

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended immediately to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your Ordinary Shares, please forward this document together with the accompanying Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

Hoare Govett Limited, which is regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Charter plc in connection with the Disposal and for no one else and will not be responsible to anyone other than Charter plc for providing the protections afforded to clients of Hoare Govett Limited or for providing advice in relation to the Disposal.

Charter plc

(Incorporated in England and Wales with registered number 2794949)



CHARTER

Proposed Disposal of the

US Defence Businesses

and

Notice of Extraordinary General Meeting

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Charter plc, which is set out on pages 5 to 10 of this document in which the Directors of Charter plc recommend that you vote in favour of the Resolution to be proposed at the Extraordinary General Meeting referred to below.

Notice of an Extraordinary General Meeting of Charter plc, to be held at 10.00 a.m. on 25 November 2003 at the offices of Hoare Govett Limited, 250 Bishopsgate, London EC2M 4AA is set out at the end of this document. A Form of Proxy for use at the Extraordinary General Meeting is enclosed. To be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed thereon to the Company's registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8FB, as soon as possible but, in any event, so as to arrive not later than 10.00 a.m. on 23 November 2003. The completion and return of a Form of Proxy will not preclude you from attending and voting at the Extraordinary General Meeting should you choose to do so.

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EXPECTED TIMETABLE OF EVENTS	
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 23 November 2003
Extraordinary General Meeting	10.00 a.m. on 25 November 2003
Expected date for Completion of the Disposal	Early December 2003

DEFINITIONS

The following definitions apply throughout this document and the accompanying Form of Proxy, unless the context requires otherwise:

“2004 Loan Notes”	the US\$72.3 million 6.78 per cent. senior loan notes due on 10 March 2004 issued by Charter Central Finance Limited and guaranteed by the Company
“Act” or “Companies Act”	the Companies Act 1985 (as amended)
“Board” or “Directors”	the directors of Charter whose names are set out on page 5 of this document
“Charter” or “Company”	Charter plc
“Charter Group” or “Group”	Charter, its subsidiaries and its subsidiary undertakings prior to the Disposal (including the US Defence Businesses)
“Completion”	the point in time when the Disposal Agreement becomes unconditional and is completed in accordance with its terms
“Continuing Group”	Charter, its subsidiaries and its subsidiary undertakings (excluding the US Defence Businesses), following Completion
“Disposal”	the proposed sale by the Company of all of the issued shares in Howden Airdynamics and Western Design Howden to the Meggitt Entities pursuant to the terms of the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement summarised in Part IV of this document
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of Charter to be held at 10.00 a.m. on 25 November 2003 at 250 Bishopsgate, London EC2M 4AA as more fully described in the attached notice of Extraordinary General Meeting or any adjournment thereof
“Form of Proxy”	the form of proxy accompanying this document for use by Shareholders in connection with the EGM
“Hoare Govett”	Hoare Govett Limited
“Howden Airdynamics”	Howden Airdynamics, Inc., a company incorporated in Michigan, US
“Loan Facility”	the loan facilities available to Charter Central Finance Limited under the revolving credit facility agreement between Charter Central Finance Limited, the Company, HSBC Bank plc and others as amended and restated pursuant to an agreement dated 21 July 2003

DEFINITIONS

“Loan Notes”	the 2004 Loan Notes, the US\$6.0 million 7.24 per cent. Series B loan notes due in equal tranches on 1 July 2004 and 1 July 2005, the US\$5.0 million 7.33 per cent. Series D loan notes due on 1 July 2005, the US\$85.0 million 6.88 per cent. senior loan notes due on 21 October 2007 and the US\$35.0 million 6.96 per cent. senior loan notes due on 21 October 2009 all issued by Charter Central Finance Limited and guaranteed by the Company
“Meggitt”	Meggitt PLC, a company incorporated in England and Wales with registered number 432989
“Meggitt Entities”	together, Meggitt Defense Systems, Inc., a company incorporated in Delaware, US, and Whittaker Controls, Inc., a company incorporated in California, US, both of which are wholly owned indirect subsidiaries of Meggitt
“Ordinary Shares”	ordinary shares of 2 pence each in the capital of the Company
“Resolution”	the ordinary resolution to approve the Disposal to be proposed at the Extraordinary General Meeting, the full text of which is set out in the notice of Extraordinary General Meeting at the end of this document
“Shareholders”	holders of Ordinary Shares in issue from time to time
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority” or “UKLA”	the Financial Services Authority Limited acting in its capacity as the competent authority for the purposes of Part V of the Financial Services and Markets Act 2000
“US” or “United States”	the United States of America, its territories and possessions and the District of Columbia
“US Defence Businesses”	Howden Air Dynamics and Western Design Howden
“Western Design Howden”	Western Design Howden, Inc., a company incorporated in California, US

Solely for the convenience of the reader, this document, unless otherwise stated, contains translations of pound sterling amounts to US dollar and Euros (and, where appropriate, vice versa) based on rates of £1.00 = US\$1.6810 and £1.00 = €1.4653, being the closing mid-point spot exchange rates set out in the Financial Times on 4 November 2003, the latest practicable date prior to the publication of this document.

PART I

LETTER FROM THE CHAIRMAN OF CHARTER



CHARTER

(Incorporated in England & Wales with registered number 2794949)

Directors:

David Gawler – *Chairman and Chief Executive*
David Eilbeck – *Finance Director*
Homi Mullan – *Independent Non-executive Deputy Chairman*
The Hon. James Bruce – *Independent Non-executive Director*
Michael Foster – *Independent Non-executive Director*
John Neill CBE – *Independent Non-executive Director*

Registered office:

52 Grosvenor Gardens
London
SW1W 0AU

5 November 2003

To Shareholders and, for information only, to the holders of options over Ordinary Shares

Dear Shareholder,

PROPOSED DISPOSAL OF THE US DEFENCE BUSINESSES

1. Introduction

Today your Board announced that the Company has conditionally agreed to sell, or procure the sale of, the Group's US Defence Businesses to the Meggitt Entities for a cash consideration of approximately US\$45.0 million (£26.8 million). The principal terms and conditions of the Disposal are set out in paragraph 4 of Part I and in Part IV of this document.

