

Charter International plc
Interim accounts for the six months ended 30 June 2009

Financial highlights

	Six months to 30.6.09	Six months to 30.6.08	
	<u>£m</u>	<u>£m</u>	
Revenue	846.2	899.8	-6.0%
Adjusted operating profit¹	66.3	108.1	-38.7%
Operating profit	51.3	107.4	-52.2%
Adjusted profit before tax²	63.7	109.6	-41.9%
Profit before tax	39.5	104.6	-62.2%
Cash flow from operations	106.6	38.7	+175.4%
	<u>Pence</u>	<u>Pence</u>	
Earnings per share	Basic	47.9	-69.5%
	Adjusted ²	51.0	-44.1%
	14.6	7.0	
Dividend per share	Interim	7.0	

¹ before exceptional items, acquisition costs and amortisation and impairment of acquired intangibles and goodwill

² before exceptional items, acquisition costs, amortisation and impairment of acquired intangibles and goodwill, net financing charge on retirement benefit obligations and net losses on retranslation of intercompany loan balances

- Strong cash flow from operations of £106.6 million
- Solid funding position with net cash of £62.1 million and undrawn committed bank facilities of £145 million
- Adjusted earnings per share of 28.5 pence
- Interim dividend maintained at 7 pence per share
- ESAB operating margin of 6.6 per cent (2008: 13.6 per cent); revenue of £540.8 million and operating profit of £35.7 million (before exceptional items)
- Rapid restructuring underway in ESAB to save over £50 million of operating costs in 2009
- Howden order book at 30 June 2009 of £536 million
- Howden operating margin of 11.5 per cent (2008: 11.1 per cent); revenue of £305.4 million and operating profit of £35.2 million
- Revenue and operating profit have benefited by 15.8 per cent and 16.3 per cent respectively from movements in exchange rates

Michael Foster, Chief Executive, commented:

“Charter has demonstrated the fundamental strengths of both ESAB and Howden during this difficult period.

ESAB has remained profitable in every major region in every month, and has generated cash robustly. Restructuring has been timely and effective with cost savings, manning reductions and capacity reductions being delivered as planned; this work will continue as we progress towards delivering our long term strategic goals in order to ensure the operating model remains effective. Howden has produced a good result, with particularly high aftermarket sales, whilst preparing for what are likely to be more difficult times in 2010.

The performance of both businesses, the determination of management and the financial strength of Charter give the Board the confidence both to maintain the interim dividend and plan for future growth as economic conditions improve.”

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Internet users will be able to view this announcement, together with other information about Charter International plc at the company's website (www.charter.ie)

Summary of interim results

	Six months to 30.6.09	Six months to 30.6.08	Year ended 31.12.08
	£m	£m	£m
Revenue	846.2	899.8	1,887.0
Adjusted operating profit¹	66.3	108.1	211.2
Exceptional items	(13.5)²	-	(8.3)
Amortisation and impairment of acquired intangibles and goodwill	(1.2)	(0.7)	(1.9)
Acquisition costs	(0.3)	-	-
Operating profit	51.3	107.4	201.0
Net financing (charge)/ income before retranslation of intercompany loan balances	(7.8)	0.2	(1.9)
Net losses on retranslation of intercompany loan balances	(5.4)	(4.3)	(4.6)
Net financing charge	(13.2)	(4.1)	(6.5)
Share of post tax profits of associates and joint ventures	1.4	1.3	3.2
Profit before tax	39.5	104.6	197.7
Profit before tax	39.5	104.6	197.7
Add back:			
Amortisation and impairment of acquired intangibles and goodwill	1.2	0.7	1.9
Net finance charge – retirement benefit obligations	3.8	-	-
Net losses on retranslation of intercompany loan balances	5.4	4.3	4.6
Exceptional items	13.5	-	8.3
Acquisition costs	0.3	-	-
Adjusted profit before tax	63.7	109.6	212.5
Tax on profit on ordinary activities (before taxation on losses on retranslation of intercompany loan balances)	(11.5)	(19.9)	(38.5)
Taxation on exceptional items	0.9	-	1.5
Taxation on amortisation and impairment of acquired intangibles	0.3	0.2	0.4
Taxation on net financing charge – retirement benefit obligations	0.6	-	-
Taxation on losses on retranslation of intercompany loan balances	(0.8)	(0.4)	(2.4)
Taxation	(10.5)	(20.1)	(39.0)
Profit after tax	29.0	84.5	158.7
Attributable to:			
Equity shareholders	24.4	79.9	150.2
Minority interests	4.6	4.6	8.5
	29.0	84.5	158.7
Earnings per share	Pence	Pence	Pence
Basic	14.6	47.9	90.1
Adjusted ³	28.5	51.0	99.2
Dividend per share	7.0	7.0	21.0

¹ before exceptional items, acquisition costs and amortisation and impairment of acquired intangibles and goodwill

² comprising restructuring costs of £12.7 million and a net loss on the disposal of a business of £0.8 million

³ before exceptional items, acquisition costs, amortisation and impairment of acquired intangibles and goodwill, net financing charge on retirement benefit obligations and net losses on retranslation of intercompany loan balances

CHIEF EXECUTIVE'S STATEMENT

Dear Shareholder

Both of Charter's businesses performed well against the difficult economic backdrop and it is encouraging that Charter has continued to be both profitable and cash generative.

In core European and North American markets, industrial trends have continued to be negative, however, both businesses have responded well. ESAB has balanced capacity with demand, managed working capital down and gained market share whilst seeking out new markets. Howden has been executing its strong order backlog whilst pushing forward its aftermarket activity and preparing for a more difficult near term future.

As an indication of its confidence in the robustness of Charter's businesses, balance sheet and financial position, the Board has declared an unchanged interim dividend of 7 pence per share.

Summary of results

In the six months ended 30 June 2009, Charter achieved sales of £846.2 million (2008: £899.8 million), a decrease of 6.0 per cent and adjusted profit before tax of £63.7 million (2008: £109.6 million), a decrease of 41.9 per cent.

Adjusted earnings per share were 28.5 pence per share (2008: 51.0 pence per share), a decrease of 44.1 per cent. For 2009, acquisition costs and the net financing charge on retirement benefit obligations have been excluded from adjusted earnings per share as these amounts do not relate to underlying business performance. In 2008, these amounts were not significant and therefore adjusted earnings per share for 2008 have not been restated.

	Six months to 30.6.09	Six months to 30.6.08	Year ended 31.12.08
	£m	£m	£m
ESAB	540.8	615.4	1,259.8
Howden	305.4	284.4	627.2
Charter consolidated revenue	846.2	899.8	1,887.0
Howden order book	535.7	530.5	499.3
ESAB	35.7	83.4	148.6
Howden	35.2	31.6	73.1
Central operations	(6.1)	(7.6)	(12.4)
Charter consolidated operating profit before exceptional items	64.8	107.4	209.3
Exceptional items	(13.5)	-	(8.3)
Charter consolidated operating profit	51.3	107.4	201.0
Operating margins			
ESAB	6.6%	13.6%	11.8%
Howden	11.5%	11.1%	11.7%
Adjusted earnings per share	28.5p	51.0p	99.2p
Cash flow from operations	£106.6m	£38.7m	£159.5m

Business review

ESAB

In the six months ended 30 June 2009, ESAB produced revenues of £540.8 million (2008: £615.4 million), a decrease of 12.1 per cent. Volumes in both consumables and equipment were markedly down compared to the same period of 2008, reflecting weak demand across ESAB's end-user segments. The effect on ESAB's reported results was partly offset by favourable exchange variances due to the depreciation of sterling over the period against other major currencies. The acquisition of Romar in the first half of 2008 added 1.3 per cent to sales.

Operating profit for the period before exceptional items was £35.7 million (2008: £83.4 million), a fall of 57.2 per cent. The operating margin of 6.6 per cent was significantly lower than the margin of 13.6 per cent achieved in the first half of 2008 as falling sales volumes led to lower recovery of overheads, despite the remedial measures that were introduced as soon as trading conditions started to deteriorate.

The translational impact of changing exchange rates increased reported sales by 14.3 per cent and operating profit by 12.0 per cent. These were primarily caused by the strengthening of the US dollar and Euro against Sterling but were partly offset by the depreciation of certain central European currencies.

The falls in consumables volumes were most marked in Europe and North America. Other regions, except for India, also experienced falls but these were generally less severe. ESAB India sales were broadly flat. Amongst the various end user segments served by ESAB, automotive and other consumer facing industries appear to have suffered the worst, with longer cycle industries such as energy and shipbuilding having held up reasonably well during the period.

Within ESAB's equipment businesses, standard equipment sales showed continuing deterioration during the period. In the engineered automation business, which makes a significant proportion of its sales to the energy industry, activity levels have held up well and order intake in the period was broadly in line with the same period last year. In Sterling terms, sales of cutting equipment were slightly ahead compared with the same period last year as orders were fulfilled, but margins reduced and order intake fell sharply.

From the fourth quarter of 2008 when demand for its products first showed signs of falling, ESAB commenced the implementation of a series of restructuring measures to bring manned capacity into line with demand. Overall, in Europe and North America, manned capacity is being reduced by around 35 per cent in consumables and by around 50 per cent in equipment, with smaller reductions taking place in other regions. Across ESAB as a whole, headcount is being reduced by around 15 per cent.

Under these measures, two smaller consumables factories (in Finland and Sweden) have been permanently closed and a third closure (in Italy) is underway; their manufacturing equipment will be transferred to other ESAB factories for future use. Two further factories (a consumables factory in Italy and an equipment factory in China) are being temporarily closed, pending an upturn in demand, at which time they will be re-commissioned. In addition, ESAB's equipment factory in the USA is being substantially restructured. Whilst it will remain the global centre of excellence of ESAB's plasma cutting technology business, the production of other cutting equipment will be transferred to ESAB's factories in Germany and China and the production of arc welding equipment and plasma power supplies is also being transferred to ESAB facilities elsewhere. Customer service and marketing facilities for the North American market will be retained locally.

ESAB is also taking steps to reduce its distribution and administrative overheads.

Overall, the restructuring measures resulted in a total restructuring charge of £12.7 million in the first half of 2009 and it is expected that there will be a further charge of some £20 million in the second half of the year. It is anticipated that together these measures will save over £50 million in 2009.

