

Corporate governance**Board performance****Achievements**

- **Audit Committee** New Chairman appointed and relevant financial experience of Committee strengthened.
- **Nominations Committee** New Senior Independent Director appointed.
- **Remuneration Committee** New Chairman appointed and comprehensive review of Executive Director remuneration undertaken.
- **Board Evaluation** Comprehensive Board performance review undertaken with support from external facilitator.

Looking ahead to 2008

- Supervise and guide the management of Tullow's first operated deepwater development project in Ghana.
- New non-executive Director to be appointed to replace Rohan Courtney who retired in December 2007.
- Seek shareholder approval to changes to long-term incentive arrangements to encourage long-term performance.
- Outcomes from 2007 Board performance review to be addressed.

The growth that Tullow has experienced, in recent years, allied to the extremely dynamic nature of the oil and gas exploration and production business, means that the Group has changed significantly over the period since I became Chairman in 2000. At that time, Tullow was an Irish registered company with 99 employees, producing 2,800 bopd and active in fewer than 10 countries worldwide. We had 5,000 shareholders and the total capital investment for the year was £16 million. The year-end oil price was \$22.75.

While the business has been transformed on a number of occasions since, the overall objective of the Board remains unchanged – this is to provide strategic leadership, guidance and perspective to the business on behalf of shareholders. In doing this, the Board must ensure that the risks and rewards of the business are properly managed through different phases of the industry cycle, assess the most appropriate balance between organic and acquisition-led growth and constantly evaluate and challenge strategy to ensure it remains appropriate and relevant to the Group's business as it becomes progressively larger and more complex.

In practice, this governance and stewardship obligation requires individual Directors and the Board to regularly evaluate our performance and identify areas where improvements can be made or new opportunities exist. It also requires Directors to maintain a high degree of awareness of the wider industry environment and the potential impact on Tullow of the actions of peers and competitors.

The majority of Tullow Board business is conducted through regular meetings (there were ten Board meetings during 2007) with other matters also dealt with by the Audit, Nominations and Remuneration Committees. In addition there is frequent dialogue between the Executive Directors and the non-executive Directors between meetings. The full Corporate Governance Statement on pages 50 to 56 presents a review

of how the Board and its Committees operate, the nature of the work they undertake and their responsibilities. Ahead of that, however, I would like to provide a more personal overview of activities during 2007.

Audit Committee

The increasing scale and complexity of Tullow's business, allied to the continual evolution of Accounting Standards and corporate reporting requirements means that an effective Audit Committee is an essential part of our corporate governance.

The Tullow Audit Committee has a wide-ranging role, and in addition to normal meetings with external auditors also reviews the Group's internal audit programme, risk management processes, internal control environment and whistle-blowing provisions. During 2008, the Committee will meet the Group's independent reserve auditors, the Group's Chief Information Officer, Head of Tax and Well Engineering Manager. The Audit Committee is now chaired by David Williams, who has over 30 years' financial experience, most recently as Finance Director of Bunzl plc from 1992 to 2006. David is also a member of a number of other audit committees and his skills and experience are already proving invaluable to the Committee and Executive of the business.

Nominations Committee

The role of the Nominations Committee is critical in ensuring that Tullow's Board composition and balance supports both our business ambitions and best practice in the area of corporate governance. Following the retirement of Rohan Courtney at the end of 2007, the Committee is currently active in seeking an additional non-executive Director. Steven McTiernan was appointed to the role of Senior Independent Director following Rohan's retirement.

Remuneration Committee

The principal objective of the Remuneration Committee is to develop and maintain a remuneration strategy that ensures Executive Directors and senior management are rewarded

Corporate governance committee structure



in a manner that is aligned with the long-term interests of shareholders. This requires the Committee to set base salaries at a competitive level, agree targets and objectives for annual bonus schemes and establish longer-term equity based incentive plans, which are designed to allow staff to share in the Group's ongoing growth. Typically, these schemes will have performance criteria based on Tullow's absolute performance and also relative performance against a group or index of peer companies active in similar regions or of equivalent scale to Tullow.

