

CHARTER INTERNATIONAL PLC
Preliminary results for the year ended 31 December 2008

Highlights of 2008

		<u>2008</u> <u>£m</u>	<u>2007</u> <u>£m</u>	
Revenue		1,887.0	1,451.1	+30%
Operating profit		201.0	173.3	+18%
Adjusted profit before tax ₁		212.5	181.1	+17%
Profit before tax		197.7	178.1	+11%
Cash flow from operations		159.5	149.1	+7%
		<u>pence</u>	<u>pence</u>	
Earnings per share	Adjusted ₁	99.2	84.7	+17%
	Basic	90.1	82.7	+9%
Dividend per share	Recommended final	14.0	12.0	+17%
	Total for the year	21.0	12.0	+75%

¹ before amortisation and impairment of acquired intangibles and goodwill, exceptional items and (losses)/gains on retranslation of intercompany loan balances

- Total revenue increased by 30 per cent, with ESAB's revenue increased by 30 per cent and Howden's revenue increased by 31 per cent
- Adjusted profit before tax of £212.5 million, an increase of 17 per cent
- Adjusted EPS of 99.2 pence, an increase of 17 per cent
- Balance sheet continues to strengthen with shareholders' funds of £578 million
- Net cash of £52 million and £145 million of committed bank facilities
- Directors intend to declare final dividend of 14 pence per share (2007: 12 pence), making a total for the year of 21 pence (2007: 12 pence)
- Howden order book at a year end record of £499 million, including £110 million of orders for delivery beyond 2009

Michael Foster, Chief Executive, commented:

"Charter's results for 2008 show material growth compared with 2007 in terms of revenue, profit and earnings per share, and further demonstrate the progress which has been made in developing both ESAB and Howden.

Since October 2008 there has been a marked deterioration in global economic and financial conditions which had led to reduced demand for ESAB welding consumables and equipment. Notwithstanding this slowdown, as we progress through 2009, we can take confidence from the global presence, market leadership positions, strong technology and flexible cost bases of both ESAB and Howden, which are supported by Charter's strengthened balance sheet and positive long-term dynamics in the businesses' key end-user segments. All of these we believe will assist Charter to resume growth as and when economic and financial conditions improve."

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There will be an analyst and investor meeting at 09.30 hours this morning at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2.
 A live video webcast and slide presentation of the event will be available at 09.30 hours on http://www.charter.ie/chtr_int/.

Internet users will be able to view this announcement, together with other information about Charter International plc at the company's web site

Chairman's statement

Dear Shareholder

I am pleased to present an excellent set of results for 2008. Adjusted earnings per share, our principal measure of the Company's performance, were 99.2 pence per share (the comparable figure for 2007 was 84.7 pence), an increase of 17.1 per cent.

After three quarters of rapid growth in generally favourable economic conditions, the fourth quarter of the year saw economic activity severely constrained by worldwide shortages of credit. ESAB responded by taking steps to bring its capacity into line with the expected lower levels of demand. Howden, with its strong order book and exposure to the energy industry, has so far been less affected by the economic conditions and has continued to operate at high levels of activity. The managements of both businesses remain vigilant and ready to take further action should trading conditions deteriorate.

In 2008, Charter generated sales of £1,887.0 million (the comparable figure for 2007 was £1,451.1 million), an increase of 30.0 per cent, and operating profit of £201.0 million (2007: £173.3 million), an increase of 16.0 per cent. Adjusted profit before tax was £212.5 million (2007: £181.1 million), an increase of 17.3 per cent, and profit attributable to equity shareholders was £150.2 million (2007: £137.8 million), an increase of 9.0 per cent.

During the year the balance sheet was further strengthened and the continued focus on cash generation resulted in Charter finishing the year with a net cash balance of £51.8 million.

New holding company

On 22 October 2008, Charter International plc, a company registered in Jersey and headquartered and resident in Ireland, became the new holding company of the Charter group of companies. As part of these arrangements, shareholders in Charter plc exchanged their shareholdings for equivalent shareholdings in Charter International plc.

The Company has adopted corporate governance and investor protection measures broadly equivalent to those adopted by Charter plc prior to 22 October 2008. As it is registered in Jersey, the company is subject to the City Code on Takeovers and Mergers.

Dividend

The Directors intend to declare a final dividend in respect of 2008 of 14 pence per share, resulting in a total dividend for the year of 21 pence, which compares to the 12 pence paid during 2007. Subject to being declared by the Directors immediately prior to the Annual General Meeting of the Company, to be held on 29 April 2009, the dividend will be paid on 5 May 2009 to holders of ordinary shares registered on 14 April 2009.

Charter recommenced the payment of dividends to shareholders with a final dividend in respect of 2007. The Board recognises the importance which shareholders attach to the payment of a dividend and will look to maintain a progressive dividend policy subject to the overall performance of the Company and general economic and financial conditions in the principal markets in which the Company and its subsidiaries operate.

Concluding comments

The Board's aim is to create long term value and it continues to believe that the most important determinant of this over the medium term is adjusted earnings per share which it will look to maximise and will seek to ensure that this is underpinned by continued generation of cash from the Company's operations.

The Board remains confident that the Company is well placed for the future and that, despite the current economic slowdown, the long term prospects for future growth in both businesses is strong, underpinned by positive long term dynamics in the key sectors which they supply.

Lars Emilson

Chairman

26 February 2009

Summary of results		2008	2007
		£m	£m
Revenue		1,887.0	1,451.1
Adjusted operating profit₁		211.2	173.8
Exceptional items		(8.3)	-
Amortisation and impairment of acquired intangibles and goodwill		(1.9)	(0.5)
Operating profit		201.0	173.3
Net financing (charge)/income before retranslation of intercompany loan balances		(1.9)	4.1
Net losses on retranslation of intercompany loan balances		(4.6)	(2.5)
Net financing (charge)/income		(6.5)	1.6
Share of post tax profits of associates		3.2	3.2
Profit before tax		197.7	178.1
Profit before tax		197.7	178.1
Add adjustments:			
Amortisation and impairment of acquired intangibles and goodwill		1.9	0.5
Exceptional items		8.3	-
Net losses on retranslation of intercompany loan balances		4.6	2.5
Adjusted profit before tax		212.5	181.1
Tax charge on profit on ordinary activities (before the items set out below)		(38.5)	(32.8)
Taxation on exceptional items		1.5	-
Taxation on amortisation and impairment of acquired intangibles and goodwill		0.4	0.1
Taxation on net losses on retranslation of intercompany loan balances		(2.4)	(0.6)
Taxation		(39.0)	(33.3)
Profit after tax		158.7	144.8
Attributed to: Equity shareholders		150.2	137.8
Minority interests		8.5	7.0
		158.7	144.8
Cash flow from operations		159.5	149.1
Earnings per share		pence	pence
Adjusted ₂		99.2	84.7
Basic		90.1	82.7
Dividend per share			
Recommended final		14.0	12.0
Total for the year		21.0	12.0

1 before amortisation and impairment of acquired intangibles and goodwill and exceptional items

2 before amortisation and impairment of acquired intangibles and goodwill and (losses)/gains on retranslation of intercompany loan balances

Chief Executive's statement

Charter delivered excellent results for 2008, which showed material growth compared with 2007 in terms of revenue, profit and earnings per share. These results continue to demonstrate the progress which has been made in developing both ESAB and Howden, and were achieved in a year which saw generally favourable market conditions during the first three quarters of the year followed by a sharp deterioration in economic and financial conditions in the final quarter.

In 2008, revenue increased by 30 per cent to £1,887.0 million and operating profit before exceptional items increased by 21 per cent to £209.3 million.

Our principal measure of the value that we are creating for shareholders is adjusted earnings per share, which increased by 17 per cent to 99.2 pence per share. We also seek to ensure that earnings are underpinned by the continued generation of cash; in 2008, cash flow from operations was £159.5 million (2007: £149.1 million), an increase of 7 per cent.

Summary of results and performance against key indicators

The key performance indicators used by the Board in assessing the results of ESAB and Howden and the consolidated results of Charter are summarised in the following table, alongside comparatives for 2007.

In relation to each indicator, the outcome for the year is considered against the outcome for the previous year and against budget, taking into account internal and external factors, including changes in market conditions, and any unusual or non-recurring items, which otherwise might have a distorting effect on the outcome.

	2008	2007	Movement in
	£m	£m	key performance
			indicators
ESAB	1,259.8	970.8	+29.8%
Howden	627.2	480.3	+30.6%
Charter consolidated revenue	1,887.0	1,451.1	+30.0%
Howden order book	499.3	416.7	+19.8%
ESAB	148.6	126.6	+17.4%
Howden	73.1	57.6	+26.9%
Central operations	(12.4)	(10.9)	
Charter consolidated operating profit before exceptional items	209.3	173.3	+20.8%
Exceptional Items	(8.3)	-	
Charter consolidated operating profit	201.0	173.3	+16.0%
Operating margin			
ESAB	11.8%	13.0%	-120 basis points
Howden	11.7%	12.0%	-30 basis points
Charter			
Adjusted earnings per share	99.2p	84.7p	+17.1%
Cash flow from operations	£159.5m	£149.1m	+7.0%

The results for 2008 continue the trend of growth in adjusted earnings per share and cash flow from operations, as both ESAB and Howden have been strengthened and improved.

In 2008, ESAB achieved strong increases in its revenue and operating profit compared with 2007, despite the sharp deterioration in market conditions in the final quarter of the year. The results for the first three quarters of the year were well ahead of the demanding targets set by the Board, and the overall result was in line with the reduced forecasts that were prepared during the fourth quarter of the year.

Howden's revenue and operating profit were in line with the targets set by the Board at the start of the year, which reflected generally favourable market conditions across Howden's principal markets in power generation and the oil and gas industries worldwide.

The Board considers that the best measure of the extent to which Charter is generating shareholder value is adjusted earnings per share, which excludes exceptional and other items considered by the Board to be not directly related to the underlying performance of the Group. The actual growth in adjusted earnings per share achieved by Charter in 2008 of 17.1 per cent was ahead of budget, despite the change in economic conditions during the year. The Board is also focussed on the cash generated from operations which increased during the year to £159.5 million (2007: £149.1 million), an increase of 7 per cent.

It is recognised that financial performance is not a sufficient measure on its own. Non-financial key performance indicators, such as health and safety and environmental measures, are monitored with robust plans in place to continuously improve performance. These matters receive regular focus, both from management and the Board.

Charter's strategy

The Board continues to believe that the long term prognosis remains positive for both of Charter's businesses despite the current financial and economic conditions. Charter's long term strategy is to deliver sustained growth in shareholder value through the continued development of ESAB and Howden. The annual review of strategy, which was approved by the Board in September 2008, confirmed the potential for Charter to continue to make significant progress in growing operating profit and earnings over the next five years, although it was recognised that the deterioration in economic conditions may restrict the growth which could be achieved especially in the earlier years of this five year period.

The Board concluded that Charter should remain focussed on its two businesses, both of which it believes are capable of creating significant additional value for shareholders.

ESAB and Howden have the resources and intention to continue to maintain their positions as leaders in their respective fields. Both are capable of further development and will continue to invest in their businesses, new products and ways to service the market. In 2009, the focus of this investment will be on operational improvement and cost reduction.

Review of 2008

2008 was a year of contrasts. The first three quarters were marked by high levels of activity, escalating commodity prices and the need for both ESAB and Howden to manage potential pinch points in their respective supply chains, whilst the final quarter saw an unprecedented contraction in the availability of credit, sharp falls in commodity prices and the on set of an economic downturn from which the timing of a sustained recovery remains uncertain.

ESAB and Howden have faced different challenges and have responded in different ways, reflecting the characteristics of the industries in which they operate.

ESAB

During the first three quarters of 2008 ESAB traded strongly, with revenues and profits significantly higher than the previous year. Activity in certain key end-user industries, particularly in the automotive sector, dropped sharply in October as economic and financial conditions deteriorated, which led to reduced demand for ESAB's welding consumables and equipment. Since October, ESAB has reduced manned capacity for consumables by 16 per cent globally and for equipment by 20 per cent in Europe and North America. This included the closure of a flux plant in Gothenburg, Sweden and a solid wire plant in Finland. The exceptional costs of this restructuring, which will be spread across 2008 and 2009, are expected to amount to some £10 million.

Further details on ESAB's 2008 performance and restructuring are given in ESAB's business review.

Howden

Howden had another excellent year, and produced a markedly stronger performance in the second half of the year, reflecting the strength of its order book. Further details are contained in the Howden business review.

Balance sheet

During the year the balance sheet strengthened further, with shareholders' funds increasing by £151.9 million to £578.3 million, reflecting retained profit of £150.2 million and exchange translation gains of £116.3 million, offset by net after tax losses on cash flow and net investment hedges of £36.0 million, dividends paid of £31.7 million, an increase in retirement benefit obligations of £45.8 million and other reductions of £1.1 million.

Cash flow, acquisitions and financing

With the continued focus on cash generation and control of working capital, cash inflow from operations was £159.5 million. Charter finished the year with a net cash balance of £51.8 million compared with £88.2 million at 31 December 2007, which also reflects dividend payments during the year of £31.7 million, capital expenditure of £66.5 million and expenditure on acquisitions of £39.4 million.

During the year, Charter companies completed three acquisitions. ESAB acquired Romar Positioning Equipment Pte Limited, a leading designer and manufacturer of automation and positioning equipment based in Singapore, and also acquired the factory, plant and certain other assets of Linkweld, a manufacturer of solid wire in Italy. Howden acquired Aeolus Industria e Comercio Ltda, a Brazilian industrial fans manufacturer.

During the year, Charter renewed its financing facilities and presently has committed facilities of £145 million with maturity dates between 2011 and 2013.

2009 outlook

As we progress through the early part of 2009, there is no clear visibility yet of how general market conditions will develop.

ESAB

ESAB has started the year with volumes of consumables generally in line with expectations. We expect continuing instability as markets are affected differently by macro-economic conditions and much depends upon the infrastructure and energy segments which will be key in determining ESAB's outcome for the year.

We believe that the measures that we implemented in the fourth quarter of 2008 and are in progress in the first quarter of 2009 are appropriate to meet the lower levels of activity which we are likely to see in 2009 but we will continually monitor market conditions across different product areas and geographies to ensure that capacity and demand are in line. Our expectation is that these measures will result in further exceptional costs of £3 million to £4 million this year (in addition to the exceptional charge of £6.2 million incurred in 2008) and lead to annualised cost savings of £30 million per year. ESAB has formulated plans for each region which will be implemented if activity levels contract further.

In addition, ESAB is focussed on identifying and implementing further cost reductions in its manufacturing, assembly and distribution operations and support, administrative and central functions; these will be implemented throughout 2009.

