Remuneration report

The Directors present the Remuneration report for the year ended 31 December 2006. The report contains all of the information that is required by Schedule 7A to the Companies Act 1985 and describes how the Company has applied the principles of the Code with regard to remuneration.

1 The Remuneration Committee *(unaudited information)*
The Board has delegated authority to the Committee to review the remuneration trends across the Company and its major businesses and to determine the remuneration and other terms and conditions of the Chairman, the Executive Directors, the Company Secretary and the key management of the Company, as shown on pages 34 and 36. The Committee is also responsible for reviewing the remuneration of those individuals identified as senior management by the Board of the Company.

Throughout 2006 the members of the Committee were as follows: The Hon. James Bruce (Chairman), John Biles, Grey Denham and Andrew Osborne. All members of the Committee are deemed independent in accordance with the Code. Details of the number of meetings held by the Committee during the year, as well as attendance details, can be found in the table contained in the Corporate Governance report on page 39.

The terms of reference of the Committee are available on request from the Company Secretary and on the Company's website. The Committee has access to the advice of the Executive Chairman, the Chief Executive, the Company Secretary (none of whom participated in any discussion relating to their own remuneration) and a number of external advisors in conducting its duties. During 2006 the Committee consulted the following: Hewitt Associates, who provided the Company with actuarial advice in relation to pensions; New Bridge Street Consultants LLP, who provided independent advice to the Committee regarding Executive Directors' remuneration and long term incentive arrangements (but no further services to the Company); and Slaughter and May, who provided the Committee with general legal advice. As the Company's solicitors, Slaughter and May also provided other legal advice to the Company during the year.

2 Remuneration policy *(unaudited information)*
The policy for Executive Directors and key management is designed to enable the Company to attract, motivate and retain individuals by ensuring that their rewards are both competitive and linked to individual and business performance.

Consistent with this policy, the remuneration packages of the Executive Directors are intended to be competitive and comprise both fixed and performance-related elements. Performance-related elements are designed to comprise a significant part of potential remuneration. Executive Directors' remuneration is reviewed each year to ensure that it is supportive of the Company's business objectives and the creation of shareholder value. It is the intention of the Committee that there should be long-term incentive plans for Executive Directors whereby they are rewarded with interests in the Company's shares for sustained performance over a period of time.

The remuneration packages for other key management are designed to operate on a basis similar to that of the Executive Directors.

3 Remuneration
(a) Executive Directors
(i) Base salary *(unaudited information)*
The base salaries of the Executive Directors are reviewed annually and following exceptional one-off events where the individual responsibilities of the Executive Director change significantly. Salaries are benchmarked against those paid to directors in companies of a similar size and international complexity to the Company as well as those companies operating within comparable sectors.

The Committee agreed the following changes to the remuneration packages and other terms and conditions of David Gawler, Michael Foster and Robert Careless during the year:

- On standing down from his role as Chief Executive, but remaining as part-time Executive Chairman, David Gawler's total compensation was reduced to a base salary of £270,000 per annum with effect from 1 July 2006;
- Michael Foster's base salary was increased to £340,000 with effect from 1 January 2006. On his promotion from Commercial Director to Chief Executive, and to reflect the increased responsibilities inherent in his new role, Michael Foster's base salary was increased to £400,000 per annum with effect from 1 July 2006; and
- Mr Careless' base salary was increased to £225,000 per annum with effect from 1 January 2006. It was then increased to £250,000 per annum with effect from 1 July 2006 to bring it into line with salaries paid to finance directors of similar sized companies.

James Deeley was appointed as Legal Director and Company Secretary on 10 July 2006 on a base salary of £200,000.

For 2007, salaries have been reviewed and the Executive Directors received increases broadly in line with the average inflation across the Company and its subsidiaries and affiliates.

