1**

Movements in revenue are described above. Although not wholly consistent, revenues in North America belong primarily to the Americas SBU, revenues in Europe and Rest of World belong largely to the International SBU, and revenues in Latin America belong to both the Americas and International SBUs.

H1 2013 revenue was split across the business units as follows; Americas SBU 68.9% (H1 2012: 56.4%), International Business Unit 30.8% (H1 2012: 43.2%), Other 0.3% (H1 2012: 0.4%).

Pace Americas' revenue increased by $340.4m (59.9%) compared to H1 2012 reflecting strong demand for next generation Media Server products, adjusted EBITA increased by $22.1m (35.5%) and operating margin declined from 11.0% to 9.3%. Pace International revenues decreased by $29.3m (6.7%) compared to H1 2012 however adjusted EBITA increased by $12.0m (43.6%) and operating margin increased from 6.3% to 9.7%.

Other amounts include central and unallocated costs and other immaterial SBUs, which are operating segments that are allowed to be aggregated under IFRS 8.

Finance costs
Net financing costs of $4.4m (H1 2012: $8.7m) reflect a reduction in average net debt during the period. Finance costs for the half include $1.1m (H1 2012: $1.1m) for amortisation of facility arrangement and associated fees.

Profit before tax
Profit before tax was $68.6m (H1 2012: $21.4m); an increase of $47.2m (220.6%) on H1 2012.

Taxation
The tax charge of $17.9m (H1 2012: charge $6.1m) results from the half year effective tax rate of 26.1% (H1 2012: 28.1%, FY2012: 27.1%).

Profit after tax
Profit after tax was $50.7m (H1 2012: $15.3m); an increase of $35.4m (231.4%) on H1 2012.

Earnings per share
Basic EPS was 16.4c (H1 2012: 5.1c), an increase of 221.6%. Basic adjusted EPS, which removes the tax effected impact of the exceptional costs and amortisation of other intangibles to reflect underlying performance, is 22.1c (H1 2012: 12.8c), an increase of 72.7%.

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Balance sheet

Intangible development expenditure assets decreased by $2.8m (H1 2012: $7.2m increase).

Tangible fixed assets increased in the period as capital expenditure of $14.4m was offset by the depreciation charge of $12.2m and exchange adjustments totalling $2.1m. The $14.4m capital expenditure was an increase of $4.6m from H1 2012 reflecting expenditure on test and manufacturing equipment to support the EMS transition and an increased volume of key products.

Working capital
Net working capital was reduced by $18.1m (16.3%) in the period as commercial terms with suppliers were re-aligned, inventory control processes further strengthened and a more focused approach was taken to cash collection from our customers.

Inventory increased by $6.2m (3.4%) to $188.3m during the period. The increased inventory holding was required to meet anticipated customer demand during the EMS transition. As a result of the buffer stock held, average stock turn in the half was 4.0 times against 4.4 times in H1 2012.

Debtor days were 54 days at the end of the half compared with 53 days at 31 December 2012 and 56 days at 30 June 2012, reflecting customer mix. The reduction in debtors since December reflects the phasing of trading in the lead up to the period end.

Creditor days increased from 83 days to 86 days at the end of the half contributing a one-off benefit to cash flow of c.$18m.

Debt
Net debt of $68.2m (31 December 2012: $163.3m) reduced by $95.1m (58.2%) in the period.

A key target for the Group is to reduce the balance sheet leverage (calculated as net debt divided by adjusted EBITDA over the preceding 12 months). At 30 June 2013 the net debt / LTM adjusted EBITDA ratio was 0.32x, a substantial improvement from the position at 31 December 2012 (0.91x). The Group is confident it will achieve a net cash position by the end of the financial year.

Liquidity and cash flows
A key performance measure for the Group is free cash flow, which was $92.0m (H1 2012: $94.6m) and represented 95.1% of adjusted EBITA (H1 2012: 154%). Cash outflows from interest payable net of interest received were $4.1m (H1 2012: $7.2m). Cash spent on exceptional costs was $6.5m (H1 2012: $8.7m).

