

The Audit and Risk Committee, comprising only non-executive directors, normally meets at least three times a year for a detailed review of the group's accounts and its internal controls. The members of the Audit and Risk Committee are Messrs D C Lindsell (Chairman), J Darby, J R W Orange and M Romieu. Messrs S J Dobbie and R V Emerson retired from the Committee on 6 June 2008. The Company Secretary acts as secretary to the Committee. The Board considers Mr D C Lindsell and the other members of the Committee to have the relevant commercial, financial and accounting experience to assess effectively the complex financial reporting, risk and internal control issues relevant to the company. Messrs S C Lockett, A R C Durrant and N Hawkings normally attend, by invitation, all meetings of the Committee.

The Committee is authorised to engage the services of external advisers as they deem necessary in the furtherance of their duties at the company's expense. No external advisers materially assisted the Committee during the year.

Minutes of the meetings of the Committee are distributed to all Board members, all of whom are invited to attend meetings of the Committee (as observers) since the Board believes that the work of the Committee, particularly in the areas of risk management and internal control, is increasingly important for all Board members. The Committee is satisfied that it receives sufficient, reliable and timely information from management in order to enable it to fulfil its responsibilities.

The Audit and Risk Committee is mainly responsible for:

- monitoring the integrity of the financial statements of the company and formal announcements relating to the company's financial performance and reviewing any significant financial reporting judgements contained therein;
- reviewing the company's internal financial and operational control and risk management systems; full details of which are given in the Corporate Governance Report;
- reviewing accounting policies, accounting treatments and disclosures in financial statements to ensure clarity and completeness;
- overseeing the company's relationship with its external auditors, including making recommendations as to the appointment or reappointment of the external auditors, reviewing their terms of engagement and monitoring their independence; and
- reviewing the company's whistleblowing procedures and ensuring these are adequately published within the organisation, that the Committee Chairman is promptly informed of any issues, and that there are arrangements in place for the investigation of any alleged improprieties.

The Committee met twice in 2008 and has four meetings scheduled for 2009. The March meeting reviewed the full-year results and the annual corporate governance report for the previous calendar year, and the August meeting reviewed the results for the six-month period ending on 30 June. The issues which would normally have been covered in the January meeting had been dealt with in an ad hoc meeting in December 2007.

More specifically, the responsibilities of the Committee were discharged as follows:

- the Committee reviewed the risk management process designed to identify the key risks facing the group and how these risks were being managed. It also reviewed the effectiveness of the group's internal controls and disclosures made in the Annual Report and Financial Statements;
- the Committee reviewed the papers prepared by the external auditor for the 2007 year-end process, the 2008 interim review and the audit plans and strategy for the 2008 final audit. The fee proposals for the final audit and interim review were also reviewed and agreed;
- the Committee met with the Finance Director and external auditors as part of the interim and final financial statements approval process. The Committee considered assumptions about the future and other sources of estimation uncertainty, as well as the most appropriate treatment and disclosure of any new or judgemental matters that may have a significant effect on amounts in the financial statements; and
- the performance and effectiveness of the Committee was reviewed as part of the Board performance evaluation process. The Committee was considered to be operating effectively and in accordance with the Smith Committee guidance within the Combined Code. The Committee also reviewed and updated its terms of reference.

Internal audit

The Audit and Risk Committee also carried out its annual review into whether it is appropriate for the company to establish an internal audit function. The Committee places great emphasis on the importance of imbuing a culture of risk management and control at all operating levels in the business and is confident that this culture is in place. The Committee took account of the fact that the company obtains independent confirmation of its internal controls from a variety of sources; these include joint venture and government audits and the use of specific reviews using third-party specialists. The Committee also took account of the business controls reviews and risk management process, more fully described in the Corporate Governance Report. The Committee concluded that at this time there was no need for a dedicated internal audit resource but this will be kept under review.

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External auditor

Deloitte LLP (Deloitte) was appointed external auditor of the company in 2004. The Audit and Risk Committee monitor the external auditors' performance on an ongoing basis, including an assessment following the year-end results carried out by the Finance Director and other key members of the finance team.

The Audit and Risk Committee regularly reviews the issue of the independence of our external auditors, in light of the fact that they provide tax advice to the group. In all services tendered, the group aims to select the provider who is best placed to deliver the service in terms of quality and cost. The Committee does not believe that the provision of tax advice to the group by the external auditor creates a threat to the independence of the audit process. This is principally because neither the nature, nor the scale of the non-audit service could, or could be seen to, impair the objectivity of the external auditors' opinion on the financial statements.

Deloitte are required to confirm to the Committee that they have both the appropriate independence and objectivity to allow them to continue to serve the members of the company. The Committee also requires the external auditor to confirm that in providing non-audit services, it complies with Ethical Standards of the UK Auditing Practices Board. This confirmation was received for 2008.

The company will pay US\$0.7 million to Deloitte for audit services in 2008 (2007: US\$0.6 million), relating to the statutory audit of the company financial statements and the audit of group subsidiaries and associates pursuant to legislation.

The fees for the provision of other services to the company and its subsidiaries, which include advice on tax planning and accounting and regulatory matters were US\$1.1 million (2007: US\$1.1 million), giving a total fee to Deloitte of US\$1.8 million (2007: US\$1.7 million). Further details are provided in note 3 of the notes to the consolidated financial statements.

By order of the Board

D C Lindsell

Chairman of the Audit and Risk Committee

25 March 2009