

The Company aims to attract, motivate and retain high calibre executives by ensuring their rewards are competitive and linked to both individual and business performance. Directors' remuneration is reviewed each year to ensure it is supportive of the Company's business objectives and the creation of shareholder value. The Company complies fully with Section 12.43A of the Financial Services Authority's Listing Rules.

Directors' remuneration

Salary & Fees

Four executive directors have waived their directors' fees from a subsidiary undertaking. Fees waived by these directors during the year amounted to £1,409 (2000: two directors - £1,200).

Benefits

The principal benefits provided to an executive director are a fully expensed car or a cash supplement and medical insurance for the director and his immediate dependants.

Annual profit related incentive scheme

The Remuneration Committee sets performance targets, both personal and corporate, for each of the executive directors. The corporate targets were based on share price improvement and the level of earnings before interest and tax. The bonus, which is a cash payment, is payable on a sliding scale being 0 - 100 per cent of base salary. No payments were made for the year (2000: no payments were made).

After his appointment as a director Mr Eilbeck received a payment of £10,000 in respect of an earlier bonus scheme. This payment has not been included in the table of directors' emoluments as it did not relate to his service as a director.

Incentive plans

At the last annual general meeting of the Company held on 25 April 2001, an incentive plan was approved for Mr Gawler. The award will vest on 30 September 2003 or, if earlier, the participant's cessation of employment in certain permitted circumstances or on a change of control or other major corporate reorganisation of the Company.

The gross amount of the total payment payable in cash, will be calculated in accordance with the formula $\text{£}1 \times ((V-200) \times 60V)$ where V is a number, being the lesser of the number of pence in the "Relevant Share Price" and 500.

For these purposes the "Relevant Share Price" is generally based on an average share price in the 30 day period immediately following the date the award vests or, in the

event of a change of control, the price per share of the relevant offer or, in the case of some other major corporate reorganisation, any amount of value per share which is returned to shareholders taken together with the average share price in the subsequent 30 day period. In addition, the value per share of any equity subscriptions made by the Company's shareholders during the term of the plan will be deducted from the Relevant Share Price for the purposes of calculating the payment to be made on vesting of the award.

On 29 June 2001 Mr Eilbeck was awarded an incentive plan with the same terms as for Mr Gawler above, with the exception that the potential benefits are a third of the level that apply to Mr Gawler. This will be put forward for shareholder approval at the forthcoming annual general meeting (see resolution 7 in the notice of meeting on pages 51 and 52).

Pensions

Mr Eilbeck is a member of the Company's Inland Revenue approved pension scheme providing pension benefits of one-thirtieth of salary for each year of service. Having left the Company Mr Robson is in receipt of a pension from the scheme and Mr Smith has a deferred pension entitlement. The scheme is currently in surplus and no company contributions are being paid. All the forementioned are subject to the cap on pensionable earnings and, to the extent that the approved scheme is unable to provide pension on their earnings in excess of the Inland Revenue earnings cap, a funded unapproved scheme has been established to make good the shortfall. Because of the tax rules which apply to the unapproved scheme, pensions payable from this scheme are fully commutable into cash lump sums and part of the benefit is payable immediately as a pension related payment. The aggregate of benefit from the approved scheme, benefit from the unapproved scheme and the pension related payment is equivalent to a pension of one-thirtieth of uncapped salary for each year of service and details of benefits given below are expressed in terms of equivalent uncapped final salary pensions.

Both Mr Robson and Mr Smith left the Company during the year. The figures shown below are based on their actual benefits on leaving service.

Mr Gawler is not a member of the company's pension scheme. Since becoming an executive director a contribution of £125,000 per annum is paid to him in lieu of a pension entitlement and is included in his emoluments on page 22. This contribution level is reviewable annually.

Directors' pensions

	Increase to accrued annual pension during the year	Transfer value of increase over the year	Total accrued annual pension at 31 December 2001
D M Eilbeck	£16,400	£164,000	£52,300
N E Robson	£18,200	£808,000	£162,100
N W R Smith	£1,800	£28,000	£93,000

- (i) In respect of Mr Eilbeck and Mr Smith the pension entitlement shown in the final column is that which would be paid annually on normal retirement based on service to the end of the year 2001 or the date of leaving service if earlier. Mr Robson retired on 1 December 2001 having resigned as a director on 30 June 2001. The pension shown in the final column is his actual pension entitlement at the date of his retirement. Unapproved benefits and pension related payments are included at their equivalent gross pension level for all directors.
- (ii) The increase in accrued pension during the year excludes any increase for inflation.
- (iii) The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 and includes the pension related payment relating to benefit accrued over the year.
- (iv) Mr Robson retired from service with the group on 1 December 2001 and has since been in receipt of an annual pension of £59,458 from the approved scheme. In addition, he received a lump sum from the unapproved scheme of £1,368,000 in respect of his unapproved benefits. He is also entitled to an additional lump sum and pension related payment from Charter to cover the additional cost of purchasing an annuity from an insurance company. This payment has been deferred until 2002 and will be approximately £490,000. These payments have been included in the amounts shown in the above table.