Foreign currency

In the period approximately 81.3% of the Group's revenues were denominated in USD, 12.9% in Brazilian Real, 5.6% in Euros, 0.1% in Australian Dollars and 0.1% in Sterling.

The impact of non-USD revenues, costs and overheads continues to be addressed through Pace's foreign exchange hedging strategy. The group is fully hedged for the remainder of 2013 through a series of forward contracts.

Dividend

The Board has declared an interim dividend of 1.83c per share (H1 2012: 1.44c per share), an increase of 27.1% in line with the progressive dividend policy introduced in 2009 (one-third, two-thirds split between interim and final dividends). The increase reflects the Board's confidence in the outlook for the Group and its improving financial position. Pace will look to continue to pay a progressive dividend from this new rebased level.

Dividends will be paid in sterling, equivalent to 1.192 pence per share. This is based on an exchange rate of £ = $1.5355, being the closing rate applicable on 29 July 2013, the date on which the Board resolved to recommend the final dividend. The proposed dividend will be payable on 6 December 2013 to shareholders on the register on 8 November 2013.

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Responsibility statement of the directors in respect of the half-yearly financial report

The directors confirm that, to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Anthony J Dixon
Company Secretary
30 July 2013

The directors, who served throughout the period, are:

- Allan Leighton – Non-executive Chairman
- Mike Pulli – Chief Executive Officer
- Roddy Murray – Chief Financial Officer
- Patricia Chapman-Pincher – Non-executive director
- John Grant – Non-executive director
- Amanda Mesler – Non-executive director

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Condensed Consolidated Interim Income Statement
for the six months ended 30 June 2013

	Notes	**Unaudited 6 months ended 30 June 2013 $m**	Unaudited 6 months ended 30 June 2012 $m	Audited Year ended 31 December 2012 $m
Revenue	2	**1,318.4**	1,006.5	2,403.4
Cost of sales		**(1,085.3)**	(818.9)	(1,970.4)
Gross profit		**233.1**	187.6	433.0
Administrative expenses:				
Research and development expenditure		**(71.0)**	(69.8)	(155.4)
Other administrative expenses				
Before exceptional costs		**(65.4)**	(56.2)	(119.5)
Exceptional costs	4	**(1.3)**	(4.4)	(12.5)
Amortisation of other intangibles		**(22.4)**	(27.1)	(51.8)
Total administrative expenses		**(160.1)**	(157.5)	(339.2)
Operating profit		**73.0**	30.1	93.8
Finance income – interest receivable		**0.3**	0.1	0.5
Finance expenses – interest payable		**(4.7)**	(8.8)	(14.2)
Profit before tax		**68.6**	21.4	80.1
Tax charge	3	**(17.9)**	(6.1)	(21.7)
Profit after tax	2	**50.7**	15.3	58.4
Attributable to:				
Equity holders of the Company		**50.7**	15.3	58.4
Basic earnings per ordinary share (cents)		**16.4**	5.1	19.4
Diluted earnings per ordinary share (cents)		**15.6**	4.9	18.5

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Condensed Consolidated Interim Statement of Comprehensive Income for the six months ended 30 June 2013

	Unaudited 6 months ended 30 June 2013 $m	Unaudited 6 months ended 30 June 2012 $m	Audited Year ended 31 December 2012 $m
Profit for the period	**50.7**	15.3	58.4
Other comprehensive income:			
Items that are or may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations	**(8.9)**	(10.1)	(2.7)
Net change in fair value of cash flow hedges transferred to profit or loss gross of tax	**(3.1)**	(4.9)	(11.2)
Deferred tax adjustment on above	**0.8**	1.4	3.0
Effective portion of changes in fair value of cash flow hedges gross of tax	**2.6**	4.7	4.9
Deferred tax adjustment on above	**(0.6)**	(1.3)	(1.3)
Other comprehensive income for the period, net of tax	**(9.2)**	(10.2)	(7.3)
Total comprehensive income for the period	**41.5**	5.1	51.1
Attributable to:			
Equity holders of the Company	**41.5**	5.1	51.1