(ii) Bonus *(unaudited information)*
In respect of the year ended 31 December 2006, all Executive Directors were contractually entitled to receive a bonus of up to 75 per cent of base salary depending on the achievement of a number of corporate and individual targets, including operating profit, cash flow, earnings per share, Total Shareholder Return ('TSR') and certain other specific operational targets. The corporate targets were achieved for the year under review and the TSR performance of the Company during this period placed it in the upper quartile of the FTSE Mid 250 Index (excluding investment trusts). Accordingly, all Executive Directors were recommended for bonuses of 75 per cent of their base salary in respect of the year ended 31 December 2006. David Gawler was recommended for a bonus representing 75 per cent of his base salary earned during the first half of the year under review. Under David Gawler's new service agreement, which became effective on 1 July 2006, he is no longer eligible for a bonus.

For 2007, the maximum bonus potential for the Executive Directors will increase to 100 per cent of salary. This decision was taken by the Committee having reviewed bonus levels in a comparator group of companies of similar size and complexity, and across the FTSE 250 as a whole, which showed that the previous maximum of 75 per cent was well below current market levels. The new maximum level is also felt to be appropriate given the Company's recent high growth relative to the market both by market capitalisation (as demonstrated by its TSR performance) and turnover.

As a condition of increasing the bonus potential, one-quarter of any bonus paid to Executive Directors (i.e. a maximum of 25 per cent of salary) will be paid in shares and compulsorily deferred for three years under a new Deferred Bonus Plan. Therefore, the cash maximum bonus potential will remain unchanged from 2006 at 75 per cent of salary. Deferred share awards will normally lapse should the Executive leave during this three-year period through voluntary resignation or dismissal for cause. For cessation of employment for any other reason, the Deferred Share awards will normally vest on cessation unless the Committee determines otherwise.

The Company's policy is that bonuses should only be payable for the achievement of stretching performance targets, the majority of which are linked to the financial performance of the Company. For the year ending 31 December 2007, these targets are as follows:

1. 64 per cent of bonus: EPS performance relative to budget
2. 16 per cent of bonus: Cash flow performance relative to budget
3. 20 per cent of bonus: Personal performance.

For targets 1 and 2, 50 per cent of the maximum bonus on each part will be payable for meeting budget, the maximum bonus will only become payable for performance that is substantially in excess of budget and no bonus will be payable for performance that is substantially below budget. The Committee has reserved the overriding discretion to review aggregate bonus levels payable to Executive Directors based on the above criteria to ensure that they are appropriate taking into account the overall financial performance of the Company and its performance relative to the market. No bonuses payable to Executive Directors are pensionable.

(iii) Long Term Incentives *(audited information)*
The Executive Directors, with the exception of the Executive Chairman, currently participate in the Charter 2005 Long Term Incentive Plan. In addition, Michael Foster was granted an option under a one-off arrangement put in place specifically to facilitate and secure his appointment as Commercial Director in 2005.

Charter (DG – 2004) Incentive Plan (the '2004 Plan')
David Gawler was initially granted an award under the Charter (DG) Incentive Plan (the '2001 Plan') which was approved by shareholders at the AGM on 25 April 2001. This plan was replaced by the 2004 Plan, which was approved by shareholders on 25 June 2004 and was on substantially the same terms as the original 2001 Plan, save with regard to the vesting date, an appropriate adjustment to take account of the rights issue on March 2004 and an entitlement for the Company at its option to settle the award in cash or shares. The middle market price of shares in the Company when this award was granted was 161.5 pence. The award under the 2004 Plan vested on 30 June 2006 and was not pensionable. In accordance with the terms of the 2004 Plan, 1,120,579 ordinary shares of 2 pence each in the Company were issued to David Gawler, and subsequently sold on his behalf, at a price of 802 pence each, representing a total value of £8,987,043. The amount of this award was calculated in accordance with a formula based upon the Company's share price. According to the terms of the 2004 Plan, the Company had the option to settle the award in cash or the issue or transfer of shares in the Company or any of its subsidiaries, or a combination of all or any of these. The Company elected to settle the award by an issue of new ordinary shares in the Company.

