



Lloyds TSB Scotland

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PRIVATE & CONFIDENTIAL

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4th February 2003

Dear Mr Milne

I am replying to your further letter of 19th January 2003.

1. I understand that, at present, an investigation is underway into certain matters which have been raised by your line management. At this point in time, you are due to attend a further meeting on 13 February to discuss these issues. This meeting does not form part of the bank's formal disciplinary process, and no action will be considered until this fact-finding process is complete. Should disciplinary action be taken against any member of staff following the implementation of the formal disciplinary process, the right to appeal is built into the bank's policy to ensure any action taken is appropriate in the circumstances. I would therefore reiterate that it is inappropriate for me to become involved.
2. To re-emphasise my letter of 17th December 2002, you need to provide further evidence. In the first instance, you should comply with the LTSB internal procedures relating to "whistle blowing" and I understand that John Troon is the correct person to deal with this. I also understand that you have been in contact with him previously and already have his contact details.
3. PwC have advised Group Audit that in respect of both the specific points you raised and the more general concern that they have no evidence to support your claim.
4. I repeat that the issue you raise regarding the e-mail and internet access audit is to be followed up in a subsequent audit.
5. Concerning the "terrorist" issue, I understand you discussed this with line management who agreed that you should raise this personally with the authorities, if you wished. I further understand that is what you have done. John Troon has additionally offered his support to you, to assist in any liaison with the police. He is still prepared to do so, should you wish. Your actions, per se, in reporting this matter to the police will not form part of any disciplinary action against you should this, in fact, be progressed.
6. I am disappointed that you are dissatisfied with my earlier reply, but hope you will accept that, unless you come forward with further evidence there is little more we can do. In the meantime, I am satisfied that I and those involved have done all they can to act appropriately in response to the issues you have raised thus far.

Yours sincerely

Ewan Brown
Chairman
Lloyds TSB Group plc Audit Committee

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