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Condensed Consolidated Interim Balance Sheet
at 30 June 2013

	Notes	**Unaudited 30 June 2013 $m**	Unaudited 30 June 2012 $m	Audited 31 December 2012 $m
ASSETS				
Non-Current Assets				
Property, plant and equipment		**62.9**	58.7	62.8
Intangible assets – goodwill		**335.4**	331.3	337.9
Intangible assets – other intangibles		**143.4**	191.2	166.2
Intangible assets – development expenditure		**53.5**	61.1	56.3
Deferred tax assets		**26.0**	56.2	37.4
Total Non-Current Assets		**621.2**	698.5	660.6
Current Assets				
Inventories	6	**188.3**	160.5	182.1
Trade and other receivables	7	**485.7**	414.7	558.7
Cash and cash equivalents		**83.3**	78.4	74.7
Current tax assets		**11.6**	-	12.0
Total Current Assets		**768.9**	653.6	827.5
Total Assets		**1,390.1**	1,352.1	1,488.1
EQUITY				
Issued capital		**28.9**	28.4	28.7
Share premium		**82.9**	73.8	79.0
Merger reserve		**109.9**	109.9	109.9
Hedging reserve		**(2.0)**	2.8	(1.7)
Translation reserve		**(63.7)**	(62.2)	(54.8)
Retained earnings		**353.5**	262.4	299.0
Total Equity		**509.5**	415.1	460.1
LIABILITIES				
Non-Current Liabilities				
Deferred tax liabilities		**64.2**	86.0	70.3
Provisions	10	**53.0**	47.0	51.5
Borrowings	11	**-**	111.5	74.7
Total Non-Current Liabilities		**117.2**	244.5	196.5
Current Liabilities				
Trade and other payables	8	**582.7**	454.9	631.8
Current tax liabilities		**10.0**	4.4	10.7
Provisions	10	**19.2**	23.0	25.7
Borrowings	11	**151.5**	210.2	163.3
Total Current Liabilities		**763.4**	692.5	831.5
Total Liabilities		**880.6**	937.0	1,028.0
Total Equity and Liabilities		**1,390.1**	1,352.1	1,488.1

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Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

	Share capital $m	Share premium $m	Merger reserve $m	Hedging Reserve $m	Translation reserve $m	Retained earnings $m	Total equity $m
Balance at January 2012	**28.3**	**73.1**	**109.9**	**2.9**	**(52.1)**	**245.0**	**407.1**
Profit for the period	-	-	-	-	-	15.3	15.3
Other comprehensive income	-	-	-	(0.1)	(10.1)	-	(10.2)
Total comprehensive income for the period ended June 2012	**-**	**-**	**-**	**(0.1)**	**(10.1)**	**15.3**	**5.1**
Transactions with owners:							
Deferred tax on share options	-	-	-	-	-	(0.7)	(0.7)
Employee share incentive charges	-	-	-	-	-	2.8	2.8
Issue of shares	0.1	0.7	-	-	-	-	0.8
Balance at June 2012	**28.4**	**73.8**	**109.9**	**2.8**	**(62.2)**	**262.4**	**415.1**
Profit for the period	-	-	-	-	-	43.1	43.1
Other comprehensive income	-	-	-	(4.5)	7.4	-	2.9
Total comprehensive income for the period ended December 2012	**-**	**-**	**-**	**(4.5)**	**7.4**	**43.1**	**46.0**
Transactions with owners:							
Deferred tax on share options	-	-	-	-	-	0.7	0.7
Dividends to equity shareholders	-	-	-	-	-	(12.3)	(12.3)
Employee share incentive charges	-	-	-	-	-	5.1	5.1
Issue of shares	0.3	5.2	-	-	-	-	5.5
Balance at December 2012	**28.7**	**79.0**	**109.9**	**(1.7)**	**(54.8)**	**299.0**	**460.1**
Profit for the period	-	-	-	-	-	50.7	50.7
Other comprehensive income	-	-	-	(0.3)	(8.9)	-	(9.2)
Total comprehensive income for the period ended June 2013	**-**	**-**	**-**	**(0.3)**	**(8.9)**	**50.7**	**41.5**
Transactions with owners:							
Employee share incentive charges	-	-	-	-	-	3.8	3.8
Issue of shares	0.2	3.9	-	-	-	-	4.1
Balance at June 2013	**28.9**	**82.9**	**109.9**	**(2.0)**	**(63.7)**	**353.5**	**509.5**