Michael Foster's Long-term Incentive Plan (the 'MF Plan')
No awards were made under the MF Plan in respect of the year under review and none are intended in the future as the MF Plan was set up as a one-off scheme. The only award was made in 2005 to Michael Foster in the circumstances described above. Exercise of 50 per cent of the option requires average real earnings per share growth of 3 per cent per annum over a single three-year period whilst the balance of the option relates to the Company's TSR performance compared to the constituents of the FTSE Mid 250 Index. No vesting will occur for a below median TSR ranking, 50 per cent of the TSR part of the grant will vest for a median ranking and 100 per cent will vest for a ranking within the upper quartile, with pro rata vesting for intermediate performance. Benefits under the MF Plan are not pensionable.

The Remuneration Committee may adjust the option as it considers appropriate. Such adjustment may be to any or all of the nominal amount and the number of shares under the option and the exercise price. However, any such adjustment must be on the basis that, so far as possible, there is no material change to the total exercise price of the option. The Committee may not reduce the exercise price of an unissued share to below its nominal value unless and to the extent permitted under the Companies Act 1985 and the Company's articles of association.

The vested option may be exercised in whole or in part during the period of twelve months starting with the date of the preliminary announcement by the Company of its results for the year ending 31 December 2007.

Charter 2005 Long Term Incentive Plan ('LTIP')
Under the LTIP, Executive Directors and selected other senior executives are eligible to receive awards in one of three forms: (i) conditional allocations, where a participant receives free ordinary shares in the Company automatically on vesting; (ii) nil (or nominal) cost options, where a participant can decide when to exercise his award during a short period after it has vested; or (iii) forfeitable shares in the Company, which are similar to conditional shares except that the participant has certain shareholder rights prior to vesting. The Remuneration Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash (either in whole or in part), although it does not intend to do so except where it would be expedient in overseas jurisdictions.

An individual may not receive awards in any financial year over shares having a market value in excess of 100 per cent of his annual salary except, in exceptional circumstances, such as recruitment or retention, where an individual may receive an award over shares worth up to 200 per cent of his annual salary.

Vesting will be based on Charter's TSR performance compared to the constituents of the FTSE 250 Index (excluding investment trusts) over a single three-year period beginning on the date of the grant of the award. No vesting will occur for a below median ranking. At median, 25 per cent of the shares will vest and 100 per cent of the shares will vest at upper quartile. Between median and upper quartile rankings, awards will vest on a pro rata basis. In addition, awards will only vest if the Committee is satisfied that there has been a significant improvement in the Company's underlying financial performance over the three-year performance period. The Committee may vary the performance conditions applicable to these awards to take account of events that the Committee considers to be exceptional, including technical events such as changes in accounting standards, provided that, in the reasonable opinion of the Committee, the varied conditions are at least as challenging as the original condition would have been but for the event in question. An award will normally only vest on or after the third anniversary of the date of grant provided the individual remains an employee of the Company and the performance conditions and any other objective conditions have been satisfied. On the vesting of an award the individual acquires fully paid ordinary shares in the Company.

During the year the Committee made five awards pursuant to the LTIP. On 24 March 2006, Michael Foster and Robert Careless were made conditional awards of shares and, on 10 July 2006, James Deeley was made a conditional award of shares. Details of these awards can be found on page 49.

(iv) Pensions *(audited information)*
David Gawler is not a member of the Company's pension scheme. Prior to stepping down as Chief Executive on 30 June 2006, a contribution of £63,000 (equivalent to 25 per cent of his salary of £500,000 per annum during the six-month period to 30 June 2006) was paid to him in lieu of a pension and is included in his emoluments shown on page 48. Under David Gawler's new service contract in respect of his position as Executive Chairman, which became effective on 1 July 2006, he is not entitled to a pension or a cash payment in lieu of pension or life assurance.

