1 Basis of preparation and accounting policies

(i) Corporate information

Charter International plc ('the Company'), which is the ultimate parent company of the Charter Group, is incorporated and registered in Jersey under the Jersey Companies Law as a public company limited by shares. The Company is tax resident in the Republic of Ireland and its shares are listed on the London Stock Exchange's market for listed securities ('the London Stock Exchange'). The consolidated financial statements for the Group were approved by the Board on 23 March 2010.

(ii) Accounting policies

The consolidated financial statements for the Group have been prepared on the basis of accounting policies set out below in accordance with International Financial Reporting Standards ('IFRS') and International Financial Reporting Interpretations Committee ('IFRIC') interpretations as endorsed by the European Union and implemented in the United Kingdom ('UK') and in compliance with the Companies (Jersey) Law 1991. Although Charter International plc is incorporated and registered in Jersey under the Jersey Companies Law, the consolidated financial statements include disclosures sufficient to comply with those parts of the UK Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value.

Acquisition accounting adjustments have been finalised in relation to the acquisition of Aeolus Industria e Comercio Ltda by Howden on 22 August 2008. The comparative information for 2008 has been restated in accordance with IFRS 3 'Business combinations'. The impact of this restatement is to increase goodwill and deferred income tax liabilities by £2.6 million. The impact on the 2008 income statement is not significant. In addition, income tax receivable of £6.0 million as at 31 December 2008 that was previously netted off within 'Income tax liabilities' has been included as 'Current income tax receivables' and the comparative information for 2008 has been restated accordingly.

In compliance with the requirements for companies whose shares are listed on the London Stock Exchange, the financial statements of Charter International plc are included within the Group Annual Report. These are presented in sterling as that is the functional currency of that company. The Company has elected to prepare its financial statements under UK accounting standards.

Use of adjusted measures

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 2008 is not significant and therefore these amounts have not been restated.

The principal accounting policies set out below have been consistently applied to all the periods presented, unless otherwise stated, in respect of the Company, its subsidiaries and associated undertakings.

Critical accounting estimates and judgements

The preparation of financial statements in accordance with generally accepted accounting principles under IFRS 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 in the financial statements. On an ongoing basis, estimates are evaluated using historical experience, consultation with experts and other methods that are considered reasonable in the particular circumstances to ensure compliance with IFRS. 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. Should circumstances change, such that different assumptions, estimates and judgements are considered to be more appropriate, this may give rise to material adjustments to the carrying value of assets and liabilities in the next financial year particularly in respect of the key estimates, judgements and assumptions outlined below.

Construction contracts

Revenue and profit on construction contracts are usually recognised according to the stage of completion of the contract calculated by reference to estimates of contract revenue and expected costs including provisions for warranty and product liability. At 31 December 2009, amounts receivable/payable under construction contracts were £41.9 million (2008: £71.9 million) and £45.5 million (2008: £115.7 million) respectively. Contract retentions held by customers at 31 December 2009 in respect of construction contracts amounted to £32.4 million (2008: £40.2 million). Warranty and product liability provisions at 31 December 2009 of £30.5 million (2008: £28.0 million) mainly relate to construction contracts.

Employee benefits

Provisions for defined benefit post-employment obligations are calculated by independent actuaries. The principal actuarial assumptions and estimates used are based on independent actuarial advice and include the discount rate and estimates of life expectancy. Other key assumptions for defined benefit post-employment obligations are based in part on market conditions at the balance sheet date. Further information is disclosed in note 20. At 31 December 2009, the net retirement benefit obligation was £162.2 million (2008: £139.3 million).

1 Basis of preparation and accounting policies (continued)

Goodwill impairment testing

Capitalised goodwill is tested annually for impairment. Should the carrying value of the goodwill exceed its recoverable amount an impairment loss is recognised. The recoverable amounts are calculated based on the estimated value in use of cash-generating units. These calculations require estimates of cash flows, growth rates and discount rates based on the Group's weighted average cost of capital, adjusted for specific risks associated with particular cash-generating units. Further information regarding these assumptions is set out in note 10. At 31 December 2009, the carrying amount of capitalised goodwill was £92.7 million (2008: £92.0 million as restated).

