

DIRECTORS' REPORT

The Directors have pleasure in presenting the first Annual Report and Consolidated Financial Statements of Eurasian Natural Resources Corporation PLC (the 'Company' and, together with its subsidiaries, the 'Group') for the period from 8 December 2006 to 31 December 2007 and for the year ended 31 December 2007 for the Company and Group respectively.

PRINCIPAL ACTIVITIES

The Company is the holding company of a leading diversified natural resources group with integrated mining, processing, energy, logistical and marketing operations. The Group's production assets are located in the Republic of Kazakhstan where it employs approximately 64,000 people. The Group has five operating divisions: the Ferroalloy Division, which produces and sells ferrochrome and other ferroalloys; the Iron Ore Division, which produces and sells iron ore concentrate and pellets; the Alumina and Aluminium Division, which produces and sells alumina and aluminium; the Energy Division, which is one of the largest electricity providers in Kazakhstan; and the Logistics Division, which provides transportation and logistical services to the Group's principal operating divisions and third parties. For a history of the Group and IPO see note 1a on page 69.

BUSINESS REVIEW

A detailed review, prepared in accordance with the Companies Act 1985, of the Group, the operation and development of its business and its future prospects, along with details of key performance indicators and a description of the principal risks and uncertainties facing ENRC, is set out in the Chairman's Statement, Chief Executive Officer's Statement and the Business Review on pages 6 to 42.

DIVIDENDS

On 6 December 2007, the Company declared a pre-IPO interim dividend of US\$500 million which was paid on 19 December 2007. The Directors do not intend to declare any further dividends in respect of the year ended 31 December 2007.

DIRECTORS

The names and biographies of the current Directors of the Company are set out on pages 14 and 15 of this Annual Report.

The following have resigned as Directors since the incorporation of the Company on 8 December 2006: Mr M Timkin (resigned 19 December 2006). Pre IPO Board: Mr P Hamelink (resigned 7 November 2007), Messrs A R Ibragimov, A A Machkevitch and P K Chodiev (resigned 6 December 2007). Subsequent to the year end Mr D Yergozhin (resigned 20 February 2008), Mr Marat Beketayev was appointed in his place on 20 February 2008.

Directors' and officers' insurance is detailed in the Corporate Governance Report on page 54.

DIRECTORS' INTERESTS

The number of ordinary shares of the Company in which the Directors were beneficially interested were:

	31 December 2007
Dr Johannes Sittard	1,850,000
Mr Miguel Perry	601,832
Sir David Cooksey	560,185
Mr Gerhard Ammann	22,222
Mr Mehmet Dalman	92,500
Mr Michael Eggleton	-
Sir Paul Judge	-
Mr Kenneth Olisa	-
Sir Richard Sykes	18,471
Mr Roderick Thomson	-
Mr Eduard Utepov	-
Mr Abdraman Yedilbayev	-
Mr Daulet Yergozhin	-

No Director had any dealings in the shares of the Company between 31 December 2007 and 16 April 2008.

EMPLOYEES

Each of the Group's key employees has an employment agreement that covers, among other matters, base remuneration and benefits. In addition, the Group negotiates collective employment agreements, which cover primarily social benefits, with representatives of its employee labour unions.

Almost all of the Group's employees are members of one of three labour unions, which are each organised with reference to a particular industry. Since the Group acquired its operating assets, it has not experienced any material strikes or work stoppages at any of its operating sites as a result of work force disputes. The Group benefits from good labour relations.

With effect from 2008 the Group has adopted a long term incentive plan for management and senior employees which provides for share awards. Details of the incentive plan can be found in the Directors' Remuneration Report on pages 59 to 62.

Information relating to the Group's employees is given in note 28 of the Consolidated Financial Statements on page 99.

CREDITOR PAYMENT POLICY

It is the Group's policy to agree terms of trading, including payment terms, with all suppliers and to make payment in accordance with such terms, provided that the supplier has complied with all relevant terms and conditions.

Suppliers in Kazakhstan often require prepayment and as a result the average creditor days outstanding as at 31 December 2007 for the Group was 24 days (2006 : 22 days). The average creditor days outstanding as at 31 December 2007 for the Company was nil days.

POST BALANCE SHEET EVENTS

Post balance sheet events are set out in note 36 to the Audited Financial Statements on page 106.

VALUE OF LAND

The Group carries land on its balance sheet at cost in accordance with its accounting policies. It is not possible to estimate the market value of such interest in land, as this depends on product prices over the long term which will vary with market conditions.

POLITICAL AND CHARITABLE DONATIONS

Certain Kazakh operating entities of the Group made charitable donations to the 'Umit Oty' fund and the 'Kohzhiiek' fund registered in Kazakhstan and controlled by the Founder Shareholders. The donations made by the Group are set out below:

ENRC entity (in thousands of US\$)	Fund	Charitable donations	
		2007	2006
SSGPO	Umit Oty, Kohzhiiek	6,734	1,725
Kazchrome	Umit Oty, Kohzhiiek	13,077	3,161
AoK	Umit Oty	2,106	–
EEC	Kohzhiiek	166	–
Total		22,083	4,886

The Group understands that Umit Oty and Kohzhiiek, managed independently of the Group, provided support to local charities as well as to public funds, who fund inter alia local charities, social infrastructure projects and political parties. The Group will continue to provide charitable donations as an important part of its strategy to maintain good working relationships with local authorities, subject to approval and monitoring by the Board.

Other donations to charitable organisations in Kazakhstan amounted to US\$12 million. A further description of donations is in the Corporate Social Responsibility Report on page 49.

FINANCIAL INSTRUMENTS

The Group's objectives and policies on financial risk management together with details of financial instruments are set out in notes 33 and 34 to the Consolidated Financial Statements on pages 102 and 103. Information on the Group's exposures to foreign currency, credit, commodity, price, liquidity and interest rate risks can also be found in these notes.