The Disposal is conditional, amongst other things, upon the approval of Shareholders because of its size in relation to the Company and this approval is to be sought at an Extraordinary General Meeting to be held at the offices of Hoare Govett, 250 Bishopsgate, London EC2M 4AA on 25 November 2003 at 10.00 a.m. The notice convening the Extraordinary General Meeting is set out at the end of this document. Completion is subject to no Fundamental Change (as defined in the Disposal Agreement) having occurred in the US Defence Businesses and to the receipt of any necessary regulatory approvals, including, without limitation, the "Exon-Florio" consent in the US.

I am writing to give you further details of the Disposal, including the background to and reasons for it, to explain why your Board considers it to be in the best interests of the Company and Shareholders and to seek your consent to the Disposal by recommending that you vote in favour of the Resolution to be proposed at the Extraordinary General Meeting.

If the Resolution is passed at the Extraordinary General Meeting, Completion is expected to take place during early December 2003.

2. Background to and reasons for the Disposal

During the first half of 2003, the Group met its day-to-day working capital requirements through a £127.0 million syndicated revolving credit facility and on 30 June 2003, the drawings under the facility totalled £94.2 million. In addition, it had in issue Loan Notes totalling US\$206.3 million (£122.7 million) at 30 June 2003. At that date the Group's net debt stood at £194.3 million. On 10 March 2004, the Group is scheduled to repay US\$72.3 million (£43.0 million) of the Loan Notes.

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As announced on 22 July 2003, the Group renewed its syndicated revolving credit facility, that was due to expire on 31 July 2003, with an initial Loan Facility for the amount of £120.0 million. The terms of the Loan Facility, which expires on 31 March 2005, require, *inter alia*, that on or before 30 November 2003, the amount of the Loan Facility is reduced by £20.0 million and that, on or before 10 March 2004, the Loan Facility will reduce by a further £26.0 million. However, under the terms of the Loan Facility, the Company may, in certain limited circumstances, request that the Loan Facility be increased as at 10 March 2004 by an amount of up to £20.0 million.

The Group therefore needs to generate sufficient funds by 10 March 2004 to meet the scheduled loan note repayment of US\$72.3 million (£43.0 million) and to accommodate the above-mentioned scheduled reductions in the Loan Facility. The Directors plan to meet these commitments through a combination of:

- asset disposals (and indeed the Company is committed under the terms of the Loan Facility to use all reasonable endeavours to generate at least £52.0 million of net proceeds from such disposals by 10 March 2004);
- cash flow from the Group's operations; and
- alternative sources of finance.

The Company has identified a number of specific non-core assets, including the US Defence Businesses, which it currently intends to sell as part of the raising of the necessary funds.

The US Defence Businesses, which were acquired as part of the acquisition of Howden Group PLC in 1997, form part of the Specialised Engineering Division of the Group. For some time, your Board has believed that the US Defence Businesses were not a core activity within the Charter Group. Accordingly, it is appropriate that they should form a constituent part of the cash generation programme.

As part of the cash generation programme, the Company recently announced the following disposals:

- the leasehold head office property in Central London for £3.9 million;
- properties in Gothenburg, Sweden for £2.6 million; and
- freehold property in the Netherlands for £6.5 million.

3. Information on the US Defence Businesses

The US Defence Businesses comprise two US companies: Howden Airdynamics and Western Design Howden.

Howden Airdynamics

Howden Airdynamics designs and assembles customised high performance fans, compressors and pumps for the defence and aerospace markets. The US Department of Defence is its main customer and it has also made progress in securing commercial markets for its fans. It sells directly both to the US Department of Defence and to prime contractors of the US Department of Defence.

Howden Airdynamics' high pressure compressor business is primarily focussed on weapon systems and breathing air compressors onboard navy ships. This business includes original equipment sales, spares and repair activities, with a growing number of high value systems entering US Navy service. Howden Airdynamics is an approved Federal Aviation Administration repair station for its commercial aviation products. Historically, Howden Airdynamics has been a components supplier but it has been repositioning itself as a systems designer and assembler to meet developing customer requirements. Howden Airdynamics is based in Corona, California and employs approximately 85 people.

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In the year ended 31 December 2002, Howden Aerodynamics generated turnover and profits after taxation of £15.0 million and £2.0 million, respectively, and as at 31 December 2002 had net liabilities of £0.1 million.

In the six months ended 30 June 2003, Howden Aerodynamics generated turnover and profits after taxation of £7.5 million and £0.9 million, respectively, and as at 30 June 2003 had net assets of £0.7 million.

Western Design Howden

Western Design Howden develops and assembles ammunition handling systems (“AHS”) and environmental cooling systems (“ECS”) for the armed services of the US and its international allies. The business sells its products to the US Department of Defence and non-US parties through the US Government’s Foreign Military Sales program.

Western Design Howden’s AHS business comprises magazines and autoloaders for helicopters, Special Operations aircraft, combat vehicles and ground support systems. Programs include the US AH-64 Apache, the AC-130 Gunship and various large calibre autoloader developments for the US Army. Western Design Howden’s ECS business comprises ground based systems and airborne systems. Ground based systems encompass vapour cycle systems for application in military vehicles, such as the thermal management systems for the MIA2SEP Abrams Tank, which provides environmental air conditioning for crew members and equipment. The airborne system products are used in thermal control applications for lasers, electronics and radar transmitters in platforms such as the helicopter mast-mounted sight, helicopter borne countermine warfare pods, wing-mounted fighter aircraft pods, and certain high-altitude reconnaissance aircraft. The systems are designed for use in tightly packaged, highly integrated units to meet customer specifications where thermal control of complex systems is required. Western Design Howden is based in Irvine, California and employs approximately 75 people.

In the year ended 31 December 2002, Western Design Howden generated turnover and profits after taxation of £17.9 million and £2.1 million, respectively, and as at 31 December 2002 had net assets of £8.8 million.

In the six months ended 30 June 2003, Western Design Howden generated turnover and profits after taxation of £9.1 million and £1.1 million, respectively, and as at 30 June 2003 had net assets of £9.8 million.

Shareholders should read the whole of this document and not just rely on the key financial information summarised above, which has been extracted, without material adjustment, from the financial returns prepared by the individual operations, comprising the US Defence Businesses and compiled solely for the purpose of preparing the audited consolidated financial statements and the unaudited interim results of Charter.

4. Principal terms and conditions of the Disposal

The consideration for the acquisition of the shares of the companies comprising the US Defence Businesses is approximately US\$45.0 million (£26.8 million). The consideration is to be paid in cash upon Completion and limited representations and warranties are being given by the seller.