Provisions

Provision is made for liabilities that are uncertain in timing or amount of settlement. These include provisions for legal and environmental claims. Calculations of these provisions are based on cash flows relating to these costs estimated by management supported by the use of external consultants, discounted at an appropriate rate where the impact of discounting is material. At 31 December 2009, these provisions amounted to £30.6 million (2008: £35.5 million).

Tax estimates

The Group's tax charge is based on the profit for the year and tax rates in effect. The determination of appropriate provisions for current and deferred income taxation requires the Group to take into account anticipated decisions of tax authorities and estimate the Group's ability to utilise tax benefits through future earnings and tax planning. These estimates and assumptions may differ from future events. At 31 December 2009, net income tax liabilities provided were £23.4 million (2008: £26.1 million) and net deferred income tax assets recognised amounted to £58.8 million (2008: £34.6 million as restated).

Changes to accounting policies

New standards and amendments to standards mandatory for the first time for the financial year beginning 1 January 2009 adopted by the Group:

- 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 statement. Other items of income and expenditure are required to be included in a statement of comprehensive income comprising either a single 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 IAS 14 '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.

- IFRS 2 (amendment) 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group has adopted IFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group's financial statements.

- IFRS 7 'Financial instruments – disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures; there is no other impact.

Standards, amendments and interpretations to existing standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2009, and that the Group will apply from 1 January 2010:

- IFRS 3 (revised) 'Business combinations'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent consideration measured at fair value at the acquisition date and subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are required to be expensed. The Group will apply IFRS 3 (revised) prospectively to transactions from 1 January 2010.

- IFRS 5 (amendment) 'Non-current assets held for sale and discontinued operations'. The amendment is not expected to have a material impact on the Group's financial statements.

- IFRIC 17 'Distribution of non-cash assets to owners'. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The Group will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

- IAS 27 (revised) 'Consolidated and separate financial statements'. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

1 Basis of preparation and accounting policies (continued)

- IAS 38 (amendment) 'Intangible assets'. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has a similar useful economic life. The amendment will not result in a material impact on the Group's financial statements. The Group will apply IAS 38 (amendment) prospectively to transactions from 1 January 2010.

- IAS 1 (amendment) 'Presentation of financial statements'. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. The Group will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

- IFRIC 18 'Transfers of assets from customers'. This clarifies the accounting for arrangements where an item of property, plant and equipment, which is provided by the customer, is used to provide an ongoing service. It is not expected to have a material impact on the Group's financial statements.

- IFRS 2 (amendments) 'Group cash-settled and share-based payment transactions'. The amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

(iii) Basis of consolidation

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies of the entity. A shareholding of more than one-half of the voting rights will normally be the basis of such control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus the costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired, including all separately identifiable intangible assets, is goodwill which has been recorded as an intangible asset since 1 January 1998 (see (ix) (a) Goodwill below). Where additional shareholdings in associate entities are acquired any fair value adjustments related to the shareholdings prior to the increase in shareholding are taken directly to equity.

Associates and joint ventures are entities over which the Group has significant influence but not control, normally on the basis of a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recorded at cost.

The Group's share of its associates' and joint ventures' post-acquisition profits or losses, net of interest and tax, is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Intercompany balances and transactions, and any unrealised gains arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures.

The Group has taken advantage of the business combinations exemption in IFRS 1 and has not restated business combinations that took place before 1 January 2004, being the date of transition to IFRS.

(iv) Segmental reporting

Segment information is presented on the same basis as that used for internal purposes by the Chief Operating Decision Maker. Revenue by geographic segment is allocated based on the country in which the customer is located. Non-current assets and capital expenditure by geographic segment are allocated based on where the assets are located.

(v) Foreign currencies

Items included in the financial statements for each of the Group's entities are measured using the currency of the primary economic environment in which that entity operates ('the functional currency'). The consolidated financial statements are presented in sterling, the functional currency and presentation currency of Charter International plc.

Foreign currency transactions are translated into the functional currency of Group entities using the exchange rate at the date of transaction. Foreign exchange gains and losses arising from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities are recognised in the income statement except where deferred in equity as qualifying cash flow hedges. The results and net assets of all Group companies that have non-sterling functional currency are included in the consolidated financial statements as follows:

(a) assets and liabilities are translated at the closing exchange rate at the balance sheet date;

(b) income and expenses are translated at average exchange rates for the relevant period; and

(c) all resulting exchange differences arising since 1 January 2004 are recognised as a separate component of equity.