MAJOR INTERESTS IN SHARES

As at 16 April 2008, the Company had been advised, in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority, of the following notifiable interests (whether directly or indirectly held) in its voting rights:

	Number of voting rights	%
The State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan	248,655,000	19.31
Mr Chodiev	187,836,250	14.59
Mr Ibragimov	187,836,250	14.59
Mr Machkevitch	187,836,250	14.59
Kazakhmys Eurasia BV	187,836,250	14.59

RELATIONSHIP AGREEMENTS

On 7 December 2007, Mr Chodiev, Mr Ibragimov and Mr Machkevitch each entered into a separate relationship agreement with the Company to regulate the ongoing relationship between each Founder Shareholder and the Company. The principal purpose of the relationship agreements is to ensure that transactions and relationships between the Group and the Founder Shareholders are at arm's length and on a normal commercial basis.

SHARE CAPITAL AND ADDITIONAL INFORMATION FOR SHAREHOLDERS

The Company has a single class of share capital that is divided into ordinary shares of \$0.20 each. Full details of the Company's share capital are set out in note 25 to the Audited Financial Statements on page 95.

Rights and obligations attaching to shares

Any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine. The Directors intend, at the forthcoming Annual General Meeting to be held on 11 June 2008, to seek authority to allot up to 33.3 million ordinary shares (representing approximately 25.9% of the ordinary shares issued at the date of this report). If granted, the authority will expire no later than 15 months from the date on which the resolution is passed or at the conclusion of the Annual General Meeting to be held in 2009, whichever is sooner.

Voting

On a show of hands every shareholder has one vote; and on a poll every shareholder has one vote for every share of which he is the holder. Shareholders are entitled to appoint a proxy to attend, speak and vote on their behalf at a general meeting. A shareholder may appoint more than one proxy in relation to a general meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A shareholder that is a corporation may appoint one or more individuals to act on its behalf at a general meeting as corporate representative.

DIRECTORS' REPORT CONTINUED

Restrictions on voting

Unless the Board decides otherwise, no shareholder may attend or vote at any meeting until he has paid all calls due and payable on every share held by him.

Deadlines for voting rights

Any appointment of a proxy, whether by an instrument of writing or in electronic form, must be received by the Company not less than 48 hours before the time set for the applicable meeting or adjourned meeting.

Dividends and distributions

The Company may by ordinary resolution, from time to time, declare dividends not exceeding the amount recommended by the Board. The Board may pay interim dividends as appear to the Board to be justified by the profits of the Company available for distribution.

Variation of rights

Any of the rights attached to any class of shares may be varied, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or by special resolution passed at a separate meeting of the holders of shares of the class.

Repurchase of shares

The Company may purchase, or enter into a contract under which it will or may purchase, any of its shares of any class. The Company intends to seek shareholder authority at the forthcoming Annual General Meeting to be held on 11 June 2008, to purchase up to 128,775,000 ordinary shares. Such authority, if granted, will expire at the conclusion of the Annual General Meeting to be held in 2009 or 10 September 2009, whichever is sooner.

Amendments to the Articles of Association

Any amendments to the Articles of Association of the Company may be made by special resolution of the shareholders. The Directors intend, at the forthcoming Annual General Meeting to be held on 11 June 2008, to adopt new Articles of Association to include certain amendments required as a result of the Companies Act 2006.

Appointment and replacement of Directors

The number of Directors shall be not less than two. Each Director is subject to retirement by rotation in accordance with the Articles of Association of the Company. At each annual general meeting one-third of the Directors who are subject to retirement by rotation shall retire from office and offer themselves up for re-election. No Director is required to vacate his office because he has reached the age of 70 or another age. The Company may by ordinary resolution appoint a person to act as a Director, either to fill a vacancy or as an addition to the existing Directors. The Board may at any time appoint a person to act as a Director, either to fill a vacancy or as an addition to the existing Directors. Any Director so appointed will retire at the next annual general meeting after his appointment and be eligible to stand for re-election as a Director at such meeting. Under the terms of the Relationship Agreements, each Founder Shareholder has a right to appoint a Director to the Board as detailed in the Corporate Governance Report on pages 54 to 58.

Powers of the Directors

The business of the Company is managed by the Board, which may exercise all of the powers of the Company, whether relating to the management of the business or not.

Significant agreements

The following significant agreements contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company:

Article 71 of the Kazakhstan Surface Law: The Republic of Kazakhstan may be entitled to exercise pre-emptive rights over certain issuance or sales of ordinary shares or assets shared by the Group. Article 71 of the Kazakhstan Subsurface Law provides that the Republic of Kazakhstan has pre-emptive right to purchase certain subsurface use rights or indirect or direct interest in companies having subsurface use rights for sale. This pre-emptive right permits the Republic of Kazakhstan to purchase any such subsurface use rights or equity interests being offered for sale on terms no less favourable than those offered by other purchasers.

Structured Trade Finance Agreement: On 15 December 2006, ENRC Marketing AG entered into a Structured Trade Finance Facility (the 'Facility') with ABN AMRO Bank NV, Barclays Capital and Deutsche Bank AG Amsterdam Branch as Arrangers and Original lenders, Deutsche Bank AG Amsterdam Branch as Agent and Deutsche Bank AG Amsterdam as Security Trustee to borrow up to US\$1,000 million from a syndicate of lenders ('Lenders'). By a Supplemental Agreement dated 12 April 2007 the Facility was increased to US\$1,480 million.

If one of the following events occurs:

- i) the Founder Shareholders together no longer have Shareholder Control or Effective Control; or
 - ii) a person or persons acting in concert had Effective Control or Shareholder Control or owns more shares in the relevant holding company of the Group than are held by the Founder Shareholders at the date of the Facility; or
 - iii) ENRC Marketing and Kazchrome cease to be subsidiaries of the same holding company,
- then any Lender may decline to fund a drawdown and any Lender may cancel its commitment under the Facility and require its portion of any outstanding loans be due and payable in full at the end of the then current interest period.

For these purposes, 'Shareholder control' means holding directly or indirectly shares in the issued share capital of ENRC Marketing carrying the right to exercise more than 30% of the votes exercisable at a general meeting of the shareholders of ENRC Marketing, and 'Effective Control' means the ability to give directions with respect to the operating and financial policies of a company with which the directors or equivalent officers of such company are obliged to comply (ignoring, for the avoidance of doubt, the powers of any sub-committee of the board of directors or equivalent to which the board of directors have delegated certain of their powers).

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution seeking to reappoint them will be proposed at the forthcoming Annual General Meeting to be held on 11 June 2008.