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Condensed Consolidated Interim Cash Flow Statement
for the six months ended 30 June 2013

	Unaudited 6 months ended 30 June 2013 $m	Unaudited 6 months ended 30 June 2012 $m	Audited Year ended 31 December 2012 $m
Cash flows from operating activities			
Profit before tax	**68.6**	21.4	80.1
Adjustments for:			
Share based payments charge	**3.8**	2.8	7.9
Depreciation of property, plant and equipment	**12.2**	14.0	21.0
Amortisation of development expenditure	**24.7**	21.8	54.3
Amortisation of other intangibles	**22.4**	27.1	51.8
Net finance expense	**4.4**	8.7	13.7
Movement in trade and other receivables	**72.4**	(15.0)	(162.3)
Movement in trade and other payables	**(49.0)**	79.1	258.5
Movement in inventories	**(6.4)**	(11.5)	(33.0)
Movement in provisions	**(5.0)**	(1.7)	5.6
Cash generated from operations	**148.1**	146.7	297.6
Interest paid	**(4.4)**	(7.3)	(11.6)
Tax paid	**(13.0)**	(5.7)	(23.8)
Net cash generated from operating activities	**130.7**	133.7	262.2
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	**-**	(15.7)	(15.7)
Purchase of property, plant and equipment	**(14.4)**	(9.8)	(22.6)
Development expenditure	**(24.6)**	(29.4)	(57.4)
Interest received	**0.3**	0.1	0.5
Net cash used in investing activities	**(38.7)**	(54.8)	(95.2)
Cash flows from financing activities			
Repayment of long-term debt	**(87.5)**	(50.0)	(135.0)
Proceeds from issue of share capital	**4.1**	0.8	6.3
Dividend paid	**-**	-	(12.3)
Net cash used in financing activities	**(83.4)**	(49.2)	(141.0)
Net change in cash and cash equivalents	**8.6**	29.7	26.0
Cash and cash equivalents at the start of the period	**74.7**	48.7	48.7
Cash and cash equivalents at the end of the period	**83.3**	78.4	74.7

The notes on the following pages are an integral part of the condensed consolidated interim financial statements.

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Notes to the Condensed Consolidated Interim Financial Statements
for the six months ended 30 June 2013

1. BASIS OF PREPARATION AND GENERAL INFORMATION

General information

Pace plc (the 'Company') is a limited liability company incorporated and domiciled in the UK. The address of its registered office is Victoria Road, Saltaire, BD18 3LF.

The Company is listed on the London Stock Exchange.

The condensed consolidated interim financial statements for the six months ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the 'Group').

Basis of preparation

This consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting', as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRSs as adopted by the European Union.

The consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 December 2012 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The Board's assessment of the Group's ability to continue as a going concern has taken into account the effect of the current economic climate, current market position and the level of borrowings in the year. The principal risks that the Group is challenged with, and which have not changed at 30 June 2013, were set out in the Risks and Uncertainties section of the 2012 Annual Report along with how the directors intend to mitigate those risks.

The Board has prepared a financial and working capital forecast upon trading assumptions and other medium term plans and has concluded that the Group will continue to meet its financial performance covenants and will have adequate working capital available to continue in operational existence for the foreseeable future.