As well as reducing manned capacity to match current levels of demand, these measures are expected to lead to efficiencies which will enhance ESAB's competitive position over the longer term. In designing and implementing these measures, great care has been taken to ensure that ESAB's longer term potential has been maintained so that it will have sufficient, modern and cost effective factory capacity to meet demand as and when it returns to the levels seen in earlier years.

Howden

Howden's strong results, achieved against an adverse economic background and changing demand patterns, reflect the ongoing execution of its order backlog and increased aftermarket sales. Sales to China and North America fell sharply compared to 2008. This was offset by foreign exchange benefits and increases in sales to customers in South America and the rest of the world.

For the six months ended 30 June 2009, revenue was £305.4 million (2008: £284.4 million), an increase of 7.4 per cent. Operating profit was £35.2 million (2008: £31.6 million), an increase of 11.4 per cent. Foreign exchange translation, principally the appreciation of the US dollar and the Euro, increased revenue and operating profit by 19.0 per cent and 23.7 per cent respectively.

Aftermarket revenues during the period were £94.1 million (2008: £69.3 million), an increase of 35.8 per cent, and represented 30.8 per cent of Howden's sales during the period (2008: 24.4 per cent). This growth was spread across the different regions in which Howden operates and reflects the continuing commitment of Howden to grow this part of its business.

As at 30 June 2009, Howden's total order book amounted to £535.7 million, compared with £499.3 million at 31 December 2008, after reflecting the benefit of exchange differences. Order intake during the period of £273.7 million was markedly down on the corresponding figure for the first half of 2008 (£372.6 million), reflecting the economic and financial conditions which prevailed during the period. Order cancellations and deferrals remain insignificant.

Howden's operating margin for the period increased to 11.5 per cent, compared to 11.1 per cent for the same period last year, primarily due to the improving sales mix.

So far, due to the order backlog and a focus on maximising the flexibility of the supply chain, comparatively little restructuring has been necessary in Howden. Whilst conditions are expected to become more difficult over the coming periods, the visibility provided by Howden's order book should enable it to maintain a level of resources in the business which is consistent with activity levels.

Business disposal

HD Engineering Limited, a manufacturer of drilling equipment, consumables and accessories based in Hong Kong, which was the last remaining non-core business in the Charter group of companies, was sold during the period for consideration of approximately £2 million, resulting in a loss on disposal of £0.8 million.

Balance sheet and cash flow

During the period, equity shareholders' funds decreased by £80.1 million to £498.2 million, reflecting the retained profit attributable to equity shareholders generated during the period of £24.4 million, exchange translation losses of £56.4 million offset by a net after tax gain on cash flow and net investment hedges of £12.9 million, dividends paid to equity shareholders of £23.4 million, a net increase in retirement benefit obligations of £37.3 million and other items of £0.3 million.

As at 30 June 2009, the net cash position was £62.1 million. During the period, cash flow from operations was £106.6 million, compared with adjusted operating profit of £66.3 million, reflecting reduced activity in ESAB and our continuing focus on effective working capital management. We have continued to invest in both businesses, with capital expenditure during the period of £26.6 million compared with depreciation of £12.6 million. We expect that capital expenditure will remain ahead of depreciation for the remainder of the year.

Changes to the Board and Management

As previously announced, Manfred Wennemer was appointed as a Non-Executive Director with effect from 26 March 2009. James Bruce decided not to offer himself for re-election at the AGM on 29 April and Grey Denham replaced him as the Senior Independent Non-Executive Director and Chairman of the Remuneration Committee.

On 29 April, I took direct management responsibility for ESAB. James Deeley who, as previously announced, became the Company's Commercial Director with effect from 26 March, additionally took on the responsibility for ESAB's Standard Equipment, Automation and Cutting activities.

The Board believes that these changes will build on the progress made by ESAB over recent years, and help position the business to meet the challenges ahead.

Dividend

Despite the difficult trading conditions which the business encountered during the first six months of the year, Charter remained both profitable and cash generative which has enabled the Board to declare an unchanged interim dividend of 7 pence per share. The dividend will be paid on 9 September 2009 to holders of ordinary shares registered on 12 August 2009.

The Board recognises the importance which shareholders attach to the payment of a dividend and, whilst the outlook for the remainder of the current year is inevitably subject to more uncertainty than in previous years, will look to maintain the historic level of dividend paid in respect of 2008 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.

Outlook

ESAB

In developed economies, particularly those economies with a high export orientation, industrial production appears to be continuing to decline, albeit at slower rates than previously. Amongst emerging markets, there are some early but inconclusive indications that economic conditions may improve a little but there are no firm signs that a sustained recovery is underway. Those economies with a strong position in oil and gas seem to be stabilising.

ESAB has taken prompt and decisive measures to adapt to the lower levels of demand seen in the first half of the year. These measures should deliver cost savings of over £50 million in 2009. We expect the third quarter of 2009 to see extended summer shutdowns across parts of its customer base, particularly in Western Europe and North America. We also expect demand from customers in the shipbuilding industry to reduce markedly as the year progresses. Against this, we have seen signs of higher demand from the automotive industry in Europe from the very low levels earlier in the year.

ESAB stands to emerge from the current downturn as a stronger company, as its manufacturing footprint is simplified and the cost efficiency of its business model is improved. As and when demand recovers, ESAB will be able to restore manned capacity quickly and cheaply, and should enjoy the positive effects of operational leverage. ESAB will continue to pursue opportunities in markets where it has been underrepresented and has gained some share.

Howden

The outlook for Howden for the remainder of the year is underpinned by its order book, which gives good visibility of new equipment sales. We expect Howden's performance in the second half of the year to be broadly in line with its results for the first half. While enquiries remain at reasonable levels, the intake of orders for new equipment has slowed as customers' expenditure decisions are deferred and we expect the order book at the year-end to be broadly in line with the level at the beginning of the year. We continue to see good prospects for growth in aftermarket sales.

We therefore expect Howden's new equipment sales in 2010 to slow, although the impact of this on Howden's operating profit should be offset to some extent by continuing growth in higher margin aftermarket sales. Steps will be taken across the business to ensure that capacity remains in line with demand.

Over the medium term, Howden expects to continue to face positive dynamics. Howden's balanced presence across North America, Europe and Asia makes it well placed to benefit from the worldwide need for new or replacement power generating plant, which is efficient and environmentally friendly. Following the acquisition of Aeolus, Howden has an enhanced presence in South America which has the potential to become another core market for it over the next few years. Over time, new legislation is likely to stimulate demand for emission control equipment in the USA and elsewhere. Howden will continue to develop its compressor business which has achieved notable increases in sales in recent years.

Concluding comments

The ability of ESAB and Howden to respond to the challenging economic and financial environment is greatly assisted by Charter's financial strength which will enable it to continue to invest in, and develop, both businesses.

Whilst it may take some time, when the world's economies eventually stabilise, we believe both ESAB and Howden will benefit from both their core strengths and the measures they have taken during this difficult period to recover quickly, return to growth and continue to deliver real value.

Michael Foster

Chief Executive
29 July 2009

Business and financial review - ESAB

Summary of results

	Six months to 30.06.09	Change	Six months to 30.06.08	Year ended 31.12.08
	£m	%	£m	£m
Welding	432.6	-17.0%	521.4	1,042.2
Cutting and automation	108.2	+15.1%	94.0	217.6
Revenue	540.8	-12.1% ₁	615.4	1,259.8
Welding	28.1	-61.1%	72.3	122.7
Cutting and automation	7.6	-31.5%	11.1	25.9
Operating profit (before exceptional items)	35.7	-57.2% ₂	83.4	148.6
Operating margin				
Welding	6.5%		13.9%	11.8%
Cutting and automation	7.0%		11.8%	11.9%
Overall	6.6%		13.6%	11.8%
Share of post tax profits of associates and joint ventures	£1.4m		£1.3m	£3.1m

₁ comprising: volume, price and mix of -27.7 per cent; acquisitions +1.3 per cent; and foreign exchange translation of +14.3 per cent

₂ of which +12.0 per cent was due to foreign exchange translation effects

Regional markets

ESAB's revenue by destination is summarised in the table below:

ESAB: revenue by destination	Six months to 30.6.09	Six months to 30.6.08	Change	Change at constant exchange rates
	£m	£m	%	%
Europe	230.7	296.3	-22.1%	-31.7%
North America	118.7	116.0	+2.3%	-23.4%
South America	81.8	94.8	-13.7%	-19.0%
China	14.2	15.0	-5.3%	-40.0%
Rest of world	95.4	93.3	+2.3%	-18.6%
Total	540.8	615.4	-12.1%	-26.4%

Europe

Sales volumes of welding consumables fell with the falls in the volumes of electrodes being generally less than those of solid welding wires. After a broadly stable pattern in the first quarter of the year, May was a weak month for volumes and (in the case of solid welding wires) prices, although there was some recovery in June.

Sales of standard equipment were also materially down compared with the same period of 2008, with a general weakening in the second quarter of the year.

Within Western Europe, Germany, where industrial production and exports have continued to fall, was particularly weak. ESAB's markets in Central Europe, which are weighted towards the automotive sector, were also generally weak but showed some recovery in June. Sales to customers in the CIS have showed some positive trends.

The Engineered Automation business held up reasonably well. Sales by the Cutting business generally held up as orders were fulfilled, but margins fell and order intake levels weakened considerably.

In response to lower levels of demand, ESAB has announced the permanent closures of consumables factories in Finland, Sweden and Italy and the mothballing of a further factory in Italy pending an upturn in demand.

North America

Following a sharp contraction during the fourth quarter of 2008, ESAB's North American businesses experienced continuing low levels of activity during the first half of 2009, reflecting the continuing deterioration of the US economy, in which all of the sectors served by ESAB, with the exception of naval shipbuilding, have been weak.

In response, headcount has been reduced across the business and the equipment and cutting factory is to be significantly restructured with the manufacture of certain products being moved to ESAB plants elsewhere in the world.

South America

Whilst the region has experienced falls in volumes of consumables and equipment sales, these have been less severe than seen in Europe and North America, helped by the relative robustness of the Brazilian economy.