Each of the Directors at the date of the approval of this report confirms that:

- 1) so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- 2) the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held at 2.30pm on 11 June 2008, at the Lanesborough Hotel. Details of the meeting venue and the resolutions to be proposed are set out in a separate Notice of Meeting which accompanies the Annual Report.

By order of the Board



PAUL WATERS
Company Secretary
25 April 2008

CORPORATE GOVERNANCE REPORT

INTRODUCTION

ENRC listed its ordinary shares on the London Stock Exchange on 12 December 2007 and became a member of the FTSE 100 Index on 26 March 2008. The Listing Rules of the UK Financial Services Authority ('FSA') including the Combined Code on Corporate Governance 2006 (the 'Code') have only therefore applied to the Company since 12 December 2007. In the period leading up to the Listing, the Board implemented a number of changes to the corporate governance of the Company to ensure compliance with the Code, in particular, with those provisions of the Code relating to Board and Committee composition. In establishing a primary listing on the London Stock Exchange, ENRC committed itself to complying with the Code on exactly the same 'comply or explain' basis as all other members of the London Stock Exchange. Since the Company only listed on 12 December 2007 it is impracticable to expect the Company to comply with many of the Code's provisions. Accordingly, the report includes a description of how the Company has applied the principles and provisions of the Code since 12 December 2007 and how it intends to apply those principles throughout 2008.

THE BOARD

The Board is responsible for the good management of the Company and its principal aim is to enhance the Company's long-term value for the benefit of the shareholders. The Board intends to meet at least six times a year. At these meetings the Board will review the Company's long-term strategic direction and financial plans and monitor on a regular basis the Company's performance against an agreed strategy and business plan. In addition the Board will agree key objectives for the Chief Executive Officer on an annual basis and will monitor performance against these objectives. There is a formal schedule of matters reserved for the Board's decision at each meeting. All Directors have access to the advice and services of the Company Secretary, who is also responsible for ensuring that the Board procedures are followed. All Directors have the right to have their opposition or concerns to a resolution recorded in the minutes. The Board has adopted guidelines by which any Director may take independent professional advice in the performance of his duties.

The Board met on several occasions in the run up to the Listing. It did not, however, meet between the Listing and 31 December 2007. A full programme of Board meetings is planned for 2008. So far in 2008 the Board has met twice with full attendance at each meeting.

The Chairman and the non-executive Directors did not meet in the time between the Listing on 12 December 2007 and 31 December 2007. The Chairman fully intends, however, to meet regularly throughout the year with the non-executive Directors without the executives present. The Chairman was appointed on 12 November 2007 and, therefore, given the Chairman's short tenure so far the Board believes no meaningful evaluation of performance can take place until later in 2008.

The Articles of Association of the Company require it to indemnify officers of the Company, including officers of wholly owned subsidiaries, against liabilities arising from the conduct of the Group's business, to the extent permitted by law. The Group has therefore purchased directors' and officers' insurance during the year.

APPOINTMENTS TO THE BOARD

In preparation for the Listing the Company sought to recruit to its Board experienced non-executive Directors who are well known to and highly regarded by the market. The Directors believe that the presence of all the Directors will add considerably to the Board's ability to oversee and grow the Company's operations. Biographies of all the Board members appear on pages 14 and 15.

BOARD MEMBERSHIP

The Board consists of two Executive Directors – the Chief Executive Officer, Dr Johannes Sittard and the Chief Financial Officer, Mr Miguel Perry – and 11 non-executive Directors. Sir David Cooksey is Chairman and Sir Richard Sykes is the Senior Independent Director. The other non-executive Directors are Mr Gerhard Ammann, Mr Marat Beketayev, Mr Mehmet Dalman, Mr Michael Eggleton, Sir Paul Judge, Mr Kenneth Olisa, Mr Roderick Thomson, Mr Eduard Utepov and Mr Abdraman Yedilbayev.

BOARD BALANCE AND INDEPENDENCE

The Code recommends that at least half the Board (excluding the Chairman) should be non-executive Directors who are independent. The Board has considered the independence of each non-executive Director in detail and in the opinion of the Board, seven of the non-executive Directors are independent in character and judgement. The Chairman was independent on appointment. A table of the Board balance is set out below:

Sir David Cooksey – Chairman (independent on appointment)	
NON-INDEPENDENT	INDEPENDENT
<ul style="list-style-type: none"> Dr Johannes Sittard Marat Beketayev Miguel Perry Eduard Utepov Abdraman Yedilbayev 	<ul style="list-style-type: none"> Sir Richard Sykes Gerhard Ammann Mehmet Dalman Michael Eggleton Sir Paul Judge Ken Olisa Roderick Thomson

Sir Richard Sykes has been appointed as Senior Independent Director and his principal duty in this capacity is to evaluate the performance of the Chairman and address shareholders' concerns that have not been resolved through the normal channels of communication with the Chairman, Chief Executive Officer or Chief Financial Officer, or in cases when such communications would be inappropriate.

Mr Beketayev and Mr Utepov are representatives of The State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan, (the 'Committee') and as such are not considered by the Board to be independent under the provisions of the Combined Code.

As set out in the Directors' Report on pages 50 to 53, Mr Chodiev, Mr Ibragimov and Mr Machkevitch (the 'Founder Shareholders') each entered into a separate relationship agreement (the 'Relationship Agreements') with the Company to regulate the ongoing relationship between each individual Founder Shareholder and the Company. The principal purpose of the Relationship Agreements is to enable the Group to carry on its business independently, and to ensure that transactions and relationships between the Group and the Founder Shareholders are at arm's length and on a normal commercial basis. Under the terms of the Relationship Agreements, each of the Founder Shareholders has the right to appoint one Director to the Board, for so long as his shareholder group controls 10% or more of the voting rights exercisable at general meetings of the Company. Pursuant to this right, Mr Ibragimov has appointed Mr Yedilbayev to the Board. He is not considered to be independent under the Code.

CHAIRMAN AND CHIEF EXECUTIVE

The roles of Chairman and Chief Executive Officer are clearly divided and their responsibilities have been set out in writing and agreed by the Board as follows:

The Chairman, Sir David Cooksey, is responsible for creating the conditions for the effective working of the Board.

The Chief Executive Officer, Dr Johannes Sittard, is responsible to the Board for the overall leadership and operational management of the Group's business.