The total consideration will be finally determined by reference to the net asset value of the US Defence Businesses as at Completion.

Completion is conditional, amongst other things, upon approval of the Resolution by Shareholders.

A summary of the principal terms and conditions of the Disposal Agreement are set out in Part IV of this document.

PART I

5. Loan Notes

The repayment profile of the Loan Notes is as follows:

<i>Issue</i>	<i>Coupon percentage</i>	<i>Amount US\$ million</i>	<i>Due date</i>
2004	6.78	72.3	10 March 2004
2005 Series B	7.24	3.0	1 July 2004
2005 Series B	7.24	3.0	1 July 2005
2005 Series D	7.33	5.0	1 July 2005
2007	6.88	85.0	21 October 2007
2009	6.96	35.0	21 October 2009
Total		<u>203.3</u>	

Certain holders of the Loan Notes due in 2007 and 2009 have informed the Company that they consider that a default has arisen under their Loan Notes as a result of the accounting irregularities that were announced by the Company on 27 January 2003 at one of the air and gas handling units in North America. These holders of Loan Notes have commenced legal proceedings in New York against the Company and its subsidiary, Charter Central Finance Limited, seeking a declaratory judgement of the court that such default has occurred. The Directors' view, based on their knowledge of the situation and on the advice of the Company's legal advisers, is that no such default has occurred and the note holders have been advised accordingly. In the event that the views of the Company and its legal advisers are proven to be incorrect and there is a default under the Loan Notes, this would entitle the holders of the Loan Notes to accelerate their repayment and, if the holders of the Loan Notes were to do so, then the full amounts due under the Loan Notes would become immediately due and payable. This would constitute an event of default under the Loan Facility and therefore might lead to the outstanding amount due under the Loan Facility becoming immediately due and payable. However, there is no certainty that holders of the Loan Notes or lenders under the Loan Facility would in fact accelerate the obligations due to them.

Each of Charter and the Loan Note holders have filed cross motions for summary judgement but no hearing date has yet been set. Although the matter has been set down for trial in February 2004, it is not possible to predict with certainty when the court's decision will be forthcoming and the motions for summary judgement may obviate the need for trial.

The Loan Note litigation referred to above and uncertainty as to whether the previous syndicated revolving credit facility would be renewed before it was due to expire on 31 July 2003 resulted in a fundamental uncertainty regarding going concern that was noted in Charter's annual report for the year ended 31 December 2002 as set out in paragraph 1 of Part II of this document. As set out in paragraph 2 above, the Group announced the renewal of its syndicated revolving credit facility on 22 July 2003.

6. Working capital and the importance of the Disposal

The Company is of the opinion that the Continuing Group does not have sufficient working capital for its present requirements, that is for the period of at least 12 months following the date of this document.

However, the Company is of the opinion that the Continuing Group does have sufficient working capital for the period up to 10 March 2004 when the Continuing Group is required to repay loan notes of US\$72.3 million (£43.0 million) and the Loan Facility is reduced by a further £26.0 million.

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In addition to the expected operational cash flows of the business, Charter has identified certain non-core assets that it currently intends to sell in order to raise part of the £89.0 million of funds required to fulfil its obligations, referred to in paragraph 2 above, to generate sufficient funds by 10 March 2004 to meet the scheduled loan note repayment of US\$72.3 million (£43.0 million) and to accommodate the scheduled reductions in the Loan Facility. The Disposal forms part of this cash generation programme.

On the assumptions that:

- (i) the Company continues to resist successfully the assertion by certain holders of the Loan Notes that a default has arisen under the Loan Notes; and
- (ii) the cash generation programme, including the Disposal, is completed successfully and on a timely basis,

then the Continuing Group will have sufficient working capital for its present requirements, that is for the period of at least 12 months following the date of this document.

As set out in paragraph 5 above, the Directors' view, based on their knowledge of the situation and on the advice of the Company's legal advisers, is that no such default under the Loan Notes has arisen. The Directors further believe that the cash generation programme will be successful. However, if it proves to be unsuccessful, the Directors plan to effect a number of other measures that may include the disposal of core assets, so as to provide sufficient working capital.

The cash generation programme, including the Disposal, is being progressed rapidly and represents a significant element of the Continuing Group's projected future cash flow. The Directors, therefore, consider that the Disposal represents a crucial step towards satisfying the Charter Group's obligations under its lending agreements and for this reason the Board recommends that Shareholders vote in favour of the Resolution. **If Shareholders do not vote in favour of the Resolution the Directors do not believe that the Group will be able to fulfil its commitments under its financing obligations which fall due on 10 March 2004. In those circumstances the Directors will seek to negotiate revised terms with the Company's bankers and with the holders of the Loan Notes. If this proves to be unsuccessful, the Directors plan to effect a number of other measures that may include the disposal of core assets.**

7. Financial effects of the Disposal

The cash consideration of approximately US\$45.0 million (£26.8 million) is expected to result in net cash proceeds, after expenses, of approximately £24.8 million to the Continuing Group. The net cash proceeds will be utilised towards funding reductions in the Loan Facility and the repayment of the 2004 Loan Notes.

As set out in Part III of this document, the pro forma net assets attributable to Shareholders of the Continuing Group would have increased by approximately £17.9 million had the Disposal occurred on 30 June 2003. Based on the net book value of the assets being disposed of as at 30 June 2003 of approximately £6.9 million, the Directors expect to report a profit on Disposal before taxation of approximately £17.9 million. In addition, goodwill of £20.2 million* arising from the acquisition of the US Defence Businesses and written off to reserves at that time, will be accounted for as part of the Disposal. However, this latter amount has no effect on shareholders' funds.

The Company does not expect any tax charge or credit to result from the Disposal.

The immediate underlying effect of the Disposal on the Continuing Group's earnings will be dilutive, but this statement should not be interpreted to mean that earnings per share in the first full financial year following Completion, or in any subsequent period, will match or necessarily be lower than those for the relevant preceding financial period.

*Extracted, without material adjustment, from the consolidation schedules compiled solely for the purpose of preparing audited consolidated financial statements for the year ended 31 December 2002.