This consolidated interim financial information has been reviewed, not audited. The auditors review report for the six month period ended 30 June 2013 is set out on page 24.

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Significant judgements, key assumptions and estimation uncertainty

The preparation of interim statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Key sources of estimation uncertainty and critical accounting judgements are as follows:

Warranties
Pace provides product warranties for its products. Although it is difficult to make accurate predictions of potential failure rates or the possibility of an epidemic failure, as a warranty estimate must be calculated at the outset of a product before field deployment data is available, these estimates improve during the lifetime of the product in the field.

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities. The level of warranty provision required is reviewed on a product by product basis and provisions adjusted accordingly in the light of actual performance.

Royalties
Pace's products incorporate third party technology, usually under licence. Inadvertent actions may expose Pace to the risk of infringing third party intellectual property rights. Potential claims can still be submitted many years after a product has been deployed. Any such claims are always vigorously defended.

A provision for royalties is recognised where the owners of patents covering technology allegedly used by the Group have indicated claims for royalties relating to the Group's use (including past usage) of that technology. Having taken legal advice, the Board considers that there are defences available that should mitigate the amounts being sought. The Group will vigorously negotiate or defend all claims but, in the absence of agreement, the amounts provided may prove to be different from the amounts at which the potential liabilities are finally settled. The provision is based on the latest information available.

Operating segments
The Board has determined that, based on its current internal reporting framework and management structure, it has two reportable segments. Such determination is necessarily judgmental in its nature and has been determined for the preparation of the Half Year Financial Information. The level of disclosure of segmental and other information is determined by such assessment.

Intangible assets
The Group business includes a significant element of research and development activity. Under accounting standards, principally IAS 38 "Intangible Assets", there is a requirement to capitalise and amortise development expenditure to match costs to expected benefits from projects deemed to be commercially viable. The application of this policy involves the ongoing consideration by management of the forecasted economic benefit from such projects compared to the level of capitalised costs, together with the selection of amortisation periods appropriate to the life of the associated revenues from the product.

Such considerations made by management are a key judgement in preparation of the financial statements.

Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the weighted average tax rate based on the tax rates expected to be applicable to expected annual earnings.

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Changes in accounting policies

The Group has adopted the following new standard with a date of initial application of 1 January 2013:

IFRS 13 "Fair Value Measurement" – IFRS 13 replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 "Financial Instruments: Disclosures". By adopting the standard, the Group has included additional disclosure requirements for financial instruments.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively.

The following new IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 have been adopted but are not considered to have a material impact on the Group:

- IFRS 10 "Consolidated Financial Statements (2011)"
- IFRS 11 "Joint Arrangements"
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
- IAS 19 "Employee Benefits (2011)"
- Annual Improvements to IFRS 2009-2011 Cycle

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2. SEGMENTAL REPORTING

In accordance with IFRS 8 "Operating Segments", the chief operating decision-maker ("CODM") has been identified as the Board which reviews internal monthly management reports, budget and forecast information to evaluate the performance of the business and make decisions.

The Group determines operating segments on the basis of SBU areas, being the basis on which the Group manages its worldwide interests.

The Group has the following reportable segments:
- Pace Americas
- Pace International
- Other

Other amounts include central and unallocated revenue, costs and other immaterial SBUs, which are operating segments that are allowed to be aggregated under IFRS 8.

Reconciliations between Pace Americas and Pace International and the geographical revenue disclosure given are not possible, due to the different revenue streams which sit under each reportable segment.

Performance is measured based on segmental adjusted EBITA, as included in the internal management information which is reviewed by the CODM. Adjusted EBITA is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments, relative to other entities that operate within these industries.

Revenues disclosed below materially represent revenues to external customers and where appropriate, pricing is determined on an arm's length basis. There are no material inter-segment transactions.