INFORMATION AND PROFESSIONAL DEVELOPMENT OF THE BOARD

The Board has agreed with the Chief Executive Officer that it should receive accurate and timely information on the performance of the Company and the nature and scope of the information to be provided. The Chief Executive Officer is obliged to bring to the Board's attention all matters that materially affect, or are capable of materially affecting, the performance of the Company and the achievement of its strategy.

All Directors have received briefings from the Company's advisers including presentations to familiarise them with the Group. Overseas Directors have been briefed on the responsibilities of UK directors of a Public Listed Company.

Directors also have access to the advice and services of the Company Secretary and, in appropriate circumstances, may obtain independent professional advice at the Company's expense.

The Board intends to establish a formal induction training process for new Directors based on recommendations prepared by the Company Secretary.

Board evaluation

The majority of the Directors were only appointed between November 2007 and December 2007 and, in view of this, the Board believes that a meaningful evaluation of performance can only take place once the new Board has had a reasonable amount of time to work together. An evaluation policy will be developed and implemented before the end of 2008. The Senior Independent Director, Sir Richard Sykes, together with the other non-executive Directors, will undertake an evaluation of the Chairman.

Re-election of Directors

The Board can appoint Directors either to fill a vacancy or as an addition to the existing Board. The articles of association of the Company require that any Director so appointed shall retire at the Annual General Meeting following his appointment and may offer himself for election by shareholders. In addition, under the current articles of association, a minimum of one-third of the Directors retire by rotation each year. This ensures that each Director is re-elected at least every three years.

This is the first annual general meeting since incorporation. All the Directors will therefore be offering themselves for election at the forthcoming Annual General Meeting to be held at 2.30pm on 11 June 2008 full details of which are set out in a separate notice of meeting which accompanies the Annual Report.

As the Directors being proposed for election have only been in the post for a relatively short period, the Board remains satisfied that each Director proposed for election continues to be fully competent to carry out his responsibilities as a member of the Board.

BOARD COMMITTEES

The Board has delegated authority to a number of Board committees. The membership of each of these committees along with the duties of each Committee is set out on page 56.

CORPORATE GOVERNANCE REPORT CONTINUED

THE BOARD

AUDIT COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE	HEALTH, SAFETY, ENVIRONMENT AND SUSTAINABILITY COMMITTEE
Gerhard Ammann (Chairman) Michael Eggleton Sir Paul Judge Kenneth Olisa Roderick Thomson	Sir Richard Sykes (Chairman) Mehmet Dalman Sir Paul Judge Kenneth Olisa	Sir David Cooksey (Chairman) Gerhard Ammann Mehmet Dalman Michael Eggleton Sir Paul Judge Kenneth Olisa Sir Richard Sykes Roderick Thomson	Dr Johannes Sittard (Chairman) Eduard Utepov Felix Vulis (COO Kazakhstan) Abdraman Yedilbayev

The Board and Committees of the Board did not meet between the IPO on 12 December 2007 and 31 December 2007. A full timetable of Board and Committee meetings is in place for 2008 and attendance of members at these Board and Committee meetings will be duly recorded.

Health, Safety, Environment and Sustainability Committee

Details of the roles of this Committee are set out in the Corporate Social Responsibility report on pages 44 to 49.

Nomination Committee

The role of the Nomination Committee is to identify and nominate candidates for the approval of the Board to fill Board vacancies and to keep under review the balance of skills, knowledge and experience on the Board to ensure the orderly evolution of the membership of the Board and to make recommendations to the Board on composition and balance. The Code recommends that a majority of the members of the Nomination Committee should be independent non-executive Directors. The Committee consists solely of independent non-executive Directors apart from the Chairman. The Nomination Committee shall meet at least twice a year and at such other times that the Chairman of the Committee shall require. The terms of reference of the Committee are available on the Company's website: www.enrc.com

A Nomination Committee consisting of all the Directors in position at that time met before the IPO to consider the appointments of new Directors in connection with the IPO. The Nomination Committee met on 20 February 2008 to consider the appointment of Mr Marat Beketayev.

Remuneration Committee

The role of the Remuneration Committee is to determine and recommend to the Board the broad policy for the remuneration of Executive Directors and senior management, as well as specific remuneration packages, including pension rights and any compensation payments. The remuneration of the Chairman and non-executive Directors is decided upon by the full Board.

The Remuneration Committee is chaired by Sir Richard Sykes and the other members are Mr Mehmet Dalman, Sir Paul Judge and Mr Kenneth Olisa all of whom are independent non-executive Directors. The Company complies with the Code recommendations regarding membership of the Remuneration Committee. The terms of reference of the Committee are available on the Company's website.

So far in 2008 the Remuneration Committee has met three times to consider the remuneration policy for the Executive Directors and senior management.

The Directors' Remuneration Report is set out on pages 59 to 62.

Audit Committee

The role of the Audit Committee is to monitor the integrity of the financial reporting by the Company, to review the Group's internal control and risk management systems, to monitor the effectiveness of the Group's internal audit function and to oversee the relationship with the Group's external auditors.

The Audit Committee is chaired by Mr Gerhard Ammann, an independent non-executive Director who was Chief Executive Officer of Deloitte in Switzerland until May 2007. Mr Ammann has over 30 years' experience as an auditor under IFRS and Swiss reporting standards, primarily in banking, finance and international trade and is therefore considered to have recent and relevant financial experience. The other members of the Audit Committee are Mr Michael Eggleton, Sir Paul Judge, Mr Kenneth Olisa and Mr Roderick Thomson, and all of whom are independent non-executive Directors. The Company complies with the Code recommendations regarding membership of the Audit Committee.

Under its terms of reference the Audit Committee is required to meet at least four times a year at appropriate times in the reporting and audit cycle. The Audit Committee reports on its activities to the next Board meeting following its meeting.

Prior to the IPO the Audit Committee membership comprised Mr Pieter Hamelink, Mr Alijan Ibragimov and Mr Daulet Yergozhin all of whom have resigned as directors of the Company. The Audit Committee met prior to the IPO to consider the financial information contained in the Prospectus produced in connection with the IPO.

So far in 2008 the Audit Committee has met twice and has carried out, inter alia, the activities described above in accordance with the responsibilities set out in its terms of reference (a copy of which is available on the Company's website).

