

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 2013.

One of the main changes made to the UK Corporate Governance Code in 2012 was the introduction of the requirement that the Group's report and accounts present a fair, understandable and balanced view of the business. The Board asked the Committee to advise on this aspect of the report and accounts and how this duty has been discharged is set out in the report of the Audit Committee on pages 113 and 114.

During the year there was increased scrutiny on the effect that the length of an Auditor's tenure might have on the independence of the Auditor and the quality of the audit. The Committee took this into account, together with the planned rotation of the Group's audit partner in 2014, when deciding that the 2014 year end audit should be put out to tender. The process was started in December 2013 and will be concluded in March 2014. The result, together with a resolution for the appointment of the new Auditor, will be set out in the Notice of Annual General Meeting.

The main agenda item for the four meetings that the Committee holds each year is to review the regular financial reports made to shareholders. Details of the further work carried out by the Committee are given in the report that follows. The Group's Finance Director is invited to all the meetings although time is also allocated for the Committee to meet the Auditor with no executive present. In addition, as Chairman of the Committee, I have separate meetings with the audit partner. Members of the Committee also meet with the external valuers twice a year to discuss the valuation of the Group's portfolio, which is the key judgement required in determining the accuracy of the financial statements.

STEPHEN G. YOUNG
CHAIRMAN OF THE AUDIT COMMITTEE

27 FEBRUARY 2014