During 2007, the Committee undertook a review of the components of executive remuneration which is reported more fully in the Directors' Remuneration Report on pages 57 to 66. Linked to the review, shareholder approval is being sought at the AGM to changes to the Performance Share Plan. I believe the overall changes to Tullow's executive remuneration arrangements will ensure that we assess our results and performance against the most appropriate comparators, and that the Executive Directors and senior management will continue to be properly motivated and aligned with shareholders' interests.

The Remuneration Committee is now chaired by Clare Spottiswoode.

Board performance and development

One of the most important roles of any Board is to provide strategic guidance and perspective over and above the day to day operations of the business. As Tullow has grown, the role and composition of our Board has changed significantly with both new Executive and non-executive appointments. During 2007, the annual Board performance review was conducted with the assistance of PricewaterhouseCoopers LLP. The objective of the review, as well as evaluating Board and individual performance, was to help the Board to set its own objectives and strategy for the future. These range from simple procedural and logistical objectives to longer-term themes such as succession planning, ongoing professional

development for Directors and key feedback points for individual Directors to enhance the overall function of the Board. Personally, I felt the process was immensely helpful in assisting the Board to reflect on the very positive changes in the Group over recent years and prepare for future opportunities and challenges that our business will face.

Planning for the future

We are committed as a Board to maintaining an open and transparent relationship with shareholders through our Annual Report, website, market announcements, Investor Relations programme and Annual General Meeting. We always welcome shareholder feedback and if you have any comments or observations about this report or our business in general, I would urge you to contact me by email at: chairman@tullowoil.com or in person at our AGM on 14 May 2008.

Pat Plunkett
Chairman

Corporate governance continued

The Tullow Board recognises the importance of good corporate governance and is committed to business integrity and high ethical values across the Group's activities, which it views as an integral part of managing the Group's business.

Compliance with the Combined Code on Corporate Governance (the Code)

The Board recognises that it is accountable to shareholders for the Group's standard of governance and this report, together with the Directors' Remuneration Report, aims to demonstrate how the principles of good governance promoted by the Code have been and will continue to be applied across the Group.

This report explains how the Company has applied the principles set out in Section 1 of the Code. It also discloses the extent to which the Company has complied with the detailed provisions of the Code.

The Board considers that the Company has complied with the provisions of the Code throughout the year under review (and subsequently up to the date of this report) with the following two exceptions:

- Independent non-executive Directors did not comprise at least half the Board throughout the year as recommended by the Code. Whilst the Board considers its current composition to be appropriate and effective at the present time, it continues to keep this Code provision under regular review through its Nominations Committee.
- Throughout 2007, Pat Plunkett, the Company Chairman, was a member and the Chairman of the Remuneration Committee. He had held the role of Chairman of the Committee since 2000 providing continuity during the period of major growth enjoyed by the Company. However, mindful of the Combined Code provision that the Company Chairman should not chair the Remuneration Committee, the Board approved the appointment of Clare Spottiswoode as Committee Chairman in his place with effect from 1 January 2008. Pat Plunkett remains a Committee member. Following this change, the composition of the Remuneration Committee now complies with the Code.

Board and Committee structure

To support the principles of good corporate governance, the Board and its Committees operate as described below.

Board of Directors**Role of the Board**

The Board sets the Group's strategic aims, ensuring that the necessary resources are in place to achieve those aims, and reviews management and financial performance. It is accountable to shareholders for the creation and delivery of strong, sustainable financial performance and long-term shareholder value. To achieve this, the Board directs and monitors the Group's affairs within a framework of controls which enable risk to be assessed and managed effectively through clear procedures, lines of responsibility and delegated authorities. The Board also has responsibility for setting the Group's core values and standards of business conduct and for ensuring that these, together with the Group's obligations to its stakeholders, are widely understood throughout the Group.