PART I

8. Current trading and prospects

As reported to Shareholders in the Company's unaudited interim results for the six months ended 30 June 2003, which were announced on 4 September 2003, the Group recorded turnover of £420.2 million (2002: £451.8 million). The operating profit, before exceptional items and amortisation of goodwill, for the period was £15.4 million (2002: £21.8 million), an improvement over the £14.2 million earned in the second half of 2002.

Further progress has been made during the first half of 2003 in restructuring several of the Group's operating businesses and in closing loss making units in Howden and Esab. In addition, the programme of disposals of non-core assets and other initiatives is expected to result in a significant reduction in the group's net debt.

As a consequence of these measures, together with those taken in earlier periods, the Group's ongoing cost base has been reduced. This provides the foundation for an improvement in the competitive position of the Group's operating businesses particularly when demand improves.

Demand in most markets served by the Group in the first half of 2003 was below that experienced in the corresponding period last year and margins remain under pressure. However, some improvement is expected in certain key markets to be served by the Continuing Group in the second half, and accordingly the Directors believe that the Continuing Group's financial and trading prospects for the year ending 31 December 2003 are satisfactory.

9. Extraordinary General Meeting

The Disposal is conditional, amongst other things, upon the approval of Shareholders and, accordingly, you will find set out at the end of this document a notice convening an Extraordinary General Meeting to be held at 10.00 a.m. on 25 November 2003 at 250 Bishopsgate, London EC2M 4AA at which the Resolution to approve the Disposal will be proposed.

10. Action to be taken

You will find enclosed with this document a Form of Proxy for use at the Extraordinary General Meeting. Whether you intend to be present at the Extraordinary General Meeting or not, you are asked to complete the Form of Proxy in accordance with the instructions printed thereon and to return it to the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8FB, as soon as possible and, in any event, so as to arrive not later than 10.00 a.m. on 23 November 2003. The completion and return of the Form of Proxy will not preclude you from attending the Extraordinary General Meeting and voting in person if you wish to do so.

11. Additional information

Your attention is drawn to the additional information set out in Parts II to V of this document. You are advised to read the whole of this document and not merely rely on the key summarised information in this letter.

12. Recommendation

Your Directors consider the Disposal to be in the best interests of Charter and its Shareholders as a whole. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Resolution to be proposed at the Extraordinary General Meeting to be held on 25 November 2003. The Directors intend to vote in favour of the Resolution in respect of their own beneficial holdings amounting in aggregate to 2,732 Ordinary Shares.

Yours faithfully,

David Gawler
Chairman

PART II

FINANCIAL INFORMATION RELATING TO THE US DEFENCE BUSINESSES

1. Basis of preparation

The financial information set out below for the years ended 31 December 2000, 2001 and 2002 has been extracted, without material adjustment, from the financial returns prepared by the individual operations comprising the US Defence Businesses and compiled solely for the purpose of preparing audited consolidated financial statements of Charter for each of those years. The financial information set out below does not constitute full statutory accounts within the meaning of Section 240 of the Act. Statutory financial statements of Charter have been delivered to the Registrar of Companies for those years. The auditors of Charter, PricewaterhouseCoopers LLP, (appointed on 5 February 2003 upon conversion of the former auditors PricewaterhouseCoopers to a Limited Liability Partnership (“LLP”) on 1 January 2003) 1 Embankment Place, London WC2N 6RH, have given an unqualified report for Charter under Section 235 of the Act which did not contain a statement under Section 237 (2) or (3) of the Act in respect of the years ended 31 December 2002 (2001 and 2000 unqualified audit reports were given by PricewaterhouseCoopers). As set out in the third paragraph of Section 5 of Part 1 of this document, the audit report for the year ended 31 December 2002 contained the following fundamental uncertainty regarding going concern: “In forming our opinion we have considered the adequacy of the disclosures made in note 1(a) concerning the fundamental uncertainty in respect of going concern. In view of the significance of this uncertainty we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.” The financial information has been prepared in accordance with UK generally accepted accounting principles. The financial information set out below for the six months ended 30 June 2003 has been extracted, without material adjustment, from the financial returns prepared by the individual operations comprising the US Defence Businesses and compiled solely for the purpose of preparing unaudited interim results of Charter for the six months ended 30 June 2003.

2. Profit and loss accounts

The aggregated summarised profit and loss accounts of the US Defence Businesses for the three years ended 31 December 2000, 2001 and 2002 and the six months ended 30 June 2003 were as follows:

	Year ended 31 December			Six months ended
	2000	2001	2002	30 June
	£m	£m	£m	2003
				£m
Turnover	<u>24.4</u>	<u>29.9</u>	<u>32.9</u>	<u>16.6</u>
Profit/(loss) on ordinary activities before interest and taxation	(0.8)	2.8	6.2	3.5
Net interest receivable	<u>0.2</u>	<u>0.2</u>	<u>0.1</u>	<u>–</u>
Profit/(loss) on ordinary activities before taxation	(0.6)	3.0	6.3	3.5
Tax on profit/(loss) on ordinary activities	<u>(0.9)</u>	<u>(0.2)</u>	<u>(2.2)</u>	<u>(1.5)</u>
Retained profit/(loss)	<u>(1.5)</u>	<u>2.8</u>	<u>4.1</u>	<u>2.0</u>

The average exchange rates applied above comprise: year ended 31 December 2000 (£1 = US\$1.52); 31 December 2001 (£1 = US\$1.45); 31 December 2002 (£1 = US\$1.50) and six months ended 30 June 2003 (£1 = US\$1.61).

PART II

3. Net assets of the US Defence Businesses

The aggregated summarised statements of net assets of the US Defence Businesses at 31 December 2002 and 30 June 2003 were as follows:

	<i>As at</i> <i>31 December</i> 2002 £m	<i>As at</i> <i>30 June</i> 2003 £m
Fixed assets		
Tangible fixed assets	1.2	1.3
Current assets		
Stocks	3.4	2.7
Debtors	7.0	5.8
Inter group balances	2.8	7.3
	<u>13.2</u>	<u>15.8</u>
Creditors: amounts falling due within one year		
Creditors	(5.4)	(6.3)
Short term borrowings	(0.3)	(0.3)
	<u>(5.7)</u>	<u>(6.6)</u>
Net current assets	<u>7.5</u>	<u>9.2</u>
Net assets	<u>8.7</u>	<u>10.5</u>

The closing exchange rates applied above comprise: 31 December 2002 (£1 = US\$1.61) and 30 June 2003 (£1 = US\$1.65).