Michael Foster and Robert Careless are both members of the Company's HMRC approved pension scheme, providing benefits of one-thirtieth of base salary and one-forty-fifth of base salary respectively for each year of service as an Executive Director. They are both subject to a cap on pensionable earnings of £105,600 per annum and are entitled to receive, in lieu of pension, an additional 25 per cent of non-pensionable salary to the extent that their salary exceeds this cap. These payments are included in their emoluments shown on page 48.

Following his appointment as Legal Director and Company Secretary on 10 July 2006, James Deeley became a member of the Company's HMRC approved pension scheme and is provided with benefits of one-forty-fifth of his base salary for each year of pensionable service. He is subject to a cap on pensionable earnings of £105,600 and is entitled to participate in the Company's defined contribution stakeholder pension scheme in respect of which the Company has agreed to make a contribution of up to a maximum of 9 per cent of his base salary in excess of this cap.

Details of pension entitlements can be found in the table on page 48.

(v) Other benefits *(audited information)*
Further benefits contained within the remuneration packages of the Executive Directors (with the exception of the Chairman) comprise tax assessable benefits arising from employment and include car and petrol allowances, medical insurance for the Executive Directors and their immediate dependants and life assurance.

(vi) Service contracts *(audited information)*

Details of the service contracts of those individuals who served as Executive Directors during the year are set out in the table below:

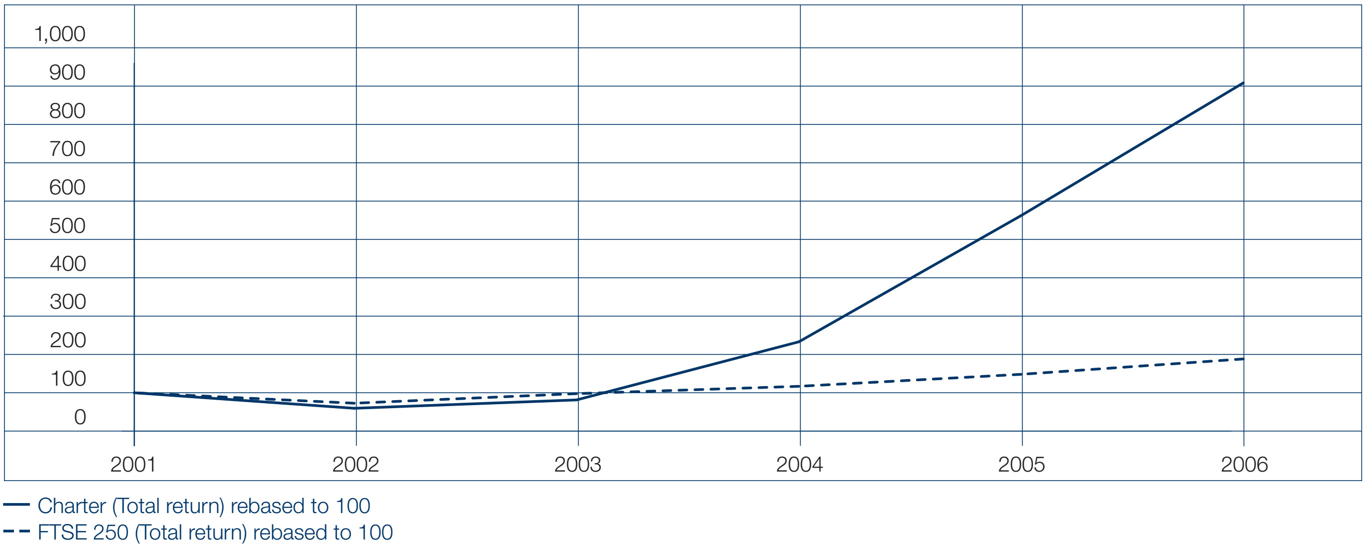
	Contract date	Notice period	Contractual early termination payment
David Gawler	01.07.06	3 months (Company) 3 months (Executive)	Not applicable
Michael Foster	03.12.04	12 months (Company) 9 months (Executive)	12 months' salary plus payment in lieu of pension benefits
Robert Careless	25.06.04	12 months (Company) 6 months (Executive)	12 months' salary plus payment in lieu of pension benefits
James Deeley[1]	30.05.06	12 months (Company) 6 months (Executive)	Not applicable

(1) James Deeley's contract was signed on 30 May 2006 but took effect from his appointment as a Director of the Company on 10 July 2006.