Composition

The Board currently comprises a non-executive Chairman, six Executive Directors and four independent non-executive Directors. Each of the Executive Directors has extensive knowledge of the oil and gas industry. Together, the non-executive Directors bring a broad range of business and commercial experience to the Board, with three of the four non-executive Directors either currently holding or having previously held appointments in oil and gas companies or companies with energy interests. Biographical details of the Board members including details of any other major directorships held are set out on pages 46 and 47.

Following the announcement in October 2007 that Rohan Courtney was to step down from the Board at the end of 2007, the Nominations Committee commenced a search for an additional non-executive Director to replace Mr Courtney. This is more fully reported in the Nominations Committee section later in this report.

Chairman and Chief Executive

There is a clear separation of the roles of the Chairman, Pat Plunkett, and the Chief Executive, Aidan Heavey, to ensure an appropriate balance of responsibility and accountability. The division of responsibilities is clearly established and has been set out in writing and agreed by the Board.

The Chairman is responsible for the effective running of the Board, ensuring that the Board plays a full and constructive part in the development and determination of the Group's strategy, and acting as guardian and facilitator of the Board's decision-making process.

The Chief Executive is responsible for managing the Group's business, proposing and developing the Group's strategy and overall commercial objectives in consultation with the Board and, as leader of the executive team, implementing the decisions of the Board and its Committees. In addition, the Chief Executive is responsible for maintaining regular dialogue with shareholders as part of the Group's overall investor relations programme.

Non-Executive Directors**Appointment**

Non-executive Directors are appointed for an initial term of three years, which may be extended by mutual agreement subject to satisfactory performance. The letters of appointment of each non-executive Director are available for inspection at the registered office.

Meetings of Non-Executive Directors

In addition to their attendance at Board and, as appropriate, Committee meetings, the non-executive Directors also met formally on three occasions during 2007 without executive management present. At these meetings, the non-executive Directors examine and review the performance of the executive management. This review process is in part dealt with by the Board Committees referred to below. Separately, the Chairman and Chief Executive held informal meetings with the non-executive Directors to discuss issues affecting the Group such as target objectives, strategy, key performance indicators and remuneration matters.

Senior Independent Director

The Senior Independent non-executive Director is Steven McTiernan who replaced Rohan Courtney in this role with effect from 1 January 2008. In this role Mr McTiernan is available to shareholders who have concerns that cannot be resolved through discussion with the Chairman, Chief Executive or Chief Financial Officer or where such contact is inappropriate. No such meetings were held during the year.

Independence

The Board considers each of the current non-executive Directors to be independent in character and judgement and there are no relationships or circumstances which are likely to affect (or could appear to affect) the Director's judgement.

Election and re-election

All new Directors are required by the Company's Articles of Association to be elected by shareholders at the first Annual General Meeting (AGM) after their appointment. Subsequently, Directors are subject to re-election by shareholders every three years. Where a non-executive Director has served longer than nine years, it is Board policy that the Director be subject thereafter to annual re-election in accordance with the Code. The directors seeking re-election at the 2008 AGM are identified on page 67 of this report and in the separate Notice of AGM that accompanies this document.

How the Board operates

Board meetings

The Board meets regularly during the year and on an ad hoc basis as required. The Board has arranged to hold at least one Board meeting each year at one of the overseas offices of the Group. This provides senior managers from across the Group the opportunity to present to the Board and to meet the Board members informally. It also provides the Board with an opportunity to assess senior managers at first hand.

The attendance record of each Director is shown in the table on this page. During 2007, the Board met formally on ten occasions including two formal strategy review meetings held with senior management. In addition to the formal meetings of the Board, the Chairman and Chief Executive maintain frequent contact with the other Directors to discuss any issues of concern they may have relating to the Group or as regards their area of responsibility and to keep them fully briefed on the Group's operations.