China

Sales to Chinese customers fell during the period reflecting falls in industrial production and also lower prices. Export markets declined as ESAB's factories in Europe and North America were able to meet the lower levels of demand within these markets.

Progress is being made in reducing manufacturing costs and in commissioning the new consumables plant at Weihai. There are some prospects of improvement in the second half of the year in consumables volumes. In response to low sales, the equipment factory at Zhangjiagang has been mothballed for the time being.

Rest of the world

India

ESAB India, in which ESAB owns 56 per cent, has continued to perform well, with revenue broadly in line with the same period of last year, reflecting general stability in the Indian economy.

Asia Pacific (excluding China and India)

Performance has been mixed, with sales in Indonesia remaining relatively strong and early signs of improvement in Singapore, whilst sales in other countries in the region have been weaker.

Middle East

Sales in the region have been supported by continuing investment in the energy industry.

Associates and joint ventures

ESAB SeAH Corporation, which is situated in South Korea and in which ESAB owns 50 per cent, produced a slightly improved contribution in the first half of 2009 compared with the first half of 2008.

Business and financial review - Howden

Summary of results

	Six months to 30.06.09	Change %	Six months to 30.06.08	Year ended 31.12.08
	£m		£m	£m
New equipment	211.3	-1.8%	215.1	465.0
Aftermarket	94.1	+35.8%	69.3	162.2
Revenue	305.4	+7.4%₁	284.4	627.2
Order book	535.7		530.5	499.3
Operating profit	35.2	+11.4%₂	31.6	73.1
Operating margin	11.5%		11.1%	11.7%
Share of post tax profits of associates and joint ventures	-		-	£0.1m

₁ of which 19.0 per cent was due to foreign exchange translation

₂ of which 23.7 per cent was due to foreign exchange translation effects, therefore, at constant exchange rates the decrease in operating profit was 12.3%

Order book

As at 30 June 2009, the order book stood at £535.7 million (31 December 2008: £499.3 million), an increase of 7.3 per cent. Currency movements benefited the order book by 14.8 per cent. In the six months ended 30 June 2009, bookings were £273.7 million (2008: £372.6 million), a reduction of 26.5 per cent, reflecting lower orders from the power sector. Order cancellations in the period were £6.0 million (2008: £nil).

As at 30 June 2009, outstanding orders from customers were: in North America £117.0 million (31 December 2008: £122.3 million); Europe £127.4 million (31 December 2008: £134.2 million); China £117.2 million (31 December 2008: £114.3 million); and the rest of the world £174.1 million (31 December 2008: £128.6 million).

Aftermarket

Aftermarket sales in the period were £94.1 million (2008: £69.3 million), an increase of 35.8 per cent, of which currency movements accounted for 16.5 per cent. Aftermarket sales, which generally generate a higher margin than new equipment sales, represented 30.8 per cent of Howden's total sales during the period (2008: 24.3 per cent), reflecting an increased concentration of this part of Howden's offering in all regions in which Howden operates.

Regional markets

Sales remain broadly evenly spread across Europe, North America, China and the rest of the world (principally South Africa, Australia, South America and the rest of Asia). Howden's revenue by destination is summarised in the table below:

Howden: revenue by destination	Six months to 30.6.09	Six months to 30.6.08	Change	Change at constant exchange rates
	£m	£m	%	%
Europe	87.0	78.7	+10.5%	+0.5%
North America	80.7	83.1	-2.9%	-28.4%
China	56.5	59.3	-4.7%	-37.9%
South America	15.3	9.9	+54.5%	+49.5%
Rest of world	65.9	53.4	+23.4%	+15.0%
Total	305.4	284.4	+7.4%	-11.6%

Europe

The revenue for the period reflected a slight easing in new equipment sales and growth in the aftermarket business. Order intake has benefited from programmes to replace life-expired generating equipment in countries such as Germany, Italy and Spain.

North America

Sales of new equipment, especially fans for use in emission control, were markedly lower as power companies await clarification of the new US administration's policies on energy and environmental protection.

China

Sales of new equipment to the power industry eased reflecting lower levels of demand for electricity. Further progress has been made in terms of developing the aftermarket business.

South America

Revenues have continued to benefit from sales of compressors to the oil and gas industry in Brazil,

Progress is being made in developing the recently acquired manufacturing facility in the region to enable it to supply a range of Howden products.

Rest of the world

Africa

Howden Africa, in which Howden has a holding of some 55 per cent, increased sales of new equipment and aftermarket to the power sector and also to the coal and gold mining industries.

Other

Howden has continued to benefit from high levels of investment by the oil and gas sectors in the Middle East and Asia.

Business and financial review – Financial review

Trading results

A review of the trading results for the six months to 30 June 2009 is set out in the Chief Executive's statement and the business reviews of ESAB and Howden.

Exceptional items

Items that are both material and non-recurring are presented as exceptional items and excluded from adjusted operating profit, adjusted profit before tax and adjusted earnings per share.

The results for the six months to 30 June 2009 include exceptional costs of £13.5 million, comprising restructuring costs of £12.7 million and the loss on the disposal of a business of £0.8 million.

The restructuring costs relate to the measures being taken by ESAB to bring manned capacity into line with demand and to reduce distribution and administration costs. Restructuring costs comprise headcount reductions of £9.3 million, impairment of intangibles and property plant and equipment of £1.8 million and closure and other costs of £1.6 million.

On 13 May 2009, ESAB completed the disposal of HD Engineering Limited, a manufacturer of drilling equipment, consumables and accessories, for a cash consideration of £2.0 million. The loss on disposal was £0.8 million, net of exchange gains transferred from reserves of £0.9 million.

Earnings per share

Basic earnings per share were 14.6 pence (2008: 47.9 pence). However, we believe that adjusted earnings per share provide a better indication of the Group's underlying business performance.

Adjusted earnings per share are calculated by adjusting basic earnings per share for items not relating to underlying business performance. Previously, 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, were excluded from basic earnings in calculating adjusted earnings per share.

In 2009, acquisition costs and the non-cash net financing costs attributable to retirement benefit obligations have also been excluded as we believe these amounts also do not relate to underlying business performance. The impact of excluding acquisition costs and the net financing costs attributable to retirement benefit obligations from the comparative adjusted earnings per share figures for 2008 is not significant and therefore these amounts have not been restated.

Adjusted earnings per share reduced by 44.1 per cent to 28.5 pence (2008: 51.0 pence) and were derived from basic earnings per share as set out below:

	Per share		Total earnings	
	Six months to 30.06.09 pence	Six months to 30.06.08 pence	Six months to 30.06.09 £m	Six months to 30.06.08 £m
Basic earnings	14.6	47.9	24.4	79.9
Items not relating to underlying business performance:				
Exceptional items	8.1	-	13.5	-
Amortisation and impairment of acquired intangibles and goodwill	0.7	0.4	1.2	0.7
Acquisition costs	0.2	- ₁	0.3	- ₁
Net financing charge – retirement benefit obligations	2.3	- ₁	3.8	- ₁
Losses on retranslation of intercompany loan balances	3.3	2.7	5.4	4.3
Taxation on items not relating to underlying business performance	(0.6)	0.1	(1.0)	0.2
Minority share of items not relating to underlying business performance	(0.1)	(0.1)	(0.1)	(0.1)
Adjusted earnings attributable to equity shareholders	28.5	51.0	47.5	85.0

1 The impact of excluding acquisition costs and the net financing costs attributable to retirement benefit obligations from adjusted earnings per share for 2008 is not significant and therefore adjusted earnings per share has not been restated.

Net financing charge

The net financing charge for the six months to 30 June 2009, before finance charges relating to retirement benefit obligations and losses on retranslation of intercompany loan balances, was £4.0 million (2008: £0.5 million net credit) and comprised interest payable of £1.5 million, fair value loss on derivative financial instruments of £1.6 million, exchange loss on cash and borrowings of £1.4 million, other charges of £0.7 million and the unwinding of discounts on provisions of £0.1 million, offset by interest and other financing credits of £1.3 million.

Taxation

The tax on profit on ordinary activities was £10.5 million (2008: £20.1 million).

The tax charge of £10.5 million compares with tax paid in the period of £22.0 million. The tax charge is lower than the actual tax paid in the period due to the recognition of additional deferred tax assets in respect of timing differences.

The adjusted effective tax rate for the period was 18.5 per cent (2008: 18.4 per cent), calculated as follows:

	Six months to 30.06.09	Six months to 30.06.08
	£m	£m
Profit before tax	39.5	104.6
Add/(deduct) adjustments:		
- exceptional items	13.5	-
- aborted acquisition costs	0.3	-
- amortisation of acquired intangibles and goodwill	1.2	0.7
- net financing charge – retirement benefit obligations	3.8	-
- net losses on retranslation of intercompany loan balances	5.4	4.3
- share of post tax profits of associates and joint ventures	(1.4)	(1.3)
Adjusted profit before tax, before share of post tax profits of associates and joint ventures	62.3	108.3
Tax charge before taxation on adjustments above	11.5	19.9
Adjusted effective tax rate	18.5%	18.4%

The impact of excluding acquisition costs and the net financing costs attributable to retirement benefit obligations from the calculation of the adjusted effective tax rate for 2008 is not significant and therefore the adjusted effective tax rate has not been restated.

The adjusted effective tax rate in the year remains broadly in line with the effective rate for the previous year. The Group tax rate continues to benefit from profits being generated in relatively low tax jurisdictions, such as China and Eastern Europe, and the more efficient financing of operating units within the Group. The adjusted effective tax rate is likely to remain at approximately the same level in the short term.

Currency

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

	Six months to 30.06.09	Underlying movement at constant exchange rates	Six months to 30.06.08 at 2009 exchange rates	Currency fluctuations	Six months to 30.06.08
	£m	£m	£m	£m	£m
Sales					
ESAB	540.8	(162.4)	703.2	87.8	615.4
Howden	305.4	(33.0)	338.4	54.0	284.4
Total	846.2	(195.4)	1,041.6	141.8	899.8
Operating profit (before exceptional items)					
ESAB	35.7	(57.7)	93.4	10.0	83.4
Howden	35.2	(3.9)	39.1	7.5	31.6
Central operations	(6.1)	1.5	(7.6)	-	(7.6)
Total	64.8	(60.1)	124.9	17.5	107.4

If the average rates of exchange in the six months to 30 June 2009 had prevailed in the corresponding period of 2008, the sales and operating profit for 2008 would have been higher by 15.8 per cent and 16.3 per cent respectively. However, this is only the translation impact of currency movements. It excludes the impact of currency movements on transactions when products are manufactured in one currency zone and sold in another. The transaction impact of currency movements is difficult to quantify but overall it is not believed to have had a significant impact on the 2009 results.

