

REMUNERATION REPORT

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.

Members of the Remuneration Committee

The members of the Remuneration Committee during the year were:

H P R Mullan (Chairman)
J H M Bruce
M G Foster
J M Neill

During the year the following parties provided advice that materially assisted the committee:

Hewitt Bacon & Woodrow
Slaughter and May
P C White (Internal Human Resources)

Directors' remuneration

Salary and Fees

Two executive directors have waived their directors' fees from a subsidiary undertaking. Fees waived by these directors during the year amounted to £1,200 (2002: £1,200).

Directors' service contracts

	<u>Contract date</u>	<u>Unexpired term</u>	<u>Notice period</u>	<u>Contractual termination payments</u>
D Gawler	24/04/01	06/06/04 (to 65th birthday)	12 months (Company) 12 months (Executive)	12 months salary plus payment in lieu of pension benefits
D M Eilbeck	29/06/01	No fixed term (normal retirement date 07/04/17 being 60th birthday)	12 months (Company) 6 months (Executive)	12 months salary plus payment in lieu of pension benefits
J H M Bruce	14/12/01	5 months	-	nil
M G Foster	14/12/01	5 months	-	nil
H P R Mullan	14/12/01	5 months	-	nil
J M Neill	28/02/94	5 months	-	nil

Discussions are under way to extend the term of Mr Gawler's service agreement by a further period of up to two years.

Benefits

Benefits comprise tax assessable benefits arising from employment. These include car and petrol allowances, medical insurance for the director and his immediate dependants and life assurance.

Pensions

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 20. This contribution level is reviewable annually.

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. He is subject to the cap on pensionable earnings and, to the extent that the approved scheme is unable to provide pension on his 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, he is entitled to receive an additional pension related payment being compensation in relation to tax payable on any contribution to that scheme. 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. The accrued entitlement given below includes entitlements earned as an employee, prior to becoming a director as well as those earned for qualifying services after becoming a director.

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Continued

Director's pension

	D M Eilbeck £
Accumulated total accrued pension at year end	58,900
Increase in accrued pension during the year excluding inflation	5,600
Increase in accrued pension during the year including inflation	6,500
Transfer value of benefit accrued during the year	63,700
Transfer value accrued at end of year	620,800
Transfer value at start of year	517,500
Increase in transfer value over year	103,300

- (i) The pension entitlement shown in the first row is the aggregate amount which would be paid annually on normal retirement based on service to the end of the year 2003 under the approved and unapproved schemes.
- (ii) The transfer value of the benefit accrued 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.
- (iv) The transfer value of the accrued entitlement represents the value of assets that the pension schemes would need to transfer to another pension provider on transferring the schemes' liability in respect of the director's pension benefits. It does not represent sums payable to the individual director and, therefore, cannot be added meaningfully to annual remuneration.
- (v) The transfer value of the increase in accrued benefits, required by the Listing Rules, discloses the current value of the increase in accrued benefits that the director has earned in the period, whereas the change in his transfer value, required by the Companies Act, discloses the absolute increase or decrease in his transfer value and includes the change in value of the accrued benefits that results from market volatility affecting the transfer value at the beginning of the period, as well as the additional value earned in the year.

Directors' emoluments

	Salary & Fees £000	Benefits £000	Payment in lieu of pension £000	Pension related payment £000	Total 2003 £000	Total 2002 (restated) £000
Executive						
D Gawler (Chairman)	500	53	125	-	678	674
D M Eilbeck	238	16	-	-	254	318
	<u>738</u>	<u>69</u>	<u>125</u>	<u>-</u>	<u>932</u>	<u>992</u>
Non-executive						
J H M Bruce	39	-	-	-	39	39
M G Foster	39	-	-	-	39	39
N A Johnson (resigned 24 April 2002)	-	-	-	-	-	10
H P R Mullan	65	-	-	-	65	56
J M Neill	39	-	-	-	39	39
M G Taylor (resigned 24 April 2002)	-	-	-	-	-	23
	<u>182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182</u>	<u>206</u>
Total	<u>920</u>	<u>69</u>	<u>125</u>	<u>-</u>	<u>1,114</u>	<u>1,198</u>

The contribution of nil (2002: £102,000) made to Mr Eilbeck's funded unapproved pension scheme is not included in the benefits column of the directors' emoluments table, but is incorporated in the director's pension table relating to Mr Eilbeck above.

Mr Gawler's total emoluments for 2002 have been restated to include a life assurance payment of £32,000.

Equity Partnership Plan

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

No new awards have been made under the Equity Partnership Plan since 1999. Details of the options granted in prior years in respect of the Equity Partnership Plan awards are included in the table of options shown below. As none of the performance targets associated with any of the awards has been met, the awards would only be of value in the event of a change in control of the Company.

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 target is that the growth in earnings per share must exceed the increase in the retail price index by 1½ per cent. over a consecutive period of three years.

The interests of directors in shares and share options of the Company as at 31 December 2003, all of which are beneficial interests, are as follows:

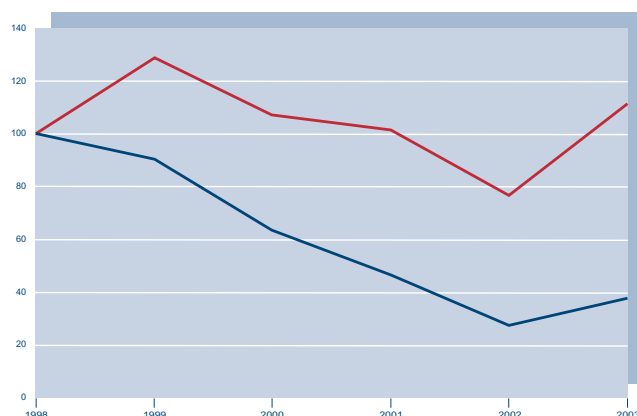
	Shares		Number of share options		Options exercise price per share	Options exercisable between	
	01.01.03	31.12.03 **	01.01.03	31.12.03			
D M Eilbeck	-	-	7,909	7,909	828p	15.05.98	14.05.05
			3,052	3,052	Nil p*	01.01.00	02.11.04
			5,245	5,245	Nil p*	24.03.01	23.03.05
			7,646	7,646	Nil p*	30.03.02	29.03.06
			<u>23,852</u>	<u>23,852</u>			
J H M Bruce	-	-					
M G Foster	-	-					
D Gawler	-	-					
H P R Mullan	-	-					
J M Neill	2,732	2,732					
J W Herbert - former director			53,265	53,265	Nil p*	01.01.00	02.11.04
			80,787	80,787	Nil p*	24.03.01	23.03.05
			<u>134,052</u>	<u>134,052</u>			

* The exercise prices of these awards made under the Equity Partnership Plan are 831.2p, 710.5p and 376.0p. They would if exercised 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 2002 was 75.0p and on 31 December 2003 was 102.5p. The high price for the year was 105.0p and the low 34.5p.

** Mr Gawler purchased 25,000 ordinary shares of 2p each in the Company on 8 March 2004. There was no change in the interests of the other current directors between 31 December 2003 and 9 March 2004. An update will be given in the notice of the annual general meeting.

Total Shareholder Return

— Charter (total return) rebased to 100
 — FTSE Engineering & Machinery Sector (total return) rebased to 100



In the opinion of the directors, the FTSE Engineering and Machinery Sector Index is the most appropriate index against which the total shareholder return of Charter plc should be measured because it is an index of companies in similar businesses.

By order of the board

A R Yapp Secretary
 9 March 2004