

Composition

The Committee comprises John Biles (Chairman), Grey Denham, Andrew Osborne and Manfred Wennemer, who joined the Committee on his appointment to the Board on 26 March 2009. The Hon. James Bruce retired from the Committee on 29 April 2009. The members of the Committee are considered independent Non-Executive Directors pursuant to the Combined Code. Their biographical details are set out on pages 42 to 43 and their remuneration on pages 55 to 61. 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 both John Biles and Andrew Osborne have recent and relevant financial experience, as required by the Combined Code.

Role of the Committee

The Committee is a sub-committee of the Board, to whom it reports its findings, and its primary role 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 half yearly financial reports and the approval of any other formal announcements relating to the Company's financial performance;
- 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 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 and the terms of reference are available for download at www.charter.ie. 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 2009

Meetings and attendance

The Committee met on four occasions in 2009. 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 pages 49 to 52. The Chairman, Chief Executive, Finance Director, senior 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. The Chairman of the Committee reports to the subsequent meeting of the Board on the key issues covered by the Committee and the Board also receives copies of the minutes of each meeting. 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 the external and internal Auditors prior to Committee meetings.

Financial reporting

During 2009 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 and the assessment of 'going concern' and liquidity risk.

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 including litigation and taxation matters. In respect of the 2009 year-end review, the Committee has taken into account the key questions posed by the Financial Reporting Council in their paper 'Challenges for Audit Committees arising from current economic conditions' and satisfied itself that the Company has taken the appropriate actions and has adequate resources and systems in place to deal with current trading conditions.

External Auditors

The Committee annually performs a review of the effectiveness of the Company's external Auditors, and has recommended to the Board that PricewaterhouseCoopers LLP, who have been the Company's auditors for a number of years, 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 3 December 2009 and has received written confirmation from the external Auditors to this effect. The external Auditors are required to rotate the Group audit partner every five years and other key audit partners every seven years. There are no contractual obligations restricting the Company's choice of external auditor. In accordance with its remit, the Committee reviewed and adopted the external Auditors' plans for the audit of the Company's 2009 financial statements. In approving the terms of engagement for the audit, the Committee considered the proposed audit fee and associated expenses.

Audit Committee report

continued

The Committee is responsible for the development, implementation and monitoring of the Company's policies on external audit and the provision of some other appropriate services by the external Auditors. The Committee has reviewed those non-audit services provided by the external Auditors throughout the year in accordance with the Company's policy on the provision of other services by the external Auditors. This policy notes that such services are likely to fall within the following types:

- financial statements and external reports;
- acquisitions;
- disposals;
- taxation; and
- 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 Auditors were £3.8 million of which £3.2 million related to the statutory audits of the parent company, consolidated accounts, subsidiary undertakings and other assurance-related services. The non-audit fees of £0.6 million represent 16 per cent of the total fees paid to the external Auditor. Further details of the fees paid to the external Auditors of the Company can be found in note 4 to the financial statements on page 79.

Internal audit and monitoring of internal 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.

During 2009 internal audit also started tracking the status of work done throughout the Group in response to external Auditors' management letter recommendations.

The review of the effectiveness of the internal audit function was based primarily on guidelines issued by the Institute of Chartered Accountants in England and Wales. 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 49 to 52.

Whistleblowing

The Company's whistleblowing policy was monitored by the Committee at its meetings throughout the year. All issues raised through the Company's whistleblowing procedures during the year were considered and follow-up actions were taken as and when required. Most whistleblowing issues were subject to independent follow-up by internal audit, the exceptions mainly being human resources-related issues.

On behalf of the Committee

John Biles

Chairman of the Audit Committee
23 March 2010