PART III

**UNAUDITED PRO FORMA STATEMENT OF NET ASSETS
OF THE CONTINUING GROUP**

The following unaudited pro forma statement of net assets of the Continuing Group has been prepared on the basis set out in the notes below and is presented for illustrative purposes only in order to illustrate the effect of the Disposal on the net assets of the Group had the Disposal occurred on 30 June 2003. The pro forma statement, because of its nature, may not give a true picture of the Continuing Group's financial position as affected by this transaction.

	<i>Adjustments</i>				<i>Pro forma net assets of the Continuing Group £m</i>
	<i>Group as at 30 June 2003 £m⁽¹⁾</i>	<i>US Defence Businesses £m⁽²⁾</i>	<i>Disposal adjustments £m⁽³⁾</i>	<i>Net proceeds £m⁽⁴⁾</i>	
Fixed assets					
Intangible fixed assets – goodwill	17.9	–	–	–	17.9
Tangible fixed assets	127.9	(1.3)	–	–	126.6
Fixed asset investments – associated undertakings	26.3	–	–	–	26.3
	172.1	(1.3)	–	–	170.8
Current assets					
Stocks	116.8	(2.7)	–	–	114.1
Debtors	227.1	(5.8)	–	–	221.3
Inter group balances	–	(7.3)	7.3	–	–
Cash at bank and in hand	35.4	–	–	24.8	60.2
	379.3	(15.8)	7.3	24.8	395.6
Creditors: amounts falling due within one year					
Creditors	(190.9)	6.3	(3.4)	–	(188.0)
Short term borrowings	(145.6)	0.3	(0.3)	–	(145.6)
	(336.5)	6.6	(3.7)	–	(333.6)
Net current assets	42.8	(9.2)	3.6	24.8	62.0
Total assets less current liabilities	214.9	(10.5)	3.6	24.8	232.8
Creditors: amounts falling due after more than one year					
Other long term creditors	(1.0)	–	–	–	(1.0)
Long term borrowings	(84.1)	–	–	–	(84.1)
Provisions for liabilities and charges	(121.0)	–	–		(121.0)
Net assets	8.8	(10.5)	3.6	24.8	26.7

PART III

Notes:

- (1) The net assets of the Group as at 30 June 2003 have been extracted, without material adjustment, from the unaudited consolidated balance sheet of the Charter Group as at 30 June 2003.
- (2) The adjustments reflect the net assets of the US Defence Businesses as at 30 June 2003 and have been extracted, without material adjustment, from the financial information set out in Part II of this document.
- (3) The adjustments reflect the removal of inter group balances of £7.3 million, certain tax creditors of £3.4 million (included in creditors) and short term borrowings of £0.3 million, all of which are to be retained by the Continuing Group.
- (4) The net proceeds of the Disposal, after estimated expenses of £2.0 million, are £24.8 million, based on the Disposal proceeds of US\$45.0 million converted at an exchange rate of US\$1.6810 to £1.
- (5) The calculation of the adjustment to the Disposal proceeds necessary at Completion, but made by reference to the value of the net assets of the US Defence Businesses as at 30 June 2003 based on the mechanism set out in the Disposal Agreement would increase proceeds by US\$0.8 million (£0.5 million) but has not been taken into account. The net proceeds of the Disposal will be finally determined by reference to the net asset value of the US Defence Businesses as at Completion. No account has been taken of this adjustment to be made at Completion.
- (6) No account has been taken of any trading results of the Group (including the US Defence Businesses) since 30 June 2003.
- (7) No account has been taken of the property disposals referred to in paragraph 2 of Part I of this document.
- (8) The unaudited pro forma statement of net assets of the Continuing Group does not constitute statutory accounts within the meaning of Section 240 of the Act.

PART III

Set out below is the text of a report on the unaudited pro forma statement of net assets of the Continuing Group by PricewaterhouseCoopers LLP, the reporting accountants:

“**PRICEWATERHOUSECOOPERS** 

The Directors
Charter plc
52 Grosvenor Gardens
London SW1W 0AU

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

The Directors
Hoare Govett Limited
250 Bishopsgate
London EC2M 4AA

5 November 2003

Dear Sirs

Charter plc (the “Company”)

We report on the unaudited pro forma statement of net assets set out in Part III of the Company’s circular dated 5 November 2003. The unaudited pro forma statement of net assets has been prepared, for illustrative purposes only, to provide information about how the disposal of Howden Airdynamics, Inc. and Western Design Howden, Inc., (together, the “US Defence Businesses”) might have affected the net assets of the Company as at 30 June 2003 had the disposal taken place at that date.

Responsibility

It is the responsibility solely of the Directors of the Company to prepare the pro forma statement of net assets in accordance with paragraph 12.29 of the Listing Rules of the UK Listing Authority.

It is our responsibility to form an opinion, as required by the Listing Rules of the UK Listing Authority, on the unaudited pro forma statement of net assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Basis of opinion

We conducted our work in accordance with the Statement of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of net assets with the Directors of the Company.

PART III

Opinion

In our opinion:

- (a) the unaudited pro forma statement of net assets has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma statement of net assets as disclosed pursuant to paragraph 12.29 of the Listing Rules of the UK Listing Authority.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART IV

SUMMARY OF THE PRINCIPAL TERMS AND CONDITIONS OF THE DISPOSAL AGREEMENT

1. Parties

Under the terms of the Disposal Agreement, the seller is Howden Defense Systems, Inc. (a subsidiary of Charter) (“HDS”), and the buyers are the Meggitt Entities.

2. Conditions

The Disposal Agreement is conditional, amongst other things, upon:

- approval by the Shareholders of Charter;
- any necessary regulatory approvals including, without limitation, the “Exon-Florio” consent in the US; and
- no Fundamental Change (as defined in the Disposal Agreement) having occurred in the US Defence Businesses prior to Completion.

3. Consideration

The total expected cash consideration is approximately US\$45.0 million (£26.8 million) for the entire equity share capital of the companies comprising the US Defence Businesses. Inter group balances, certain tax creditors and short term borrowings do not form part of the Disposal and are being retained by Charter. Had the Disposal occurred on 30 June 2003, these balances would have been £7.3 million, £3.4 million and £0.3 million respectively as set out in note 3 to the unaudited pro forma statement of net assets contained in Part III of this document. The consideration has been calculated by reference to the expected closing value of the US Defence Businesses’ net assets on Completion. The final consideration will be calculated in accordance with a completion accounts exercise. Any adjustment to the total consideration payment, if any, is to be made by the applicable party within five business days of the final adjustment determination.