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

Rates of exchange to £1	Six months to 30.06.09		Six months to 30.06.08		Year ended 31.12.08	
	Closing	Average for period	Closing	Average for period	Closing	Average for period
US Dollar	1.65	1.50	1.99	1.99	1.44	1.85
Euro	1.17	1.11	1.26	1.30	1.03	1.26
Chinese Renminbi	11.25	10.23	13.64	14.02	9.81	12.90
Brazilian Real	3.23	3.29	3.17	3.37	3.35	3.34
Czech Koruna	30.54	30.24	30.20	32.84	27.77	31.64
Polish Zloty	5.24	4.98	4.23	4.52	4.26	4.42

Balance sheet

The following table shows a summary of the Group balance sheet:

	30.06.09 £m	31.12.08 £m
Non current assets (excluding retirement benefits assets)	480.0	526.4
Inventory	225.5	292.0
Trade and other receivables	453.7	573.2
Trade and other payables	(402.9)	(512.2)
Working capital	276.3	353.0
Derivative financial instruments and tax liabilities	(44.4)	(91.0)
Net retirement benefit obligations	(162.8)	(139.3)
Provisions	(70.1)	(74.9)
Other long-term liabilities	(4.6)	(7.7)
Net cash	62.1	51.8
Net Assets	536.5	618.3
Equity shareholders' funds	498.2	578.3
Minority interests	38.3	40.0
Total Equity	536.5	618.3

During the period, total equity shareholders' funds decreased by £80.1 million to £498.2 million (31 December 2008: £578.3 million).

The principal components of this net reduction were the profit for the year attributable to Charter shareholders of £24.4 million and net after tax gains on cash flow and net investment hedges of £12.9 million offset by net translation exchange losses of £56.4 million, net after tax actuarial losses on retirement benefit obligations of £37.3 million and dividends paid of £23.4 million.

During the period, the total equity attributable to minority interests decreased by £1.7 million to £38.3 million (31 December 2008: £40.0 million), reflecting profit attributable to minority interests of £4.6 million offset by net translation losses of £4.6 million and dividends paid of £1.7 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 Limited.

As at 30 June 2009, net retirement benefit obligations were £162.8 million (31 December 2008: £139.3 million). This sum represents 32.7 per cent of equity shareholders' funds as at that date compared with 24.1 per cent as at 31 December 2008.

Working capital has reduced by £76.7 million in the period to £276.3 million, a reduction of 21.7%. Currency fluctuations account for £34.0 million or 9.6 per cent, of the reduction. The balance reflects the reduction in activity in ESAB as well as tight management of working capital levels by both businesses. Included within trade and other receivables are amounts receivable under construction contracts of £66.4 million (31 December 2008: £71.9 million). Included within trade and other payables are amounts payable under construction contracts of £86.2 million (31 December 2008: £115.7 million).

Retirement benefit obligations

The net obligation in respect of pensions and other post-retirement benefits increased by £23.5 million in the period to £162.8 million (31 December 2008: £139.3 million).

	30.06.09	31.12.08
	<u>£m</u>	<u>£m</u>
Fair value of plan assets	489.1	517.6
Present value of funded and unfunded defined benefit obligations	(651.9)	(656.6)
	(162.8)	(139.0)
Unrecognised past service costs	0.1	0.2
Surplus not recoverable	(0.1)	(0.5)
Net liability recognised on the balance sheet	<u>(162.8)</u>	<u>(139.3)</u>

The majority of the £23.5 million increase in the net retirement benefit obligation arose as a result of net actuarial losses of £41.2 million offset by cash contributions of £9.3 million and net translation exchange gains of £13.0 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 2009	(117.5)	(0.3)	(117.8)	(21.5)	(139.3)
Exchange adjustments	10.4	(0.1)	10.3	2.7	13.0
Income statement charge					
- operating profit	(0.6)	-	(0.6)	(0.2)	(0.8)
- financing charge	(3.2)	-	(3.2)	(0.6)	(3.8)
Taken to equity - actuarial (losses)/gains	(42.5)	0.4	(42.1)	0.9	(41.2)
Contributions paid	8.7	-	8.7	0.6	9.3
At 30 June 2009	<u>(144.7)</u>	<u>-</u>	<u>(144.7)</u>	<u>(18.1)</u>	<u>(162.8)</u>

The charge to operating profit of £0.8 million (2008: £0.9 million) in respect of defined benefit pension schemes and overseas medical schemes comprises current service costs of £1.0 million (2008: £0.9 million) offset by a gain on settlements and curtailments of £0.2 million (2008: £nil). In addition, £4.1 million (2008: £3.6 million) was charged against operating profit in respect of defined contribution pension schemes.

Provisions

At 30 June 2009, total provisions were £70.1 million compared with £74.9 million at 31 December 2008. Provisions principally comprise amounts in respect of legal and environmental claims of £29.0 million (31 December 2008: £35.5 million), warranty and product liabilities of £26.8 million (31 December 2008: £28.0 million) and disposal and restructuring costs of £8.8 million (31 December 2008: £6.1 million).

Cash flow

During the period, the net cash of £51.8 million at 31 December 2008 increased by £10.3 million to £62.1 million at 30 June 2009. Cash flows during the period were:

	Six months to 30.06.09 £m	Six months to 30.06.08 £m	Year ended 31.12.08 £m
Operating profit before exceptional items	64.8	107.4	209.3
Exceptional items	(13.5)	-	(8.3)
Operating profit	51.3	107.4	201.0
Depreciation and impairment	13.9	9.3	21.7
Amortisation and impairment	3.9	1.8	5.2
Charge for share based payments	0.5	0.4	0.9
Loss on disposal of business	0.8	-	-
(Profit)/loss on sale of property, plant and equipment	(0.1)	0.2	0.2
Decrease/(increase) in inventories	37.0	(47.7)	(57.4)
Decrease/(increase) in receivables	73.7	(114.6)	(28.1)
(Decrease)/increase in payables	(68.6)	92.2	29.8
Movement in working capital	42.1	(70.1)	(55.7)
Movement in provisions	2.7	(2.0)	2.2
Movement in net retirement benefit obligations	(8.5)	(8.3)	(16.0)
Cash flow from operations	106.6	38.7	159.5
Capital expenditure	(26.6)	(28.6)	(66.5)
Capitalised development costs	(3.1)	(1.8)	(4.4)
Acquisitions	(0.1)	(21.9)	(39.4)
Investment in associates and joint ventures	(1.2)	-	-
	(31.0)	(52.3)	(110.3)
Disposals	1.3	-	-
Sale of property, plant and equipment	0.2	0.5	1.7
	(29.5)	(51.8)	(108.6)
Dividends from associates and joint ventures	2.3	1.6	1.6
Net financing (expense)/income	(2.2)	0.4	(2.0)
Dividends paid to minority interests	(1.7)	(0.9)	(4.3)
Dividends paid to equity shareholders	(23.4)	(20.0)	(31.7)
Tax paid	(22.0)	(23.9)	(49.7)
Share issues	0.3	-	-
Share issue costs	-	-	(1.6)
Purchase of treasury shares	(0.2)	(0.2)	(0.2)
Net cash flow	30.2	(56.1)	(37.0)
New finance leases	(0.8)	(0.4)	(0.4)
Movement in interest payable accrual	(0.3)	(0.1)	(0.1)
Foreign exchange adjustments	(18.8)	4.4	1.1
Increase in net cash	10.3	(52.2)	(36.4)
Opening net cash	51.8	88.2	88.2
Closing net cash	62.1	36.0	51.8

Foreign exchange adjustments of £18.8 million include £9.7 million in respect of the cash settlement of US dollar and Euro net investment hedges.

Cash flow from operations generated £106.6 million (2008: £38.7 million), an increase of 175.5 per cent over the corresponding period last year. This represents cash conversion of 164.5 per cent compared with 36.0 per cent in the corresponding period last year.

Free cash flow for the year was £55.2 million, compared with an outflow of £13.1 million in the corresponding period last year, and reflects the significant increase in cash flow arising from the reduction in working capital. Net capital expenditure has remained at a similar level to last year.

	Six months to 30.06.09	Six months to 30.06.08	Year ended 31.12.08
	£m	£m	£m
Cash flow from operations	106.6	38.7	159.5
Net financing (expense)/income	(2.2)	0.4	(2.0)
Tax paid	(22.0)	(23.9)	(49.7)
Net cash flow from operating activities	82.4	15.2	107.8
Net capital expenditure (including software and development costs)	(29.5)	(29.9)	(69.2)
Dividends from associates and joint ventures	2.3	1.6	1.6
Free cash flow	55.2	(13.1)	40.2
Property, plant and equipment additions	22.5	25.9	57.3
Depreciation	12.6	9.3	20.9
Ratio	1.8	2.8	2.7

Property, plant and equipment additions of £22.5 million exceeded depreciation by £9.9 million (2008: £16.6 million).

Cash and borrowings

As at 30 June 2009, cash balances were £87.7 million (31 December 2008: £95.7 million), of which the majority was held overseas for local working capital purposes or pending dividend payments. Of the cash held overseas, £4.0 million (31 December 2008: £4.1 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 30 June 2009, gross borrowings were £25.6 million (31 December 2008: £43.9 million).

Going concern

At 30 June 2009, in addition to net cash balances of £62.1 million, the Group had undrawn central 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 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 30 June 2009, the Group had £269.3 million of uncommitted bonding facilities, of which £72.9 million were provided by its principal bankers. Bonds and guarantees totalling £149.0 million, which are not expected to be called, had been issued under these facilities.

After making 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 the consolidated financial statements of the Group.

Contingent liabilities

Details of contingent liabilities are set out in note 13 to the interim financial information.

