

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 from 24 April 2002)
 J H M Bruce
 M G Foster
 N A Johnson (resigned 24 April 2002)
 J M Neill
 M G Taylor (resigned 24 April 2002)

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 (2001: four directors - £1,409).

Directors' service contracts

	Contract date	Unexpired term	Notice period	Contractual termination payments
D Gawler*	25/04/01	18 months	12 months (Company) 12 months (Executive)	12 months salary plus payment in lieu of pension benefits
D M Eilbeck*	29/06/01	24 months	24 months (Company) 12 months (Executive)	24 months salary plus payment in lieu of pension benefits
J H M Bruce	14/12/01	16 months	-	nil
M G Foster	14/12/01	16 months	-	nil
N A Johnson**	-	-	-	-
H P R Mullan	14/12/01	16 months	-	nil
J M Neill	28/02/94	16 months	-	nil
M G Taylor**	-	-	-	-

* The period of notice from the employer for executive directors during the year was 24 months. Under their contractual terms this notice period was scheduled to reduce to 12 months with effect from 6 June 2003 and 30 September 2003 for Mr Gawler and Mr Eilbeck respectively. At the request of the Chairman of the Remuneration Committee and in line with best practice, Mr Gawler agreed to reduce his notice period from the employer to 12 months with effect from 6 March 2003. However Mr Eilbeck has decided to retain his existing contractual rights in this regard until 30 September 2003 when the period of notice from the employer will automatically reduce to 12 months and the period of notice from the executive to 6 months.

** Messrs Johnson and Taylor resigned on 24 April 2002 and, consequently, their contracts terminated.

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.

Incentive plans

At the 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.

At the last annual general meeting of the Company held on 24 April 2002, 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, was approved for Mr Eilbeck.

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 24. 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 received an additional pension related payment being compensation in relation to tax payable on the 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.

Director's pension

	D M Eilbeck £
Accumulated total accrued pension at year end	52,400
Increase in accrued pension during the year excluding inflation	9,700
Increase in accrued pension during the year including inflation	10,400
Transfer value of benefit accrued during the year	99,900
Transfer value accrued at end of year	517,500
Transfer value at start of year	407,300
Increase in transfer value over year	110,200

- (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 2002 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 2002 £000	Total** 2001 (restated) £000
Executive						
D Gawler (executive from 15 March 2001 and Chairman from 25 April 2001)	500	17	125	-	642	480
D M Eilbeck (appointed 25 April 2001)	238	12	-	68	318	215
N E Robson (resigned 30 June 2001)	-	-	-	-	-	704
N W R Smith (resigned 31 August 2001)	-	-	-	-	-	1,540
	738	29	125	68	960	2,939
Non-executive						
J W Herbert (Chairman to resignation on 25 April 2001)	-	-	-	-	-	80
P W Allen (resigned 25 April 2001)	-	-	-	-	-	11
J H M Bruce (appointed 14 December 2001)	39	-	-	-	39	2
M G Foster (appointed 14 December 2001)	39	-	-	-	39	2
D Gawler (to 15 March 2001)	-	-	-	-	-	6
N A Johnson (resigned 24 April 2002)	10	-	-	-	10	32
H P R Mullan (appointed 14 December 2001)	56	-	-	-	56	2
J M Neill	39	-	-	-	39	32
M G Taylor (resigned 24 April 2002)	23	-	-	-	23	57
	206	-	-	-	206	224
Total	944	29	125	68	1,166	3,163

* The contribution of £102,000 (2001: £84,000) 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 on page 23.

** During the year the directors reviewed the disclosures relating to pension related payments. These payments compensate directors in relation to tax payable by them on the contributions to their funded unapproved pension schemes. It has been decided that these payments should no longer be incorporated in the pensions disclosures, but rather within the directors' emoluments table. As a result, the following directors' emoluments for 2001 have been amended to reflect the pension related payments in respect of that year: Mr Eilbeck £56,000, Mr Robson £384,000 and Mr Smith £68,000.

Aggregate emoluments as defined in the Companies Act, that is excluding compensation for loss of office, were £1,166,000 (2001: £1,857,000).