6 months ended 30 June 2013	**Pace Americas $m**	**Pace International $m**	**Other $m**	**Total $m**
Segmental income statement				
Revenues	908.3	405.7	4.4	1,318.4
Adjusted EBITA	84.4	39.5	(27.2)	96.7
Exceptional items				(1.3)
Amortisation of other intangibles				(22.4)
Interest				(4.4)
Tax				(17.9)
Profit for the period				50.7

6 months ended 30 June 2012	**Pace Americas $m**	**Pace International $m**	**Other $m**	**Total $m**
Segmental income statement				
Revenues	567.9	435.0	3.6	1,006.5
Adjusted EBITA	62.3	27.5	(28.2)	61.6
Exceptional items				(4.4)
Amortisation of other intangibles				(27.1)
Interest				(8.7)
Tax				(6.1)
Profit for the period				15.3

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Year ended 31 December 2012	**Pace Americas $m**	**Pace International $m**	**Other $m**	**Total $m**
Segmental income statement				
Revenues	1,441.9	953.6	7.9	2,403.4
Adjusted EBITA	144.0	72.3	(58.2)	158.1
Exceptional items				(12.5)
Amortisation of other intangibles				(51.8)
Interest				(13.7)
Tax				(21.7)
Profit for the period				58.4

Geographical analysis
In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers

Revenue by destination	**6 months ended 30 June 2013 $m**	6 months ended 30 June 2012 $m	Year ended 31 December 2012 $m
Europe	**158.8**	189.5	402.4
North America	**839.0**	517.6	1,317.6
Latin America	**199.2**	160.4	374.4
Rest of World	**121.4**	139.0	309.0
	1,318.4	1,006.5	2,403.4

The Group has three main revenue streams, being STBs and Media Servers, Gateways, and Software and Services. These revenue streams arise in each operating segment and are not defined by geographical locations.

The following table provides an analysis of the Group's revenue streams according to those classifications.

	6 months ended 30 June 2013 $m	6 months ended 30 June 2012 $m	Year ended 31 December 2012 $m
STBs & Media Servers	**1,074.6**	708.0	1,826.0
Gateways	**190.3**	247.2	469.4
Software & Services	**53.5**	51.3	108.0
	1,318.4	1,006.5	2,403.4

3. TAX CHARGE

	6 months ended 30 June 2013 $m	6 months ended 30 June 2012 $m	Year ended 31 December 2012 $m
Total current tax charge	**(12.5)**	(3.4)	(17.3)
Total deferred tax charge	**(5.4)**	(2.7)	(4.4)
Tax charge	**(17.9)**	(6.1)	(21.7)

The tax charge is recognised using the best estimate of the weighted average annual effective tax rate expected for the full financial year. The estimated average annual tax rate used for the year ending 31 December 2013 is 26.1%.

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4. EXCEPTIONAL ITEMS

	6 months ended 30 June 2013 $m	6 months ended 30 June 2012 $m	Year ended 31 December 2012 $m
Restructuring and reorganisation costs	**1.3**	3.0	7.6
Directors' loss of office	**-**	1.4	1.4
Aborted acquisition costs	**-**	-	3.5
	1.3	4.4	12.5

Restructuring and reorganisation costs in the current period relate to restructuring programmes within the Group, and represents the costs of redundancy and associated professional fees.

5. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share have been calculated by using profit after taxation, and the average number of qualifying ordinary shares in issue of 308,360,691 (30 June 2012: 297,293,987).

Diluted earnings per ordinary share vary from basic earnings per ordinary share due to the effect of the notional exercise of outstanding share options. The diluted earnings are the same as basic earnings. The diluted number of qualifying ordinary shares was 324,772,017 (30 June 2012: 309,853,496).

