Leeds Building Society

10th August 2010

For immediate release

Leeds Building Society delivers 10% increase in pre-tax profit

Unaudited interim results for six months to 30 June 2010

Leeds Building Society, the UK's fifth largest building society, today announced strong half year results despite the challenging economic climate.

Business Highlights:

- Pre-tax profit increased in the first half of 2010 by 10% to £18m (£16.3m, 30 June 2009).
- Savings balances rose by £254m (£66m, 30 June 2009), to a record level of £7bn.
- 34,000 new members attracted (32,000, 30 June 2009) taking total membership to a record level of over 688,000.
- Efficiency remains strong:
  - Cost asset ratio of 45p per £100 of assets.
  - Cost income ratio of 35%, down from 36% at the end of 2009, which was the lowest of any major society.
- Capital and reserves remain strong at £515m even after the buy back of £39m of subordinated debt.
- Wholesale funding ratio reduced to 20% compared to 23% as at 31 December 2009.

Chief Executive, Ian Ward, said "Leeds Building Society has achieved a strong financial performance for the first half of the year. Our highly efficient, successful, sustainable business model continues to deliver good results, with pre-tax profit increasing by 10%, to £18m, compared to the same period last year.

"Total membership increased to almost 690,000 and our savings balances rose by £254m. This half year performance was £177m above our natural building society market share.

"Throughout the first half of 2010, we offered a wide range of mortgage products, with new lending totalling £400m, enabling many people to remortgage or buy their first home. All of the Society's residential mortgage lending is funded entirely by retail savings and we are targeting £1bn of new lending this year.

"Efficiency remains a cornerstone of our success and this is highlighted by our excellent cost ratios. Our cost income and cost asset ratios remained very strong at just 35% and 45p per £100 of assets. These are very favourable compared to the average of the major building societies, which were 86% and 83p respectively, at the end of 2009.

"Strong profitability and high levels of capital enabled the Society to repay £39m of its subordinated debt. Our capital and reserves remain very strong at £515m (£543m 31 December 2009) and our regulatory capital is in excess of regulatory requirements.

"As we move into a period of austerity following the worst recession for over 60 years, there are inevitably a very small number of borrowers experiencing difficulties meeting their mortgage repayments and we continued to work with these customers through this period. Our residential arrears (2.5% or more of outstanding mortgage balances) have increased slightly to 2.32%.

"Despite this, the charge for impairment losses and provisions for commercial and residential property reduced to £24m in the first half of 2010 (£26.6m, 30 June 2009) and pre-tax profit increased to £18m (£16.3m, 30 June 2009). Total balance sheet provisions increased to £77.1m at 30 June 2010 from £59.1m at 31 December 2009.

"Leeds Building Society maintained its strong long term deposit 'A' credit ratings, with both Fitch and Moody's, despite the very challenging economic environment. In February 2010, Fitch said "The ratings of Leeds Building Society reflect its good earnings capacity, excellent cost efficiency and strong capital position". In July 2010, Moody's noted the Society's key strengths as strong efficiency ratios, strong capital and strong management of margin in a low base rate environment.

"Our business model remains robust and successful as we continue to focus on efficiency, a prudent approach to lending, maintaining very strong levels of capital and high credit ratings. This, combined with delivering good value for money products backed up by excellent service to our members, means that we are in a very good position to deal with the challenging economic outlook for the remainder of 2010 and beyond."

ENDS

Note to Editors

A copy of the Society's Business Review and results for the 6 month period ending 30 June 2010 is attached.

The Society's press office would be happy to arrange interviews with the Society's Chief Executive, Ian Ward.

For further information please contact: Gary Brook (Head of Corporate Communication) on 0113 225 7606 or 07866 455111 (out of office hours) gbrook@leedsbuildingsociety.co.uk

Half-yearly financial report for the period ending 30 June 2010

Business Review

The Society has delivered a robust performance in the first half of 2010, despite the difficult trading conditions and economic uncertainties we predicted. Unemployment rose earlier in the year, but the impact of this has been less severe than some commentators speculated with interest rates remaining at historic low levels.