ESAB's order backlog for engineered automation equipment stands at about nine months, which is broadly in line with the level at 30 June 2008, and gives good visibility for the business for the remainder of 2009. The cutting business has around three months of orders in hand, which is typical for the business, although order intake has been slowing.

Howden

Howden's new equipment sales for 2009 will be underpinned by its order book which as at 1 January 2009 included orders worth some £390 million for delivery in 2009, and a further £110 million for delivery thereafter. Howden's order book continued to grow in January, and the size of the order book also benefitted from exchange rate movements.

In addition to fulfilling these orders, a principal objective for Howden in 2009 is to maintain a strong order book throughout the year. Overall, we continue to see opportunities in each of Howden's principal markets around the world and the level of enquiries remains encouraging, although we expect that the rate of order intake will be slower in the first half of 2009 than it was in 2008 due to the current financial environment and economic downturn. The re-instatement of the Clean Air Interstate Rules (CAIR) in the USA and the Large Combustion Plant Directive in the European Union are likely to support new activity for emission control equipment, whilst in China, falling power demand is likely to lead to lower new build activity.

Demand for Howden's compressors from customers in the oil and gas and petrochemical sectors is holding up well at present; this part of Howden's business is becoming more significant as time goes on.

At the present time, order cancellations have been immaterial and only a small number of orders have been deferred from 2009 to 2010.

The aftermarket continues to represent a growth opportunity and China, in particular, is showing positive momentum.

Management remains vigilant to any softening of demand. Howden has worked extensively to ensure that its growth in recent years has been built on flexible supply chains and relatively low levels of fixed cost. With the visibility of a strong order book, Howden will be able to respond pro-actively to any slowdown in order intake.

Concluding comments

Since October 2008 there has been a marked deterioration in global economic and financial conditions which had led to reduced demand for ESAB welding consumables and equipment. Notwithstanding this slowdown, as we progress through 2009, we can take confidence from the global presence, market leadership positions, strong technology and flexible cost bases of both ESAB and Howden, which are supported by Charter's strengthened balance sheet and positive long-term dynamics in the businesses' key end-user segments. All of these we believe will assist Charter to resume growth as and when economic and financial conditions improve.

Michael Foster
Chief Executive
26 February 2009

Business and financial review

ESAB

2008 highlights

	2008	2007	Increase
	£m	£m	%
Welding	1,042.2	813.1	+28.2
Cutting and automation	217.6	157.7	+38.0
Revenue	1,259.8	970.8	+29.8
Welding	122.7	112.5	+9.1
Cutting and automation	25.9	14.1	+83.7
Operating profit (pre exceptionals)	148.6	126.6	+17.4
Share of profits of associates (post tax)	3.1	3.0	
Capital expenditure	49.7	40.0	
Depreciation	(16.1)	(11.2)	
Operating margin	11.8%	13.0%	
Average number of employees	9,372	7,860	

- Revenue for the year was £1,259.8 million (2007: £970.8 million), spread broadly equally between developed and emerging markets, an increase of 29.8 per cent.
- ESAB achieved an operating profit (pre exceptionals) in 2008 of £148.6 million (2007: £126.6 million), an increase of 17.4 per cent.
- ESAB's cutting and automation business achieved excellent growth whilst also increasing margins and finished 2008 with a strong order book in automation.
- During the year ESAB made two acquisitions:
 - Romar Positioning Equipment Pte Limited ("Romar"), a leading Singaporean designer, manufacturer and distributor of handling and positioning equipment for use in automated welding applications; and
 - the factory, plant and certain other assets of Linkweld, providing additional capacity for the manufacture of MAG wire spools in Europe.
- ESAB's restructuring will result in a headcount reduction of some 940 people, representing about 10 per cent of the workforce and the closure of two factories, and is expected to generate annualised savings of around £30 million

Overview of performance

ESAB achieved a highly creditable outcome for the year, with revenue and operating profit strongly ahead of 2007, albeit generally assisted by currency movements. In the key area of welding consumables, which accounts for some 70 per cent of its sales, ESAB achieved total volume growth of 9.1 per cent, compared with the total volume of steel consumed worldwide which is estimated to have fallen by 1.2 per cent in the year. This suggests that ESAB has continued to win market share. ESAB's margins fell by some 120 basis points, reflecting continuing process conversion from electrodes to welding wire and changes in the geographic mix of sales, and also the effects of the economic slowdown in the final quarter of the year.

In the first three quarters of 2008, ESAB generated markedly higher revenues than the comparable period in 2007 driven by increased volumes of welding consumables. Revenues also increased due to price increases which were implemented as ESAB sought to recover higher input costs, in particular the price of steel. ESAB was able to meet high levels of demand for its products, in particular in Europe, due to the increases in capacity which it undertook from mid-2006 and which were largely completed during 2008. The flexibility within ESAB's global supply model was demonstrated by product being manufactured in ESAB's new factories in China to meet demand in Europe.

Also within the ESAB welding business, the standard equipment business grew significantly in the first three quarters of 2008. The new equipment factory in China opened during the year to supply a middle market range of welding equipment mainly to customers in Asia.

Activity levels in certain key end-user industries, particularly in the automotive sector, dropped sharply in October as economic and financial conditions deteriorated. This led to reduced demand for ESAB's welding consumables and equipment, in particular solid welding wire and standard equipment, as distribution channels and end users de-stocked in response to lower demand and in anticipation of lower steel prices. In response, ESAB undertook a restructuring exercise to reduce its manned capacity which is described below.

In 2008, ESAB generated sales of £1,259.8 million (2007: £970.8 million), an increase of 29.8 per cent, and operating profit of £148.6 million (2007: £126.6 million), an increase of 17.4 per cent.

Out of the total sales growth of 29.8 per cent, 8.9 per cent came the welding business (consumables and standard equipment), 3.0 per cent from the cutting and automation businesses, 5.0 per cent from acquisitions, and 12.9 per cent from currency movements, in particular the weakening of sterling against the euro and, more latterly in the year, the US dollar. As noted above, the total volume of welding consumables sold increased by 9.1 per cent during the year.

The cutting and automation business produced an excellent result for the year, with sales up 38.0 per cent and the operating margin improving by 300 basis points to 11.9 per cent. At the end of the year, ESAB's order backlog for engineered automation equipment stood at about nine months, which was broadly in line with the level at 30 June 2008 and which gives good visibility for 2009. At the same time, the order book for cutting represented just over three months of sales, which is typical for the business, although order intake has slowed.

Industries and segmentation

The welding and cutting of steel and other metals takes place in many industries. Although steel remains by far the most widely used metal, high performance alloys are being increasingly used to construct sections of ships, offshore platforms and in the automotive industry.

Major global end-user segments are:

- the energy sector, which includes the oil and gas industries, electricity generation and transmission and renewable energy, is the largest user of welding consumables and equipment. Many applications, such as the construction of electricity generating plants, including nuclear, are extremely stringent in their specifications for the welding consumables which they use. Wind towers are a rapidly growing sub-segment of the energy sector, the construction of which requires advanced automation equipment and uses relatively high levels of welding consumables.
- infrastructure construction, where welding plays an important role in the fabrication of infrastructure such as the construction of sewerage systems and light rail networks. In contrast, relatively little welding is used in the construction of residential or commercial buildings.
- the transport segment includes automotive original equipment manufacturers ("OEMs"), most of which require technically demanding welding solutions for use within their highly automated production environments. This segment also includes 'off road' vehicles such as excavators, dumpers and agricultural equipment, as well as rail vehicles, all of which generally require high levels of welding.
- shipyards, which are amongst the largest and most demanding users of both welding and cutting products. ESAB supplies welding and cutting products to shipyards in Europe, South America, the USA and certain countries in Asia including, through its associated company ESAB SeAH, Korea.

In addition, welding takes place in many other industries where steel is used which supply many types of consumer durables and light industrial goods. As well as original manufacture, repair and maintenance applications are also important components of overall demand.

Industry overview

Demand

Demand for welding and cutting products is determined largely by the consumption of steel and, to a lesser but growing extent, of other metals, such as aluminium and advanced alloys.

Whilst the World Steel Association ("WSA") provides statistics in the production of steel, it does not regularly produce statistics for the consumption of steel. It has estimated that world production of crude steel in 2008 was 1,329.7 million metric tonnes ("mmt"), a decrease of 1.2 per cent compared with 2007. The decline in production reflected steady growth in the first eight months of the year and sharp declines in the final quarter.

China is the largest producer of steel but accounts for only around 3 per cent of ESAB's revenues. Accordingly, ESAB management typically considers the demand environment for ESAB products by reviewing worldwide production and consumption of steel excluding China.

The WSA has estimated that, excluding China, worldwide production of steel was 827.7 mmt (2007: 856.2 mmt), a reduction of 3.3 per cent. Apart from China, only the Middle East recorded an increase in production. In Europe and North America, production is estimated to have fallen by 5.6 and 5.5 per cent respectively.

The WSA has yet to issue any forecast for steel production or consumption in 2009 due to the current economic uncertainty. However, analysts generally believe that, excluding China, worldwide consumption and production of steel will fall by around 10 per cent in 2009 compared with 2008, with a greater relative fall in the first half of 2009 than the second half. In comparison, the measures taken by ESAB since the fourth quarter of 2008 will reduce its manned capacity by some 16 per cent in respect of consumables and some 20 per cent in respect of equipment.

The sharp decline in the demand for welding consumables which took place in the fourth quarter of 2008 was most marked in solid welding wire, reflecting falling demand from the automotive industry and other applications which use automated mass production. Demand for certain other types of welding consumable has suffered smaller reductions; some of these products are often used in larger capital projects, like shipbuilding, or in repair and maintenance.

Competitive environment

ESAB operates in a competitive environment, consisting of a relatively small number of companies that operate on a multinational basis and a much larger number of smaller companies which operate in regional or product niches.

ESAB estimates that it has a 12 per cent share, by value, of the global welding and cutting markets. ESAB believes that it gained market share during 2008 due to successful product innovation, as new capacity came on stream and as it increased its sales presence in certain locations where it was previously under-represented.

Globally, ESAB is the leading supplier of welding consumables. It is one of only two worldwide, full service welding and cutting companies and is the clear industry leader outside North America where it ranks behind the two market leaders.

ESAB expects to maintain and progressively strengthen its market share. ESAB believes that factors such as its brand, technology, product portfolio, certifications, distribution network and financial strength will enable it to win market share from competitors in the current market environment. It aims to be a consolidator in the relatively fragmented worldwide welding industry and will look to make acquisitions which increase its geographic strength, provide entries to markets where ESAB is currently under-represented or give access to new technologies, provided that the terms of the acquisition are expected to be value accretive for Charter shareholders.

ESAB restructuring

Due to the worsening global economic conditions, which first had an impact on the business during the fourth quarter of 2008, ESAB has conducted a thorough review of its capacity and cost base.

In repositioning itself for lower levels of activity, ESAB has benefited from the flexibility built into its business model over recent years at the time the business was growing strongly. This flexibility, which included the use of temporary staff and contractors and additional shifts and overtime, has enabled it to respond rapidly to lower levels of demand.

Since October, ESAB has reduced manned capacity for consumables by approximately 16 per cent globally and for equipment by 20 per cent in Europe and North America. These reductions have been achieved through the elimination of shifts and overtime and through workforce reduction. In order to bring stock levels into line with forecast demand for the first quarter of 2009, production was largely suspended at most plants in Europe during December.

For ESAB as a whole, possible headcount reductions of 940 people spread broadly across the global activities of the business (representing approximately 10 per cent of the workforce at the end of the third quarter) were identified. Of these, 635 people had left the business by the end of 2008 and it is expected that the remainder will have left by the end of the first quarter of 2009.

As part of this process, the flux plant at Gothenburg in Sweden, which was at the end of its useful life, and the small solid wire plant in Finland have been closed.

Exceptional costs of £6.2 million were incurred in 2008 in relation to the announced restructuring and further costs of £3 million to £4 million are expected to be incurred in the first quarter of 2009. The measures being taken are expected to result in annualised cost savings in the region of £30 million.

ESAB: revenue by destination

ESAB's revenue by destination is summarised in the table below. During 2008, ESAB once again experienced sales growth in all five regions.

In 2008, ESAB's sales were split broadly equally between the developed economies of Western and Northern Europe and North America and the developing economies of Central, Southern and Eastern Europe, Asia and South America.

	2008	2007	Increase	Increase at constant exchange rates
	£m	£m	%	%
Europe	594.8	474.8	+25.3	+9.9
North America	238.6	213.4	+11.8	+3.7
South America	198.1	137.2	+44.4	+30.3
China	36.4	24.7	+47.4	+32.4
Rest of world	191.9	120.7	+59.0	+48.9
Total	1,259.8	970.8	+29.8	+16.9

Regional markets

Europe

Europe remains ESAB's most important region, where it is the leading welding company. Europe as a region accounted for 47.2 per cent of ESAB's total revenue during the year. ESAB's sales to customers in the more developed Western and Northern Europe continued to broadly match sales to customers in the emerging markets of Central, Eastern and Southern Europe.

The first three quarters of the year saw strong growth in sales by volume and value across most regions. The slowdown in the fourth quarter was most marked in Russia and various Southern European countries.

The translational effects of the appreciation of European currencies against sterling improved reported sales and profits, although these were partly offset by adverse transactional effects.

Sales of consumables and equipment to the energy sector, in particular wind tower production, remained strong throughout the year. The cutting and automation business performed well with significant increases in revenue, operating profit and margin.

In July, ESAB acquired the factory, plant and certain other assets of Linkweld, which have provided ESAB with additional capacity to manufacture MAG wire spools in Europe. This will support the development of ESAB's presence in the solid wire market in Europe.

North America

ESAB recorded sales in North America of £238.6 million (2007: £213.4 million), an increase of 11.8 per cent, benefitting partly from the strength of the US dollar against sterling.

Most industries which ESAB serves in North America, such as energy and naval shipbuilding remained strong throughout the first half of the year. However, as the economy as a whole deteriorated in the second half of 2008, ESAB experienced a slowdown in demand.

In October, ESAB signed a contract to supply welding, cutting and automation equipment to one of the worlds leading wind tower manufacturers, Vestas Wind Systems. The contract is worth some US\$22 million. There has been strong demand for ESAB's scarfing machines for use in the steel industry, and the current order book for these machines goes out to 2010.

South America

ESAB has a strong market presence in Brazil and Argentina which goes back for over 50 years.

The region produced another strong performance in 2008, with revenue for all principal product lines up against the prior year, due to volume growth and price increases and also due to foreign currency movements. The region experienced softening demand towards the end of 2008, later than the economic downturn experienced by North America and Europe.