The service contracts of all Executive Directors, other than that of David Gawler, contain a retirement age of 65.

(vii) Total Shareholder Return *(unaudited information)*

The chart below sets out the TSR generated by Charter and the TSR of the constituents of the FTSE Mid 250 Index (excluding investment trusts) since 2001.



In the opinion of the Directors, the FTSE Mid 250 Index (excluding investment trusts) is the most appropriate index against which the TSR of Charter plc should be measured because it is an index of similar sized companies.

(b) Non-Executive Directors *(audited information)*
The Board has delegated authority to the Executive Committee to determine the fees payable to the Non-Executive Directors. Non-Executive Directors are not eligible to participate in any of the Company's bonus, pension or share incentive schemes. They have standard letters of appointment that comply with the recommendations of the Code. Non-Executive appointment letters are available for inspection at the Company's registered office and will be made available at the AGM.

Name	Date of appointment letter	Notice period	Term	Unexpired term
John Biles	22.03.05	1 month (company) 1 month (Director)	3 years	12 months
The Hon. James Bruce	25.06.04	1 month (company) 1 month (Director)	3 years	3 months
Grey Denham	07.02.05	1 month (company) 1 month (Director)	3 years	11 months
John Neill	25.06.04	1 month (company) 1 month (Director)	3 years	3 months
Andrew Osborne	07.02.05	1 month (company) 1 month (Director)	3 years	11 months

(c) External appointments
No Executive Directors currently hold any external directorships of listed companies.

Notes to Remuneration report

(a) Remuneration *(audited information)*

(i) Directors' emoluments

	Salary and fees £'000	Bonuses £'000	Benefits £'000	Payment in lieu of pension/pension contributions £'000	**2006 £'000**	2005 £'000
Executive						
David Gawler[(1)]	386	188	9	63	**646**	1,080
Michael Foster[(2)]	370	278	17	66	**731**	716
Robert Careless[(3)]	238	178	13	33	**462**	416
James Deeley[(4)]	96	72	8	4	**180**	–
	1,090	716	47	166	**2,019**	2,212
Non-Executive[(5)]						
John Biles	55	–	–	–	**55**	41
The Hon. James Bruce	55	–	–	–	**55**	55
Grey Denham	55	–	–	–	**55**	49
John Neill	55	–	–	–	**55**	55
Andrew Osborne	55	–	–	–	**55**	49
	275	–	–	–	**275**	250
Total	1,365	716	47	166	**2,294**	2,462

(1) On standing down from his role as Chief Executive, on 30 June 2006, but remaining as part-time Executive Chairman, David Gawler's total compensation was reduced to a base salary of £270,000 per annum.
(2) On his promotion from Commercial Director to Chief Executive, and to reflect the increased responsibilities inherent in his new role, Michael Foster's base salary was increased to £400,000 per annum from 1 July 2006. Michael Foster was the highest paid Director during the period under review.
(3) The base salary of Robert Careless was increased to £250,000 per annum with effect from 1 July 2006 to bring it into line with salaries paid to finance directors of similar sized companies.
(4) James Deeley was appointed to the Board on 10 July 2006.
(5) Non-Executive Directors are not paid additional amounts in respect of the Chairmanship of Committees
(6) Two (2005: two) Directors have waived their fees from a subsidiary undertaking. Fees waived by these Directors during the year amounted to £1,200 (2005: £1,200).