Significant accounting policies

The condensed consolidated interim financial information for the six months to 30 June 2009 has been prepared in accordance with the accounting policies set out in the annual financial statements for the year ended 31 December 2008 with the exception of the adoption of IAS 1 (revised), IAS 23 (revised) and IFRS 8 as described in note 2 to the interim financial information. The accounting policies identified as being the most significant and where there is most risk of material adjustment to the carrying value of the Group's assets and liabilities within the next financial year are unchanged from those set out in the annual financial statements for the year ended 31 December 2008, being:

- construction contracts;
- employee benefits;
- goodwill impairment;
- provisions for disposal and restructuring costs, warranty and product liability and legal and environmental liability; and
- taxation.

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.

Apart from the additional risk that the swine flu pandemic might disrupt the Group's businesses, the principal risks and uncertainties faced by Charter are unchanged from those identified in the annual financial statements for the year ended 31 December 2008, which covered:

- economic recession;
- financing;
- actions of competitors;
- foreign exchange : transaction risk;
- foreign exchange : translation risk;
- litigation;
- pension risk;
- raw material prices; and
- internal controls.

Forward Looking Statements

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2009 (unaudited)

	Six months ended 30.6.09 £m	Six months ended 30.6.08 £m	Year ended 31.12.08 £m
Profit for the period	29.0	84.5	158.7
Other comprehensive income and expenditure			
Exchange translation	(61.0)	27.8	124.6
Exchange translation - transfer to income statement on disposal	(0.9)	-	-
Actuarial losses on retirement benefit obligations	(41.2)	(15.7)	(54.0)
Tax on actuarial losses on retirement benefit obligations	3.9	2.8	8.1
Share-based payments - attributable tax	-	0.1	(0.2)
Change in fair value of outstanding cash flow hedges	9.8	2.4	(9.1)
Net transfer to income statement - hedges	(0.1)	(0.2)	(2.4)
Net investment hedges	5.7	0.1	(27.3)
Net deferred income tax movement for the period - hedges	(2.5)	(0.6)	2.8
Total other comprehensive income and expenditure	(86.3)	16.7	42.5
Total comprehensive income and expenditure for the period	(57.3)	101.2	201.2
Total comprehensive income and expenditure attributable to:			
- Equity shareholders of the Company	(57.3)	97.1	184.5
- Minority interests	-	4.1	16.7
	(57.3)	101.2	201.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2009 (unaudited)

	Attributable to owners of the Company						
	Share capital	Share premium	Retained earnings	Other reserves	Total	Minority interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 1 January 2008 - after Scheme of Arrangement⁽ⁱ⁾	3.3	646.4	296.9	(520.2)	426.4	27.6	454.0
Profit for the period	-	-	79.9	-	79.9	4.6	84.5
Exchange translation	-	-	-	28.2	28.2	(0.4)	27.8
Actuarial losses on retirement benefit obligations	-	-	(15.6)	-	(15.6)	(0.1)	(15.7)
Tax on actuarial losses on retirement benefit obligations	-	-	2.8	-	2.8	-	2.8
Share-based payments - attributable tax	-	-	0.1	-	0.1	-	0.1
Change in fair value of outstanding cash flow hedges	-	-	-	2.4	2.4	-	2.4
Net transfer to income statement - hedges	-	-	-	(0.2)	(0.2)	-	(0.2)
Net investment hedges	-	-	-	0.1	0.1	-	0.1
Net deferred income tax movement for the period - hedges	-	-	-	(0.6)	(0.6)	-	(0.6)
Total comprehensive income for the period	-	-	67.2	29.9	97.1	4.1	101.2
Purchase of treasury shares (note 17)	-	-	(0.2)	-	(0.2)	-	(0.2)
Share-based payments - charge for period	-	-	0.4	-	0.4	-	0.4
Dividends paid	-	-	(20.0)	-	(20.0)	(0.9)	(20.9)
At 30 June 2008	3.3	646.4	344.3	(490.3)	503.7	30.8	534.5
At 1 January 2008	3.3	646.4	296.9	(520.2)	426.4	27.6	454.0
Profit for the year	-	-	150.2	-	150.2	8.5	158.7
Exchange translation	-	-	-	116.3	116.3	8.3	124.6
Actuarial losses on retirement benefit obligations	-	-	(53.9)	-	(53.9)	(0.1)	(54.0)
Tax on actuarial losses on retirement benefit obligations	-	-	8.1	-	8.1	-	8.1
Share-based payments - attributable tax	-	-	(0.2)	-	(0.2)	-	(0.2)
Change in fair value of outstanding cash flow hedges	-	-	-	(9.1)	(9.1)	-	(9.1)
Net transfer to income statement - hedges	-	-	-	(2.4)	(2.4)	-	(2.4)
Net investment hedges	-	-	-	(27.3)	(27.3)	-	(27.3)
Net deferred income tax movement for the year - hedges	-	-	-	2.8	2.8	-	2.8
Total comprehensive income for the year	-	-	104.2	80.3	184.5	16.7	201.2
Capital reorganisation - share issue costs	-	-	(1.6)	-	(1.6)	-	(1.6)
- reduction in capital	-	(646.6)	646.6	-	-	-	-
Purchase of treasury shares (note 17)	-	-	(0.2)	-	(0.2)	-	(0.2)
Share-based payments - charge for year	-	-	0.9	-	0.9	-	0.9
- shares issued	-	0.2	(0.2)	-	-	-	-
Dividends paid	-	-	(31.7)	-	(31.7)	(4.3)	(36.0)
At 31 December 2008	3.3	-	1,014.9	(439.9)	578.3	40.0	618.3
At 1 January 2009	3.3	-	1,014.9	(439.9)	578.3	40.0	618.3
Profit for the period	-	-	24.4	-	24.4	4.6	29.0
Exchange translation	-	-	-	(56.4)	(56.4)	(4.6)	(61.0)
Exchange translation - transfer to income statement on disposal	-	-	-	(0.9)	(0.9)	-	(0.9)
Actuarial losses on retirement benefit obligations	-	-	(41.2)	-	(41.2)	-	(41.2)
Tax on actuarial losses on retirement benefit obligations	-	-	3.9	-	3.9	-	3.9
Share-based payments - attributable tax	-	-	-	-	-	-	-
Change in fair value of outstanding cash flow hedges	-	-	-	9.8	9.8	-	9.8
Net transfer to income statement - hedges	-	-	-	(0.1)	(0.1)	-	(0.1)
Net investment hedges	-	-	-	5.7	5.7	-	5.7
Net deferred income tax movement for the period - hedges	-	-	-	(2.5)	(2.5)	-	(2.5)
Total comprehensive income for the period	-	-	(12.9)	(44.4)	(57.3)	-	(57.3)
Purchase of treasury shares (note 17)	-	-	(0.2)	-	(0.2)	-	(0.2)
Share-based payments - charge for period	-	-	0.5	-	0.5	-	0.5
- shares issued	-	0.7	(0.4)	-	0.3	-	0.3
Dividends paid	-	-	(23.4)	-	(23.4)	(1.7)	(25.1)
At 30 June 2009	3.3	0.7	978.5	(484.3)	498.2	38.3	536.5

(i) In accordance with the principles of merger accounting, the split of the opening balances of equity attributable to the owners of the Company as at 1 January 2008 as previously reported in the 2008 interim financial report has been restated following the Scheme of Arrangement that became effective on 22 October 2008. Total equity attributable to the owners of the Company at 1 January and 30 June 2008 is unchanged from that previously reported. Details of these adjustments are set out on page 62 of the annual financial statements for the year ended 31 December 2008.

CONSOLIDATED BALANCE SHEET

Six months ended 30 June 2009 (unaudited)

Note	30.6.09 £m	30.6.08 £m	31.12.08 £m
Non-current assets			
8 Intangible assets	127.5	111.0	133.4
8 Property, plant and equipment	254.1	211.1	275.0
Investments in associates and joint ventures	15.4	13.5	17.7
9 Retirement benefit assets	12.9	24.2	35.1
Deferred income tax assets	61.4	36.9	69.7
Trade and other receivables	21.3	20.6	30.5
Derivative financial instruments	0.3	0.4	0.1
	<u>492.9</u>	<u>417.7</u>	<u>561.5</u>
Current assets			
Inventories	225.5	239.5	292.0
Trade and other receivables	453.7	559.7	573.2
Derivative financial instruments	2.6	4.7	2.4
10 Cash	87.7	80.0	95.7
	<u>769.5</u>	<u>883.9</u>	<u>963.3</u>
Total assets	<u>1,262.4</u>	<u>1,301.6</u>	<u>1,524.8</u>
Current liabilities			
Borrowings	(20.4)	(31.1)	(37.2)
Trade and other payables	(402.9)	(492.0)	(512.2)
Derivative financial instruments	(7.0)	(2.3)	(32.0)
Income tax liabilities	(15.8)	(20.7)	(26.1)
12 Provisions for other liabilities	(46.7)	(34.3)	(48.2)
	<u>(492.8)</u>	<u>(580.4)</u>	<u>(655.7)</u>
Non-current liabilities			
Borrowings	(5.2)	(12.9)	(6.7)
Deferred income tax liabilities	(24.2)	(27.0)	(32.5)
9 Retirement benefit obligations	(175.7)	(111.4)	(174.4)
12 Provisions for other liabilities	(23.4)	(22.2)	(26.7)
Derivative financial instruments	(0.6)	(0.2)	(2.8)
Other payables	(4.0)	(13.0)	(7.7)
	<u>(233.1)</u>	<u>(186.7)</u>	<u>(250.8)</u>
Total liabilities	<u>(725.9)</u>	<u>(767.1)</u>	<u>(906.5)</u>
Net assets	<u>536.5</u>	<u>534.5</u>	<u>618.3</u>
Equity			
Ordinary share capital	3.3	3.3	3.3
Share premium	0.7	646.4	-
Retained earnings	978.5	344.3	1,014.9
Other reserves	(484.3)	(490.3)	(439.9)
Total equity shareholders' funds	<u>498.2</u>	<u>503.7</u>	<u>578.3</u>
Minority interests	38.3	30.8	40.0
Total equity	<u>536.5</u>	<u>534.5</u>	<u>618.3</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2009 (unaudited)