Financial reporting

The Audit Committee reviewed the 2007 Annual Report and Accounts including the preliminary results announcement before recommending their approval by the Board. As part of this review, the Audit Committee reviewed accounting policies, estimates and judgements that had been applied in preparing the Report and Accounts.

Internal Audit

The Internal Audit department is currently at a developmental stage. To promote independence and objectivity, the Head of Internal Audit will report administratively to the Chief Executive Officer, Dr Sittard, and functionally to the Chairman of the Audit Committee, Mr Ammann. While the Internal Audit Team is being established, the duties of the department are currently being undertaken in a co-sourcing arrangement with Deloitte & Touche. A high level review of major risks faced by the Group was conducted for the IPO. These identified the areas on which risk management and internal audit should be focused and such risks have been incorporated into the initial annual internal audit plan. The Audit Committee has approved this initial internal audit plan.

External Audit

The Audit Committee oversees the relationship with the external auditors and considers the re-appointment of the Company's auditors before making a recommendation to the Board to be put to shareholders. As part of this responsibility, the Audit Committee has approved audit plans, reviewed the findings of the external auditor and reviewed management representation letters. Prior to recommending the appointment of PricewaterhouseCoopers LLP at the forthcoming AGM to the Board, the Audit Committee conducted a review of the independence of PricewaterhouseCoopers LLP. The Audit Committee has adopted policies designed to uphold the independence of the Group's auditors by prohibiting their engagement to provide a range of accounting and other professional services that might compromise their appointment as independent auditors. The engagement of the Group's auditors to provide statutory audit services, other services pursuant to legislation, taxation services and certain other services are pre-approved. Any engagement of the Group's auditors to provide other specific permitted services is subject to the specific approval of the Audit Committee or its Chairman.

Whistleblowing

The Audit Committee has established a policy and the arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The policy and arrangement is to be disseminated throughout the Group during the course of 2008.

Internal Control

The Board is responsible for the Group's systems of Internal Control and for reviewing its effectiveness. Internal Control has a key role in the management of risks that are significant to the fulfilment of the Group's business objectives. A sound system of internal control contributes to safeguarding the shareholders' investment and the Group's assets. Internal control facilitates the effectiveness and efficiency of operations, helps ensure the reliability of internal and external reporting and assists compliance with laws and regulations.

The assessment of the risks to the achievement of the Group's objectives operates at both Group level and within all the Group companies. An initial assessment of the Key Business Risks of the Group was undertaken as part of the IPO process. As part of that initial assessment the Group adopted the following approach to be applied going forward.

The Senior Management will hold an annual meeting which may be facilitated by external advisers with risk management experience.

The Senior Management will consider risks to the Group under the headings of:

- Strategic Objectives – that relate to high-level goals, aligned with and supporting the Group's mission.
- Operational Objectives – that relate to effectiveness and efficiency of the Group's operations, including performance and profitability goals and safeguarding resources against loss.
- Compliance Objectives – that relate to adherence to the laws and regulations to which Group companies are subject including Health, Safety and Environmental matters.
- Financial Objectives – that pertain to the financial status of the Group and Group companies and their arrangements for financial reporting, including the prevention of fraudulent public financial reporting.

The Senior Management will adopt an approach which is drawn from best practice in risk management. The approach considers the potential impact of each risk and the likelihood of the risk materialising at an 'inherent' level, i.e. before considering any controls which may be in place to manage or mitigate the risk. The definition of these terms is as follows:

- Impact – the extent to which the risk, if it materialised, would impact the Group. The factors that may help define the impact rating may include financial effect, reputational impact or the ability to achieve key objectives.
- Likelihood – the probability of a risk materialising over a predefined time period. For the Group this has been set at one year. In some cases frequency of occurrence may be considered as well.

The output of the meeting will be a list of Key Business Risks which are those which have a high overall risk rating and therefore most critically require Key Controls to be implemented to manage or mitigate those risks.

If one or more Key Business Risks exists within a Group company the management of that company assesses how these risks are currently managed or mitigated and the extent to which the relevant Key Controls are operating effectively. If controls are absent or are considered to be unlikely to be consistently effective in their operation the management team will prepare an action plan to remedy the situation.

CORPORATE GOVERNANCE REPORT CONTINUED

The Group are in the process of recruiting a Group Risk Management Co-ordinator to manage these processes and to report directly to the Deputy Group Chief Financial Officer. Each significant Group company will also appoint a Risk Management Co-ordinator who will be the principal point of contact on matters of risks and controls.

The Key Business Risks arising from the above reviews will be maintained in Company Risk Registers by the Risk Management Co-ordinators and in a Group Risk Register by the Group Chief Financial Officer.

The Group Risk Register will be tabled for review and adoption by the Audit Committee and forwarded to the Group Board. Once the register has been approved by the Group Board it is returned to the Audit Committee which will receive quarterly reports on the effective application of those Key Controls which were identified to manage or mitigate the Key Business Risks.

The Audit Committee, on the basis of delegated authority from the Board, will assess annually the effectiveness of the internal controls of the Group in accordance with the Code.

The Group Chief Financial Officer will provide an annual signed report to the Audit Committee noting that, to the best of his knowledge, the Key Controls for which the management of the Group companies are responsible are operating in a consistent and effective way.

The finance directors of Group companies, who have been delegated responsibility for monitoring the Key Controls in those companies, are required to provide an annual signed report to the Group Chief Financial Officer noting that, to the best of their knowledge, the Key Controls are operating in a consistent and effective way.

In addition the Group will appoint a Head of Internal Audit to manage an Annual Internal Audit Plan, which will be risk-based and be subject to review and approval by the Audit Committee. The Head of Internal Audit will report to the Audit Committee at each of its meetings and will provide annual assurance, independent of any assurance provided by the Executive Directors, that the Key Controls which have been subject to audit by his team, are operating effectively.

RELATIONS WITH SHAREHOLDERS

As part of the IPO roadshow in 2007 the Group met with a large number of investors in the United Kingdom, continental Europe, Russia and the United States of America. The meetings involved the Chief Executive Officer, the Chief Financial Officer, the Head of Marketing and the Chief Operating Officer, Kazakhstan, as well as other senior management.