China

ESAB's sales to customers in China were £36.4 million (2007: £24.7 million), an increase of 47.4 per cent with strong sales growth to the energy industry.

ESAB opened a consumables factory in Weihai and an equipment plant next to its existing consumables factory in Zhangjiagang. The equipment plant will develop a mid-market range of welding equipment for both domestic supply and for export throughout the rest of Asia and also further afield.

2008 saw a continuation on ESAB's dual strategy of its facilities in China supplying product both to the domestic market and overseas. However, as worldwide demand for welding consumables dropped in the fourth quarter of the year, the amount of product exported by ESAB factories in China for customers in Europe reduced considerably.

ESAB is still in the early stages of establishing itself in China. It is determined to continue to build on its strategy that ensures it is able to supply products from its Chinese factories to Asia and globally that are well positioned for customers in those markets and with an appropriate cost base.

Rest of world

Asia Pacific (excluding China)

In 2008, ESAB produced another strong performance in the region which reflected increased sales to ESAB's key end-user segments, particularly in Indonesia, Malaysia and Australia. During the year, ESAB received approval from the Japanese authorities for certain products to be exported to Japan.

In April, ESAB completed the acquisition of Romar Positioning Equipment Pte Limited ("Romar"), a leading Singaporean designer, manufacturer and distributor of handling and positioning equipment for use in automated welding applications, in particular for customers in the energy industry. This acquisition has given ESAB a much increased presence in a rapidly growing part of the welding equipment market.

India

During the year, ESAB India, in which ESAB holds a 56 per cent shareholding, increased its market leadership and again produced strong growth in revenue and operating profit from both its consumables and equipment businesses. Generally, market conditions remained strong with a slight softening in demand during the fourth quarter.

Middle East and Africa

In the Middle East, ESAB's revenue delivered another year of growth in 2008, led by increasing sales to the energy, construction and infrastructure sectors.

Africa has been identified as an area where ESAB is underrepresented and going forward increased efforts are being made to expand ESAB's presence in the region.

Associated undertakings

ESAB's share of the post tax profits of associates was £3.1 million (2007: £3.0 million). ESAB India was accounted for as an associate until September 2007, from which time it became a subsidiary. ESAB's only remaining associated undertaking is ESAB SeAH Corporation, situated in South Korea, of which ESAB owns 50 per cent.

Howden

2008 highlights

	2008	2007	Increase
	£m	£m	%
New equipment	465.0	358.8	+29.6
Aftermarket	162.2	121.5	+33.5
Revenue	627.2	480.3	+30.6
Order book	499.3	416.7	+19.8
Operating profit	73.1	57.6	+26.9
Share of profits of associates (post tax)	0.1	0.2	
Capital expenditure	14.1	8.1	
Depreciation	(4.5)	(3.4)	
Operating margin	11.7%	12.0%	
Average number of employees	3,856	3,334	

- Revenue for the year was £627.2 million (2007: £480.3 million) an increase of 30.6 per cent.
- Howden achieved operating profit of £73.1 million (2007: £57.6 million), an increase of 26.9 per cent.
- Operating margin broadly maintained at around 12 per cent.
- Howden's order book was a year-end record of £499.3 million (2007: £416.7 million), an increase of 19.8 per cent. A record £110 million of orders extend beyond 12 months.
- Howden achieved aftermarket sales of £162.2 million (2007: £121.5 million).
- Aeolus, a leading Brazilian designer and manufacturer of industrial fans with a strong presence in the pulp and paper, cement and ethanol markets, was acquired.
- A sales office is being established in the Middle East.

Overview of performance

Howden achieved another set of excellent results in 2008 with sales of £627.2 million (2007: £480.3 million), an increase of 30.6 per cent (21.2 per cent at constant exchange rates). The results achieved by Howden in 2008 reflected increased demand for Howden products for use in generation and emission control equipment in the electricity supply industries in particular in North America, Europe and China, and from the oil and gas and mining sectors in other regions. Trading in the second half of 2008 was particularly strong, with sales and operating profit at record levels and an operating margin in excess of both the first half of the year and 2007 as a whole. Sales were spread broadly evenly across Europe, North America, China and the rest of the world (principally South Africa, Australia, South America and the rest of Asia).

Out of the total sales growth of 30.6 per cent, 14.2 per cent came from sales of original equipment, 6.1 per cent from the aftermarket, 0.9 per cent from acquisitions, and 9.4 per cent from currency movements, in particular arising from the appreciation of the US dollar, euro and Chinese renmimbi against sterling.

Howden's compressor business, which sells predominantly to the oil and gas industry, continued to make progress during 2008. Revenue and order intake were at record levels in the first three quarters of the year with the oil price hitting all time highs. Despite the falls seen in the oil price in the final quarter of the year, order intake remained at reasonable levels. Howden is focusing on other areas where its compressor technology can be put to good use, such as wastewater treatment.

2008 operating profit was £73.1 million (2007: £57.6 million), an increase of 26.9 per cent (15.8 per cent at constant exchange rates). For the year as a whole, the operating margin of 11.7 per cent was down by 30 basis points compared to 2007. The margin was appreciably higher in the second half of the year (12.1 per cent) compared with the first (11.1 per cent); this reflected the higher level of sales in the second half.

Aftermarket sales in 2008 were £162.2 million (2007: £121.5 million) an increase of 33.5 per cent. Howden's aftermarket business in China is continuing to gain momentum. Operating profit also increased.

Order book

The strength of Howden's order book, which was maintained throughout the year, meant that Howden's trading was comparatively unaffected by the deterioration in economic and financial conditions in the final quarter of the year.

As at 31 December 2008, the order book stood at £499.3 million (31 December 2007: £416.7 million), an increase of 19.8 per cent (of which 8.7 per cent was due to currency factors), which was a record year end level. Orders booked in the year were £659.0 million (2007: £542.4 million), an increase of 21.5 per cent, with orders from customers in the power and oil and gas industries (Howden's key end-user segments) remaining strong, whilst there was some weakening in new orders by customers in the metals, mining and cement industries.

As at 31 December 2008, outstanding orders from customers in Europe and China amounted to £134.2 million and £114.3 million respectively, compared with £107.9 million and £90.3 million respectively as at 31 December 2007. Outstanding orders from customers in North America amounted to £122.3 million, compared with £143.3 million as at 31 December 2007, a decrease of 14.7 per cent. The order book to the rest of the world amounted to £128.6 million (2007: £75.2 million), an increase of 71.0 per cent.

The order book at 31 December 2008 included some £389 million for delivery in 2009 and £110 million for delivery in 2010 or beyond. Whilst the impact of order delays in the current economic and financial conditions has not been material, the above figures reflect a small number of orders which have been cancelled or deferred from 2009 to 2010.

Products and segmentation

Howden designs, manufactures, installs and maintains heavy duty fans, preheaters and compressors. The fans and preheaters are used mainly in the generation of electricity by coal-fired power stations, both in combustion and the control of emissions. Other applications are in the steel, mining and cement industries.

Howden compressors are mainly used by the oil and gas and petrochemical industries; other applications are in refrigeration, the nuclear industry and the treatment of waste water.

Howden is continually seeking to improve its range of skills and expertise. During 2008, a higher pressure axial fan blade was developed to satisfy the market demand for a superior performance fan able to be retrofitted within existing physical boundaries. The new blade profile produces greater flow and pressure rise within a given fan diameter. Orders have been won for power plants in 8 countries. Howden is also developing an extended range of reciprocating piston compressors to expand its offering to the oil and gas and petrochemical industries as well as meeting the longer term requirements for the hydrogen generation market. A new business has been formed, Howden Water Technology A/S, to promote and supply the Howden range of turbo compressors for waste water treatment, a growing global market for new equipment and aftermarket services, estimated to be in the region of £240 million per annum.

The great majority of Howden's products are bespoke to an individual customer's specifications. Order lead times are typically 9 to 18 months, generally being shorter in China and longer in Europe and North America.

In 2008, the total market for Howden products is estimated at £2.5 billion, including aftermarket, of which the power, petrochemical and oil and gas industries were the largest components.

Industry overview

Demand

Demand for new Howden equipment is strongly influenced by the construction of new coal-fired power stations, environmental legislation (in particular as it relates to restrictions on emissions from coal-fired power stations and other heavy industrial plant) and the construction of new refineries, steel plant and cement factories. As with many capital goods industries, the aftermarket represents an important part of the total market.

Howden's order book gives it good visibility over its 2009 revenue. Its orders for delivery in the current year represent a significant percentage of budgeted 2009 new equipment sales and one which is comparable to previous years. To date, the global economic slowdown has had relatively little impact on Howden's trading which is continuing to experience high levels of activity.

In addition to fulfilling these orders, a principal objective for Howden in 2009 is to maintain a strong order book throughout the year which will impact its revenue in 2010.

Howden continues to believe in the fundamental long term strength of the demand for its products from the power generation industry, its largest end-user segment. Overall, the demand for electricity is expected to continue to grow at a rate in excess of global GDP, and coal is generally expected to at least maintain, if not increase, the percentage of generation for which it accounts.

Demand for Howden products will arise from the construction of new generating plant, which is expected to take place primarily in the developing world and which is expected to average 57GW per annum for at least the next 20 years; from the construction of generating plant to replace life-expired equipment, primarily in the developed world where it is estimated that some 800 GW of coal-fired generating capacity is currently over 30 years old and will progressively fall due for replacement; and from the fitting of emission control equipment to new and existing generating plant.

Over the short term, orders for Howden equipment may be delayed by the shortage of credit and general economic conditions. This includes various power generation projects in China, where demand for power fell markedly in the final quarter of 2008, and the USA. However, new coal-fired plants are being built in India where the government has ambitious targets to increase the availability of electricity. Other emerging economies in South East Asia are utilising new coal-fired plants to meet increasing demand for electricity.

Delays in legislation and uncertainty over government policy have also caused delays in orders being placed. Governments in Western Europe and North America generally recognise the need to replace life expired plant with new coal-fired plant, although uncertainty over the strategy for carbon reduction is somewhat slowing this market at present. Over the short term, this may lead to programmes to extend the life of existing plant, which represents a potential opportunity for Howden's aftermarket business.

Governmental regulations stimulate demand for a number of Howden products, particularly in the environmental protection sector where Howden supplies equipment for use in processes which reduce atmospheric pollution generated by coal-fired power stations and industrial plant. In the USA, the re-instatement of the Clean Air Interstate Rules (CAIR) is likely to support new activity for emission control equipment. EU legislation on NOx reduction from large power plants to meet a 2016 deadline is also creating a market for Howden emission control products.

Howden compressors are mainly sold into the oil and gas and petrochemicals industries, in particular for use in refineries and related applications. The steep decline in the oil price seen in the third quarter of 2008 and the slow down in the growth in oil consumption are creating uncertainties over future capital expenditure projects in oil exploration and refining. Presently, the majority of projects approved before the global economic slowdown do not appear to be affected, although it is not clear how many new projects will be approved if the oil price remains around its current level.

The aftermarket is Howden's single biggest opportunity for growth. Each delivery of new equipment creates a potential aftermarket revenue stream over the operating life of the equipment which is typically 30 to 40 years. The aftermarket in China is seen as offering significant opportunities for Howden, as equipment delivered during the last few years reaches the point where major servicing is required.

Howden management remains vigilant to any softening of demand and will adjust its manufacturing capacity accordingly. Howden has worked extensively to ensure that its growth in recent years has been built on flexible supply chains, including the extensive use of sub-contractors, and relatively low levels of fixed cost. With the visibility of a strong order book, Howden will be able to respond pro-actively to any slowdown in order intake; this may include keeping relatively more work in-house in order to maintain the loading of its own manufacturing facilities.

Competitive environment

Howden has strong positions in the specialised markets that it supplies, particularly in heavy-duty fans and rotary heat exchangers where it is the clear world-leader. Howden is one of the five leading worldwide suppliers of process gas screw compressors for use in the oil and gas industry; together these manufacturers are believed to represent around 85 per cent of the market.

Howden's share of the aftermarket varies between regions. In some locations, such as Africa, where Howden supplied a high proportion of the original equipment, and Australia, where recent new build activity has been low, its share is relatively high.

Regional overview of performance

Howden's revenue by destination is summarised in the table below. In 2008, Howden achieved significant growth in sales to customers in North America and South America and reported a strong performance in the other regions in which it operates.

As in previous years, Howden has maintained a general balance between sales to customers in developed and emerging economies.

Howden: revenue by destination

	2008	2007	Increase	Increase at constant exchange rates
	£m	£m	%	%
North America	181.5	114.8	+58.1	+48.0
Europe	165.3	140.6	+17.6	+8.8
China	136.6	114.1	+19.7	+4.1
South America	30.3	15.4	+96.8	+82.5
Rest of world	113.5	95.4	+19.0	+17.7
Total	627.2	480.3	+30.6	+21.2

Regional markets

North America

Sales to customers in North America increased to £181.5 million, an increase of 58.1 per cent (48.0 per cent at constant exchange rates), driven by the continuing programmes to upgrade emission control equipment. Notable revenue growth was also achieved in the aftermarket and in sales of new equipment for the mining industry.

As at 31 December 2008, around one-half of the order book was represented by utility projects with the balance from other sectors, including petrochemical and mining.

At the end of 2008 Howden opened a new element packaging facility in Mexico, which will mainly focus on the upgrading and enhancement of the power generation installed base and site service activities.

Europe

Revenue in Europe increased by 17.6 per cent to £165.3 million reflecting increased sales of Howden fans and other products to customers in the power and other industrial sectors and of aftermarket services. Howden also saw strong demand for ventilation fans used in tunnels and mining applications during the first half of the year.

Howden Compressors Limited, in which Howden reacquired full ownership in late 2006, continued to perform above expectations. The acquisition has provided significant synergies with existing Howden Compressor companies and Howden has invested in new machining for the company to build on this growth in the coming years. Order intake at Howden BC Compressors in France reached record levels in 2008, with the company's largest order to date being received from the state owned Brazilian integrated oil and gas company for 22 hydrogen booster reciprocating compressors for "clean fuel" facilities in 8 refineries.

Howden continues to build a presence in the important Russian market where its first orders have been booked. Further opportunities have been identified in the power, tunnels, mining and oil and gas sectors, subject to the deteriorating financial conditions in the Russian economy.

China

Sales to China recovered from the anticipated slowdown in 2007 to reach £136.6 million for the year, an increase of 19.7 per cent over 2007.

In addition to a recovery in sales to the power industry, Howden's sales benefitted from its recent programme of product expansion in China, including the opening of the compressor factory in Weihai towards the end of 2007. This has achieved higher than expected sales to the petrochemical industry.

The Chinese aftermarket business progressed well during the year and, whilst it remains comparatively small, is ahead of plan. Overall the Chinese aftermarket remains a large growth opportunity for Howden.