Note	Six months ended 30.6.09 £m	Six months ended 30.6.08 £m	Year ended 31.12.08 £m
Cash flow from operating activities			
11	106.6	38.7	159.5
	Interest received	1.3	2.2
	Interest paid	(3.5)	(1.8)
	Taxation paid	(22.0)	(23.9)
	Net cash flow from operating activities	82.4	107.8
Cash flow from investing activities			
	Purchase of subsidiary undertakings, net of cash acquired	(0.1)	(21.9)
	Investment in associates and joint ventures	(1.2)	-
14	Disposal of subsidiary undertaking	1.3	-
	Expenditure on development costs	(3.1)	(1.8)
	Purchase of property, plant and equipment and computer software	(26.6)	(28.6)
	Sale of property, plant and equipment and computer software	0.2	0.5
	Dividends received from associates and joint ventures	2.3	1.6
	Net cash flow from investing activities	(27.2)	(50.2)
Cash flow from financing activities			
	Increase in short-term borrowings (other than those repayable on demand)	-	2.8
	Decrease in short-term borrowings (other than those repayable on demand)	(3.4)	(0.4)
	Increase in long-term borrowings	-	10.8
	Decrease in long-term borrowings	-	-
	Repayment of capital element of finance leases	(0.3)	(0.5)
	Cash (outflow)/inflow from debt and lease financing	(3.7)	12.7
	(Increase)/decrease in cash on deposit	(6.5)	(1.2)
	Dividends paid to equity shareholders of the Company	(23.4)	(20.0)
	Dividends paid to minority interests	(1.7)	(0.9)
	Issue of ordinary share capital	0.3	-
	Share issue costs	-	-
	Purchase of treasury shares	(0.2)	(0.2)
	Net cash flow from financing activities	(35.2)	(9.6)
	Currency variations on cash, cash equivalents and bank overdrafts	(18.4)	4.4
	Net movement in cash, cash equivalents and bank overdrafts	1.6	(40.2)
	Cash, cash equivalents and bank overdrafts at beginning of the period	61.4	89.8
10	Cash, cash equivalents and bank overdrafts at end of period	63.0	49.6

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	Six months ended 30.6.09 £m	Six months ended 30.6.08 £m	Year ended 31.12.08 £m
Net movement in cash, cash equivalents and bank overdrafts	1.6	(40.2)	(28.4)
Cash inflow/(outflow) from debt and lease financing	3.7	(12.7)	(4.8)
Increase/(decrease) in cash on deposit	6.5	1.2	(0.8)
Change in net cash resulting from cash flows	11.8	(51.7)	(34.0)
New finance leases	(0.8)	(0.4)	(0.4)
Movement in interest accrual	(0.3)	(0.1)	(0.1)
Currency variations on borrowings and cash deposits	(0.4)	-	(1.9)
Movement in net cash in the period	10.3	(52.2)	(36.4)
Opening net cash	51.8	88.2	88.2
Closing net cash	62.1	36.0	51.8
Gross borrowings	(25.6)	(44.0)	(43.9)
Cash at bank and in hand (including cash on deposit)	87.7	80.0	95.7
Closing net cash	62.1	36.0	51.8

NOTES

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with IFRSs as adopted by the European Union.

This condensed consolidated interim financial information does not constitute the Group's statutory financial statements as required by the Companies (Jersey) Law 1991. Statutory accounts for the year ended 31 December 2008 were approved by the Board of Directors on 26 February 2009 and have been delivered to the Jersey Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Article 111(2) or Article 111(5) of the Companies (Jersey) Law 1991 concerning accounting records or failure to obtain necessary information and explanations.

This condensed consolidated interim financial information has been reviewed, not audited.

2 Accounting policies

The accounting policies applied are consistent with those adopted and disclosed in the annual financial statements for the year ended 31 December 2008 with the exception of the adoption of IAS 1 (revised), IAS 23 (revised) and IFRS 8 as explained below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Adjusted earnings per share are calculated after certain adjustments to basic earnings per share so as to help provide a better indication of the Group's underlying business performance. Previously, 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, were excluded in calculating adjusted earnings per share.

For 2009, acquisition costs and the non-cash net financing costs attributable to retirement benefit obligations have also been excluded in calculating adjusted earnings per share as these amounts do not relate to underlying business performance. The impact of excluding acquisition costs and the net financing costs attributable to retirement benefit obligations from adjusted earnings per share for the 2008 half and full year is not significant and therefore these amounts have not been restated.

The preparation of interim 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.

In preparing these interim financial statements the significant accounting estimates and judgements were the same as those that applied to the financial statements as at, and for the year ended, 31 December 2008.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

IAS 1 (revised) 'Presentation of financial statements'. The revised standard requires owner changes in equity such as dividends and issue of share capital to be shown in a separate performance statement. Other items of income and expenditure are required to be included in a statement of comprehensive income comprising either a single performance statement or two statements: an income statement and a statement of comprehensive income. The Group has elected to follow the latter approach and present two statements.

IAS 23 (revised) 'Borrowing costs'. Borrowing costs directly attributable to expenditure on a qualifying asset where expenditure in relation to that asset commenced after 1 January 2009 are included in the cost of that asset. There has been no impact on the Group's financial statements as a consequence of adopting the revised standard.

IFRS 8 'Operating segments'. IFRS 8 replaces IAS14 'Segment Reporting'. It requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes to the chief operating decision-maker. There have been no changes to the reportable segments presented following the adoption of IFRS 8.

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 IFRS 8 'Operating segments', ESAB is split into two segments: (i) welding; and (ii) cutting and automation. Inter-segmental revenue is not significant. Amounts included under the heading 'Other' comprises Central operations.

Seasonality of operations

The Group's businesses are only marginally impacted by seasonal factors. Where this does happen, it is generally due to seasonal slowdowns or upturns of the industries in which their customers operate. The welding business typically experiences fewer selling days in the second half of the year given the Summer and Christmas holidays in the northern hemisphere. There is no marked seasonality in the cutting and automation business where activity levels are principally determined by the timing of customer contracts. In air and gas handling, sales of new equipment also depend on the timing of customer contracts, which are influenced by customers' annual budget cycles for capital expenditure and when deliveries of product are required for a particular project. Aftermarket sales to the power sector, a significant end user sector, typically encounter upturns in both the first and third quarters of each year when power plants tend to undertake planned maintenance work. Overall the Group's geographical and industry spread limits the impact of seasonality on the Group's trading results.

NOTES (CONTINUED)

3 Segment analysis (continued)

The following is an analysis of the revenue, results and assets analysed by segment:

	Welding £m	Cutting and automation £m	Welding, cutting and automation £m	Air and gas handling £m	Other £m	Total £m
Six months ended 30 June 2009						
Total revenue	432.6	108.2	540.8	305.4	-	846.2
Segment result (before exceptional items)	28.1	7.6	35.7	35.2	(6.1)	64.8
Exceptional items - restructuring	(12.1)	(0.6)	(12.7)	-	-	(12.7)
- loss on disposal of business	-	(0.8)	(0.8)	-	-	(0.8)
Operating profit	16.0	6.2	22.2	35.2	(6.1)	51.3
Share of post tax profits of associates and joint ventures	1.4	-	1.4	-	-	1.4
	17.4	6.2	23.6	35.2	(6.1)	52.7
Net financing charge						(13.2)
Profit before tax						39.5
Tax						(10.5)
Profit for the period						29.0
Minority interests						(4.6)
Profit attributable to equity shareholders						24.4
Investments in associates and joint ventures	14.3	-	14.3	0.9	0.2	15.4
Other segment assets	612.7	140.2	752.9	413.9	18.8	1,185.6
Segment assets	627.0	140.2	767.2	414.8	19.0	1,201.0
Six months ended 30 June 2008						
Total revenue	521.4	94.0	615.4	284.4	-	899.8
Segment result (before exceptional items)	72.3	11.1	83.4	31.6	(7.6)	107.4
Exceptional items - restructuring	-	-	-	-	-	-
- change in holding company	-	-	-	-	-	-
Operating profit	72.3	11.1	83.4	31.6	(7.6)	107.4
Share of post tax profits of associates and joint ventures	1.3	-	1.3	-	-	1.3
	73.6	11.1	84.7	31.6	(7.6)	108.7
Net financing charge						(4.1)
Profit before tax						104.6
Tax						(20.1)
Profit for the period						84.5
Minority interests						(4.6)
Profit attributable to equity shareholders						79.9
Investments in associates and joint ventures	12.6	-	12.6	0.7	0.2	13.5
Other segment assets	654.3	154.0	808.3	401.5	41.4	1,251.2
Segment assets	666.9	154.0	820.9	402.2	41.6	1,264.7
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	-	-	-	-	(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 and joint ventures	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
Investments in associates and joint ventures	16.5	-	16.5	1.0	0.2	17.7
Other segment assets	745.0	181.4	926.4	464.9	46.1	1,437.4
Segment assets	761.5	181.4	942.9	465.9	46.3	1,455.1

Reportable segment assets are reconciled to total assets as follows:

	Six months ended 30.6.09 £m	Six months ended 30.6.08 £m	Year ended 31.12.08 £m
Segment assets	1,201.0	1,264.7	1,455.1
Deferred income tax	61.4	36.9	69.7
Total assets	1,262.4	1,301.6	1,524.8

NOTES (CONTINUED)

4 Net financing charge

	Six months ended 30.6.09 £m	Six months ended 30.6.08 £m	Year ended 31.12.08 £m
Net financing charge - retirement benefit obligations:			
Interest on schemes' liabilities	(18.9)	(18.4)	(37.3)
Expected return on schemes' assets	15.1	18.1	36.6
	<u>(3.8)</u>	<u>(0.3)</u>	<u>(0.7)</u>
Interest payable on bank borrowings	(1.0)	(1.9)	(3.7)
Interest payable on bank borrowings - fees	(0.3)	(0.1)	(0.8)
	<u>(1.3)</u>	<u>(2.0)</u>	<u>(4.5)</u>
Interest payable on other loans	(0.2)	(0.6)	(0.8)
Interest payable on finance leases	-	-	(0.1)
Fair value losses on derivative financial instruments	(1.6)	-	(1.0)
Exchange loss on cash and borrowings	(1.4)	-	-
Other	(0.7)	-	-
Unwinding of discount on provisions (note 12)	(0.1)	(0.2)	(0.4)
Other financing charge before exchange losses on retranslation of intercompany loan balances	<u>(5.3)</u>	<u>(2.8)</u>	<u>(6.8)</u>
Interest income on bank accounts and deposits	0.7	2.9	3.3
Interest income on financial assets not held at fair value	0.1	0.1	0.4
Fair value gains on derivative financial instruments	-	-	1.2
Other	0.5	0.3	0.7
Other financing income before exchange gains on retranslation of intercompany loan balances	<u>1.3</u>	<u>3.3</u>	<u>5.6</u>
Net financing (charge)/credit before exchange losses on intercompany loan balances	<u>(7.8)</u>	<u>0.2</u>	<u>(1.9)</u>
Net exchange losses on retranslation of intercompany loan balances	<u>(5.4)</u>	<u>(4.3)</u>	<u>(4.6)</u>
Net financing charge	<u><u>(13.2)</u></u>	<u><u>(4.1)</u></u>	<u><u>(6.5)</u></u>

5 Exceptional items

To help provide a better indication of the Group's underlying business performance, items which are both material and non-recurring are presented as exceptional items.