As part of its investor relations programme going forward the Group will aim to provide a high level of transparency and communication to investors and analysts on a regular and timely basis, through announcements, meetings and seminars. The Group seeks to develop a regular dialogue with investors and analysts and to respond to their challenges and to understand their sentiment and concerns. The Group has a comprehensive investor relations website which has full up-to-date information available to all shareholders and investors. All shareholders have the opportunity to attend and raise questions at the Group's Annual General Meeting.

The Group aspires to have an investor relations programme that is ranked highly amongst its peers for its accessibility, responsiveness and disclosure. The Chief Executive Officer and Chief Financial Officer would aim to meet all major shareholders at least twice a year and, with other senior management, to meet with a wide range of shareholders and prospective investors in the United Kingdom, continental Europe, the United States of America and elsewhere in the world during the year. These discussions will focus on the results and businesses of the Group but will also seek to learn of any concerns amongst investors. The Group will also seek to meet with sell-side analysts to raise the Group's profile and to build the research coverage.

Investor relations activity and a review of the share register will be regular items on the agenda for Board meetings. Analysts' and brokers' reports are regularly circulated to the Board. The Chairman and non-executive Directors are free to attend investor relations meetings or to request meetings with investors or analysts independent of the Group's management.

The Company's first Annual General Meeting since incorporation will be held on 11 June 2008 and the Chairman and Chairmen of each of the Board committees welcome the opportunity to answer questions put forward to them by shareholders of the Company. The Annual Report and Accounts and the Notice of the Annual General Meeting will be sent to shareholders at least 20 working days prior to the date of the meeting.

GOING CONCERN

After making enquiries, the Directors have reasonable expectation that the Company has 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.



SIR RICHARD SYKES

Senior Independent Director on behalf of the Board

25 April 2008

REMUNERATION REPORT

INTRODUCTION

The Remuneration Report sets out the remuneration policies and practices adopted by the Company during the year ended 31 December 2007 in respect of members of the Board.

The Remuneration Report has been prepared in accordance with Schedule 7A to the Companies Act 1985 introduced by the Directors' Remuneration Report Regulations 2002 and contains both auditable and non-auditable information. The information subject to audit is set out in the Directors' remuneration table and its notes on page 62. This report sets out the remuneration policy for the year ended 31 December 2007, the current year and, subject to ongoing review, future financial years.

The auditors are required to report on part of the Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985. The Report has therefore been divided into separate sections for audited and unaudited information.

Remuneration Committee (the 'Committee')

The Committee was established and its terms of reference approved on 1 March 2007 and amended by the Board on 3 April 2008. The terms of reference are designed to enable the Committee to comply with the requirements relating to remuneration policy set out in the Combined Code on Corporate Governance (the 'Code'). A copy of the terms of reference can be found on the Company's website. The members of the Committee, who are all independent non-executive Directors, are:

- Sir Richard Sykes (Chairman) – from 6 December 2007.
- Mehmet Dalman – from 6 December 2007.
- Sir Paul Judge – from 6 December 2007.
- Kenneth Olisa – from 6 December 2007.

The responsibilities of the Committee include recommending executive remuneration policy to the Board; reviewing and determining the remuneration packages of the Executive Directors, senior management and Company Secretary; monitoring the effectiveness and appropriateness of the executive remuneration policy and practice; and reviewing the Chairman's fees.

The Committee appointed New Bridge Street Consultants LLP ('NBSC'), following the Initial Public Offering, to advise on the benchmarking of remuneration of the Executive Directors and senior management, and Kepler Associates to advise on performance measures. Neither adviser provided any other service to the Group during the year. The terms of engagement between the Committee and NBSC and Kepler are available on request from the Company Secretary. The Head of Human Resources attended Committee meetings and provided advice to the Committee but not in respect of matters directly affecting his own remuneration. The Chairman of the Board also attended the Committee and provided advice.

The Company Secretary acts as Secretary to the Committee but is not present when issues relating to his own remuneration are discussed.

Remuneration policy

Going forward in line with ENRC's stated objectives of aligning total remuneration with personal and business performance, the composition of the total remuneration packages is designed to provide an appropriate balance between fixed and variable components. Specifically:

- Base salary: generally positioned around mid-market levels.
- Annual bonus: to incentivise and reward the achievement of demanding financial and non-financial corporate and individual objectives.
- Long Term Equity Incentives: annual grants under the Long Term Incentive Plan to incentivise and reward both long-term earnings and share price performance.

A significant proportion of the Executive Director's package is therefore performance-linked.

Details of each element of the package, which also includes pension and benefit provisions are described below.

Base salary

Base salaries will be reviewed annually by the Committee, taking account of relevant benchmark data (FTSE 100 Index companies, international companies of a similar size and complexity and the market generally), the performance of the individual concerned and pay quantum and structure more generally throughout the Group.

Executive Director base salaries, as at 1 January 2008 are as follows:

- Chief Executive Officer – £1,500,000
- Chief Financial Officer – £600,000

Pensions and benefits

A contribution of 10% of base salary is made to each Executive Director for his personal pension arrangements.

Benefits comprise life assurance, private healthcare, travel insurance and income protection insurance. The Chief Executive Officer receives benefits in kind which includes a fully funded car and a driver. The taxable value of these benefits is included in the Directors' remuneration table on page 62.

REMUNERATION REPORT CONTINUED

Bonuses

For 2008, Executive Directors are participating in an annual bonus arrangement with performance measures based on Group financial performance (80% of bonus potential), personal performance (10% of bonus potential) and health and safety performance (10% of bonus potential). Specific financial targets have not been disclosed as they are considered to be commercially confidential but they are deemed to be appropriately challenging by the Committee and will only pay out in full for exceptional performance.

The maximum bonus potential for 2008, which will be payable for exceptional levels of performance, is set at 100% of base salary for the Chief Executive Officer and for the Chief Financial Officer. Half of the maximum bonus potential will be paid at target performance levels.

For the year ended 31 December 2007, the Chief Executive Officer received an annual bonus of £1.0 million, all of which was guaranteed in his Service Agreement together with an IPO cash bonus of £1.125 million. The Chief Financial Officer received an annual bonus of £400,000, together with an IPO cash bonus of £400,000. Details of the actual amounts paid for 2007 are set out in the Directors' remuneration table on page 62.

