

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 ended 31 December 2015.

One of the Committee's key roles is to provide the Board with assurance that the financial statements give a true and fair view of the Group's financial affairs. This requires the Committee to consider a range of matters which evolve as changes are made to the UK Corporate Governance Code or as best practice develops. This year has seen two additions to the requirements.

First, this year the Committee has been required to consider and conclude on the Group's disclosure regarding the monitoring of its risk management and internal controls system. This requirement originated from the 2014 update of the Code and necessitated the Group implementing a number of additional procedures. One of these was to identify a number of key risk indicators which will be regularly reported upon and facilitate better continuous monitoring of the operation of the key controls.

The second new requirement originated from the same review of the Code and was adopted early by the Group last year. This involved publishing a viability statement. In forming its advice to the Board on this statement, the Committee has again reviewed the assumptions underlying this statement but also took into account the comments made by external advisers on last year's disclosure.

Long standing items for the Committee to review are the significant issues and areas of judgement which have the potential to have a material impact on the financial statements. Details of the Committee's work in this area can be found on page 116.

Finally, following their appointment in 2014, PricewaterhouseCoopers have now completed two audits of the Group. The Committee has carried out its assessment of the effectiveness of the audit as required by provision C.3.8 of the Code and concluded that they have again delivered a focused, challenging and high quality audit. Based on this review and that of PwC's independence, the Committee has recommended to the Board that the external auditor is reappointed for the year ending 31 December 2016.

STEPHEN G. YOUNG
CHAIRMAN OF THE AUDIT COMMITTEE

25 FEBRUARY 2016