Competition for retail savings has remained challenging as the availability of wholesale funding at an acceptable cost has continued to be subdued, and the overall size of the retail savings market has reduced. Against this background, the Society has grown its savings balances by £254m. This half year performance was £177m above our natural building society market share and total membership increased to almost 690,000. Over 94% of customers independently surveyed were extremely satisfied with the service Leeds Building Society provides.

Furthermore, the level of wholesale funding has reduced from 23% at the end of last year to 20% at the end of June, 2010.

Our wide range of mortgage products has enabled many people to remortgage to us or to buy their own home with new lending totalling £400m in the first half of the year (£480m, 30 June, 2009).

Not surprisingly in this period of austerity, there has been a small increase in the number of borrowers experiencing difficulties in meeting their mortgage repayments and we continue to work with these customers through this period. Our residential arrears (2.5% or more of outstanding mortgage balances), have increased slightly to 2.32% from 2.11% at 30 June, 2009.

Despite this, the charge for impairment losses and provisions from commercial and residential loans reduced to £24m in the first half of 2010 (£26.6m, 30 June, 2009). During the period the opportunity has been taken to make an additional charge in order to provide in full for two non-performing loans where the Society had provided subordinated finance. Notwithstanding this action, the Society is pursuing options for recovery. This has resulted in a charge for the period of £13.6m, out of a total of £14.7m for commercial loans. The Society has only one further subordinated exposure which remains fully performing. Total balance sheet provisions increased to £77.1m at 30 June 2010 from £59.1m at 31 December 2009.

Even after these loan provisions have been made, the Society increased pre-tax profit by 10% to £18m (£16.3m, 30 June, 2009).

Strong profitability and high levels of capital enabled the Society to repay £39.1m of subordinated debt (nil, 30 June, 2009). Our capital and reserves remain very strong at £515m (£532m, 30 June, 2009) and our regulatory capital is in excess of regulatory requirements.

Strong cost control has been maintained, with a reduction in costs to £21.5m in H1 2010, compared with £22.2m in the same period last year. As a result, our efficiency ratios have remained very strong with the cost to income measure being 35% (down from 36% at 31 December 2009) and the cost asset measure being 45 pence per £100 of assets.

These robust results have helped the Society to maintain its strong long term deposit ‘A’ credit rating with Fitch and Moody’s. In February 2010, Fitch said “The ratings of Leeds Building Society reflect its good earnings capacity, excellent cost efficiency and strong capital position”. In July 2010, Moody’s noted the Society’s key strengths as strong efficiency ratios, strong capital and strong management of margin in a low base rate environment.

Principal risks and uncertainties

Principal Risks
The principal risks that arise from the Society’s operations are classified as credit, treasury, operational, strategic and external and these are common to most financial services firms in the UK. In order to ensure that the interests of members are adequately protected at all times, the Society has embedded a robust governance structure and risk management framework that are designed to identify, manage, monitor and control the major risks exposed in the delivery of the Society’s strategic objectives. Full details of the risks faced by the Society can be found on pages 8 and 9 of the 2009 Annual Report and Accounts.

Uncertainties
The principal uncertainties faced by the Society are associated with the outlook for financial markets and the UK economy as a whole. The economic conditions in the UK remain challenging, with the potential impact of the recent austerity measures introduced by the new Government, leading to further increases in unemployment. Although the low interest rate environment is good news for borrowers, it does put pressure on the interest margin of financial institutions.

Difficulties in the commercial property sector are also expected to continue and there is the likelihood that the improvement seen in the housing market in the first six months will not be sustained over the remainder of the year. The availability of long term funding is still restricted which is putting pressure on funding costs. Also, there will inevitably be more regulation and this will impact on the whole financial sector. It is, therefore, important that organisations are able to respond.