Information flow

Directors have access to a regular supply of financial, operational, strategic and regulatory information to assist them in the discharge of their duties. Such information is provided as part of the normal management reporting process. Board papers are circulated in time to allow Directors to be properly briefed in advance of meetings. In addition, Board meetings generally include a review of the history, performance and future potential of an individual asset or business unit. This is designed to ensure that all material assets are considered on a cyclical basis and to enable Board members to familiarise themselves with the key assets and operations of the Group.

Independent professional advice

All Directors and Committees have access to independent professional advice, at the Company's expense, as and when required.

Insurance cover

The Company maintains Directors' and Officers' Liability insurance cover, the level of which is reviewed annually.

Matters reserved

A formal schedule of matters reserved for Board approval is in place and is reviewed annually. The matters reserved include (amongst others):

- the Group's overall strategy;
- approval of financial statements, material acquisitions and disposals, material contracts, major capital expenditure projects and budgets; and
- a regular review of the Group's overall corporate governance arrangements.

Subject to these reserved matters, the Board delegates authority for the management of the day-to-day business and operational matters, primarily to the Chief Executive, the other Executive Directors and certain other senior executives. Certain other matters are delegated to the Audit, Nominations and Remuneration Committees, each of which is described in more detail below.

Attendance at meetings

The attendance of Directors at meetings of the Board and its Committees during 2007 was as follows:

No. of Meetings	Board (10)	Audit (4)	Nominations (2)	Remuneration (5)
Pat Plunkett	10/10	–	2/2	5/5
Aidan Heavey	10/10	–	2/2	–
David Bamford	9/10	3/4	2/2	4/5
Rohan Courtney*	6/10	4/4	2/2	4/5
Tom Hickey	10/10	–	–	–
Angus McCoss	10/10	–	–	–
Paul McDade	10/10	–	–	–
Steven McTiernan	10/10	4/4	2/2	5/5
Graham Martin	9/10	–	–	–
Matthew O'Donoghue	10/10	–	–	–
Clare Spottiswoode	10/10	2/4	2/2	3/5
David Williams	10/10	3/4	2/2	4/5

* Rohan Courtney retired from the Board on 31 December 2007.

Board performance evaluation

During 2007, the Board considered whether the annual evaluation of it and that of its Committees and Directors should be conducted by way of an internal review as in 2006 or, as in 2004 and 2005, by using the assistance of an external body. The Board concluded that a full external review was appropriate and engaged PricewaterhouseCoopers LLP for this purpose. The review consisted of a tailored questionnaire completed by each Director with a follow-up interview and also a peer assessment.

This review focused on matters such as Board composition and conduct; succession planning; roles and responsibilities of Board members; the administration of Board and Committee meetings; Board discussions; Board induction and training and communications with the wider organisation.

Corporate governance continued

The review concluded that the Board operates effectively and that Board meetings are conducted in a manner that encourages open and honest discussion in an environment of trust and mutual respect. The separation of duties between the Chairman and Chief Executive is clear and the Board Committees function effectively within clear terms of reference. The review identified certain areas for improvement including: a requirement for more formal succession planning for executives and for key non-executive roles; the need to review the balance of the Board between executive and non-executive Directors; to organise and monitor a broader induction and training regime for Directors and for more regular review meetings between the Chairman and each Director. These areas for improvement are now being considered by the Chairman and various related actions and targets will be included in the Board's own objectives for 2008.

The Chairman has had discussions with each of the Directors on his or her individual performance and separately, the non-executive Directors have reviewed the performance of the Chairman with input from the Executive Directors. The Board is of the view that each non-executive Director commits sufficient time to discharge his or her duties effectively.

Induction

All new Directors receive an induction. This includes a visit to the principal offices of the Group to meet management from each functional discipline and business unit. The Company Secretary also provides new Directors with an overview of their duties as Directors, corporate governance policies and established Board procedures as part of the induction process.

Continuing professional development

All members of the Board have access to appropriate training in respect of their obligations and duties as Directors, and during the year, a number of the Directors attended external seminars on relevant topics. In addition, specific briefings were also given to the Board to ensure Board members remain up to date with current regulations and developments. These included recent developments in company law brought in by the Companies Act 2006 and health and safety legislation.