Long Term Incentive Plan

The ENRC Long Term Incentive Plan ('LTIP') was adopted by the Board on 6 December 2007. The Plan has been designed to reward senior management for achieving the Group's strategic objectives and provide an appropriate level of long-term performance related pay.

Each year, participants will receive conditional awards of shares in the Company which will normally vest three years after they are awarded, subject to the satisfaction of performance conditions, measured over a three-year performance period, and continued service.

The maximum conditional award under the LTIP is set at twice base salary for the Chief Executive Officer and 1.5 times base salary for the Chief Financial Officer, both based on the market value of shares at the grant date.

Initial awards under the plan are expected to be made in the period following the announcement of the Company's preliminary results with the Chief Executive Officer due to receive an award over shares worth 200% of salary and the Chief Financial Officer due to receive an award over shares worth 150% of salary. Lower award levels, dependent upon seniority, will be granted to a number of senior executives below Board.

The performance measures for the initial awards will be based on the Company's total shareholder return ('TSR') against a comparator group of 22 other international mining companies. The comparator companies will be BHP Billiton, Rio Tinto, Xstrata, Alcoa, Freeport-McMoRan Copper & Gold, Teck Cominco, Vedanta Resources, Mount Gibson, Antofagasta, Cameca, Kazakhmys, Peabody Energy, Forescue Metals, CVRD, Grupo Mexico, Ferrexpo, Aricom, Portman, Aluminium Corp of China, Mitsubishi Materials Corp, Outokumpu OYJ and Cleveland-Cliffs Inc. The Committee considers that this performance metric is the most appropriate measure of long-term Company performance at this time, providing the alignment of interests between management and shareholders and ensuring that there is a strong link to share price in the senior executive remuneration packages.

For the initial awards, the performance condition will be measured over the three year period from 1 January 2008 to 31 December 2010. The final number of shares released to individuals will depend on the Company's TSR performance. 25% of the allocated shares will be released if the Company's TSR ranking against the comparator group is equal to the median ranked company. 100% of the allocated shares will be released if the ranking is equal to, or in excess of, the upper quartile. Between these levels of performance, vesting is based upon a pro rata basis. No shares will be released if the Company's TSR is below the median ranked company.

In addition to the above, the awards will not vest unless the Committee is satisfied that the Group's TSR performance during the performance period reflects the Group's underlying financial performance. The TSR condition will be independently monitored and reported to the Committee.

Awards are expected to be satisfied by the issue of new shares. There are no outstanding share awards.

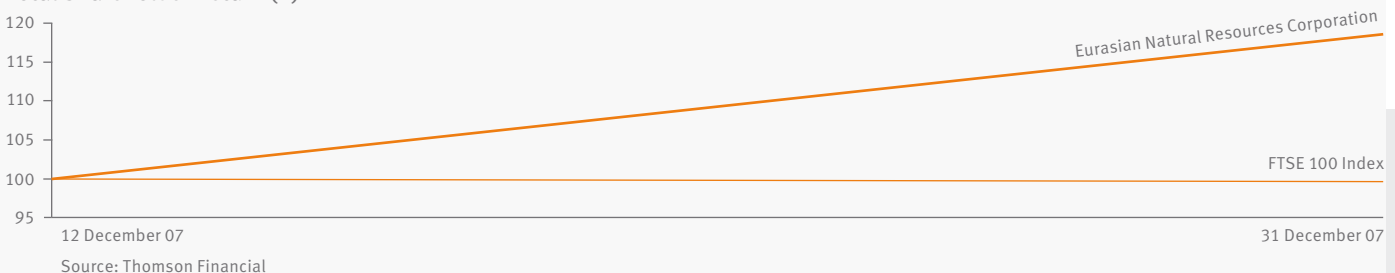
IPO Plan

The IPO Plan was approved by the pre-IPO Board to provide awards to Executive Directors and senior management of the Group in the form of cash and ordinary share awards, both of which were granted and vested on 12 December 2007. No further awards will be made under this Plan. Details of awards made to Directors are set out on page 62.

Performance graph

The following graph charts the total cumulative shareholder return of ENRC compared with the FTSE 100 Index since 12 December 2007 (being the first date of trading for Eurasian Natural Resources Corporation PLC shares). The FTSE 100 Index is thought to be the most appropriate index given that it is a widely used and understood index of leading UK listed companies.

Total Shareholder Return (£)



Executive Directors' contracts

Both Executive Directors have a service agreement, unless the Director reaches the retirement age of 65 or any extension agreed by the Board. These contracts can be terminated by either the Company or the Executive Director giving 12 months' notice.

Under the terms of the contracts, the Group reserves the right, in its absolute discretion, to terminate an Executive Director's employment by making a payment in lieu of notice.

Both Executive Directors are subject to restrictive covenants which seek to prevent the solicitation of customers or employees and/or competing with the Company's business for six months following termination of employment.

Specific contract provisions, which entitled the Chief Executive Officer and Chief Financial Officer to receive specified payments on a change of control, which were designed to provide additional protection for the Executive Directors at the time of flotation and were fully explained in the listing particulars, were removed from the Executive Directors' contracts for no compensation.

Dates of the service contracts are:

Name	Position	Date of appointment
Dr Johannes Sittard*	Chief Executive Officer	1 May 2007
Miguel Perry*	Chief Financial Officer	12 March 2007

* Miguel Perry's contract is with ENRC Management UK Ltd and Dr Johannes Sittard's with the Company. Prior to the formation of the Company, Dr Sittard was previously employed by the pre-IPO group.

Subject to Board approval, Executive Directors are permitted to accept outside appointments on external boards or committees as long as these are not deemed to interfere with the business of the Company. Any fees in respect of those appointments are retained by the Executive Directors concerned. During 2007, the Chief Executive Officer received US\$2,036,074, for external non-executive directorships.

Non-executive Directors' fees

The non-executive Directors have entered into Letters of Appointment with the Company, the details of which are summarised below. The remuneration of the non-executive Directors (other than the Chairman) is a matter for the Chairman and Executive members of the Board and will be reviewed from time to time with regard to time commitment and responsibility of roles and fees paid by comparable companies. Non-Executives are not eligible to participate in the annual bonus plan, long-term incentive plans or pension arrangements.