In addition to the challenging conditions in the UK, there are also uncertainties in respect of the economic outlook of a number of eurozone economies, which will directly or indirectly have an impact on the UK economy.

In response to these uncertainties, over the next six months, the Society will monitor market developments very closely and its highly efficient, successful, sustainable business model will continue to focus on the core strengths. These are cost control, prudent residential lending, growth of retail savings, maintaining very strong levels of capital with an appropriate volume of long term wholesale funding whilst maintaining sufficient levels of high quality liquidity. These will be supported by delivering good value for money products and excellent service to our members.

Forward looking statements

This half-yearly financial report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. Therefore actual results may differ materially from those expressed or implied by these forward-looking statements. The directors undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Responsibility statement

We 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’;

- the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties’ transactions and changes therein).

The directors are responsible for the maintenance and integrity of the corporate information included on the Society’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board by

Ian W. Ward Chief Executive	David Pickersgill Deputy Chief Executive and Finance Director

Condensed Consolidated Income Statements

	Notes	Unaudited Six months to 30 June 2010	Unaudited Six months to 30 June 2009	Audited Year to 31 December 2009*
		£M	£M	£M
Continuing operations				
Interest receivable and similar income		139.0	177.4	333.6
Interest payable and similar charges		(88.8)	(124.9)	(223.8)
Net interest receivable		50.2	52.5	109.8
Other income and charges		10.1	9.5	19.3
Fair value gain less losses from derivative financial instruments		0.5	0.6	(4.6)
Total income		60.8	62.6	124.5
Administrative expenses		(21.0)	(21.5)	(43.2)
Depreciation		(0.5)	(0.7)	(1.2)
Impairment losses on loans and advances to customers	5	(24.0)	(26.6)	(52.5)
Gains on securities available for sale	6	3.0	2.5	2.5
Provisions for liabilities and charges		(0.3)	-	1.6
Profit before tax		18.0	16.3	31.7
Tax expense		(5.0)	(4.8)	(9.1)
Profit for the period		13.0	11.5	22.6

Condensed Consolidated Statements of Comprehensive Income

	Unaudited 30 June 2010	Unaudited 30 June 2009	Audited 31 December 2009
	£M	£M	£M
Continuing operations			
Profit for the period	13.0	11.5	22.6
Other comprehensive income			
Available for sale investment securities			
Fair value changes taken to reserves	(0.3)	(4.3)	(3.0)
Amortisation/disposals post 1 July 2008	2.0	3.0	4.8
Cash flow hedges			
(Loss) taken to reserves	(1.6)	(2.8)	(7.7)
Actuarial loss on retirement benefit obligations	(3.0)	(3.7)	(1.1)
Tax relating to components of other comprehensive income	0.8	2.1	2.0
Other Comprehensive income net of tax	(2.1)	(5.7)	(5.0)
Total Comprehensive income for the period	10.9	5.8	17.6

Segmental information is shown in note 9.
The notes on pages 8 to 11 form an integral part of this condensed consolidated half-yearly financial information.
* See note 11 for details of a reclassification of interest receivable and similar income and interest payable and similar charges.