4. Representations and warranties and indemnification

The Disposal Agreement contains limited representations and warranties from HDS concerning the assets, liabilities, contractual arrangements, properties and affairs of each of the companies comprising the US Defence Businesses, subject to certain disclosures. In addition, HDS is providing certain indemnities in favour of the Meggitt Entities. Such warranties and indemnities are usual for an agreement of this sort.

Under the terms of a side letter from Charter to the Meggitt Entities, Charter guarantees the performance by HDS of its post-Completion obligations under the Disposal Agreement including those arising under the indemnities referred to above.

Save in relation to the warranties given by HDS regarding the shares in the US Defence Businesses and taxes, in respect of which there will be no minimum claim threshold, the parties have agreed that no warranty claim will be made until the aggregate of all claims exceeds US\$750,000 and then only the amount in excess of US\$250,000 may be claimed. Individual claims for less than US\$5,000 will not be considered for the purpose of determining the aggregate amount of claims.

Save in relation to the share warranties referred to above, in respect of which HDS’ liability will not exceed the Purchase Price (as defined in the Disposal Agreement) and the tax warranties, in respect of which HDS’ liability will be unlimited, HDS’ liability under the Disposal Agreement will not exceed US\$30.0 million. The time limit for making claims under the representations and warranties is up to the close of business on 31 March 2005,

PART IV

other than in respect of claims under the share and tax warranties referred to above, which shall be made before the expiry of the applicable statute of limitations.

5. **Covenants**

HDS and the Meggitt Entities will undertake that, immediately following Completion, each of the companies comprising the US Defence Businesses shall take all necessary steps to change its name and delete any reference to “Howden” and that subsequent to Completion, the US Defence Businesses shall no longer use “Howden” or “Charter” in their corporate name for any purpose. In addition, the US Defence Businesses shall not use the trademark known as the flying “H” for any purpose.

HDS and the Meggitt Entities are also each to give certain undertakings with regard to certain tax matters.

6. **Restrictions on conduct between the signing of the Disposal Agreement and Completion**

HDS is to give certain undertakings in relation to the conduct of the business of each of the companies comprising the US Defence Businesses pending Completion of the Disposal Agreement. These are undertakings which require HDS to obtain written consent of the Meggitt Entities prior to taking certain steps in relation to conduct of the business of each of the companies comprising the US Defence Businesses. In addition to these negative undertakings, there are positive undertakings by HDS to provide the Meggitt Entities with information about, and access to, the business of each of the companies comprising the US Defence Businesses in the period prior to Completion.

7. **Agreement not to compete**

Pursuant to the Disposal Agreement, HDS will enter into an agreement not to compete (the “Agreement Not to Compete”) to be dated as of the date of Completion, by and among HDS, on the one hand, and the Meggitt Entities and the US Defence Businesses, on the other hand, whereby HDS agrees not to engage in certain activities that compete with the US Defence Businesses for a period of five years from Completion. Under the terms of a side letter from Charter to the Meggitt Entities, Charter will comply with, and procure HDS’ compliance with, HDS’ obligations under the Agreement Not to Compete.

PART V

ADDITIONAL INFORMATION

1. Responsibility

The Directors, whose names are set out in paragraph 2 below, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors and registered office

The Directors and their principal functions are as follows:

David Gawler	<i>Chairman and Chief Executive</i>
David Eilbeck	<i>Finance Director</i>
Homi Mullan	<i>Independent Non- executive Deputy Chairman</i>
The Hon. James Bruce	<i>Independent Non-executive Director</i>
Michael Foster	<i>Independent Non-executive Director</i>
John Neill CBE	<i>Independent Non-executive Director</i>

The registered office of the Company is at 52 Grosvenor Gardens, London SW1W 0AU.

3. Directors' interests

(a) Directors' interests in Charter's share capital

As at 4 November 2003 (being the last practicable date prior to the publication of this document), the interests of the Directors and their immediate families (all of which are beneficial) in the issued share capital of the Company which (i) have been notified to the Company pursuant to section 324 or 328 of the Act or (ii) are required to be entered in the register of Directors' interests maintained pursuant to section 325 of the Act or (iii) are interests of a connected person (within the meaning of section 346 of the Act) of a Director, which would, if the connected person were a Director, be required to be disclosed under (i) or (ii) above and the existence of which is known to or could with reasonable diligence be ascertained by the relevant Director were as follows:

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of ordinary issued share capital</i>
John Neill CBE	2,732	0.003

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(b) *Directors' interests in share options under the Equity Partnership Plan*

<i>Director</i>	<i>Date of grant</i>	<i>Number of Ordinary Shares</i>	<i>Exercise price (p)</i>	<i>Ordinarily capable of vesting or exercise from</i>	<i>Expiry date</i>
David Eilbeck	15.05.95	7,909	828.0	15.05.98	14.05.05
	03.11.97	3,052	Nil*	01.01.00	02.11.04
	24.03.98	5,245	Nil*	24.03.01	23.03.05
	30.03.99	7,646	Nil*	30.03.02	29.03.06

*The exercise price 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. 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 of control of the Company.

Save as disclosed above, none of the Directors or their connected persons has any interest in the issued ordinary share capital of the Company.

(c) *Directors' service contracts*

Save for the changes to salaries disclosed below, no service agreement between any of the Directors and the Company or any member of the Charter Group has been entered into or varied since 29 April 2003, the date of notice of the most recent annual general meeting of the Company, nor has any such agreement or variation been proposed. Such service agreements were referred to in the 2002 annual report and accounts of the Company.

The remuneration details of the executive and non-executive Directors are set out below.

<i>Director</i>	<i>Employing company</i>	<i>Salary or fees</i>	<i>Benefits</i>	<i>Pension related payments</i>
David Gawler	Charter Central Services Ltd	500,000	17,000	125,000
David Eilbeck	Charter Central Services Ltd	238,000	12,000	68,000
Homi Mullan	Charter	65,000	–	–
The Hon James Bruce	Charter	39,000	–	–
Michael Foster	Charter	39,000	–	–
John Neill CBE	Charter	39,000	–	–

(d) *Directors' interests in transactions*

No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Charter Group and which were effected by any member of the Charter Group during the current or immediately preceding financial year, or during any earlier financial year and which remain in any respect outstanding or unperformed.