South America

South America is an important growth market for Howden's products. Howden's principal market in the region is Brazil, where it enhanced its presence in August through the acquisition of Aeolus Industria e Comercio, a leading designer and manufacturer of industrial fans in the region. The acquisition has provided Howden with its first manufacturing base in the region and should assist Howden to further develop its presence in the South American market.

Sales were £30.3 million in 2008 (2007: £15.4 million), an increase of 96.8 per cent of which 28.6 per cent was attributable to the acquisition of Aeolus. As noted above, Howden BC Compressors won a significant order to supply compressors to a major customer in the oil and gas industry in Brazil.

Rest of the world

Africa

Howden Africa Holdings Limited ('HAHL'), in which Howden has a holding of some 55 per cent, achieved increased sales driven by equipment and aftermarket sales to the power and the mining sectors in South Africa.

In 2008, HAHL's order bookings were a record £84 million, an increase of 62 per cent, reflecting the company's participation in the Eskom new build and refurbishment programmes and other environmental control projects.

Other

Howden's sales in the Middle East have benefited from high levels of investment in the oil and gas sectors. Howden also is establishing a Middle East sales office.

Howden's presence in India continues to develop with the opening of a second sales office in Delhi and with the appointment of a number of sales and engineering personnel in the region. Compressor orders have been won and Howden continues to believe that the power market there offers significant future potential.

Associated undertakings

In 2008, Howden's share of the post tax profits of a non-trading associated undertaking amounted to £0.1 million (2007: £0.2 million). Following the disposal of HAHL's holding in Pump Brands Pty Limited in 2007, Howden no longer has any associated trading undertakings.

Financial review

Trading results for the year

A detailed review of the trading results for the year is set out in the Chairman's statement, Chief Executive's statement and the business reviews of ESAB and Howden.

Exceptional items

In order to help provide a better indication of the Group's underlying business performance, Charter presents items that are both material and non-recurring as exceptional items and excludes them from adjusted operating profit and adjusted earnings per share.

The results for the year to 31 December 2008 include exceptional costs of £8.3 million, comprising restructuring costs of £6.2 million and costs incurred in connection with the change in holding company of £2.1 million.

The restructuring costs are in respect of the cost and capacity reductions being implemented by ESAB in response to the global economic downturn.

On 22 October 2008, Charter International plc became the ultimate holding company of the then Charter plc (the former holding company of the Charter group) pursuant to a scheme of arrangement approved by the High Court and the shareholders of Charter plc. Transaction costs attributable to the issue of shares by Charter International plc as part of the scheme of arrangement of £1.6 million have been charged directly to reserves. Other costs of implementing the scheme of arrangement totalling £2.1 million have been charged to the income statement as an exceptional item.

The reasons for the scheme of arrangement were set out in the circular to Charter plc shareholders dated 8 September 2008.

Earnings per share

Basic earnings per share were 90.1 pence (2007: 82.7 pence). However, adjusted earnings per share is considered to be a better indication of the Group's underlying business performance. Adjusted earnings per share increased by 17.1 per cent to 99.2 pence (2007: 84.7 pence) and were derived from basic earnings per share as set out below.

	Per share		Total earnings	
	2008	2007	2008	2007
	pence	pence	£m	£m
Basic earnings	90.1	82.7	150.2	137.8
Items not relating to underlying business performance:				
Exceptional items	5.0	-	8.3	-
Amortisation and impairment of acquired intangibles and goodwill	1.1	0.3	1.9	0.5
Losses on retranslation of intercompany loan balances	2.8	1.5	4.6	2.5
Taxation on items not relating to underlying business performance	0.3	0.3	0.5	0.5
Minority share of items not relating to underlying business performance	(0.1)	(0.1)	(0.2)	(0.1)
Adjusted earnings attributable to equity shareholders	99.2	84.7	165.3	141.2

Net financing (charge)/credit

The net financing charge, before retranslation of intercompany loan balances, of £1.9 million (2007: £4.1 million net credit) comprised interest on retirement benefit obligations of £0.7 million, interest payable of £5.4 million, fair value loss on derivative financial instruments of £1.0 million and the unwinding of discounts on provisions of £0.4 million offset by interest income of £3.3 million and other financing credits of £2.3 million.

Taxation

In 2008, the total tax on profit on ordinary activities was £39.0 million (2007: £33.3 million), which comprised:

	2008	2007
	£m	£m
Current tax (credit)/charge - UK	(0.7)	1.0
- overseas	54.7	39.4
	54.0	40.4
Deferred tax credit - UK	(0.1)	(2.6)
- overseas	(15.4)	(5.0)
Tax charge on adjusted profit before tax, before share of post tax profits of associates	38.5	32.8
Tax on exceptional items - overseas	(1.5)	-
Tax on amortisation and impairment of acquired intangibles and goodwill - overseas	(0.4)	(0.1)
Taxation on net gains on retranslation of intercompany loan balances - UK	3.8	-
- overseas	(1.4)	0.6
Tax charge	39.0	33.3

The tax charge of £39.0 million compares with tax paid in the year of £49.7 million. The tax charge is lower than the actual tax paid in the year principally due to the recognition of additional deferred tax assets in respect of historical tax losses.

The adjusted effective tax rate for the year was 18.4 per cent (2007: 18.4 per cent), calculated as follows:

	2008	2007
	£m	£m
Profit before tax	197.7	178.1
Add/(deduct) adjustments:		
- exceptional items	8.3	-
- amortisation of acquired intangibles and goodwill	1.9	0.5
- net losses on retranslation of intercompany loan balances	4.6	2.5
- share of post tax profits of associates	(3.2)	(3.2)
Adjusted profit before tax, before share of post tax profits of associates	209.3	177.9
Tax charge before taxation on adjustments above	38.5	32.8
Adjusted effective tax rate	18.4%	18.4%

The adjusted effective tax rate in the year remained at 18.4%, in line with the effective rate for the previous year, as the Group continues to benefit from increasing profits being generated in relatively low tax jurisdictions, such as China and Eastern Europe, together with the recognition and utilisation of previously unrecognised tax losses. The adjusted effective tax rate is likely to remain at approximately the same level in the short term.

Acquisitions

Charter made three acquisitions during the year, details of which are set out in note 13. The impact of acquisitions on the 2008 results was to increase Welding, cutting and automation revenue and operating profit by £10.4 million and £1.9 million respectively and to increase Air and gas handling revenue and operating profit by £4.4 million and £0.5 million respectively. In 2008, the annual revenue of the businesses acquired was £27.8 million.

Impairment review of tangible assets – ESAB China

Over recent years, ESAB has been investing in new factories in China for the manufacture and supply of welding consumables, standard equipment and cutting machines. At 31 December 2008, the total net carrying value of property, plant and equipment of ESAB China was £39.1 million comprising land and buildings of £16.6 million, plant and machinery of £21.9 million and vehicles and office equipment of £0.6 million. This investment includes £18.6 million in respect of the recently commissioned plants in Weihai for consumables and at Zhangjiagang for equipment.

In view of the trading performance, start-up costs and challenging economic environment in China, the Directors have conducted an impairment review in respect of the property, plant and equipment of ESAB China and, as a result, continue to believe that the fair value of these assets is in excess of carrying value.

Currency

Charter's results are sensitive to movements in exchange rates. The translation impact of exchange rate movements on segmental revenue and operating profits before exceptional items is set out below:

	2008 £m	Underlying movement at constant exchange rates £m	2007 Translated at 2008 exchange rates £m	Currency fluctuations £m	2007 £m
Revenue					
Welding, cutting & automation	1,259.8	163.5	1,096.3	125.5	970.8
Air & gas handling	627.2	101.9	525.3	45.0	480.3
Total	1,887.0	265.4	1,621.6	170.5	1,451.1
Operating profit (before exceptional items)					
Welding, cutting & automation	148.6	(1.2)	149.8	23.2	126.6
Air & gas handling	73.1	9.1	64.0	6.4	57.6
Central operations	(12.4)	(1.5)	(10.9)	-	(10.9)
Total	209.3	6.4	202.9	29.6	173.3

Currency movements account for 11.7 per cent and 17.1 per cent of the year on year increase in sales and operating profits respectively. However, this is only the translation impact of currency movements. It excludes the impact of currency movements on transactions, for example when products are manufactured in one currency zone and sold in another. The transaction impact of currency movements is difficult to quantify but it has had a negative impact on the 2008 results.

Trading results and cash flows of overseas operations have been converted into sterling at average rates of exchange whereas the balance sheets were converted at year-end rates of exchange. The most significant exchange rates for the Group were as follows:

Rates of exchange to £1	At 31 December 2008	Average rate for 2008	At 31 December 2007	Average rate for 2007
US dollar	1.44	1.85	1.99	2.00
Euro	1.03	1.26	1.36	1.46
Chinese Renminbi	9.81	12.0	14.54	15.22
Brazilian Real	3.35	3.34	3.54	3.89
Czech Koruna	27.77	31.64	36.20	40.43
Polish Zloty	4.26	4.42	4.90	5.51

Balance sheet

The following table shows a summary of the balance sheet:

	2008 £m	2007 £m
Non current assets (excluding retirement benefits assets)	526.4	335.1
Inventory	292.0	177.5
Trade and other receivables	573.2	412.0
Trade and other payables	(512.2)	(369.1)
Working capital	353.0	220.4
Derivative financial instruments and tax liabilities	(91.0)	(54.9)
Net retirement benefit obligations	(139.3)	(76.6)
Provisions	(74.9)	(55.6)
Other long-term liabilities	(7.7)	(2.6)
Net cash	51.8	88.2
	618.3	454.0
Equity shareholders' funds	578.3	426.4
Minority interests	40.0	27.6
	618.3	454.0

During the year, total equity shareholders' funds increased by £151.9 million to £578.3 million (2007: £426.4 million).

The principal components of this increase were the profit for the year attributable to Charter shareholders of £150.2 million and net translation exchange gains of £116.3 million, offset by net after tax losses on cash flow and net investment hedges of £36.0 million, net after tax actuarial losses on retirement benefit obligations of £45.8 million and dividends paid of £31.7 million.

As at 31 December 2008, the total equity attributable to minority interests increased to £40.0 million (2007: £27.6 million), reflecting profit attributable to minority interests of £8.5 million and net translation gains of £8.3 million, offset by dividends payable of £4.3 million and other adjustments of £0.1 million. The significant minority interests are the 30 per cent interest in Howden Hua Engineering Co Limited, the 45 per cent interest in Howden Africa Holdings Limited and the 44 per cent interest in ESAB India.

As at 31 December 2008, the Company had net retirement benefit obligations of £139.3 million (2007: £76.6 million). This sum represents 24.1 per cent of equity shareholders' funds as at that date compared with 18.0 per cent as at 31 December 2007.

Working capital has grown by £132.6 million to £353.0 million, an increase of 60.2%. Currency fluctuations account for £63.3 million of the increase, with acquisitions during the year contributing £6.4 million. The underlying increase in working capital excluding acquisitions is therefore £62.9 million or 28.5 per cent. Included within trade and other receivables are amounts receivable under construction contracts of £71.9 million (2007: £55.7 million). Included within trade and other payables are amounts payable under construction contracts of £115.7 million (2007: £82.2 million).

Retirement benefit obligations

As shown in the table below, the net obligation in respect of pensions and other post-retirement benefits increased by £62.7 million in the year to £139.3 million.

	2008	2007
	£m	£m
Fair value of plan assets	517.6	565.6
Present value of funded and unfunded defined benefit obligations	(656.6)	(639.3)
	(139.0)	(73.7)
Unrecognised past service costs	0.2	0.2
Surplus not recoverable	(0.5)	(3.1)
Net liability recognised on the balance sheet	<u>(139.3)</u>	<u>(76.6)</u>

The majority of the £62.7 million increase in the net retirement benefit obligation arose as a result of net actuarial losses of £54.0 million and net translation exchange losses of £24.0 million offset by cash contributions of £18.2 million. A full breakdown of the movement is provided below:

	Pension obligation - defined benefit schemes £m	Unrecognised past service costs and surplus not recoverable £m	Pension - obligation net liability recognised in the balance sheet £m	Post employment medical benefits £m	Total £m
At 1 January 2008	(58.1)	(2.9)	(61.0)	(15.6)	(76.6)
Exchange adjustments	(18.2)	0.2	(18.0)	(6.0)	(24.0)
Income statement (charge)/credit					
- operating profit	(1.7)	(0.1)	(1.8)	(0.4)	(2.2)
- financing credit/(charge)	0.3		0.3	(1.0)	(0.7)
Taken to equity - actuarial (losses)/gains	(56.9)	2.5	(54.4)	0.4	(54.0)
Contributions paid	17.1		17.1	1.1	18.2
At 31 December 2008	<u>(117.5)</u>	<u>(0.3)</u>	<u>(117.8)</u>	<u>(21.5)</u>	<u>(139.3)</u>

A breakdown of the charge to operating profit of £2.2 million (2007: £1.6 million credit) in respect of defined benefit pension schemes and overseas medical schemes is set out below. In addition, £7.4 million was charged against operating profit in respect of defined contribution pension schemes.

	2008	2007
	£m	£m
Defined benefit pension schemes and overseas medical schemes:		
• Current service costs	(1.9)	(2.1)
• Past service (cost)/credit	(0.1)	3.1
• (Losses)/gains on settlement and curtailment	(0.2)	0.6
	(2.2)	1.6
Defined contribution pension schemes	(7.4)	(6.9)
	(9.6)	(5.3)

The net past service credit of £3.1 million in 2007 includes a gain of £3.5 million arising in connection with the termination of a post retirement medical plan in North America in respect of retirees.

Provisions

At 31 December 2008, provisions were £74.9 million (2007: £55.6 million). Of this amount, £35.5 million (2007: £29.7 million) was in respect of legal and environmental claims and disputes. Of the remainder, £6.1 million (2007: £1.0 million) was in respect of disposals and restructuring, £28.0 million (2007: £21.3 million) was in respect of warranty and product liability, and £5.3 million (2007: £3.6 million) was in respect of other items.

Cash flow

During the year, the net cash of £88.2 million at 31 December 2007 reduced by £36.4 million to £51.8 million at 31 December 2008. Cash flows during the year are summarised below.