(ii) Pensions and payments in lieu of pensions and life assurance

	Michael Foster £	Robert Careless[(1)] £	James Deeley £
Accumulated total accrued pension at year end[(2)]	7,000	10,200	1,000
Increase in accrued pension during year excluding inflation	3,400	2,100	1,000
Increase in accrued pension during year including inflation	3,500	2,300	1,000
Transfer value of benefits accrued during the year excluding inflation	55,900	33,900	7,100
Transfer value of benefits accrued during the year including inflation	57,400	37,200	7,100
Transfer value accrued at end of year	114,800	161,300	7,100
Transfer value at start of year	53,900	116,600	–
Increase in transfer value over year	60,900	44,700	7,100

(1) The accrued entitlement includes entitlement earned by Robert Careless as an employee, prior to becoming a Director, as well as that earned for qualifying services after becoming a Director.
(2) 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 2006 under the approved scheme.
(3) The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.
(4) 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 scheme's liabilities in respect of the Director's pension benefits. It does not represent sums payable to the individual Directors and, therefore, cannot be added meaningfully to annual remuneration.
(5) The transfer value of the increases 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 additional value earned in the year.

(b) Directors' interests *(audited information)*

(i) Shareholdings

The beneficial interests of Directors in the ordinary share capital of the Company at 31 December 2006 were as follows:

	Shares at 31.12.06	Shares at 01.01.06 or on appointment
David Gawler(1)	65,000	65,000
Michael Foster	18,634	18,634
Robert Careless	5,000	5,000
James Deeley(2)	–	–
John Biles	–	–
The Hon. James Bruce	–	–
Grey Denham	1,000	1,000
John Neill(3)	48,613	29,371
Andrew Osborne	–	–

(1) David Gawler was allotted 1,120,579 shares pursuant to the 2004 Plan that were immediately sold. Details can be found on page 45 of this report.
(2) James Deeley was appointed as a Director on 10 July 2006.
(3) John Neill purchased a total of 19,242 shares during the year.

(ii) Share options and long term incentive awards

	Grant date	Number at 1 January 2006(1)	Granted in year	Exercised in year	Lapsed in year	Number at 31 December 2006	Exercise price	Earliest exercise date	Expiry date	Value at 31 December 2006(2) £
Michael Foster										
MF Plan	22.3.05	149,089	–	–	–	149,089	217.99p	March 2008	March 2009	1,024,256
LTIP(4)	24.3.06(5)	–	46,378	–	–	46,378	Nil cost	24.3.09	–	419,721
Total		**149,089**	**46,378**	**–**	**–**	**195,467**	**–**	**–**	**–**	**1,443,977**
Robert Careless										
LTIP(4)	6.10.05	52,439	–	–	–	52,439	Nil cost	6.10.08	–	474,573
	24.3.06(5)	–	30,691	–	–	30,691	Nil cost	24.3.09	–	277,754
Total		**52,439**	**30,691**	**–**	**–**	**83,130**	**–**	**–**	**–**	**752,327**
James Deeley										
LTIP(4)	10.7.06(6)	–	19,257	–	–	19,257	Nil cost	10.7.09	–	174,275
Total		**–**	**19,257**	**–**	**–**	**19,257**	**–**	**–**	**–**	**174,275**

(1) Or at the date of appointment, if later.
(2) Value of options under the MF Plan at 31 December 2006 shows the difference between the market price of the shares at 31 December 2006 and the exercise price of the options, multiplied by the number of the options. The value of the awards under the LTIP shows the number of the awards held multiplied by the market price of the Company's shares at 31 December 2006. The assumption is that the maximum number of options/awards vest in accordance with the performance conditions described on page 45.
(3) The mid-market price for the Company's shares at 31 December 2006 was 905p. The highest and lowest share price during the year ended 31 December 2006 were 952 pence (15 November 2006) and 543.5 pence (10 January 2006) respectively.
(4) All LTIP awards were subject to the performance conditions outlined on page 45.
(5) The share price on the date of grant was 748 pence.
(6) The share price on the date of grant was 776 pence.

By order of the Board

The Hon. James Bruce
Chairman of the Remuneration Committee
14 March 2007