The following items have been classified as exceptional:

	Six months ended 30.6.09 £m	Six months ended 30.6.08 £m	Year ended 31.12.08 £m
Restructuring costs			
Headcount reductions	9.3	-	5.4
Impairment of intangibles and property, plant and equipment	1.8	-	0.8
Other closure and restructuring costs	1.6	-	-
	<u>12.7</u>	<u>-</u>	<u>6.2</u>
Loss on disposal of business (note 14)			
Loss on disposal before exchange gains transferred from reserves	1.7	-	-
Exchange gains transferred from reserves	(0.9)	-	-
	<u>0.8</u>	<u>-</u>	<u>-</u>
Change in holding company	-	-	2.1
	<u>13.5</u>	<u>-</u>	<u>8.3</u>

A tax credit of £0.9 million (2008 full year: £1.5 million) is attributable to the exceptional items. There is no minority interest attributable to the exceptional items in any of the periods presented.

NOTES (CONTINUED)

6 Tax on profit on ordinary activities

	Six months ended 30.6.09	Six months ended 30.6.08	Year ended 31.12.08
	£m	£m	£m
Tax charge on underlying profits	11.5	19.9	38.5
Taxation on exceptional items	(0.9)	-	(1.5)
Taxation on amortisation and impairment of acquired intangibles and goodwill	(0.3)	(0.2)	(0.4)
Taxation on net financing charge - retirement benefit obligations	(0.6)	-	-
Taxation on net losses on retranslation of intercompany loan balances	0.8	0.4	2.4
Taxation charge	10.5	20.1	39.0

- (i) The share of post tax profits of associates and joint ventures included in the income statement is after a tax charge of £0.5 million (2008 half year: £0.5 million; 2008 full year: £1.1 million).
- (ii) The tax charge for the six months ended 30 June 2009 is based on the Directors' best estimate of the weighted average annual tax rate expected for the full financial year. The adjusted effective tax rate for the period is calculated as follows:

	Six months ended 30.6.09	Six months ended 30.6.08	Year ended 31.12.08
	£m	£m	£m
Profit before tax	39.5	104.6	197.7
Add/(deduct) adjustments			
Exceptional items	13.5	-	8.3
Acquisition costs	0.3	note (i)	note (i)
Amortisation of acquired intangibles and goodwill	1.2	0.7	1.9
Net financing charge - retirement benefit obligations	3.8	note (i)	note (i)
Net losses on retranslation of intercompany loan balances	5.4	4.3	4.6
Share of post tax profits of associates and joint ventures	(1.4)	(1.3)	(3.2)
	62.3	108.3	209.3
Tax charge before taxation on adjustments above	11.5	19.9	38.5
Adjusted effective tax rate ⁽ⁱ⁾	18.5%	18.4%	18.4%

- (i) The impact of excluding acquisition costs and the net financing costs attributable to retirement benefit obligations from the adjusted effective tax rate for the 2008 half and full year is not significant and therefore these amounts have not been restated.

7 Earnings per share

Basic earnings per share is calculated on an average of 166.8 million shares (2008 half year: 166.7 million shares; 2008 full year: 166.7 million shares).

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of 0.5 million (2008 half year: 0.6 million; 2008 full year: 0.2 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.

Adjusted earnings per share are calculated after certain adjustments to basic earnings per share so as to help provide a better indication of the Group's underlying business performance. Previously, 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, were excluded in calculating adjusted earnings per share as set out in the table below.

For 2009, acquisition costs and the non-cash net financing costs attributable to retirement benefit obligations have also been excluded in calculating adjusted earnings per share as these amounts do not relate to underlying business performance. The impact of excluding acquisition costs and the net financing costs attributable to retirement benefit obligations from adjusted earnings per share for the 2008 half and full year is not significant and therefore these amounts have not been restated.

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		
	Six months ended 30.6.09	Six months ended 30.6.08	Year ended 31.12.08	Six months ended 30.6.09	Six months ended 30.6.08	Year ended 31.12.08
	pence	pence	pence	£m	£m	£m
Basic earnings per share						
Profit attributable to equity shareholders of the Company	14.6	47.9	90.1	24.4	79.9	150.2
Items not relating to underlying business performance						
Exceptional items	8.1	-	5.0	13.5	-	8.3
Amortisation and impairment of acquired intangibles and goodwill	0.7	0.4	1.1	1.2	0.7	1.9
Acquisition costs	0.2	note (i)	note (i)	0.3	note (i)	note (i)
Net financing charge - retirement benefit obligations	2.3	note (i)	note (i)	3.8	note (i)	note (i)
Losses on retranslation of intercompany loan balances	3.3	2.7	2.8	5.4	4.3	4.6
Taxation on items not relating to underlying business performance	(0.6)	0.1	0.3	(1.0)	0.2	0.5
Minority share of items not relating to underlying business performance	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)
Adjusted basic earnings attributable to equity shareholders of the Company	28.5	51.0	99.2	47.5	85.0	165.3

- (i) The impact of excluding acquisition costs and the net financing costs attributable to retirement benefit obligations from adjusted earnings per share for the 2008 half and full year is not significant and therefore these amounts have not been restated.

NOTES (CONTINUED)

7 Earnings per share (continued)

	Per share			Total earnings		
	Six months ended 30.6.09	Six months ended 30.6.08	Year ended 31.12.08	Six months ended 30.6.09	Six months ended 30.6.08	Year ended 31.12.08
	pence	pence	pence	£m	£m	£m
Fully diluted earnings per share						
Profit attributable to equity shareholders of the Company	14.6	47.8	90.0	24.4	79.9	150.2
Items not relating to underlying business performance						
Exceptional items	8.1	-	5.0	13.5	-	8.3
Amortisation and impairment of acquired intangibles and goodwill	0.7	0.4	1.1	1.2	0.7	1.9
Acquisition costs	0.2	note (i)	note (i)	0.3	note (i)	note (i)
Net financing charge - retirement benefit obligations	2.3	note (i)	note (i)	3.8	note (i)	note (i)
Losses on retranslation of intercompany loan balances	3.2	2.6	2.7	5.4	4.3	4.6
Taxation on items not relating to underlying business performance	(0.6)	0.1	0.3	(1.0)	0.2	0.5
Minority share of items not relating to underlying business performance	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)
Adjusted diluted earnings attributable to equity shareholders of the Company	<u>28.4</u>	<u>50.8</u>	<u>99.0</u>	<u>47.5</u>	<u>85.0</u>	<u>165.3</u>

(i) The impact of excluding acquisition costs and the net financing costs attributable to retirement benefit obligations from adjusted earnings per share for the 2008 half and full year is not significant and therefore these amounts have not been restated.

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		
	Six months ended 30.6.09	Six months ended 30.6.08	Year ended 31.12.08	Six months ended 30.6.09	Six months ended 30.6.08	Year ended 31.12.08
	£m	£m	£m	£m	£m	£m
Opening net book amount	275.0	182.7	182.7	133.4	80.2	80.2
Exchange adjustments	(28.7)	10.5	52.2	(8.0)	1.2	12.6
Additions	22.5	25.9	57.3	0.9	1.4	3.0
Acquisitions	-	2.1	6.5	-	26.3	33.6
Disposal of business	(0.5)	-	-	-	-	-
Internally generated	-	-	-	5.4	4.0	9.8
Disposals	(0.3)	(0.8)	(2.0)	-	-	(0.1)
Depreciation and amortisation	(12.6)	(9.3)	(20.9)	(3.7)	(2.1)	(5.7)
Impairment	(1.3)	-	(0.8)	(0.5)	-	-
Closing net book amount	<u>254.1</u>	<u>211.1</u>	<u>275.0</u>	<u>127.5</u>	<u>111.0</u>	<u>133.4</u>
Committed capital expenditure not provided for	<u>10.4</u>	<u>15.6</u>	<u>18.3</u>			

9 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:

	Six months ended 30.6.09	Six months ended 30.6.08	Year ended 31.12.08
	£m	£m	£m
Opening balance	(139.3)	(76.6)	(76.6)
Exchange adjustments	13.0	(2.9)	(24.0)
Income statement charge - operating profit	(0.8)	(0.9)	(2.2)
- financing charge (note 4)	(3.8)	(0.3)	(0.7)
Taken to equity - actuarial losses	(41.2)	(15.7)	(54.0)
Contributions paid	9.3	9.2	18.2
Closing balance	<u>(162.8)</u>	<u>(87.2)</u>	<u>(139.3)</u>
Included in the balance sheet as follows:			
Non-current assets	12.9	24.2	35.1
Non-current liabilities	(175.7)	(111.4)	(174.4)
	<u>(162.8)</u>	<u>(87.2)</u>	<u>(139.3)</u>

NOTES (CONTINUED)

9 Retirement benefit obligations (continued)

(ii) The position at 30 June 2009 and 31 December 2008 is set out below:

	30 June 2009				
	UK pension schemes £m	Overseas pension schemes £m	Total pension schemes £m	Overseas medical costs liability £m	Total £m
Present value of funded obligations	(457.8)	(132.7)	(590.5)	-	(590.5)
Fair value of plan assets	388.0	101.1	489.1	-	489.1
	(69.8)	(31.6)	(101.4)	-	(101.4)
Present value of unfunded obligations	-	(43.3)	(43.3)	(18.1)	(61.4)
Unrecognised past service costs	-	0.1	0.1	-	0.1
Surplus not recoverable	-	(0.1)	(0.1)	-	(0.1)
Net liability recognised in the balance sheet	(69.8)	(74.9)	(144.7)	(18.1)	(162.8)