To better reflect underlying performance, adjusted earnings per share is also calculated (adjusting profit after tax to remove amortisation of other intangibles and exceptional items, post tax) as below:

	6 months ended 30 June 2013	6 months ended 30 June 2012	Year ended 31 December 2012
Adjusted basic earnings per ordinary share (cents)	**22.1**	12.8	35.1
Adjusted diluted earnings per ordinary share (cents)	**21.0**	12.2	33.4

6. INVENTORY

	As at 30 June 2013 $m	As at 30 June 2012 $m	As at 31 December 2012 $m
Raw materials and consumable stores	**21.2**	30.8	22.8
Finished goods	**167.1**	129.7	159.3
	188.3	160.5	182.1

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7. TRADE AND OTHER RECEIVABLES

	As at 30 June 2013 $m	As at 30 June 2012 $m	As at 31 December 2012 $m
Trade receivables	**453.1**	381.5	514.1
Other receivables	**23.1**	25.2	35.2
Prepayments and accrued income	**9.5**	8.0	9.4
	485.7	414.7	558.7

8. TRADE AND OTHER PAYABLES

	As at 30 June 2013 $m	As at 30 June 2012 $m	As at 31 December 2012 $m
Trade payables	**515.1**	387.0	547.3
Social security and other taxes	**2.3**	4.0	2.4
Other payables	**11.0**	16.6	16.4
Accruals	**54.3**	47.3	65.7
	582.7	454.9	631.8

9. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Group's financial instruments qualify for hedge accounting and have a fair value at the balance sheet date of $(1.2)m (31 December 2012: $(1.3)m). They are disclosed within trade and other receivables/trade and other payables. The carrying value is equivalent to the fair value.

The Group's financial instruments, namely forward exchange contracts, have been determined to represent Level 2 instruments (appropriate where Level 1 quoted prices are not available but fair value is based on observable market data). Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate. There were no transfers between levels during the period.

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10. PROVISIONS

	Royalties under negotiation $m	Warranties $m	Other $m	Total $m
At 31 December 2012	27.5	40.0	9.7	77.2
Charge for the period	6.3	15.3	0.4	22.0
Utilised	(1.5)	(16.7)	(6.0)	(24.2)
Transfer	-	(1.4)	-	(1.4)
Exchange adjustments	-	(1.4)	-	(1.4)
At 30 June 2013	**32.3**	**35.8**	**4.1**	**72.2**
Due within one year	-	18.2	1.0	19.2
Due after more than one year	32.3	17.6	3.1	53.0

Other provisions relate to retirement and exceptional restructuring provisions within Pace France.

11. BORROWINGS

The carrying value of the period end borrowings position is as follows:

	As at 30 June 2013 $m	As at 30 June 2012 $m	As at 31 December 2012 $m
Non-current liabilities			
Bank term loans	**-**	111.5	74.7
Total	**-**	111.5	74.7
Current liabilities			
Bank term loans	**111.5**	72.7	73.2
Bank revolving credit facility	**40.0**	137.5	90.1
Total	**151.5**	210.2	163.3

The face value of the borrowings is $Nil (31 December 2012: $75m) in respect of bank term loans within non-current liabilities, $112.5m (31 December 2012: $75m) in respect of bank terms loans within current liabilities and $40.0m (31 December 2012: $90.1m) in respect of bank revolving credit facility.

The difference between the face value amounts and the amounts in the above table is $Nil (31 December 2012: $0.3m) in non-current liabilities and $1.0m (31 December 2012: $1.8m) in current liabilities which represents facility arrangement fees and interest costs.

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INDEPENDENT REVIEW REPORT TO PACE PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 which comprises the Condensed Consolidated Interim Income Statement, the Condensed Consolidated Interim Statement of Comprehensive Income, the Condensed Consolidated Interim Balance Sheet, the Condensed Consolidated Interim Statement of Changes in Shareholder's Equity, the Condensed Consolidated Interim Cash Flow Statement and the related explanatory 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 in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

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 DTR of the UK FCA. As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

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 UK. 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 June 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Mike Barradell
For and on behalf of KPMG Audit plc
Chartered Accountants
1 The Embankment
Neville Street
Leeds, LS1 4DW
30 July 2013