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4. Substantial shareholdings

As at 4 November 2003 (being the latest practicable date prior to the publication of this document), insofar as is known to the Company the following persons are interested, directly or indirectly in three per cent. or more of the existing issued ordinary share capital of the Company:

	<i>Number of Ordinary Shares</i>	<i>Percentage of issued ordinary share capital</i>
Guinness Peat Group Plc	17,434,864	18.52
Sterling Investment Group Limited	15,435,200	16.40
UBS Global Asset Management (UK) Limited and UBS Global Asset Management Life Limited	9,546,459	10.13
JO Hambro Capital Management	8,745,984	9.29
Hermes Pensions Management Limited	4,271,032	4.53
Legal & General Group plc	2,999,926	3.18

Save as above, the Company is not aware of any person who is interested, whether directly or indirectly, in three per cent. or more of the existing issued ordinary share capital of the Company.

5. Material contracts

(a) *The Continuing Group*

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by a member of the Continuing Group (i) within the two years immediately preceding the date of this document and are or may be material to the Continuing Group or (ii) at any time which contain an obligation or entitlement which is material to the Continuing Group as at the date of this document:

- (i) The Disposal Agreement described in Part IV of this document.
- (ii) On 30 October 1999, Anderson Group Inc. (“AGI”) a wholly owned subsidiary of Charter, entered into a sale and purchase agreement (“Agreement”) with Fountainfrost Limited (“Fountainfrost”) a company backed by Candover Investments plc, for the sale of Specialised Engineering Holdings LLC. for a total cash consideration of £194 million. The transaction completed on 6 December 1999. AGI agreed to provide certain warranties and indemnities to Fountainfrost in connection with the disposal. Such warranties and indemnities are usual for an agreement of this sort. Certain liabilities remain outstanding under this Agreement, which include those relating to the tax warranties and the tax covenant. The expiry dates for these liabilities vary depending on which country each group company has residence in. For tax liability in the UK, the expiry date is 6 December 2006. The longest liability period relates to potential tax liability in Indonesia, and such liability expires on 6 December 2009. Liability under certain indemnities given by AGI in favour of Fountainfrost remain outstanding, some of which are unlimited by time and some (i.e. Indemnified Claims, as defined in the Agreement) expire on 6 December 2004. There are also continuing potential liabilities in relation to environmental claims until 6 June 2005. The maximum potential liability in relation to this Agreement (including with respect to those matters referred to in this paragraph 5(a)(ii)) is the total amount of the consideration paid (i.e. £194 million).

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- (iii) On 17 October 2002, ESTA Properties (UK) Limited (“ESTA Properties”) entered into an agreement with Commercial Union Life Assurance Company Limited (“Commercial Union”) for the sale of land at Hertford Road, Waltham Cross, Hertfordshire (which was sold subject to the lease between ESTA Properties and ESAB Group (UK) Limited). The purchase price for the land was £20 million.
- (iv) On 18 August 2003 contracts were exchanged for the sale of the Company’s long leasehold head office building at Hobart Place in London to the Ministry of Defence of the Republic of Italy. Proceeds of £3.9 million were received in cash on completion which took place on 31 October 2003. The profit on the disposal is approximately £0.6 million and the total proceeds are to be used to reduce the Group’s indebtedness in accordance with the cash generation programme.
- (v) On 10 October 2003, Esta Vastgoed B.V. (“Esta”) exchanged contracts for the sale of its freehold property in Utrecht in the Netherlands with Messrs. Petrus and Johannes Cornelis van Heezik. Proceeds of €9.575 million (£6.5 million) were received in cash on completion, which took place on 13 October 2003. The profit on the disposal is approximately €2.2 million (£1.5 million) and the total proceeds will be used to reduce the Group’s indebtedness in accordance with the cash generation programme. Esta will remain in occupation of parts of the site on a rent free basis for a period of up to three years and has the right to enter into a further lease agreement thereafter.

Save as disclosed in this paragraph 5(a), there are no contracts (other than contracts entered into in the ordinary course of business) which have been entered into by members of the Continuing Group (i) within the two years immediately preceding the date of this document and are or may be material to the Continuing Group or (ii) at any time which contain an obligation or entitlement which is material to the Continuing Group as of the date of this document.

(b) *The US Defence Businesses*

Save for the Disposal Agreement described in Part IV of this document, there are no contracts (other than contracts entered into in the ordinary course of business) which have been entered into by members of the US Defence Businesses (i) within the two years immediately preceding the date of this document and are or may be material or (ii) at any time which contain an obligation or entitlement which is material to the US Defence Businesses as of the date of this document.

6. Litigation

(a) *The Continuing Group*

- (i) Charter, together with certain of its wholly-owned subsidiaries, has been named as defendant in a number of asbestos-related actions in the United States on the basis that it is allegedly liable for the acts of a former subsidiary, Cape PLC. Charter contests the existence of any such liability. The issue went to trial in three cases involving the Company’s principal subsidiary, Charter Consolidated P.L.C., and other wholly-owned subsidiaries, between 1985 and 1987. In the first of these cases, tried in Pennsylvania, after an adverse lower court decision the appeal court gave judgement in the Charter defendants’ favour. In the second case, in New Jersey, judgement was also given for the Charter defendants. The third case, in South Carolina, was dismissed for lack of subject matter jurisdiction without a decision having been rendered on the issue. During recent years,

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Charter and/or certain of its subsidiaries have been served in a number of cases in Mississippi, Illinois and a few other states. Charter is seeking dismissals in these pending cases. Upon advice of counsel, Charter has settled some of the cases brought in Mississippi and will continue to pursue dismissals in the remainder. The Directors have received legal advice that Charter and its wholly-owned subsidiaries should be able to continue to defend successfully the actions brought against them, but that uncertainty must exist as to the eventual outcome of the trial of any particular action. It is not practicable to estimate in any particular case the amount of damages which might ensue if liability were imposed on Charter or any of its wholly-owned subsidiaries. The litigation is reviewed each year and, based on that review and legal advice, the Directors believe that the aggregate of any such liability is unlikely to have a material effect on the Continuing Group's financial position. In these circumstances, the Directors have concluded that it is not appropriate to make any provision in respect of such actions.