Condensed Consolidated Statements of Financial Position

		Unaudited	Unaudited	Audited
		30 June 2010	30 June 2009	31 December 2009
		£M	£M	£M
Assets				
Cash in hand and balances with the Bank of England		194.6	288.1	314.9
Loans and advances to credit institutions		96.4	119.6	227.8
Derivative financial instruments		132.3	133.7	142.1
Loans and advances to customers				
Loans fully secured on residential property		6,521.0	6,622.6	6,600.8
Other loans		727.9	768.6	732.8
Investment securities				
Available for sale		1,259.4	1,115.9	807.1
At fair value through profit and loss		-	43.7	-
Loans and receivables		474.9	632.6	566.6
Other investments		0.1	0.1	0.1
Property, plant and equipment		32.7	32.7	33.0
Investment properties		7.0	-	7.0
Deferred income tax assets		4.4	5.3	3.6
Other assets, prepayments and accrued income		114.5	99.7	109.3
Total assets		9,565.2	9,862.6	9,545.1
Liabilities				
Shares		7,034.1	6,621.5	6,780.0
Derivative financial instruments		152.0	147.3	142.2
Amounts owed to credit institutions		527.2	619.4	538.8
Amounts owed to other customers		669.8	901.8	709.5
Debt securities in issue		522.5	891.5	675.3
Current income tax liabilities		5.4	7.6	4.6
Deferred income tax liabilities		3.8	2.9	3.8
Other liabilities and charges		123.5	120.0	138.3
Provision for liabilities		6.9	11.5	6.5
Retirement benefit obligations		5.1	6.8	3.0
Subordinated liabilities	12	0.9	41.0	40.0
Subscribed capital		25.0	25.0	25.0
		9,076.2	9,396.3	9,067.0
Reserves				
Cashflow hedge reserve		0.2	4.8	1.4
Available for sale reserve		(8.8)	(12.3)	(10.0)
Revaluation reserve		16.9	16.9	16.9
Other reserve		14.3	14.3	14.3
General reserve		466.4	442.6	455.5
Total reserves and liabilities		9,565.2	9,862.6	9,545.1

The notes on pages 8 to 11 form an integral part of this condensed consolidated half-yearly financial information.

Condensed Consolidated Statements of Changes in Members' Interest

Unaudited
30 June 2010

	General Reserve £M	Available for Sale Reserve £M	Cash Flow Hedge Reserve £M	Revaluation Reserve £M	Other Reserve £M	Total Reserves £M
Balance at 1 January 2010	455.5	(10.0)	1.4	16.9	14.3	478.1
Comprehensive income for the period	10.9	1.2	(1.2)	-	-	10.9
Balance at 30 June 2010	466.4	(8.8)	0.2	16.9	14.3	489.0

Unaudited
30 June 2009

	General Reserve £M	Available for Sale Reserve £M	Cash Flow Hedge Reserve £M	Revaluation Reserve £M	Other Reserve £M	Total Reserves £M
Balance at 1 January 2009	433.7	(11.3)	6.9	16.9	14.3	460.5
Comprehensive income for the period	8.9	(1.0)	(2.1)	-	-	5.8
Balance at 30 June 2009	442.6	(12.3)	4.8	16.9	14.3	466.3

Audited
31 December 2009

	General Reserve £M	Available for Sale Reserve £M	Cash Flow Hedge Reserve £M	Revaluation Reserve £M	Other Reserve £M	Total Reserves £M
Balance at 1 January 2009	433.7	(11.3)	6.9	16.9	14.3	460.5
Comprehensive income for the year	21.8	1.3	(5.5)	-	-	17.6
Balance at 31 December 2009	455.5	(10.0)	1.4	16.9	14.3	478.1

The notes on pages 8 to 11 form an integral part of this condensed consolidated half-yearly financial information.

Condensed Consolidated Statements of Cash Flows

	Notes	Unaudited Six months to 30 June 2010 £M	Unaudited Six months to 30 June 2009 £M	Audited Year to 31 December 2009 £M
Profit before tax		18.0	16.3	31.7
Adjusted for changes in:				
Impairment provision		18.0	20.9	14.8
Provision for liabilities and charges		0.4	0.8	(4.2)
Depreciation and amortisation		0.5	0.7	1.2
Interest on subscribed capital		1.7	1.7	3.3
Interest on subordinated debt		0.5	1.1	2.3
Cash generated from operations		39.1	41.5	49.1
Changes in net operating assets and liabilities				
Loans and advances to customers		66.7	66.9	130.6
Derivative financial instruments		18.4	(20.2)	(37.1)
Loans and advances to credit institutions		(9.0)	9.5	14.3
Other operating assets		(5.2)	18.7	9.2
Shares		254.1	66.5	225.0
Deposits and securities		(202.9)	(259.5)	(746.3)
Taxation		(5.0)	2.8	(2.0)
Other operating liabilities		(12.9)	(15.3)	1.0
Net cash flows from operating activities		143.3	(89.1)	(356.2)
Returns from investments and servicing of finance		(6.0)	(16.5)	(6.8)
Purchase of securities		(2,118.7)	(2,302.1)	(4,099.0)
Proceeds from sale and redemption of securities		1,760.0	2,572.8	4,774.7
Purchase of property and equipment		(0.2)	-	(0.8)
Purchase of investment properties		-	-	(7.0)
Net cash flows from investing activities		(364.9)	254.2	661.1
Redemption of subordinated liabilities		(39.1)	-	-
Net cash flows from financing activities		(39.1)	-	-
Net (decrease)/increase in cash and cash equivalents		(260.7)	165.1	304.9
Cash and cash equivalents at beginning of the period		539.3	234.4	234.4
Cash and cash equivalents at end of the period	10	278.6	399.5	539.3