Committees

The Board has established the following principal Committees, each of which has written terms of reference (approved by the Board) setting out its authority and duties. Copies of the terms of reference can be viewed on the Investor Relations section of the Company's website: www.tulloil.com or can be obtained from the Company Secretary.

Audit Committee

David Williams, Chairman
David Bamford
Steven McTiernan
Clare Spottiswoode

Main responsibilities

- Monitoring the integrity of the financial statements and formal announcements relating to the Group's financial performance;
- Reviewing significant financial reporting issues and accounting policies and disclosures in financial reports;
- Reviewing the effectiveness of the Group's internal control procedures and risk management systems;
- Considering how the Group's internal audit requirements shall be satisfied and making recommendations to the Board;
- Making recommendations to the Board on the appointment or re-appointment of the Group's external auditors;
- Overseeing the Board's relationship with the external auditors, and, where appropriate, the selection of new external auditors; and
- Ensuring that an effective whistle-blowing procedure is in place.

David Williams was appointed Chairman of the Committee on 23 October 2007 in place of Rohan Courtney. He is a Chartered Accountant and, until his retirement in 2006, was Finance Director of Bunzl plc. Currently, he is also a member of the audit committees of four other companies including Meggitt PLC and Taylor Wimpey plc. For the purposes of the Combined Code, David Williams is considered by the Board to have recent and relevant experience. In addition, the other members of the Committee have a range of financial and commercial experience and have all served on the Committee for a number of years.

The Group's external auditors are Deloitte & Touche LLP and the Committee closely monitors the level of audit and non-audit services they provide to the Group. Non-audit services are normally limited to assignments that are closely related to the annual audit or where the work is of such a nature that a detailed understanding of the Group is necessary. A breakdown of the fees paid to the external auditors in respect of audit and non-audit work is included in note 3 of the accounts on page 79. In addition to processes put in place to ensure segregation of audit and non-audit roles, as part of the assurance process in relation to the audit,

Deloitte & Touche LLP 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. No matters of concern in relation to the above were identified by the Committee.

The Chief Financial Officer, the Group Internal Audit Manager, the Group Finance Manager and representatives of the external auditors normally attend meetings of the Audit Committee, at the invitation of the Committee. The Chairman of the Board also attends meetings of the Committee by invitation. The external auditors have unrestricted access to the Committee Chairman. During the 2007 audit process, the Audit Committee Chairman met with Deloitte's Audit Engagement Partner without the presence of management.

During 2007, the Audit Committee met on a total of four occasions. The key work undertaken by the Committee was as follows:

- **Consideration and review of annual and interim financial statements**

The Committee met with the external auditors as a part of the interim and final accounts approval process. During this exercise the Committee considered the most appropriate treatment and disclosure of any new or judgemental matters identified during the audit, as well as any recommendations or observations made by the external auditors.

- **Audit planning and update on relevant accounting developments**

Following the Group's adoption of IFRS in 2004/5, there were limited further regulatory or financial accounting changes during 2007. These changes are described in the accounting policies note on page 73.

- **Consideration and approval of the risk management framework, annual Internal Audit Plan and periodic reports from Internal Audit**

The Group Internal Audit Manager has direct access and responsibility to the Audit Committee. His main responsibilities include: evaluating and developing the Group's overall control environment, operating efficiency and risk identification and management at operating, regional and corporate levels. In fulfilling his role, the Group Internal Audit Manager has direct access to the Committee without reference to executive management. During 2007, the Audit Committee Chairman met with the Group Internal Audit Manager without the presence of management. The Committee approved the programme of internal audit work aimed at addressing both financial and overall risk management objectives identified within the Group. A number of internal audit reviews were undertaken during 2007 covering a range of financial and business processes in the Group's three main business unit centres in London, Dublin and Cape Town. Detailed results from these reviews were reported to management and in summary to the Audit Committee during the year. Recommendations made as a result of the work of Internal Audit are tracked for timely implementation and reported to the Audit Committee periodically. No significant weaknesses were identified as a result of risk management and internal controls reviews undertaken by Internal Audit. The Group also

undertook regular audits of non-operated joint ventures under the supervision of business unit management and the Group Internal Audit Manager. The Committee considers the whistle-blowing procedures implemented by management are appropriate for the size and scale of the Group.