The Company believes that it is in shareholders' interests to attract, motivate and retain high calibre executives and has to date believed that two year contracts are important in this regard. Therefore, the current executive directors were given contracts in 2001 that initially had two year rolling terms with predetermined liquidated damages provisions. However, Mr Gawler has agreed to reduce his notice period from the employer to 12 months with effect from 6 March 2003. Mr Eilbeck has decided to retain his existing contractual rights in this regard until 30 September 2003 when the period of notice from the employer will automatically reduce to 12 months and the period of notice from the executive to 6 months.

During the year an amount of £489,000 was paid to Mr Robson, a former director. This lump sum payment, which was provided for in 2001 and was reflected in the Directors' Pension table in that year, was made in connection with his retirement to cover part of the cost of purchasing an annuity from an insurance company.

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 on page 25. 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.

Employee Share Ownership Trust

To facilitate the operation of the Equity Partnership Plan, 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 Plan. The funds to acquire the shares in the Company necessary to satisfy awards made under the Equity Partnership Plan 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

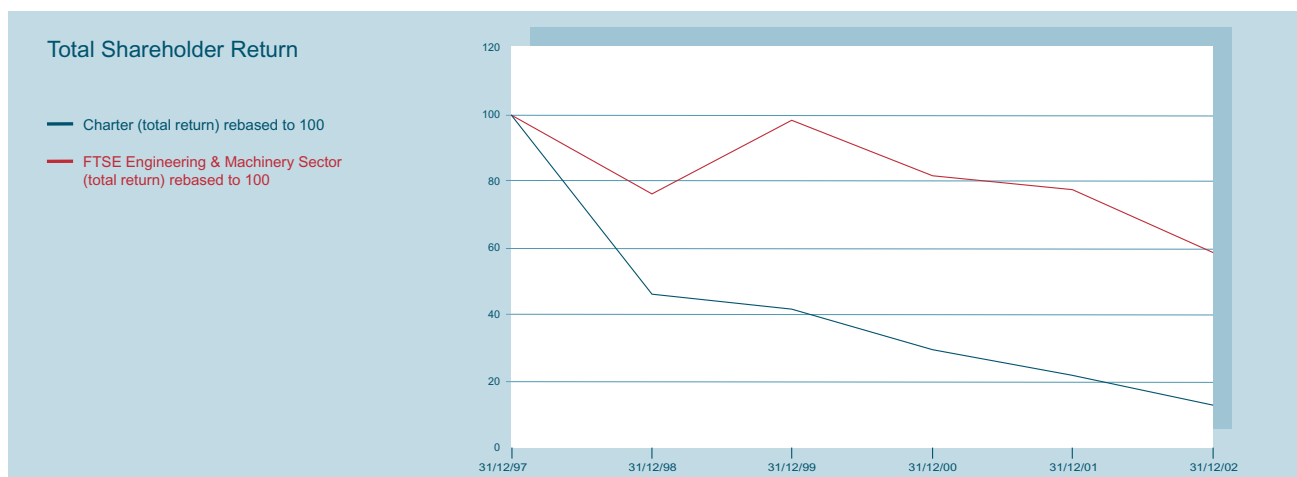
Prior to his appointment as a director Mr Eilbeck was granted the options and awards under the Equity Partnership Plan disclosed in the table below. Options were granted at the current market price and are normally exercisable between three and ten years after the grant. The exercise of options is subject to the achievement of a performance target. The target is that the growth in earnings per share must exceed the increase in the retail price index by 1½% over a consecutive period of three years.

The interests of directors in shares and share options of the Company as at 31 December 2002, all of which are beneficial interests, are as follows:

	Shares 01.01.02	Shares 31.12.02	Number of share options				Options exercise price per share	Options exercisable between	
			01.01.02	Granted	Exercised	31.12.02			
D M Eilbeck	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	-	-							
H P R Mullan	-	-							
J M Neill	2,732	2,732							
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 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 2001 was 126.0p and on 31 December 2002 was 75.0p. The high price for the year was 206.0p and the low 71.5p.

There was no change in the interests of current directors between 31 December 2002 and 7 March 2003. An update will be given in the notice of the annual general meeting.



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
7 March 2003