	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
	(25.1)	(42.2)	(67.3)	-	(67.3)
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	(25.1)	(92.7)	(117.8)	(21.5)	(139.3)

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

	30 June 2009		31 December 2008	
	UK	Overseas	UK	Overseas
Discount rate	6.20%	6.30%	6.30%	5.60%
Inflation rate	3.40%	2.90%	2.60%	2.60%
Expected return on plan assets - equities	7.50%	8.80%	7.50%	8.80%
- bonds	4.50%	5.60%	4.50%	5.60%
- property	7.00%		7.00%	
- other	3.00%	5.15%	3.00%	5.15%
- total	5.70%	7.00%	5.70%	7.00%
Future salary increases	4.40%	4.10%	3.60%	3.45%
Future pension increases	3.30%	2.30%	2.80%	1.95%
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 (31 December 2008: 27 years) after retirement if they are male and for a further 30 years (31 December 2008: 30 years) after retirement if they are female. A retired member currently aged 60 is assumed to live on average for a further 26 years (31 December 2008: 26 years) if they are male and for a further 29 years (31 December 2008: 29 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 (31 December 2008: 24 years) after retirement if they are male and for a further 26 years (31 December 2008: 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 (31 December 2008: 23 years) if they are male and for a further 25 years (31 December 2008: 25 years) if they are female. Mortality assumptions for schemes in Sweden and Germany have been derived from the FFS 2007 tables and the Heubeck 2005 G tables respectively.

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

	Six months ended 30.6.09 £m	Six months ended 30.6.08 £m	Year ended 31.12.08 £m
Defined benefit schemes and overseas medical costs			
Current service cost	(1.0)	(0.9)	(1.9)
Past service cost	-	-	(0.1)
Gains/(losses) on settlement and curtailment	0.2	-	(0.2)
Defined benefit schemes and overseas medical costs	(0.8)	(0.9)	(2.2)
Defined contribution schemes	(4.1)	(3.6)	(7.4)
	(4.9)	(4.5)	(9.6)

NOTES (CONTINUED)

10 Cash and cash equivalents

	Six months ended 30.6.09	Six months ended 30.6.08	Year ended 31.12.08
	£m	£m	£m
Cash at bank and on hand	74.4	59.2	76.1
Short-term bank deposits	2.0	14.0	13.8
Bank deposits with original maturity of more than three months and balances held as cash collateral	11.3	6.8	5.8
Cash in the balance sheet	87.7	80.0	95.7
Less: Bank deposits with original maturity of more than three months and balances held as cash collateral	(11.3)	(6.8)	(5.8)
: Bank overdrafts	(13.4)	(23.6)	(28.5)
Cash, cash equivalents and bank overdrafts in the statement of cash flows	63.0	49.6	61.4

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 and cash equivalents in the balance sheet includes balances of £4.0 million (2008 half year: £4.4 million; 2008 full year: £4.1 million) held as cash collateral in connection with certain local trading practices or banking facilities.

11 Cash generated from operations

	Six months ended 30.6.09	Six months ended 30.6.08	Year ended 31.12.08
	£m	£m	£m
Operating profit	51.3	107.4	201.0
Depreciation and impairment of property plant and equipment	13.9	9.3	21.7
Amortisation and impairment of intangible assets	4.2	2.1	5.7
Amortisation of government grants	(0.3)	(0.3)	(0.5)
Charge for share-based payments	0.5	0.4	0.9
Loss on disposal of business	0.8	-	-
(Profit)/loss on sale of property, plant and equipment	(0.1)	0.2	0.2
Decrease/(increase) in inventories	37.0	(47.7)	(57.4)
Decrease/(increase) in receivables	73.7	(114.6)	(28.1)
(Decrease)/increase in payables	(68.6)	92.2	29.8
Movements in provisions	2.7	(2.0)	2.2
Movements in net retirement benefit obligations	(8.5)	(8.3)	(16.0)
	106.6	38.7	159.5

12 Provisions for other liabilities

	Disposal and restructuring	Warranty and product liability	Legal and environmental	Other	Total
	£m	£m	£m	£m	£m
At 1 January 2009	6.1	28.0	35.5	5.3	74.9
Exchange adjustments	(0.8)	(3.0)	(3.2)	(0.6)	(7.6)
Amounts provided	10.2	8.3	3.2	1.2	22.9
Amounts released	(0.5)	(3.6)	(1.8)	-	(5.9)
Utilised in the period	(6.2)	(2.9)	(4.8)	(0.4)	(14.3)
Unwinding of discount	-	-	0.1	-	0.1
At 30 June 2009	8.8	26.8	29.0	5.5	70.1

	Six months ended 30.6.09	Year ended 31.12.08
	£m	£m
Analysed as:		
Current	46.7	48.2
Non-current	23.4	26.7
	70.1	74.9

- (i) Disposal and restructuring costs include £7.8 million (31 December 2008: £6.1 million) in respect of employee severance costs in the welding, cutting and automation business and £1.0 million (31 December 2008: £nil) in respect of other closure 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 30 June 2009, these receivables amounted to £8.3 million (31 December 2008: £10.0 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 £10 million (31 December 2008: £13 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 £2 million (31 December 2008: £1 million to £2 million).

NOTES (CONTINUED)

13 Contingent liabilities

(i) Central operations

Since about 1985, certain subsidiaries of Charter, including Charter Limited (formerly Charter plc) and Charter Consolidated P.L.C., 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 and the first half of 2009 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 10,890 cases and has, on the advice of counsel, settled 391 cases. These cases were typically 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, in substantial part, 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:

<u>Date of verdict</u>	<u>Court</u>	<u>Nature of verdict</u>	<u>Number of claimants</u>	<u>Compensatory damages US\$m</u>	<u>Punitive damages US\$m</u>	<u>Number of defendants sharing award</u>	<u>Post trial motions or appeal in progress</u>
December 2007	Federal	Plaintiff	1	20.5	-	4	Yes
March 2008	Federal	Plaintiff	1	0.72	1.7 (i)	3	Yes
March 2008	State	Defendants	4	-	-	5	Yes
November 2008	State	Plaintiff	1	1.855	-	2	Yes
November 2008	Federal	Defendants	1	-	-	3	No
February 2009	State	Defendants	1	-	-	3	Yes

(i) 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 the first half of 2009. 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 3 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 defence 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\$16.5 million, which is reflected in EGI's balance sheet at 30 June 2009. 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, Pennsylvania and North Carolina 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 the second half of 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.

(iv) Other

In addition there are contingent liabilities entered into in the normal course of business from which no liability is expected to arise.

NOTES (CONTINUED)

14 Acquisitions and disposals

During the six months ended 30 June 2009, the Group made no acquisitions of subsidiaries and no adjustments have been made to the estimated fair value of the net assets acquired in 2008.

On 13 May 2009, ESAB completed the disposal of HD Engineering Limited, a manufacturer of drilling equipment, consumables and accessories, with net assets of £3.3 million, for a cash consideration of £2.0 million. After deducting expenses of £0.4 million this resulted in a loss of £1.7 million. Cumulative exchange translation gains previously taken directly to equity of £0.9 million have been recycled through the income statement following this disposal.

15 Dividends

A dividend of 14.0 pence per share for the year ended 31 December 2008, totalling £23.4 million, was paid on 5 May 2009.

An interim dividend of 7.0 pence per share for 2009 (2008: 7.0 pence per share), totalling £11.7 million, was declared by the Board on 29 July 2009. This dividend has not been included as a liability as at 30 June 2009.

16 Related party transactions

There were no significant changes in the nature and size of related party transactions for the period to those disclosed in the annual report for the year ended 31 December 2008. Key management compensation will be disclosed in the 2009 annual report.

17 Share capital

In 2009, 149,089 ordinary shares were issued for consideration of £324,999 on the vesting of awards under the MF Long-Term Incentive Plan and 47,678 ordinary shares were issued for nil consideration on the vesting of awards under the Charter Long-Term Incentive Plan.

In connection with the Deferred Bonus Plan (details of which were disclosed in the 2008 annual report), during the period the Group acquired 44,236 (2008 half year and full year: 29,618) of its own shares with an aggregate nominal value of £884.72 (2008 half year and full year: £592.36) through purchases on the London Stock Exchange by the Charter Employee Trust. The consideration paid of £0.2 million (2008 half year and full year: £0.2 million) has been deducted from retained earnings. At 30 June 2009 the Charter Employee Trust held 73,854 (2008 half year and full year: 29,618) ordinary shares with a market value of £0.3 million (2008 half year : £0.3 million; full year : £0.1 million)

18 Subsequent events

In July it was announced that ESAB's principal cutting and welding equipment factory in the USA is being substantially restructured. Whilst it will remain the global centre of excellence of ESAB's plasma cutting technology business, the production of other cutting equipment will be transferred to ESAB's factories in Germany and China and the production of arc welding equipment and plasma power supplies is also being transferred to ESAB facilities elsewhere. Customer service and marketing facilities for the North American market will be retained locally.

Also in July, in response to low sales, it was announced that the equipment factory at Zhangjiagang is to be temporarily closed.

It is expected that there will be a further exceptional restructuring charge of some £20 million in the second half of the year in relation to the cost of these and other restructuring measures.

19 Statement of directors' responsibilities

The Directors' confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The Directors of Charter International plc are listed in the Charter International plc annual report for the year ended 31 December 2008. Details of changes in the period are set out in the Chief Executive's statement.

By order of the board

M G Foster - Director

J R Deeley - Director

29 July 2009

Independent review report to Charter International plc

Introduction

We have been engaged by the Company to review the condensed consolidated interim financial information in the interim financial report for the six months ended 30 June 2009, which comprises the income statement, balance sheet, cash flow statement, statement of comprehensive income, statement of changes in equity and related notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial information.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated interim financial information included in this interim financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated interim financial information in the interim financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information in the interim financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
29 July 2009

Notes:

(a) The maintenance and integrity of the Charter International plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.