- **Acquisition of Hardman Resources**

As part of the acquisition of Hardman Resources in late 2006, the overall audit approach to the Hardman acquisition and potential risks identified were approved by the Committee. The Committee gave extensive consideration to the preliminary and final fair value allocation exercise undertaken to record the assets and liabilities acquired in the Company's Balance Sheet at 31 December 2007.

- **Review of the effectiveness of the Audit Committee**

During the year the Audit Committee completed a review of the effectiveness of external audit, internal audit and of the Audit Committee itself through a series of questionnaires answered by key stakeholders. Internal Audit coordinated the review with results presented to the members of the Audit Committee. The Committee was considered to be operating effectively and in accordance with the guidance recommended by the Smith Committee included in the Combined Code. A number of enhancements to current processes will be implemented during 2008 to improve the effectiveness of the Committee further. The internal audit and external audit processes were also considered to be operating effectively.

Nominations Committee

Pat Plunkett, Chairman
David Bamford
Aidan Heavey
Steven McTiernan
Clare Spottiswoode
David Williams

Main responsibilities

- Reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any changes required;
- Succession planning for Directors and other senior executives;
- Identifying and nominating, for Board approval, candidates to fill Board vacancies as and when they arise;
- Reviewing annually the time commitment required of non-executive Directors; and
- Making recommendations to the Board with regard to membership of the Audit and Remuneration Committees in consultation with the Chairman of each Committee.

The Committee comprises all the non-executive Directors and the Chief Executive and meets as required. Rohan Courtney was a member of the Committee until 31 December 2007. The Committee met twice in 2007, primarily to review Board Committee composition and succession matters. The decision by Rohan Courtney in October 2007 to step down as a non-executive Director with effect from 31 December 2007 resulted in the Committee recommending a number of changes to Board Committee composition and governance arrangements. These changes which were approved by the Board were as follows:

- the appointment of Steven McTiernan as Senior Independent Director in place of Rohan Courtney with effect from 1 January 2008;
- the appointment of David Williams as Audit Committee Chairman in place of Rohan Courtney with effect from 23 October 2007; and
- the appointment of Clare Spottiswoode as Remuneration Committee Chairman in place of Pat Plunkett (who remains a member of the Committee) with effect from 1 January 2008.

At the same time, the Board agreed with the Committee's recommendation that a new non-executive Director be sought to replace Rohan Courtney. A role profile was produced and external recruitment advisers engaged to assist in the identification of suitable candidates. The Committee is currently in the process of interviewing short-listed candidates.

Remuneration Committee

Clare Spottiswoode, Chairman
David Bamford
Steven McTiernan
Pat Plunkett
David Williams

The Directors' Remuneration Report on pages 57 to 66 contains details of the role and activities of the Remuneration Committee.

Corporate Social Responsibility Committee

Rohan Courtney (Former non-executive Director), Chairman
Graham Brunton, Head of EHS
Tom Hickey, Chief Financial Officer
Paul McDade, Chief Operating Officer
Kevin Quinn, Business Unit Manager South Asia
Bill Torr, General Manager Cape Town Office
Caragh Whale, EHS Team Assistant
Linda Joseph, Cape Town Staff Representative
Ahlem Gamri, London Staff Representative
Oliver McCredie, Trainee CSR Advisor

In addition to the above principal committees, the Board has established a Corporate Social Responsibility Committee. This Committee (the 'CSR Committee') is responsible for managing all Tullow's community sponsorship support programmes and considers any matters relating to social, charitable, community and educational issues, CSR publications and CSR expenditure.