	2008	2007
	£m	£m
Operating profit	201.0	173.3
Depreciation and impairment	21.7	14.7
Amortisation and impairment	5.2	1.9
Charge for share based incentives	0.9	0.5
Loss/(profit) on sale of property, plant and equipment	0.2	(0.3)
Increase in inventories	(57.4)	(30.5)
Increase in receivables	(28.1)	(62.4)
Increase in payables	29.8	70.0
Movement in working capital	(55.7)	(22.9)
Movement in provisions	2.2	3.0
Movement in net retirement benefit obligations	(16.0)	(21.1)
	159.5	149.1
Cash flow from operations		
Capital expenditure	(66.5)	(47.7)
Capitalised development costs	(4.4)	(2.9)
Acquisitions	(39.4)	(26.2)
	(110.3)	(76.8)
Disposals	-	2.4
Sale of property, plant and equipment	1.7	3.3
	(108.6)	(71.1)
Dividends from associates	1.6	1.2
Net financing income/(expense)	(2.0)	0.3
Dividends paid to minority interests	(4.3)	(3.1)
Dividends paid to equity shareholders	(31.7)	-
Tax paid	(49.7)	(35.9)
Share issue costs	(1.6)	-
Purchase of treasury shares	(0.2)	-
Net cash flow	(37.0)	40.5
New finance leases	(0.4)	(0.1)
Movement in interest payable accrual	(0.1)	0.1
Foreign exchange adjustments	1.1	4.6
Increase in net cash	(36.4)	45.1
Opening net cash	88.2	43.1
Closing net cash	51.8	88.2

Cash flow from operations generating £159.5 million (2007: £149.1 million), an increase of 7.0 per cent over the previous year. This represents cash conversion of 79.4 per cent compared with 86.0 per cent in 2007. The amount spent on acquisitions, net of cash acquired, of £39.4 million related to acquisitions in Singapore, Italy and Brazil, together with £0.5 million in respect of prior year acquisitions.

Free cash flow for the year was £40.2 million compared with £67.4 million in 2007, and reflects a significant investment of £69.2 million (2007: £47.3 million) on capital expenditure and development costs, net of disposal proceeds.

	2008	2007
	£m	£m
Cash flow from operations	159.5	149.1
Net interest paid/(received)	(2.0)	0.3
Tax paid	(49.7)	(35.9)
Net cash flow from operating activities	107.8	113.5
Net capital expenditure (including development costs)	(69.2)	(47.3)
Dividends from associates	1.6	1.2
Free cash flow	40.2	67.4
Gross capital expenditure on property, plant and equipment	57.3	45.2
Depreciation	20.9	14.7
Ratio	2.7	3.1

Capital expenditure on property, plant and equipment of £57.3 million exceeded depreciation by £36.4 million (2007: £30.0 million). Capital expenditure continues to be greater in ESAB than in Howden, the largest capital projects being ESAB's new consumables and equipment plants in China.

Cash and borrowings

As at 31 December 2008, cash balances were £95.7 million (2007: £118.5 million), of which the majority was held overseas for local working capital purposes or pending dividend payments. Of the cash held overseas, £4.1 million (2007: £3.3 million) is retained as cash collateral in connection with certain local trading practices or banking facilities. The credit status of institutions where cash is held is kept under review with credit limits being set and monitored accordingly.

As at 31 December 2008, gross borrowings were £43.9 million (2007: £30.3 million).

Going concern

At 31 December 2008, in addition to net cash balances of £51.8 million, the Group had undrawn committed borrowing facilities of £145.0 million, which are due to expire (unless otherwise extended or renewed) between 2011 and 2013. All facilities are unsecured. Whilst these facilities have certain financial and other covenants, the financial strength of the Charter Group means that the covenants attaching to these facilities are not expected to prevent the full utilisation of the facilities if required.

In addition, various other members of the Group have uncommitted and committed bank facilities in place, some of which are secured, to meet local funding requirements.

At 31 December 2008, the Group had £233.1 million of uncommitted bonding facilities, of which £65.7 million were provided by its principal bankers. Bonds and guarantees totalling £167.7 million had been issued under these facilities.

After marking enquiries, the Directors have a reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing both the consolidated financial statements for the Group and the financial statements of the Company.

In reaching this conclusion, the Directors reviewed the cash flow forecasts based on the Group's budget for 2009, and operating plans, and have taken into consideration the net cash position at 31 December 2008, the availability of committed facilities, the covenants attaching to those facilities and the sensitivities inherent in the cash flow forecasts. In particular, the Directors have considered carefully the principal risks to which the Group is exposed, including those summarised below.

The Directors monitor the expected outturn for the full year on an ongoing basis both in terms of profit and cash and appropriate mitigating action would be taken if it became apparent that there was a risk that the Group might miss its previous forecasts.

Contingent liabilities

Details of contingent liabilities are set out in Note 14.

Significant accounting policies

The financial statements have been prepared in accordance with IFRS and the accounting policies set out in note 1. Applying accounting policies requires the use of certain judgements, assumptions and estimates. The following accounting policies have been identified as being the most significant and where there is most risk of a material adjustment to the carrying value of the Group's assets and liabilities within the next financial year.

- goodwill impairment
- construction contracts
- deferred tax
- warranty and legal liabilities
- retirement benefits

Risks and uncertainties

Charter, both directly and through ESAB and Howden, is exposed to a wide variety of markets and geographies and seeks to manage the risks and uncertainties which arise from this. In certain instances and where it is cost-effective to do so, exposures can be transferred to third parties, for example through insurance or through currency hedging.

The principal risks and uncertainties faced by Charter, and the ways in which they are being managed, are set out below.

Economic recession

Many regions in which Charter companies operate entered recession or experienced a sharp economic slowdown during 2008; these regions include in particular, the USA, Europe and parts of Asia, including China. The consumption of steel, which is a key leading indicator for ESAB, saw unprecedented falls in the fourth quarter of 2008 across all major steel producing regions.

Whilst many governments have moved quickly to introduce policies aimed at alleviating the impact of the recession, it remains unclear how effective these policies will be in stimulating economic recovery.

ESAB experienced a sharp reduction in the demand for certain of its products in the fourth quarter of 2008 and has moved quickly to reduce output and manned capacity. Whilst it believes that these steps are appropriate in the light of current forecasts for changes in demand, there can be no certainty that additional steps will not be required and that additional exceptional costs will not be incurred.

Howden's sales in 2008 were not impacted to any material extent by the economic slowdown. However, Howden is expecting to face pressure on its order book if its customers in the power and oil and gas industries reduce their capital expenditure budgets or defer delivery of projects until a later date. Howden has the opportunity to take steps to alleviate the impact of any reduction in orders for new equipment or aftermarket sales, for example by making less use of sub-contractors, but a prolonged downturn could materially impact Howden's revenues and profit. Whilst Howden to date has experienced only limited order cancellations and deferrals, it is possible that, were economic conditions to deteriorate further, this could have a material impact on revenues and profit.

Financing

The second half of 2008, and the final quarter of the year in particular, saw an unprecedented reduction in the availability of banking facilities and other forms of financing. Whilst the deterioration was general, some countries experienced more rapid or more pronounced reductions than others.

The immediate impact on Charter was relatively limited as Charter had previously negotiated additional committed bank facilities and Charter's strong financial position means that it makes only limited use of its bank facilities.

In the light of the change in financial conditions, Charter reviewed certain aspects of the ways in which it conducts its business. In particular, the credit-worthiness of customers was carefully reconsidered, in certain instances resulting in reduced credit being made available.

The economic recession may also result in disruption to or failure of suppliers of goods and services to Charter companies. To date, this has not had any material effect on Charter but additional steps are being taken to monitor the financial condition and performance of its suppliers and to mitigate the risk by identifying alternative suppliers where possible,

The reduced availability of financing facilities is likely to curtail capital expenditure by corporates and expenditure by households on consumer durable goods, which may have a negative impact on the demand for products and services supplied by ESAB or Howden and which may therefore have a material impact on the financial results of both businesses.

Actions of competitors

ESAB and Howden both operate in competitive markets and are exposed to market behaviour such as aggressive pricing by a competitor seeking to enter a new market, or to maintain or grow sales in a weakening market.

As set out in the business review, both businesses have established strong market positions through technological leadership, strong brands and through providing cost effective solutions to meet their customers' needs. Both ESAB and Howden intend to maintain their current positions through measures such as continued expenditure on research and development, product innovation and customer service.

Competitor action may result initially in reductions in profit, although these are more likely to be specific to particular product areas or geographies. The businesses' strong market positions will assist them in maintaining their longer term performance.

Foreign exchange: transaction risk

Transaction risk arises from product being manufactured in one currency zone and sold in another.

In ESAB, manufacturing tends to be relatively close to the end-user, which naturally reduces currency exposures. The principal exposures arising within ESAB do so on account of the manufacture of product in Central Europe and Sweden which is exported to the Eurozone and, to a lesser extent, to other areas, such as the Middle East. ESAB's general policy is not to hedge currency exposures unless they relate to a significant specific contract, but to look to adjust prices charged to customers to take account of the changed exchange rates. In 2008, with the appreciation of various Central European currencies against the euro and the US dollar, ESAB suffered transactional losses in the form of lower than expected margins on certain product manufactured at its Central European and Swedish factories and sold into the Eurozone or the Middle East.

In relation to Howden, exposure is principally in relation to the US dollar and pegged currencies such as the Chinese yuan. Howden substantially covers forward its committed trading exposures.

Foreign exchange: translation risk

Translation risk arises from the profits and net assets of non-sterling businesses being translated into a sterling value which depends upon the exchange rate.

Apart from Howden's operations in Scotland and Northern Ireland and administrative functions in the UK, Charter has minimal operations in the UK. The largest single profit translation exposures are in relation to the US dollar and the euro. Generally, it is Charter's policy not to hedge profit translation exposures; this may give rise to unexpected fluctuations in Charter's reported profit.

The Company has significant investments in operations outside the UK; as a result, movements in exchange rates can significantly affect the consolidated balance sheet. In certain circumstances, currency borrowings, forward foreign exchange contracts or other derivatives may be used to hedge balance sheet exposures. Gains and losses arising on such hedges are recognised as required under IFRS in the consolidated statement of changes in equity until the items being hedged have impacted the income statement.

Certain liabilities are denominated in foreign currencies. These include working capital items, which naturally offset corresponding working capital assets, and retirement benefit obligations. Charter does not have any meaningful amounts of debt denominated in foreign currencies.

Litigation

Charter, ESAB and Howden are subject to litigation in the ordinary course of their business; further details are contained in Note 14.

Pension risk

There are various post retirement benefit schemes in place within Charter, ESAB and Howden.

The assets held by the various schemes are invested by the trustees primarily in equities and bonds. During the second half of 2008 in particular, the values of equities have seen sharp falls. The liabilities of each scheme are subject to movements in variables such as long-term interest rates and changes in life expectancy. The net liability which appears on Charter's balance sheet relating to overseas schemes is also subject to movements in exchange rates; the depreciation of sterling against the US dollar and against European currencies in general contributed to the increase in the net liability which took place during 2008 and may reoccur in the future.

Future cash contributions by the Company to the schemes are a matter for negotiations between the pension trustees and the Company, and also to changes in legislation.

Raw material prices

Most products manufactured by ESAB and Howden contain steel or other metals whose prices are generally determined on world markets but subject to regional differences.

Prices can fluctuate significantly and the first half of 2008 saw unprecedented increases in the prices of various commodities, including steel. ESAB was able to protect itself against future price increases and against disruptions in supplies through forward contracts and by increasing its stocks of raw materials. ESAB was also generally able to pass through the higher steel prices to its customers.

Howden also makes use of forward purchase contracts and where appropriate would also include cost price accelerator clauses in its sale contracts.

Internal controls

Charter has in place a system of internal controls covering its own activities and those of ESAB and Howden. These controls are essential for the effective management of such geographically diverse businesses.

The Company's Audit Committee has been delegated formal responsibility for reviewing the effectiveness of the system of internal control. A failure of the system of internal controls could have a material impact on the Company.

Responsibility statement

The Directors confirm that to the best of their knowledge:

- (i) the financial statements contained herein have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- (ii) this announcement includes:
 - (a) an indication of important events that have occurred during the financial year, and their impact on the financial statements contained herein;
 - (b) a description of the principal risks and uncertainties; and
 - (c) details of any related party transactions that have taken place during the financial year and that have materially affected that financial position or the performance of the Group.

By order of the Board

James Deeley
Legal Director
26 February 2009

Cautionary statement

Certain sections of this announcement contain forward looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries and sectors in which the Company and its subsidiaries and associates operate. It is believed that the expectations reflected in the announcement are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	2008 £m	2007 £m
Note		
Continuing operations		
3 Revenue	1,887.0	1,451.1
Cost of sales	(1,353.2)	(1,014.5)
Gross profit	533.8	436.6
Selling and distribution costs	(182.7)	(138.7)
Administrative expenses	(150.1)	(124.6)
3 Operating profit	201.0	173.3
Analysed as:		
	211.2	173.8
3 Operating profit before exceptional items, amortisation and impairment of acquired intangibles and goodwill		
3 Exceptional items - restructuring	(6.2)	-
2 - change in holding company	(2.1)	-
Amortisation and impairment of acquired intangibles and goodwill	(1.9)	(0.5)
	201.0	173.3
4 Net financing (charge)/credit - retirement benefit obligations	(0.7)	2.3
4 Other financing charge before losses on retranslation of intercompany loan balances	(6.8)	(4.3)
4 Other financing income before gains on retranslation of intercompany loan balances	5.6	6.1
4 Net losses on retranslation of intercompany loan balances	(4.6)	(2.5)
4 Net financing (charge)/credit	(6.5)	1.6
3 Share of post tax profits of associates	3.2	3.2
Profit before tax	197.7	178.1
Taxation charge on underlying profits	(38.5)	(32.8)
Taxation on exceptional items	1.5	-
Taxation on amortisation and impairment of acquired intangibles and goodwill	0.4	0.1
Taxation on net losses on retranslation of intercompany loan balances	(2.4)	(0.6)
5 Taxation charge	(39.0)	(33.3)
Profit for the year	158.7	144.8
Attributable to:		
- Equity shareholders	150.2	137.8
- Minority interests	8.5	7.0
	158.7	144.8
6 Earnings per share		
Basic	90.1 p	82.7 p
Diluted	90.0 p	82.5 p