Directors' emoluments

Executive:	Salary & Fees £000	Benefits £000	Payment in lieu of pension £000	Compensation for loss of office* £000	Total 2001 £000	Total 2000 £000
D Gawler (executive from 15 March 2001 and Chairman from 25 April 2001)	368	13	99	-	480	-
D M Eilbeck (appointed 25 April 2001)	150	9	-	-	159	-
N E Robson (resigned 30 June 2001)	165	10	-	145	320	325
N W R Smith (resigned 31 August 2001)	289	22	-	1,161	1,472	449
	972	54	99	1,306	2,431	774
Non-executive:						
J W Herbert (Chairman to resignation on 25 April 2001)	80	-	-	-	80	250
P W Allen (resigned 25 April 2001)	11	-	-	-	11	35
J H M Bruce (appointed 14 December 2001)	2	-	-	-	2	-
M G Foster (appointed 14 December 2001)	2	-	-	-	2	-
D Gawler (to 15 March 2001)	6	-	-	-	6	1
N A Johnson	32	-	-	-	32	32
H P R Mullan (appointed 14 December 2001)	2	-	-	-	2	-
J M Neill	32	-	-	-	32	32
M G Taylor	57	-	-	-	57	57
	224	-	-	-	224	407

*J W Herbert has retained his awards under the Equity Partnership Plan as shown in the table on page 23.

Aggregate emoluments as defined in the Companies Act, that is excluding compensation for loss of office, was £1,349,000 (2000: £1,181,000).

The Company believes that it is in shareholders' interests to attract, motivate and retain high calibre executives and that two year contracts are important in this regard. Therefore, the executive directors each have two year rolling contracts with predetermined unmitigated clauses.

Equity Partnership Plan

The Equity Partnership Plan (the "Equity Partnership") was approved by shareholders in 1997. Its objective is to strengthen the link between executive rewards and the creation of value for shareholders. Under the Equity Partnership, selected executives may receive two types of incentive awards ("Bonus Shares" and "Performance Shares") which, respectively, reflect the focus on medium and long term performance.

The Equity Partnership has not operated since 1999. Details of the options granted in prior years in respect of the Equity Partnership awards are included in the table of options shown below.

Employee Share Ownership Trust

To facilitate the operation of the Equity Partnership, the Company established the Charter Employee Share Ownership Trust (the "Trust") for the purpose (amongst other things) of acquiring and holding shares in the Company to satisfy awards made under the Equity Partnership. The funds to acquire the shares in the Company necessary to satisfy awards made under the Equity Partnership will be contributed from the group companies to the trustees of the Trust. Shares will be acquired by the Trust either by purchase from a third party or subscription (at par or greater), at such time prior to release as shall be determined by the Company and the trustees.

Share options and interests in shares

Prior to his appointment as a director Mr Eilbeck was granted the options and awards under the Equity Partnership Plan disclosed in the table below. Options were granted at the current market price and are normally exercisable between three and ten years after the grant. The exercise of options is subject to the achievement of a performance target. The current target is that the growth in earnings per share must exceed the increase in the retail price index by one and a half per cent over a consecutive period of three years.

The interests of directors in shares and share options of the Company, all of which are beneficial interests, are as follows:

	Shares 01.01.01 or date of appointment	Shares 31.12.01	Number of share options			Options exercise price per share	Options exercisable between		
			Date of appointment	Granted	Exercised		31.12.01		
D M Eilbeck	3,475	1,368	7,909			7,909	828p	15.05.98	14.05.05
			3,052			3,052	Nil p*	01.01.00	02.11.04
			5,245			5,245	Nil p*	24.03.01	23.03.05
			7,646			7,646	Nil p*	30.03.02	29.03.06
			23,852			23,852			
J H M Bruce	-	-							
M G Foster	-	-							
D Gawler	-	-							
N A Johnson	18,794	18,794							
H P R Mullan	-	-							
J M Neill	2,732	-							
M G Taylor	875	-							
J W Herbert - former director						53,265	Nil p*	01.01.00	02.11.04
						80,787	Nil p*	24.03.01	23.03.05
						134,052			

*The exercise prices of these awards made under the Equity Partnership Plan are 831.2p, 710.5p and 376p. They will, however, be funded by a cash bonus payable at the date of exercise of the options and therefore the effective cost to the director is nil. The share price on 31 December 2000 was 172.5p and on 31 December 2001 was 126.0p. The high price for the year was 242.5p and the low 98.5p.

There was no change in the interests of current directors between 31 December 2001 and 1 March 2002, being within one month prior to the date of the notice of the annual general meeting.