Tullow's CSR strategy aligns CSR investment with key areas and countries for business development. Tullow's CSR funding is a combination of sponsorships under licence commitments and discretionary spending. Criteria for funding projects concentrate on children, education and, where appropriate, fulfilling basic needs, such as clean water. Projects considered will be mainly recurring, long-term investments where there is established production, an operated activity and/or a key country for development. One-off investment will also be considered as appropriate in the context of Tullow's business. Overall, Tullow's objective is to make a tangible, positive difference and to foster and support longer-term development and self-sustaining enterprise in local communities.

Main responsibilities

- Manage the process for submission, assessment and approval of CSR expenditure undertaken by Tullow Group-wide;
- Consider and propose an annual budget for CSR activities to the Board for approval as part of the overall Group budget process;
- Evolve and further develop Tullow's social and ethical policies as part of the overall risk management framework of the business;
- Prepare the CSR Report annually;
- Review the internal CSR programme, ensuring co-ordination between internal and external activities and ensuring that the internal CSR function is adequately resourced and has appropriate standing within the Group; and
- Consider other CSR matters as specified by the Board.

Shareholder relations

Communication with shareholders is given high priority and there is regular dialogue with institutional investors, as well as general presentations to analysts at the time of the release of the annual and interim results. In addition, in October 2007, Tullow hosted a visit to its Uganda operations for a group of analysts. A similar visit to another of the Group's operations is planned for 2008. The Board receives regular investor relations reports covering key investor meetings and activities, as well as shareholder and investor feedback. The Group issues its results promptly to individual shareholders and also publishes them on the Investor Relations section of the Company's website:

www.tulloil.com. Regular updates to record news in relation to the Group and the status of exploration and development programmes are also included on the website. Shareholders and other interested parties can subscribe to receive these news updates by email by registering online on the website. The Chairman is available to meet with institutional shareholders to discuss any issues and address any concerns in relation to the Company's governance and strategy. Non-executive Directors have the opportunity to attend meetings with major shareholders and are available to attend if requested to do so.

At the AGM, a business presentation is provided for the benefit of shareholders at which individual shareholders are given the opportunity to put questions to the Chairman, the chairmen of the Audit, Nominations and Remuneration Committees and to other members of the Board. In addition, the Board is committed to maintaining strong links with its significant Irish shareholder base and holds a business presentation in Dublin following the AGM, to allow these shareholders similar access to the Company. Notice of the AGM is sent to shareholders at least 20 working days before the meeting and details of proxy votes for and against each resolution, together with votes withheld, are made available after the vote has been dealt with on a show of hands.

Internal controls

The Directors acknowledge their responsibility for the Group's and the Company's systems of internal control, which are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. The Group's internal control procedures require technical, financial and Board approval for all projects. All major expenditures require senior management approval at the appropriate stages of each transaction. Overall control is ensured by a regular detailed reporting system covering both technical progress of projects and the state of the Group's financial affairs. The Board has put in place procedures for identifying, evaluating and managing any significant risks that face the Group. Risk assessment and evaluation is an integral part of the annual planning cycle. Each business unit documents its strategic objectives and the significant risks in achieving them and regularly reports on progress against these objectives. There is a comprehensive budgeting and planning system for all items of expenditure with an annual budget approved by the Board. Actual results are reported against budget on a monthly basis. Revised financial forecasts for the year, and financial projections for future years are regularly prepared.

The Board receives reports from business unit and corporate teams throughout the year to enable them to assess, on an ongoing basis, the effectiveness of the system of internal controls and risk management.

During the year, the Group Internal Audit Manager reviewed a number of areas of risk and his findings were reported to the Audit Committee. No significant weaknesses were identified. The Board has confirmed that through its Audit Committee it has reviewed the effectiveness of the system of internal financial, operational and compliance controls and risk management, and considers that the system of internal controls operated effectively throughout the financial year and up to the date on which the financial statements were signed.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.



Pat Plunkett
Chairman