Name of Director	Position	Date of letter of appointment	Annual fee
Sir David Cooksey	Non-executive Chairman	15 November 2007	£500,000 ^a
Gerhard Ammann	Independent non-executive Director and Chairman of the Audit Committee	9 November 2007	£120,000 ^b
Mehmet Dalman	Independent non-executive Director	23 November 2007	£100,000
Michael Eggleton	Independent non-executive Director	15 November 2007	£100,000
Sir Paul Judge	Independent non-executive Director	14 November 2007	£100,000
Kenneth Olisa	Independent non-executive Director	14 November 2007	£100,000
Sir Richard Sykes	Senior Independent non-executive Director and Chairman of the Remuneration Committee	4 December 2007	£250,000 ^c
Roderick Thomson	Independent non-executive Director	15 November 2007	£100,000
Eduard Utepov	Non-executive Director	9 November 2007	£100,000 ^d
Adbraham Yedilbayev	Non-executive Director	21 November 2007	£100,000
Daulet Yergozhin	Non-executive Director	9 November 2007	£100,000 ^d

All of the non-executive Directors' letters of appointment provide for no less than six months' written notice of termination and a sum equivalent to six months of the annual fee is payable in lieu of notice by the Company should it request his resignation as a Director with immediate effect.

a Sir David Cooksey's letter of appointment relates to the provision of services by him to the Company as the Chairman of the Company and Nomination Committees with effect from 7 November 2007.

b Mr Ammann's fee includes £20,000 in relation to his chairmanship of the Audit Committee.

c Sir Richard Sykes' fee includes £150,000 in relation to his chairmanship of the Remuneration Committee and his additional responsibility as Senior Independent Director.

d As Ministers of the Kazakhstan Government, neither Mr Utepov nor Mr Yergozhin are permitted to receive fees personally. Mr Yergozhin resigned as a Director of the Company on 20 February 2008.

REMUNERATION REPORT CONTINUED

No service contract exists or is proposed between the Company or any of its subsidiaries and any Director other than contracts of service expiring or determinable within one year without payment of contractual compensation to the Director.

Copies of the Executive Directors' service contracts and the Letters of Appointment of the non-executive Directors are available for inspection during normal business hours at the registered office of the Company.

Directors' remuneration for the period 1 January 2007 to 31 December 2007

The following table sets out an analysis of the pre-tax remuneration for the period 1 January 2007 to 31 December 2007 for individual Directors who held office in the Company during this period. The table is set out in £ sterling to reflect the currency in which the Directors are paid.

Directors' remuneration

Stated in £'000 sterling	Base salary	Annual performance bonus	Benefits in kind	Pension contributions	Value of IPO cash award	Value share awards	Directors' Fees	Total 2007	Total ⁷ 2006
Executive Directors									
Dr Johannes Sittard ^{1,2}	1,623	1,000	53	88	1,310	9,805		13,879	230
Miguel Perry (appointed 12 Nov 2007) ³	82	68	5	8	460	3,180		3,803	
Non-executive Directors									
Sir David Cooksey (appointed 7 Nov 2007) ⁴					37	1,988	83	2,108	
Gerhard Ammann (appointed 6 Dec 2007)							8	8	
Patokh Chodiev (resigned 6 Dec 2007)									2,048
Mehmet Dalman (appointed 6 Dec 2007)							7	7	
Michael Eggleton (appointed 6 Dec 2007)							7	7	
Pieter Hamelink (resigned 7 Nov 2007) ⁵					50	2,650		2,700	1,336
Alijan Ibragimov (resigned 6 Dec 2007)			223					223	2,004
Sir Paul Judge (appointed 6 Dec 2007)							7	7	
Alexander Machkevitch (resigned 6 Dec 2007)			43					43	1,625
Kenneth Olisa (appointed 6 Dec 2007)							7	7	
Sir Richard Sykes (appointed 6 Dec 2007)							17	17	
Roderick Thomson (appointed 6 Dec 2007)							7	7	
Eduard Utepov (appointed 6 Dec 2007) ⁶							7	7	
Abraham Yedilbayev (appointed 6 Dec 2007)							7	7	
Daulet Yergozhin (resigned 20 Feb 2008) ⁶							7	7	
Total	1,705	1,068	324	96	1,857	17,623	164	22,837	7,243

Notes:

- The salary of Dr Sittard consists of US\$1,249,000 for the period to 30 April 2007 and £1,000,000 for the period 1 May 2007 to 31 December 2007.
- Dr Sittard received an annual performance bonus of £1,000,000 for the period in recognition of his efforts in the successful establishment of the Group Head Office in London and the configuration of the operating companies in Kazakhstan to deliver future results.
- The base salary, annual performance bonus, benefits in kind and pension contributions of Miguel Perry were £403k, £332k, £22k and £40k respectively for the period 12 March to 11 November 2007. Mr Perry also received a cash bonus of £100k on joining the Company.
- Sir David Cooksey received 375,000 shares in connection with his appointment as Chairman.
- Pieter Hamelink received US\$12.5 million consultancy fees and 500,000 shares in connection with preparing the Company for the IPO.
- As ministers of the Kazakhstan Government, neither Mr Utepov nor Mr Yergozhin were permitted to receive fees personally.
- These fees were earned by Directors throughout 2006 when they were Directors of both the Company and the pre-IPO group.

The following share awards were made under the IPO Plan at 540p. Awards were not subject to future performance or service conditions.

Name of Director	Share awards (number of shares)
Dr Johannes Sittard	1,850,000
Miguel Perry	600,000

Recipients of share awards under the IPO Plan are responsible for settling all taxes payable on the receipt of these shares. The mid-market price of the shares at 31 December 2007 was 640p and from the date of listing on 12 December 2007 to 31 December 2007, the share price varied between 540p and 645.5p.

ANNUAL GENERAL MEETING

Shareholders will be asked to vote on this Remuneration Report at the Company's forthcoming Annual General Meeting.

Signed on behalf of the Board of Directors



SIR RICHARD SYKES
Chairman of the Remuneration Committee
25 April 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required under company law to prepare the Group financial statements under International Financial Reporting Standards ('IFRS') as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. However, Directors are also required to:

- properly select and apply consistently, accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enables them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



PAUL WATERS
Company Secretary
25 April 2008