CONSOLIDATED BALANCE SHEET

At 31 December 2008

Note		2008 £m	2007 £m
	Non-current assets		
8	Intangible assets	133.4	80.2
8	Property, plant and equipment	275.0	182.7
	Investments in associates	17.7	15.2
7	Retirement benefit assets	35.1	30.9
	Deferred income tax assets	69.7	40.1
	Trade and other receivables	30.5	16.7
	Derivative financial instruments	0.1	0.2
		<u>561.5</u>	<u>366.0</u>
	Current assets		
	Inventories	292.0	177.5
	Trade and other receivables	573.2	412.0
	Derivative financial instruments	2.4	3.8
9	Cash	95.7	118.5
		<u>963.3</u>	<u>711.8</u>
	Total assets	<u>1,524.8</u>	<u>1,077.8</u>
	Current liabilities		
	Borrowings	(37.2)	(28.2)
	Trade and other payables	(512.2)	(369.1)
	Derivative financial instruments	(32.0)	(3.5)
	Income tax liabilities	(26.1)	(27.3)
11	Provisions for other liabilities	(48.2)	(33.5)
		<u>(655.7)</u>	<u>(461.6)</u>
	Non-current liabilities		
	Borrowings	(6.7)	(2.1)
	Deferred income tax liabilities	(32.5)	(27.4)
7	Retirement benefit obligations	(174.4)	(107.5)
11	Provisions for other liabilities	(26.7)	(22.1)
	Derivative financial instruments	(2.8)	(0.5)
	Other payables	(7.7)	(2.6)
		<u>(250.8)</u>	<u>(162.2)</u>
	Total liabilities	<u>(906.5)</u>	<u>(623.8)</u>
	Net assets	<u>618.3</u>	<u>454.0</u>
	Equity		
12	Ordinary share capital	3.3	3.3
12	Share premium	-	646.4
12	Retained earnings	1,014.9	296.9
12	Other reserves	(439.9)	(520.2)
	Total equity shareholders' funds	<u>578.3</u>	<u>426.4</u>
12	Minority interests	40.0	27.6
12	Total equity	<u>618.3</u>	<u>454.0</u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

Note	2008 £m	2007 £m
	Cash flow from operating activities	
10	159.5	149.1
	Interest received 4.5	4.4
	Interest paid (6.5)	(4.1)
	Taxation paid (49.7)	(35.9)
	Net cash flow from operating activities 107.8	113.5
	Cash flow from investing activities	
13	(39.4)	(26.2)
	Purchase of subsidiary undertakings, net of cash acquired -	2.4
	Disposal of associated undertaking (4.4)	(2.9)
	Expenditure on development costs (66.5)	(47.7)
	Purchase of property, plant and equipment and computer software 1.7	3.3
	Sale of property, plant and equipment and computer software 1.6	1.2
	Net cash flow from investing activities (107.0)	(69.9)
	Cash flow from financing activities	
	3.8	3.0
	(2.4)	(1.0)
	13.2	0.5
	(9.0)	(4.5)
	(0.8)	(0.6)
	4.8	(2.6)
	0.8	(0.1)
	(31.7)	-
	(4.3)	(3.1)
	(1.6)	-
	(0.2)	-
	Net cash flow from financing activities (32.2)	(5.8)
	3.0	4.1
	Net movement in cash, cash equivalents and bank overdrafts (28.4)	41.9
	89.8	47.9
9	Cash, cash equivalents and bank overdrafts at end of the year 61.4	89.8

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	2008 £m	2007 £m
Net movement in cash, cash equivalents and bank overdrafts	(28.4)	41.9
Cash (outflow)/inflow from debt and lease financing	(4.8)	2.6
Decrease/(increase) in cash on deposit	(0.8)	0.1
Change in net cash resulting from cash flows (34.0)	(34.0)	44.6
New finance leases	(0.4)	(0.1)
Movement in interest accrual	(0.1)	0.1
Currency variations on borrowings and cash deposits	(1.9)	0.5
Movement in net cash in the year (36.4)	(36.4)	45.1
Opening net cash	88.2	43.1
Closing net cash 51.8	51.8	88.2
Gross borrowings	(43.9)	(30.3)
Cash at bank and in hand (including cash on deposit)	95.7	118.5
Closing net cash 51.8	51.8	88.2

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2008

Note	2008 £m	2007 £m
12 Exchange translation	124.6	26.6
12 Actuarial (losses)/gains on retirement benefit obligations	(54.0)	10.9
12 Actuarial gains on retirement benefit obligations - associates	-	0.4
12 Tax on actuarial losses/(gains) on retirement benefit obligations	8.1	0.6
12 Tax on actuarial gains on retirement benefit obligations - associates	-	(0.1)
12 Share-based payments - attributable tax	(0.2)	0.1
12 Change in fair value of outstanding cash flow hedges	(9.1)	(1.6)
12 Net transfer to income statement - hedges	(2.4)	0.5
12 Net investment hedges	(27.3)	(0.1)
12 Net deferred income tax movement for the year - hedges	2.8	0.5
12 Share of fair value adjustment on transfer of associates to subsidiaries	-	5.6
12 Net income recognised directly in equity	42.5	43.4
12 Profit for the year	158.7	144.8
12 Total recognised income for the year	201.2	188.2
Attributable to:		
12 - Equity shareholders of the Company	184.5	179.8
12 - Minority interests	16.7	8.4
	201.2	188.2

NOTES

1 Basis of preparation and accounting policies

The consolidated financial statements of Charter International plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as endorsed by the European Union (EU) and implemented in the United Kingdom ('UK'). Although Charter International plc is incorporated and registered in Jersey under the Jersey Companies Law, the consolidated financial statements include disclosures sufficient to comply with those parts of the UK Companies Act 1985 and 2006 applicable to companies reporting under IFRS.

The consolidated income statement, consolidated cash flow statement and consolidated statement of recognised income and expense for the year ended 31 December 2008 and the consolidated balance sheet at 31 December 2008 herein do not constitute statutory accounts. They are extracted from the full statutory accounts for the year ended 31 December 2008 which have been approved by a duly constituted Committee of the Board of Directors on 26 February 2009, but which have not been delivered to the Registrar of Companies. The report of the auditors on those accounts is unqualified and does not contain a statement under either Article 111(2) or Article 111(5) of the Companies (Jersey) Law 1991 concerning accounting records or failure to obtain necessary information and explanations.

The accounting policies applied are consistent with those adopted and disclosed in the annual financial statements for the year ended 31 December 2007 with the exception of the adoption of IFRIC 11, 'IFRS 2 – Group and treasury share transactions' and IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. The adoption of these interpretations has not had any impact on the amounts reported in the financial statements of the Group.

The preparation of financial statements requires the Group to make estimates, judgements and assumptions that may affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities. Actual results may differ significantly from these estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

2 Change in holding company and capital reduction

On 22 October 2008 Charter International plc, a public company limited by shares incorporated in Jersey and tax resident in the Republic of Ireland ("Charter"), became the ultimate holding company of the then Charter plc (the former holding company of the Charter Group), a public limited company incorporated in England and Wales, pursuant to a scheme of arrangement under Sections 895 to 899 of the UK Companies Act 2006 that was approved by the High Court of Justice in England and Wales and the shareholders of the then Charter plc (the "Scheme of Arrangement"). Pursuant to the Scheme of Arrangement, ordinary shares, each having a nominal value of £0.02, of the then Charter plc ("Charter Ordinary Shares") were exchanged, on a one-for-one basis, for ordinary shares, each having a nominal value of £0.02, of Charter International plc ("Charter International plc Ordinary Shares").

As a result of the Scheme of Arrangement, the then Charter plc is now a wholly-owned subsidiary of Charter International plc and Charter plc changed its name to Charter Limited. The Charter International plc Ordinary Shares carry substantially the same rights as did the Charter Ordinary Shares. The Scheme of Arrangement did not involve any cash payment for the Charter Ordinary Shares. Immediately after the Scheme of Arrangement became effective Charter International plc had the same Board of Directors, management and corporate governance arrangements as the then Charter plc had immediately prior thereto. The consolidated assets and liabilities of Charter International plc immediately after the effective time of the Scheme of Arrangement are the same as the consolidated assets and liabilities of the then Charter plc immediately prior thereto.

Charter International plc was incorporated on 14 March 2008. Prior to 22 October 2008 Charter International plc had not commenced trading.

All the then Charter plc share options granted to directors and employees under share option plans that were in existence immediately prior to the Scheme of Arrangement were exchangeable on a one-for-one basis for share options in Charter International plc with no change in any terms or conditions.

The Charter International plc Ordinary Shares issued pursuant to the Scheme of Arrangement were recorded at fair value based on the closing mid-market price of Charter Ordinary Shares on 21 October 2008, the day prior to their delisting. This resulted in the creation of a share premium account of £646.6 million. On 6 November 2008, following confirmation by the Jersey Court, a reduction of capital became effective with all amounts then standing to the credit of the share premium account of Charter International plc being re-characterised as a distributable reserve.

The Scheme of Arrangement falls outside the scope of IFRS 3 'Business Combinations'. Accordingly, following the guidance regarding the selection of an appropriate accounting policy provided by IAS 8 'Accounting policies, changes in accounting estimates and errors', the Scheme of Arrangement has been accounted for in these financial statements using the principles of merger accounting. This policy reflects the economic substance of the Scheme of Arrangement. Although the Scheme of Arrangement did not become effective until 22 October 2008, the consolidated financial statements of Charter International plc for the year ended 31 December 2008 are presented as if the Scheme of Arrangement had been effective on 1 January 2007. In accordance with the requirements of merger accounting, the comparative information in these consolidated financial statements has been extracted from the Charter plc consolidated statutory financial statements for the year ended 31 December 2007. Those financial statements incorporated the results of the then Charter plc and its subsidiary undertakings for the financial year then ended. Earnings per share are unaffected by the Scheme of Arrangement.

In accordance with IAS 32, the transaction costs attributable to the issue of shares as part of the Scheme of Arrangement of £1.6 million have been deducted from equity, net of any related tax benefit (note 12). The other costs of implementing the Scheme of Arrangement of £2.1 million have been charged to the income statement and classified as an exceptional item (note 3).

NOTES (CONTINUED)

3 Segment analysis

The Group is organised into two principal businesses: ESAB (welding, cutting and automation) and Howden (air and gas handling). For the purposes of IAS14 'Segment Reporting', ESAB is split into two segments: (i) welding; and (ii) cutting and automation. Inter-segmental revenue is not significant.

The following is an analysis of the revenue and results for the year, analysed by business segment, the Group's primary basis of segmentation:

	Welding £m	Cutting and automation £m	Welding, cutting and automation £m	Air and gas handling £m	Central operations £m	Total £m
Year ended 31 December 2008						
Total revenue	1,042.2	217.6	1,259.8	627.2	-	1,887.0
Segment result (before exceptional items)	122.7	25.9	148.6	73.1	(12.4)	209.3
Exceptional items - restructuring	(5.6)	(0.6)	(6.2)	-	-	(6.2)
- change in holding company (note 2)	-	-	-	-	(2.1)	(2.1)
Operating profit	117.1	25.3	142.4	73.1	(14.5)	201.0
Share of post tax profits of associates	3.1	-	3.1	0.1	-	3.2
	120.2	25.3	145.5	73.2	(14.5)	204.2
Net financing charge						(6.5)
Profit before tax						197.7
Tax						(39.0)
Profit for the year						158.7
Minority interests						(8.5)
Profit attributable to equity shareholders						150.2
	Welding £m	Cutting and automation £m	Welding, cutting and automation £m	Air and gas handling £m	Central operations £m	Total £m
Year ended 31 December 2007						
Total revenue	813.1	157.7	970.8	480.3	-	1,451.1
Operating profit	112.5	14.1	126.6	57.6	(10.9)	173.3
Share of post tax profits of associates	3.0	-	3.0	0.2	-	3.2
	115.5	14.1	129.6	57.8	(10.9)	176.5
Net financing credit						1.6
Profit before tax						178.1
Tax						(33.3)
Profit for the year						144.8
Minority interests						(7.0)
Profit attributable to equity shareholders						137.8
4 Net financing (charge)/credit						
					2008	2007
					£m	£m
Net financing (charge)/credit - retirement benefit obligations:						
Interest on schemes' liabilities					(37.3)	(33.5)
Expected return on schemes' assets					36.6	35.8
					(0.7)	2.3
Interest payable on bank borrowings					(3.7)	(2.1)
Interest payable on bank borrowings - fees					(0.8)	(0.2)
					(4.5)	(2.3)
Interest payable on other loans					(0.8)	(1.4)
Interest payable on finance leases					(0.1)	(0.1)
Loss on derivative financial instruments					(1.0)	-
Unwinding of discount on provisions (note 11)					(0.4)	(0.5)
Other financing charge before exchange losses on retranslation of intercompany loan balances					(6.8)	(4.3)
Interest income on bank accounts and deposits					3.3	5.2
Interest income on financial assets not held at fair value					0.4	0.3
Fair value gains on derivative financial instruments					1.2	-
Other					0.7	0.6
Other financing income before exchange gains on retranslation of intercompany loan balances					5.6	6.1
Net financing (charge)/credit before net exchange losses on intercompany loan balances					(1.9)	4.1
Net exchange losses on retranslation of intercompany loan balances					(4.6)	(2.5)
Net financing (charge)/credit					(6.5)	1.6

NOTES (CONTINUED)

5 Tax on profit on ordinary activities

	2008 £m	2007 £m
Tax charge on underlying profits	38.5	32.8
Taxation on exceptional items	(1.5)	-
Taxation on amortisation and impairment of acquired intangibles and goodwill	(0.4)	(0.1)
Taxation on net losses on retranslation of intercompany loan balances	2.4	0.6
Taxation charge	<u>39.0</u>	<u>33.3</u>

The share of associated undertakings' profit included in the income statement includes a share of associates' tax charge of £1.1 million (2007: £1.5 million).

The adjusted effective tax rate is calculated as follows:

	2008 £m	2007 £m
Profit before tax	197.7	178.1
Add/(deduct) adjustments		
Exceptional items	8.3	-
Amortisation and impairment of acquired intangibles and goodwill	1.9	0.5
Net losses on retranslation of intercompany loan balances	4.6	2.5
Share of post tax profits of associates	(3.2)	(3.2)
	<u>209.3</u>	<u>177.9</u>
Tax charge before taxation on adjustments above	<u>38.5</u>	<u>32.8</u>
Adjusted effective tax rate	<u>18.4%</u>	<u>18.4%</u>

6 Earnings per share

Basic headline earnings per share is calculated on an average of 166.7 million shares (2007: 166.7 million shares).

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of 0.2 million (2007: 0.5 million) dilutive potential ordinary shares. The Group has two classes of dilutive potential ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year and the potentially issuable shares under the Group's long-term incentive plans.

To help provide a better indication of the Group's underlying business performance, amortisation and impairment of acquired intangibles and goodwill, exceptional items and exchange gains and losses on retranslation of intercompany loans, including attributable tax and minority interests, are excluded from the calculations of adjusted earnings per share as set out in the following table. It should be noted that the term 'adjusted' is not defined under IFRS and may not therefore be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or be superior to, IFRS measures of profit.