The notes on pages 8 to 11 form an integral part of this condensed consolidated half-yearly financial information.

Notes to the condensed consolidated financial statements

1. General Information
1.1 The half-yearly financial information set out above, which was approved by the Board of Directors on 9th August 2010, does not constitute statutory accounts within the meaning of the Building Societies Act 1986.
1.2 The financial information for the 12 months to 31 December 2009 has been extracted from the accounts for that year which have been filed with the Financial Services Authority and on which the auditors gave an unqualified opinion. The audit opinion for the 31 December 2009 annual statutory financial statements included no reference to any matter on which the auditor is required to report by exception.
1.3 The half-yearly information for the 6 months to 30 June 2010 and 30 June 2009 is unaudited.
1.4 Copies of the announcement will be available on the Society's website.

2. Basis of preparation
The condensed consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with International Accounting Standard (“IAS”) 34 ‘Interim Financial Reporting’, as adopted by the European Union.

3. Accounting policies
The same accounting policies and judgements are followed in this condensed set of financial statements as applied in the Group’s latest annual audited financial statements, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

4. Going Concern basis
The Directors have reviewed the plans and forecasts for the coming period including giving due consideration to the new political climate and consider that the Society has adequate liquidity to meet both normal demands of the business and the requirements which might arise in stressed circumstances. They also consider the Society is able to generate adequate profits to enhance its capital to improve its solvency in the future. Accordingly, the going concern basis has been adopted in the preparation of the half-yearly financial information.

5. Impairment losses on loans and advances to customers

	Unaudited Six months to 30 June 2010 £M	Unaudited Six months to 30 June 2009 £M	Audited Year to 31 December 2009 £M
Impairment charge for the period:			
Loans fully secured on residential property	8.7	8.1	12.2
Loans fully secured on land	14.7	18.5	40.3
Other loans	0.6	-	-
	24.0	26.6	52.5
Impairment provision at the end of the period:			
Loans fully secured on residential property	25.5	22.3	20.3
Loans fully secured on land	47.3	38.6	34.6
Other loans	4.3	4.2	4.2
	77.1	65.1	59.1

6. Gains on securities available for sale
The gain of £3m in the 6 months to 30 June 2010 reflects an improvement in the expected recovery rate on an investment security compared to the original provision (6 month ended 30 June 2009: £2.5m, 12 months ended 31 December 2009: £2.5m)

7. Related party transactions
The group had no material or unusual related party transactions in the 6 months ended 30 June 2010.

Notes to the condensed consolidated financial statements (continued)

8. Contingent Liabilities
There is no material change to the group's contingent liabilities reported in the 2009 Annual Report & Accounts.

