

### Composition

The Committee presently comprises John Biles (Chairman), the Hon. James Bruce, Grey Denham and Andrew Osborne, all of whom are considered independent Non-Executive Directors pursuant to the Combined Code. Their biographical details are set out on page 37. There were no changes to the membership of the Audit Committee of Charter plc between 1 January and 22 October 2008 or to that of the Committee since 22 October 2008 when the Scheme became effective. The Company Secretary acts as secretary to the Committee. The Board, as part of the review of the effectiveness of the Board and its committees, has satisfied itself that the Hon. James Bruce, John Biles and Andrew Osborne all have recent and relevant financial experience, as required by the Combined Code.

### Role of the committee

The primary role of the Committee, which reports its findings to the Board, is to ensure the integrity of the financial reporting and audit processes, and the maintenance of a sound internal control and risk management system. In pursuing these objectives, the Committee:

- monitors the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- makes recommendations to the Board regarding the adoption of Annual and Interim Financial Reports;
- reviews the Company's internal financial controls and internal control and risk management systems;
- monitors and reviews the effectiveness of the Company's internal audit function;
- makes recommendations to the Board regarding the external Auditors and their terms of appointment;
- reviews and monitors the external Auditors' independence and objectivity and the effectiveness of the audit process;
- is responsible for developing and implementing a policy on the engagement of the external Auditors to supply non-audit services; and
- makes recommendations to the Board in relation to 'whistleblowing' policies and procedures.

In the performance of its duties, the Committee has independent access to the services of the internal audit function and to the external Auditors; and may obtain outside professional advice as necessary. Both the Head of Internal Audit and the external Auditors have direct access to the Chairman of the Committee outside formal Committee meetings. The Committee has written terms of reference that outline its authority and responsibilities. These are considered annually by the Committee and any proposed changes are referred to the Board for approval.

### Report on the Committee's activities in 2008

#### Meetings and attendance

The Committee met on four occasions in 2008, three as the Audit Committee of Charter plc prior to the Scheme becoming effective and once as the Audit Committee of the Company. Meetings of the Committee are timed to coincide with the financial and reporting cycles of the Company. Committee members' attendance at the meetings held during the year is set out in the table contained in the Corporate Governance Report on page 44. The Chairman, Chief Executive, Finance Director, representatives of the external Auditors, the Head of Internal Audit and senior financial executives from head office and the operations attended meetings by invitation for appropriate business. In addition, the members of the Committee met separately with the external Auditors and the Head of Internal Audit to discuss matters without the Executive Directors being present. During the year the Chairman of the Committee has had additional meetings with the Company's senior financial managers to review a range of financial matters, and has also met with external and internal Auditors prior to Committee meetings.

### Financial reporting

During 2008 the Committee reviewed a wide range of financial reporting and related matters, including the interim and annual financial statements prior to their submission to the Board. The Committee focused in particular on key accounting policies and practices adopted by the Company and its subsidiaries and significant areas of judgement that impacted reported results.

### External Auditors

The Committee is responsible for the development, implementation and monitoring of the Company's policies on external audit. The Committee has reviewed those services provided by the external Auditors throughout the year in accordance with the Company's policy on the provision of non-audit services by the external Auditors. This policy notes that such services are likely to fall within the following types: (a) financial statements and external reports, (b) acquisitions, (c) disposals, (d) taxation and (e) other services. It identifies three categories of non-audit services: permitted engagements that require no specific approval; permitted engagements requiring the approval of the Committee Chairman; and engagements that are not permitted. The total fees paid to the external Auditor were £5.8 million of which £3.0 million related to the audits of the parent company, consolidated accounts and subsidiary undertakings. Non-audit fees of £2.8 million included £1.6 million in relation to services rendered for the Scheme of Arrangement. The remaining non-audit fees of £1.2 million represent 21 per cent of the total fees paid to the external Auditor. In accordance with its remit, the Committee reviewed and adopted the external Auditors' plans for the audit of the Company's 2008 financial statements. In approving the terms of engagement for the audit, the Committee considered the proposed audit fee and associated expenses. The Committee performed a review of the effectiveness of the Company's external Auditors, and has recommended to the Board that PricewaterhouseCoopers LLP be re-appointed as the external Auditors of the Company. The Committee remains satisfied as to the independence of the external Auditors following a review at its meeting on 25 February 2009, and has received written confirmation from the external Auditors to this effect.

### Internal audit and monitoring of control issues

The Committee has reviewed the results of the audits undertaken by the internal audit function and considered the adequacy of management's response to the matters raised, including the implementation of recommendations made by the function. It also reviewed and approved the internal audit plan for the coming year and the level of resources allocated to the internal audit function. The review of the effectiveness of the internal audit function was based primarily on guidelines issued by the Institute of Internal Auditors. The Committee reviewed the reports from the internal audit function and the external Auditors on the Company's systems of internal control and reported to the Board on the results of these reviews. Further details of the Company's system of internal control and its policies and procedures can be found in the Corporate Governance Report on pages 44 to 47.

### Whistleblowing

The Company's whistleblowing policy was monitored by the Committee at its meetings following the Scheme and by the Audit Committee of Charter plc prior to this date. Issues raised through the Company's whistleblowing procedures during the year were considered and any follow-up actions taken as and when required.

On behalf of the Committee

#### John Biles

Chairman of the Audit Committee  
26 February 2009