	Per share		Total earnings	
	2008 pence	2007 pence	2008 £m	2007 £m
Basic earnings per share				
Profit attributable to equity shareholders of the Company	90.1	82.7	150.2	137.8
Items not relating to underlying business performance				
Exceptional items	5.0	-	8.3	-
Amortisation and impairment of acquired intangibles and goodwill	1.1	0.3	1.9	0.5
Losses on retranslation of intercompany loan balances	2.8	1.5	4.6	2.5
Taxation on items not relating to underlying business performance	0.3	0.3	0.5	0.5
Minority share of items not relating to underlying business performance	(0.1)	(0.1)	(0.2)	(0.1)
Adjusted basic earnings attributable to equity shareholders of the Company	<u>99.2</u>	<u>84.7</u>	<u>165.3</u>	<u>141.2</u>
Fully diluted earnings per share				
Profit attributable to equity shareholders of the Company	90.0	82.5	150.2	137.8
Items not relating to underlying business performance				
Exceptional items	5.0	-	8.3	-
Amortisation and impairment of acquired intangibles and goodwill	1.1	0.3	1.9	0.5
Losses on retranslation of intercompany loan balances	2.7	1.5	4.6	2.5
Taxation on items not relating to underlying business performance	0.3	0.3	0.5	0.5
Minority share of items not relating to underlying business performance	(0.1)	(0.1)	(0.2)	(0.1)
Adjusted diluted earnings attributable to equity shareholders of the Company	<u>99.0</u>	<u>84.5</u>	<u>165.3</u>	<u>141.2</u>

NOTES (CONTINUED)

7 Retirement benefit obligations

The valuation of United Kingdom and overseas defined benefit pension schemes and the liability for United States post employment medical costs are assessed by professionally qualified independent actuaries using the projected unit credit method. All actuarial gains and losses are recognised immediately directly in equity.

(i) The movement on the net retirement benefit asset/(obligation) is set out below:

	2008 £m	2007 £m
Opening balance	(76.6)	(108.8)
Exchange adjustments	(24.0)	(1.8)
Income statement (charge)/credit - operating profit	(2.2)	1.6
- financing (charge)/credit	(0.7)	2.3
Taken to equity - actuarial (losses)/gains	(54.0)	10.9
Contributions paid	18.2	19.5
Acquisitions	-	(0.3)
Closing balance	<u>(139.3)</u>	<u>(76.6)</u>
Included in the balance sheet as follows:		
Non-current assets	35.1	30.9
Non-current liabilities	<u>(174.4)</u>	<u>(107.5)</u>
	<u>(139.3)</u>	<u>(76.6)</u>

(ii) The position at 31 December 2008 and 31 December 2007 is set out below:

	31 December 2008				
	UK pension schemes £m	Overseas pension schemes £m	Total pension schemes £m	Overseas medical costs liability £m	Total £m
Present value of funded obligations	(424.6)	(160.3)	(584.9)	-	(584.9)
Fair value of plan assets	399.5	118.1	517.6	-	517.6
	<u>(25.1)</u>	<u>(42.2)</u>	<u>(67.3)</u>	<u>-</u>	<u>(67.3)</u>
Present value of unfunded obligations	-	(50.2)	(50.2)	(21.5)	(71.7)
Unrecognised past service costs	-	0.2	0.2	-	0.2
Surplus not recoverable	-	(0.5)	(0.5)	-	(0.5)
Net liability recognised in the balance sheet	<u>(25.1)</u>	<u>(92.7)</u>	<u>(117.8)</u>	<u>(21.5)</u>	<u>(139.3)</u>
	31 December 2007				
	UK pension schemes £m	Overseas pension schemes £m	Total pension schemes £m	Overseas medical costs liability £m	Total £m
Present value of funded obligations	(470.2)	(117.9)	(588.1)	-	(588.1)
Fair value of plan assets	459.4	106.2	565.6	-	565.6
	<u>(10.8)</u>	<u>(11.7)</u>	<u>(22.5)</u>	<u>-</u>	<u>(22.5)</u>
Present value of unfunded obligations	-	(35.6)	(35.6)	(15.6)	(51.2)
Unrecognised past service costs	-	0.2	0.2	-	0.2
Surplus not recoverable	-	(3.1)	(3.1)	-	(3.1)
Net liability recognised in the balance sheet	<u>(10.8)</u>	<u>(50.2)</u>	<u>(61.0)</u>	<u>(15.6)</u>	<u>(76.6)</u>

NOTES (CONTINUED)

7 Retirement benefit obligations (continued)

(iii) The principal actuarial assumptions used were as follows:

	31 December 2008		31 December 2007	
	UK	Overseas	UK	Overseas
Discount rate	6.30%	5.60%	5.80%	6.00%
Inflation rate	2.60%	2.60%	3.40%	2.60%
Expected return on plan assets - equities	7.50%	8.80%	8.00%	9.00%
- bonds	4.50%	5.60%	4.80%	5.60%
- property	7.00%		7.50%	
- other	3.00%	5.15%	5.75%	6.10%
- total	5.70%	7.00%	6.30%	7.25%
Future salary increases	3.60%	3.45%	4.40%	4.00%
Future pension increases	2.80%	1.95%	3.45%	2.25%
Medical costs inflation (ultimate rate)		5.00%		5.00%

The mortality assumptions for the UK schemes are based on either the PA92 or PA00 standard mortality tables after retirement with allowance for future mortality improvements and scheme specific factors. Based on the rates used, a member currently aged 45 who retires at age 60 will live on average for a further 27 years (2007: 26 years) after retirement if they are male and for a further 30 years (2007: 29 years) after retirement if they are female. A retired member currently aged 60 is assumed to live on average for a further 26 years (2007: 25 years) if they are male and for a further 29 years (2007: 28 years) if they are female.

The overseas schemes are principally in the United States. The mortality assumptions for the United States schemes have been derived from the RP-2000 table with allowance for future mortality improvements. Based on the rates used, a member currently aged 45 who retires at age 60 will live on average for a further 24 years (2007: 24 years) after retirement if they are male and for a further 26 years (2007: 26 years) after retirement if they are female. A retired member currently aged 60 is assumed to live on average for a further 23 years (2007: 23 years) if they are male and for a further 25 years (2007: 25 years) if they are female. Mortality assumptions for schemes in Sweden and Germany have been derived from the FFFS 2007 tables and the Heubeck 2005 G tables respectively.

(iv) The amounts included in operating profit in the income statement are analysed as follows:

	2008 £m	2007 £m
Defined benefit schemes and overseas medical costs		
Current service cost	(1.9)	(2.1)
Past service (cost)/credit	(0.1)	3.1
(Losses)/gains on settlement and curtailment	(0.2)	0.6
Defined benefit schemes and overseas medical costs	(2.2)	1.6
Defined contribution schemes	(7.4)	(6.9)
	(9.6)	(5.3)

8 Property, plant and equipment and intangible assets

The movement on the net book amount is set out below:

	Property, plant and equipment		Intangible assets	
	2008 £m	2007 £m	2008 £m	2007 £m
Opening net book amount	182.7	116.6	80.2	48.7
Exchange adjustments	52.2	9.8	12.4	3.3
Additions	57.3	45.2	3.2	3.6
Acquisitions (note 13)	6.5	26.2	33.6	23.7
Internally generated	-	-	9.8	3.3
Disposals	(2.0)	(0.4)	(0.1)	-
Depreciation, amortisation and impairment	(21.7)	(14.7)	(5.7)	(2.4)
Closing net book amount	275.0	182.7	133.4	80.2
Committed capital expenditure not provided for	18.3	13.8		

NOTES (CONTINUED)

9 Cash and cash equivalents

	2008 £m	2007 £m
Cash at bank and on hand	76.1	58.7
Short-term bank deposits	13.8	54.5
Bank deposits with original maturity of more than three months and balances held as cash collateral	5.8	5.3
Cash in the balance sheet	95.7	118.5
Less: Bank deposits with original maturity of more than three months and balances held as cash collateral	(5.8)	(5.3)
: Bank overdrafts	(28.5)	(23.4)
Cash, cash equivalents and bank overdrafts in the statement of cash flows	<u>61.4</u>	<u>89.8</u>

For the purposes of the cash flow statement, cash, cash equivalents and bank overdrafts includes bank overdrafts repayable on demand and excludes bank deposits with an agreed maturity of more than three months.

Cash in the balance sheet includes balances of £4.1 million (2007: £3.3 million) held as cash collateral in connection with certain local trading practices or banking facilities.

10 Cash generated from operations

	2008 £m	2007 £m
Operating profit	201.0	173.3
Depreciation and impairment of property plant and equipment	21.7	14.7
Amortisation and impairment of intangible assets	5.7	2.4
Amortisation of government grants	(0.5)	(0.5)
Charge for share-based payments	0.9	0.5
Loss/(profit) on sale of property, plant and equipment	0.2	(0.3)
Increase in inventories	(57.4)	(30.5)
Increase in receivables	(28.1)	(62.4)
Increase in payables	29.8	70.0
Movements in provisions	2.2	3.0
Movements in net retirement benefit obligations	(16.0)	(21.1)
	<u>159.5</u>	<u>149.1</u>

11 Provisions for other liabilities

	Disposal and restructuring £m	Warranty and product liability £m	Legal and environ- mental £m	Other £m	Total £m
At 1 January 2008	1.0	21.3	29.7	3.6	55.6
Exchange adjustments	0.9	6.4	7.4	0.8	15.5
Acquisitions	-	1.2	-	-	1.2
Amounts provided	4.9	19.2	6.4	2.5	33.0
Amounts released	(0.5)	(6.9)	(0.7)	(0.1)	(8.2)
Utilised in the period	(0.2)	(13.2)	(7.7)	(1.5)	(22.6)
Unwinding of discount	-	-	0.4	-	0.4
At 31 December 2008	<u>6.1</u>	<u>28.0</u>	<u>35.5</u>	<u>5.3</u>	<u>74.9</u>

	2008 £m	2007 £m
Analysed as:		
Current	48.2	33.5
Non-current	26.7	22.1
	<u>74.9</u>	<u>55.6</u>

- (i) Disposal and restructuring costs include £6.1 million (2007: £0.6 million) in respect of employee severance costs, of which £6.1 million (2007: £0.5 million) is in the welding, cutting and automation business and £nil (2007: £0.1 million) is in the air and gas handling business, and £nil (2007: £0.3 million) in respect of property costs in the welding, cutting and automation business. This is expected to result in cash expenditure in the next one to two years. The effect of discounting these provisions is not material.
- (ii) Warranty and product liability provisions relate to continuing businesses and are expected to be utilised over a period of one to two years dependent on the warranty period provided but will also be replaced by comparable amounts as they are utilised. The effect of discounting these provisions is not material.
- (iii) Provision has been made for the probable exposure arising from legal and environmental claims and disputes, both existing and threatened, in some cases arising from warranties given on disposal of businesses. Provisions have been made representing the best estimate of the outcome of the claims including costs before taking account of insurance recoveries. Where the outcome of a claim is uncertain the legal costs of defence have been provided for to the extent that they are reliably measurable. Where appropriate, insurance recoveries are recognised in 'receivables'. At 31 December 2008, these receivables amounted to £10.0 million (31 December 2007: £6.7 million). If the effect of discounting is material, provisions are determined by discounting the expected value of future cash flows at a pre tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Due to their nature, it is not possible to predict precisely when these provisions will be utilised though most are expected to be utilised over the short to medium term with utilisation in the next year expected to be in the region of £13 million (31 December 2007: £11 million) before taking account of insurance recoveries.
- (iv) Other provisions include various amounts which are not individually material. Due to their nature it is not possible to predict precisely when these provisions will be utilised but utilisation in the next year is expected to be in the region of £1 to £2 million (31 December 2007: £1 to £2 million).

NOTES (CONTINUED)

12 Movements in equity

	Attributable to equity shareholders of Charter International plc						Total equity £m
	Share capital	Share premium	Merger reserve	Retained earnings	Other reserves	Minority interests	
	£m	£m	£m	£m	£m	£m	
At 1 January 2007 - as previously reported	3.3	71.4	21.1	146.4	3.9	10.3	256.4
Capital reorganisation - cancellation of Charter plc shares (note 2)	(3.3)	(71.6)	(21.1)	0.2	95.8	-	-
- new holding company (note 2)	3.3	646.6	-	-	(649.9)	-	-
At 1 January 2007 - after capital reorganisation	3.3	646.4	-	146.6	(550.2)	10.3	256.4
Exchange translation	-	-	-	-	25.1	1.5	26.6
Actuarial gains on retirement benefit obligations	-	-	-	11.0	-	(0.1)	10.9
Actuarial gains on retirement benefit obligations - associates	-	-	-	0.4	-	-	0.4
Tax on actuarial gains on retirement benefit obligations	-	-	-	0.6	-	-	0.6
Tax on actuarial gains on retirement benefit obligations - associates	-	-	-	(0.1)	-	-	(0.1)
Share-based payments - attributable tax	-	-	-	0.1	-	-	0.1
Change in fair value of outstanding cash flow hedges	-	-	-	-	(1.6)	-	(1.6)
Net transfer to income statement - hedges	-	-	-	-	0.5	-	0.5
Net investment hedges	-	-	-	-	(0.1)	-	(0.1)
Net deferred income tax movement for the year - hedges	-	-	-	-	0.5	-	0.5
Share of fair value adjustment on transfer of associates to subsidiaries	-	-	-	-	5.6	-	5.6
Net income recognised directly in equity	-	-	-	12.0	30.0	1.4	43.4
Profit for the year	-	-	-	137.8	-	7.0	144.8
Total recognised income for the year	-	-	-	149.8	30.0	8.4	188.2
Share-based payments - charge for year	-	-	-	0.5	-	-	0.5
Minority interests arising on acquisitions	-	-	-	-	-	12.0	12.0
Dividends paid to minority interests	-	-	-	-	-	(3.1)	(3.1)
At 31 December 2007 - after capital reorganisation	3.3	646.4	-	296.9	(520.2)	27.6	454.0
At 1 January 2008 - after capital reorganisation	3.3	646.4	-	296.9	(520.2)	27.6	454.0
Exchange translation	-	-	-	-	116.3	8.3	124.6
Actuarial losses on retirement benefit obligations	-	-	-	(53.9)	-	(0.1)	(54.0)
Tax on actuarial losses on retirement benefit obligations	-	-	-	8.1	-	-	8.1
Share-based payments - attributable tax	-	-	-	(0.2)	-	-	(0.2)
Change in fair value of outstanding cash flow hedges	-	-	-	-	(9.1)	-	(9.1)
Net transfer to income statement - hedges	-	-	-	-	(2.4)	-	(2.4)
Net investment hedges	-	-	-	-	(27.3)	-	(27.3)
Net deferred income tax movement for the year - hedges	-	-	-	-	2.8	-	2.8
Net income recognised directly in equity	-	-	-	(46.0)	80.3	8.2	42.5
Profit for the year	-	-	-	150.2	-	8.5	158.7
Total recognised income for the year	-	-	-	104.2	80.3	16.7	201.2
Capital reorganisation - share issue costs (note 2)	-	-	-	(1.6)	-	-	(1.6)
- reduction in capital (note 2)	-	(646.6)	-	646.6	-	-	-
Purchase of treasury shares	-	-	-	(0.2)	-	-	(0.2)
Share-based payments - charge for year	-	-	-	0.9	-	-	0.9
- shares issued	-	0.2	-	(0.2)	-	-	-
Dividends paid	-	-	-	(31.7)	-	(4.3)	(36.0)
At 31 December 2008	3.3	-	-	1,014.9	(439.9)	40.0	618.3

The cost of the purchase of 29,618 Charter plc shares by the Charter Employee Trust has been deducted from retained earnings. The consideration paid was £0.2m. At 31 December 2008 the Charter Employee Trust held 29,618 ordinary shares in Charter International plc with a market value of £0.1 million. The dividends receivable on these shares have been waived.

