

LETTER FROM THE CHAIRMAN OF THE AUDIT COMMITTEE



STEPHEN YOUNG
CHAIRMAN OF THE AUDIT COMMITTEE

Dear Shareholder,

I am pleased to present the report of the Audit Committee for the year to 31 December 2014.

The year started with the Committee completing the tendering process for the appointment of the Group's auditor. The final phase, which took place after last year's report was published, involved a presentation by each of the candidate firms to the Committee and executive management. Following this, based on the quality of the audit being offered, the Committee recommended to the Board that PricewaterhouseCoopers (PwC) be appointed. The Board accepted the recommendation and PwC were duly appointed auditor of the Group at the AGM in May 2014. The Committee welcomes PwC to the role and is looking forward to an effective and efficient relationship with them.

A number of high profile governance failures has directed attention towards the level of transparency and openness in companies. One element of establishing an effective culture in this area is a company's whistleblowing procedure and the Committee reviewed the Group's policy and procedure to ensure that it still accorded with best practice and was an effective channel for the raising of any issues. This resulted in an updating of the policy and the introduction of an independent helpline.

There continues to be considerable work by a number of institutions aimed at improving the value and perception of the annual audit. This led to the publication at the end of 2014 of a discussion paper by the Department for Business, Innovation and Skills (BIS) on the implementation of the new EU Audit Directive and Regulation. The Regulations impose new requirements on a number of matters including the composition of the Audit Committee and the use of auditors for non-audit work. The Committee will monitor the effect that these have on its form and procedures as it proceeds through the legislative process over the next year.

STEPHEN G. YOUNG
CHAIRMAN OF THE AUDIT COMMITTEE

26 FEBRUARY 2015