9. Segmental information
Segment interest income and operating profit:

	Unaudited Six months to 30 June 2010	Unaudited Six months to 30 June 2009	Audited Year to 31 December 2009*
	£M	£M	£M
Interest receivable and similar income			
Interest receivable			
Residential loan portfolio	162.4	162.7	332.9
Commercial loan portfolio	12.9	16.5	31.2
Other	6.0	2.7	8.4
	181.3	181.9	372.5
Other interest income	10.3	25.4	44.8
Net expense on financial instruments	(52.6)	(29.9)	(83.7)
Total interest receivable and similar income	139.0	177.4	333.6
Operating profit and profit on ordinary activities before income tax			
Operating profit before impairment losses and provisions	39.3	40.4	80.1
Impairment losses and provisions on loans and advances			
Residential loan portfolio	(8.7)	(8.1)	(12.2)
Commercial loan portfolio	(14.7)	(18.5)	(40.3)
Other	(0.6)	-	-
Total impairment losses and provisions on loans and advances	(24.0)	(26.6)	(52.5)
Other gains/(losses)	3.0	2.5	2.5
Provision for liabilities and charges	(0.3)	-	1.6
Operating profit and profit on ordinary activities before income tax	18.0	16.3	31.7
Income tax	(5.0)	(4.8)	(9.1)
Profit for the financial period	13.0	11.5	22.6

* See note 11.

Notes to the condensed consolidated financial statements (continued)

9. Segmental information (continued)

Segment loans and advances to customers

	Unaudited Six months to 30 June 2010 £M	Unaudited Six months to 30 June 2009 £M	Audited Year to 31 December 2009 £M
Loans and advances to customers			
Residential loan portfolio	6,312.0	6,396.0	6,389.2
Commercial loan portfolio	577.1	620.0	579.5
Other	7.1	11.3	9.2
	6,896.2	7,027.3	6,977.9
At fair value through profit and loss	321.7	319.6	313.2
Less: impairment provisions			
Residential loan portfolio	(25.5)	(22.3)	(20.3)
Commercial loan portfolio	(47.3)	(38.6)	(34.6)
Other	(4.3)	(4.2)	(4.2)
	(77.1)	(65.1)	(59.1)
Fair value adjustment for hedged risk	108.1	109.4	101.6
Total loans and advances to customers	7,248.9	7,391.2	7,333.6

10. Cash and Cash Equivalents

	Unaudited Six months to 30 June 2010 £M	Unaudited Six months to 30 June 2009 £M	Audited Year to 31 December 2009 £M
Cash and balances with the Bank of England	194.6	288.1	314.9
Loans and advances to credit institutions repayable on demand	84.0	111.4	224.4
	278.6	399.5	539.3

Notes to the condensed consolidated financial statements (continued)

11. Reclassification of interest receivable and interest payable

Interest receivable and interest payable for the year ended 31 December 2009 has been re-classified so that the effect of hedging instruments as part of an effective hedge accounting relationship is presented with the hedged instrument. This re-classification has the effect of reducing both interest receivable and interest payable for the year ended 31 December 2009 by £121.8m but this has no effect on the net interest receivable for 2009.

12. Subordinated Liabilities

	Unaudited Six months to 30 June 2010	Unaudited Six months to 30 June 2009	Audited Year to 31 December 2009
	£M	£M	£M
Subordinated debt notes 2015	0.9	40.0	40.0
Fair value hedging adjustment	-	1.0	-
	0.9	41.0	40.0

On 8 January 2010 and 19 March 2010 the Society repurchased £0.5m and £38.6m respectively of its subordinated debt. The remaining subordinated debt has a fixed interest rate of 4.34%.The debt is subordinated to the claims of members and all other creditors.

Independent Review report

We have been engaged by the Leeds Building Society ("Society") to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the condensed consolidated income statement, the condensed consolidated statements of comprehensive income, the condensed consolidated statements of financial position, the condensed consolidated statements of changes in members interests, the condensed consolidated statements of cash flows and related notes 1 to 12. 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 Society in accordance with International Standard on Review Engagements 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Society those matters we are required to state to them in an independent 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 Society, for our review work, for this report, or for the conclusions 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 3, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly 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 Society 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 option.

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 2010 is not prepared, in all material respects, in accordance with the International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and
Statutory Auditors
Leeds, United Kingdom