NOTES (CONTINUED)

13 Acquisitions

Current year acquisitions

(a) Romar Positioning Equipment Pte Limited ('Romar')

On 25 April 2008, ESAB completed the acquisition of Romar Positioning Equipment Pte Limited ('Romar'), a leading designer, manufacturer and distributor of handling equipment for use in automated welding applications, in particular for customers in the energy industry for a cash consideration of £25.5 million. Initial consideration for the transaction was S\$65 million in cash with a further payment in 2008 of S\$2.7million. Additional consideration is payable to the extent that average EBIT for the 3 years to 31 December 2010 exceeds S\$9.0 million. The acquisition of Romar increases ESAB's presence in mid-market automation equipment which is expected to become an increasingly important market segment given the world-wide shortage of skilled welding operatives. Synergy opportunities are expected to arise, including through the cross-selling of product to ESAB's and Romar's customer lists.

The revenue and profit after tax of Romar for the year ended 31 December 2008 was £16.5 million and £1.8 million respectively of which £6.1 million and £0.4 million respectively was for the period prior to acquisition.

(b) Other acquisitions

(i) On 17 July 2008, ESAB agreed to acquire from a receiver the factory, plant and certain other assets of Linkweld, located near Milan, Italy, for a cash consideration of £3.6 million.

(ii) On 22 August 2008, Howden acquired Aeolus Industria e Comercio Ltda ('Aeolus') for a cash consideration of £15.4 million. Initial cash consideration was 38.5 million Reais (£11.5 million). Additional cash consideration, up to a maximum of 11.5 million Reais, is potentially payable based on the profit of Aeolus for 2008. The revenue and profit after tax of Aeolus for the year ended 31 December 2008 was £11.3 million and £3.1 million respectively of which £6.9 million and £3.0 million respectively was for the period prior to acquisition.

The value attributed to the assets acquired represents the Directors' current estimate of the fair value of the net assets acquired. In accordance with IFRS 3, the values attributable to the acquisition of Romar and the other acquisitions are provisional and may be revised as further information becomes available. During the year ended 31 December 2008, no adjustments have been made to the estimated fair value of the net assets acquired in 2007.

	Romar			Other acquisitions			Total
	Carrying amount before fair value adjustment	Fair value adjustment	Fair value	Carrying amount before fair value adjustment	Fair value adjustment	Fair value	Fair value
	£m	£m	£m	£m	£m	£m	£m
Intangible assets	-	4.1	4.1	-	8.7	8.7	12.8
Property, plant and equipment	1.6	0.5	2.1	4.0	0.4	4.4	6.5
Inventories	2.9	(0.5)	2.4	0.2	-	0.2	2.6
Trade and other receivables	3.9	-	3.9	3.3	-	3.3	7.2
Cash and cash equivalents	2.0	-	2.0	0.4	-	0.4	2.4
Trade and other payables	(1.7)	-	(1.7)	(3.9)	-	(3.9)	(5.6)
Income tax liabilities	-	-	-	(0.2)	-	(0.2)	(0.2)
Provisions	(1.1)	(0.1)	(1.2)	-	-	-	(1.2)
Deferred income tax liabilities	-	(0.8)	(0.8)	-	-	-	(0.8)
Net assets	7.6	3.2	10.8	3.8	9.1	12.9	23.7
Goodwill – on acquisition			14.7			6.1	20.8
			25.5			19.0	44.5
Satisfied by:							
Net cash consideration paid (including costs)			26.4			15.1	41.5
Consideration and costs to be paid in subsequent years			-			2.6	2.6
Exchange adjustments			(0.9)			1.3	0.4
			25.5			19.0	44.5

Intangible assets acquired principally represent customer relationships and brands.

The goodwill arising principally reflects the anticipated profitability of the new markets to which the Group has gained access and to additional profitability and operating efficiencies in respect of existing markets.

Cash consideration paid

The total net cash consideration paid during the period, as shown in the cash flow statement, includes amounts paid in respect of current and prior period acquisitions of subsidiary undertakings as follows:

	2008 £m	2007 £m
Current period acquisitions – consideration paid (including costs)	41.5	30.7
Current period acquisitions – cash acquired	(2.6)	(5.5)
Prior period acquisitions	0.5	1.0
Net cash outflow	39.4	26.2

NOTES (CONTINUED)

14 Contingent liabilities

(i) Central operations

Since about 1985, certain subsidiaries of Charter, including Charter Limited (formerly Charter plc) and Charter Consolidated PLC, and certain of their wholly owned subsidiaries have been named as defendants (the "defendants") in asbestos-related actions in the United States. These lawsuits have alleged that the defendants were liable for the acts of Cape PLC, a former partly owned subsidiary of Charter Limited. Between 1985 and 1987, the issue was tried in several matters, each of which was resolved in the defendants' favour either at trial or on appeal. In subsequent years, the defendants have continued to be named in asbestos-related lawsuits. The defendants have contested these actions and, in most cases, have obtained dismissals. The defendants have settled some of the cases brought in Mississippi. Currently, the only pending cases against the defendants in which they have received service of process are in Mississippi, which cases are dormant and are not actively being pursued by plaintiffs. The Directors have received legal advice that the defendants and their 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 any of the defendants. The defence costs and other expenses charged against Charter's operating profits in 2008 were negligible. 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 Charter's financial position. In these circumstances, the Directors have concluded that it is not appropriate to make provision for any liability in respect of such actions.

(ii) Air and gas handling

Howden Buffalo Inc., an indirect subsidiary of Charter, has been named as a defendant in a number of asbestos-related actions in the United States. On the advice of counsel, Howden Buffalo is vigorously defending all the cases that have been filed against it. Over the past few years, Howden Buffalo has sought and received dismissals in 10,722 cases and has, on the advice of counsel, settled 372 cases. These cases were all settled for nuisance value amounts, much less than the cost of defending the cases at trial. Howden Buffalo 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 and the cost of the settlements have been covered by applicable insurance. The Directors believe, based on legal advice, that the majority of asbestos-related lawsuits against Howden Buffalo, including those resulting from the historical operations of a predecessor of Howden Buffalo known as Buffalo Forge Company, will continue to be covered, in substantial part, by applicable insurance. The situation is reviewed regularly and based on the most recent review and legal advice obtained by Howden Buffalo, the Directors believe that the aggregate of any potential liability is unlikely to have a material effect on Charter's financial position.

(iii) Welding

The ESAB Group Inc. ('EGI'), an indirect subsidiary of Charter, has been named as a defendant in a number of lawsuits in state and federal courts 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 other defendants such as distributors, trade associations and others. The claimants seek compensatory and, in some cases, punitive damages for unspecified amounts. A multi-district litigation proceeding has been established to consolidate and co-ordinate pre-trial proceedings in the federal court cases.

A summary of recent cases tried to jury verdict in which EGI was a defendant are set out below:

Date of verdict and court	Nature of verdict and no. of claimants	Compensatory damages US\$m	Punitive damages US\$m	Number of defendants sharing	Post trial motions or appeal in progress
December 2007 Federal court	Plaintiff 1 claimant	20.5	-	4	Yes
March 2008 Federal court	Plaintiff 1 claimant	0.72	1.7 *	3	Yes
March 2008 State court	Defendants 4 claimants	-	-	5	No
November 2008 State court	Plaintiff 1 claimant	1.855	-	2	Yes
November 2008 Federal court	Defendants 1 claimant	-	-	3	No
February 2009 State court	Defendants 1 claimant	-	-	3	No

* EGI's share is US\$0.75 million

EGI was also a defendant in a number of other state court cases set for trial in 2008. However, all of those cases were either dismissed or postponed.

With the exception of the punitive damage award, if upheld on appeal, EGI's share of the adverse verdicts rendered in December 2007 and March and November 2008 should be covered in substantial part by insurance.

There are 9 manganese trials scheduled for the balance of 2009, although it is not anticipated that they will all proceed to trial as scheduled. Additional trials could also be scheduled.

Over the last 17 years, the Welding Industry Defense group, which was established to represent a number of the welding company defendants in this litigation, has succeeded in obtaining defense verdicts in the vast majority of cases in which one or more of its members have been named as a defendant.

Whilst litigation is notoriously uncertain and the risk of an adverse jury verdict in any trial exists, having considered the advice of EGI's counsel in the United States, the Directors believe that EGI has meritorious defences to these claims, most of which should be covered in whole or in part by insurance. EGI, in conjunction with other current and former US manufacturers of welding consumables, is defending these claims vigorously. The defence costs, net of insurance recoveries, are estimated to be of the order of US\$16.9 million, which is reflected in EGI's balance sheet at 31 December 2008. In view of the foregoing and, in particular, the legal advice received in the United States, the Directors do not consider that such claims will have a material adverse effect on Charter's financial position.

EGI has also been named as a defendant in a small number of lawsuits in Massachusetts and Pennsylvania in which claimants allege asbestos induced personal injuries. The claimants seek compensatory and, in some cases, punitive damages for unspecified amounts from EGI, other welding consumable manufacturers and other defendants who manufactured a variety of asbestos products. Two cases are listed for trial in 2009; however, EGI has been dismissed prior to trial in the previous cases in which it was named as a defendant. Upon the advice of counsel, the Directors believe that EGI has meritorious defences to these claims and EGI intends vigorously to defend these lawsuits, which should be covered in whole or in part by insurance. In addition, the majority of defence costs are being borne by EGI's insurers.

NOTES (CONTINUED)

15 Dividends

A dividend of 12.0 pence per share for the year ended 31 December 2007, totalling £20.0 million, was paid on 23 May 2008 and an interim dividend of 7.0 pence per share for 2008, totalling £11.7 million, was paid on 10 October 2008.

Immediately prior to the Annual General Meeting of the Company to be held on 29 April 2009, the Directors intend to declare a final dividend for the year ended 31 December 2008 of 14.0 pence per share to be paid on 5 May 2009 to shareholders on the register at the close of business on 14 April 2009. This dividend, totalling £23.3 million, has not been included as a liability as at 31 December 2008.

Following the Scheme of Arrangement (note 2) Income Access Share arrangements have been put in place to enable shareholders in the Company to elect to receive their dividends from a UK source (the 'IAS election'). All elections remain in force indefinitely unless revoked. Unless shareholders make an IAS election, dividends will be received from an Irish source and will be taxed accordingly.

The Charter Employee Trust has waived its entitlement to receive dividends on its holding of 29,618 ordinary shares in the Company.

16 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(i) Trading transactions

During the year, Group entities entered into the following trading transactions with related parties that are not members of the Group.

	Sales of goods		Purchases of goods		Amounts owed by related parties		Amounts owed to related parties	
	2008	2007	2008	2007	2008	2007	2008	2007
	£m	£m	£m	£m	£m	£m	£m	£m
Associates	<u>3.4</u>	<u>3.3</u>	<u>6.8</u>	<u>6.3</u>	<u>0.8</u>	<u>0.7</u>	<u>0.9</u>	<u>0.6</u>

(ii) Key management compensation

	2008	2007
	£m	£m
Salaries and short term employee benefits	<u>3.8</u>	4.0
Termination benefits	-	0.6
Post retirement benefits	<u>0.4</u>	0.5
Share-based payments	<u>0.7</u>	0.7
	<u>4.9</u>	<u>5.8</u>

Amounts disclosed above for key management compensation comprise amounts in respect of the Directors of the Company, the Chief Executives of ESAB Global and Howden Global and the President, Chairman and General Counsel of Anderson Group Inc..

(iii) Other related party transactions

ESAB Holdings Limited, Howden Group Limited and The ESAB Group Inc., subsidiaries of the Company, are party to arms length consultancy agreements with Unipart Logistics Limited ('Unipart Logistics') for the provision of lean manufacturing and other consultancy services to ESAB Global, Howden Global and Anderson Group Inc. respectively. John Neill, a Non-Executive Director of the Company, is currently Group Chief Executive of the Unipart Group of Companies. The total charges paid to Unipart Logistics during the year amounted to £2.7 million (2007: £2.4 million). The amount payable to Unipart Logistics as at 31 December 2008 was £0.6 million (2007: £15,399).

ESAB Romania SRL, a subsidiary of the Company, supplied Hoeganaes Corporation Europe SA, a wholly-owned subsidiary of GKN plc, ('Hoeganaes Europe') with welding rod material for a value of RON 5,864. The amount receivable from Hoeganaes Europe at 31 December 2008 was £nil. In 2007, Hoeganaes Europe supplied powdered metal to ESAB Mor Kft, a subsidiary of the Company, for a value of approximately €11,800 and ESAB Kft, a subsidiary of the Company, supplied Hoeganaes Europe with welding rod material for a value of €2,783. The amount payable to Hoeganaes Europe at 31 December 2007 was £nil.

Hoeganaes Corporation ('Hoeganaes'), a wholly owned subsidiary of GKN plc supplied powdered metal to two subsidiaries of the Company, being ESAB Group Inc and ESAB Mexico SA de CV, with a total sales value of \$2.8 million (2007: \$2.1 million). The amount payable to Hoeganaes at 31 December 2008 was \$0.1 million. The relationship between both GKN subsidiaries and the Company's subsidiaries is on an arms length basis and in the ordinary course of trade. Mr Denham, a Non-Executive Director of the Company is Company Secretary and Group Director Legal and Compliance of GKN plc but has no day-to-day involvement in the management of Hoeganaes Europe or Hoeganaes.

17 Share capital

In 2008, 52,439 shares were issued for nil consideration on the vesting of awards under the Charter 2005 Long-Term Incentive Plan.

In connection with the Deferred Bonus Plan (details of which were disclosed in the 2007 annual report), during the year the Group acquired 29,618 of its own shares with an aggregate nominal value of £592.36 through purchases on the London Stock Exchange by the Charter Employee Trust.

18 Annual General Meeting

The Annual General Meeting is to be held on 29 April 2009.