- (ii) Howden Buffalo, Inc., ("Howden") a subsidiary of Charter, has been named as a defendant in a number of asbestos-related actions in the United States. Upon advice of counsel, Howden is vigorously defending all of the cases that have been filed against it. Over the past few years, Howden has sought and received dismissals in 246 cases and has, upon advice of counsel, settled 11 cases. The 11 cases were all settled for nuisance value amounts, much less than the cost of defending the cases at trial. Howden has received legal advice indicating that it should be able to continue to defend successfully the actions that are brought. At this time, it is not practical to estimate the amount of any potential damages or to provide details of the current stage of proceedings in particular cases, as the majority of cases do not specify the amount of damages sought and the cases are at varying stages in the litigation process. However, legal fees associated with the defence of these claims have been covered by applicable insurance. The situation is reviewed regularly and based on the most recent review and legal advice obtained by Howden, the Directors believe that the aggregate of any potential liability is unlikely to have a material effect on the Continuing Group's financial position.
- (iii) The Esab Group Inc., ("Esab") a subsidiary of Charter, has been named as a defendant in a number of lawsuits in the United States alleging personal injuries from exposure to manganese in the fumes of welding consumables. Other current and former manufacturers of welding consumables have also been named as defendants as well as various trade associates including the American Welding Society, the National Electrical Manufacturers Association, the Ferroalloys Association and others. The claimants seek compensatory and, in some cases, punitive damages for unspecified amounts. At this time, it is not practical to provide details of the current stage of proceedings in particular cases, as the cases are at varying stages in the litigation process. Upon the advice of counsel, Esab and the other named defendants are vigorously contesting the existence of any liability and are vigorously defending these cases.
- (iv) The Esab Group Inc., ("Esab") has also been named as a defendant in a small number of lawsuits in Massachusetts and Pennsylvania, United States, in which claimants allege asbestos-induced personal injuries. The claimants seek compensatory and, in some cases, punitive damages for unspecified amounts. None of these cases have been trial listed at present. Upon the advice of counsel, the Directors believe that Esab has meritorious defences to these claims and Esab

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intends vigorously to defend these lawsuits. In addition, the majority of defence costs are being borne by Esab's insurers.

- (v) Certain holders of the Loan Notes due in 2007 and 2009 have informed the Company that they consider that a default has arisen under their Loan Notes as a result of the accounting irregularities that were announced by the Company on 27 January 2003 at one of the air and gas handling units in North America. These holders of Loan Notes have commenced legal proceedings in New York against the Company and its subsidiary, Charter Central Finance Limited, seeking a declaratory judgement of the court that such default has occurred. The Directors' view, based on their knowledge of the situation and on the advice of the Company's legal advisers, is that no such default has occurred.

Each of Charter and the Loan Note holders have filed cross motions for summary judgement but no hearing date has yet been set. Although the matter has been set down for trial in February 2004, it is not possible to predict with certainty when the court's decision will be forthcoming and the motions for summary judgement may obviate the need for trial.

Further information on the Loan Note litigation is set out in paragraph 5 of Part I of this document.

Save as disclosed above, no member of the Continuing Group is or has been engaged in, nor, so far as the Continuing Group is aware, has pending or threatened by or against it, any legal or arbitration proceedings which may have or have had during the twelve months prior to the publication of this document a significant effect on the financial position of the Continuing Group.

- (b) *The US Defence Businesses*

Neither of the US Defence Businesses is or has been engaged in, nor, so far as the Company is aware, has pending or threatened by or against them, any legal or arbitration proceedings which may have or have had during the twelve months prior to the publication of this document a significant effect on the financial position of the US Defence Businesses.

7. Significant changes

- (a) *The Continuing Group*

There has been no significant change in the trading or financial position of the Continuing Group since 30 June 2003, being the date to which the latest unaudited interim results of Charter were prepared.

- (b) *The US Defence Businesses*

There has been no significant change in the trading or financial position of the US Defence Businesses since 30 June 2003, being the date to which the financial information relating to the US Defence Businesses contained in Part II of this document was prepared.

8. Consent

- (a) Hoare Govett has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which it is included.

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- (b) PricewaterhouseCoopers LLP have given and have not withdrawn their written consent to the inclusion in this document of their letter, set out in Part III of this document, and to references to their name, in the form and context in which they are included.

9. Documents available for inspection

Copies of the following documents may be inspected at the registered office of the Company and at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY, during usual business hours on any weekday (Saturdays and public holidays excepted) from the date of this document up to and including the date of the Extraordinary General Meeting and for the duration of the Extraordinary General Meeting:

- (a) the memorandum and articles of association of the Company;
- (b) the audited consolidated financial statements of Charter for the financial years ended 31 December 2001 and 2002 and the unaudited interim results of Charter for the six months to 30 June 2003;
- (c) the Disposal Agreement;
- (d) the material contracts referred to in paragraph 5 above;
- (e) the consent letters referred to in paragraph 8 above;
- (f) the letter from PricewaterhouseCoopers LLP relating to the unaudited pro forma statement of net assets set out in Part III of this document;
- (g) the Directors' service contracts referred to in paragraph 3 above; and
- (h) this document.

**NOTICE OF EXTRAORDINARY GENERAL MEETING
CHARTER PLC**

(registered in England & Wales No 2794949)

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Charter plc (the "Company") will be held at 250 Bishopsgate, London EC2M 4AA on 25 November 2003 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution:

Ordinary Resolution

THAT the proposed disposal by the Company of its interest in the US Defence Businesses, as described in the accompanying circular to shareholders dated 5 November 2003, (the "Circular") and on the terms of the Disposal Agreement referred to in Part IV of the Circular, be and is hereby approved, and that the Directors of the Company be and are hereby authorised to take all such steps as may be necessary or appropriate in relation thereto and to carry the same into effect with such modifications, variations, revisions or amendments (providing such modifications, variations, revisions or amendments are not of a material nature) to any documents relating thereto as they (or any committee of the Directors) shall deem necessary or appropriate.

Dated 5 November 2003

By order of the Board

Alison Yapp

Company Secretary

Registered Office: 52 Grosvenor Gardens, London SW1W 0AU

Note:

A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy together, if appropriate, with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority, must be deposited at the office of the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8FB, not later than 48 hours before the time appointed for the holding of the meeting. Return of the completed form of proxy will not preclude a member from attending and voting personally at the meeting. A pre-paid envelope is enclosed in which to return the form of proxy.