1 Basis of preparation and accounting policies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences arising since 1 January 2004 are recognised in the income statement as part of the gain or loss on sale.

(vi) Financial assets

The classification of financial assets depends on the purpose for which the assets were acquired. Management determines the classification of an asset at initial recognition and re-evaluates its designation at each reporting date. Assets are classified as: loans and receivables; held-to-maturity investments; available-for-sale financial assets; or financial assets where changes in fair value are charged (or credited) to the income statement. Available-for-sale financial assets include non-derivatives not classified in any of the other categories.

The subsequent measurement of financial assets depends on their classification. On initial recognition loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets where changes in fair value are charged (or credited) to the income statement are subsequently measured at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments previously taken to reserves are included in the income statement.

Financial assets are derecognised when the right to receive cash flows from the assets has expired or has been transferred, and the Company has transferred substantially all of the risks and rewards of ownership.

Financial assets classified as loans and receivables comprise 'Trade and other receivables' and 'Cash and cash equivalents'. They are classified as current if they are expected to be realised within 12 months of the balance sheet date.

(vii) Financial instruments

Derivative financial instruments, principally forward foreign exchange contracts and foreign currency swaps, that are used as hedges in the financing and financial risk management of the Group are categorised as hedges. Derivative financial instruments categorised as hedges are initially measured at fair value on the date a derivative contract is entered into and subsequently remeasured at their fair value at each balance sheet date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities (fair value hedge); (2) hedges of highly probable forecast transactions (cash flow hedge); or (3) hedges of net investments in foreign operations (net investment hedge).

For cash flow hedges and net investment hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in shareholders' equity, with any ineffective portion recognised in the income statement generally as part of financing. When hedged cash flows result in the recognition of a non-financial asset or liability, the associated gains or losses previously recognised in shareholders' equity are included in the initial measurement of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in shareholders' equity are transferred to the income statement in the same period in which the hedged cash flows affect the income statement. For net investment hedges gains and losses accumulated in shareholders' equity are included in the income statement when the foreign operation is disposed of.

Any gains or losses arising from changes in fair value of derivative financial instruments not designated as hedges are recognised in the income statement generally as part of financing.

(viii) Property, plant and equipment

The Group's policy is to carry property, plant and equipment at historic cost less accumulated depreciation and impairment losses except that certain properties were revalued on transition to IFRS at 1 January 2004. These revaluations are treated as deemed cost as at 1 January 2004 as allowed by IFRS 1.

Borrowing costs associated with expenditure on property, plant and equipment that first commenced after 1 January 2009 are capitalised (see (xvi) Borrowings below). Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method spreading the difference between cost and residual value over the estimated useful life as follows:

Buildings	30-50 years
Plant, machinery and equipment	8-14 years
Vehicles	5 years
IT equipment	3-5 years

Asset lives and residual values are re-assessed at least annually.

1 Basis of preparation and accounting policies (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (see (x) Impairment of assets below).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

(ix) Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the subsidiary or associate acquired.

Goodwill, represented by the carrying value at 1 January 2004 under the Group's previous accounting policy together with additional amounts arising since that date, is no longer amortised and is carried at cost less accumulated impairment losses. Goodwill is included in intangible assets in relation to subsidiaries and in investments in associates and joint ventures in relation to associates and joint ventures. In respect of acquisitions prior to 1 January 2004, the classification and accounting treatment of business combinations has not been restated on transition to IFRS, as permitted by IFRS 1.

Goodwill arising prior to 1 January 1998 was written off directly to reserves. Goodwill arising in the period 1 January 1998 to 31 December 2003 was capitalised as an intangible asset in relation to subsidiaries and amortised on a straight-line basis over its estimated useful life, a period not exceeding 20 years or included as part of the carrying value of associates and joint ventures.

Goodwill acquired in business combinations and carried in the balance sheet is allocated to the cash-generating units ('CGUs') that are expected to benefit from the business combination.

(b) Research and development

Research expenditure is charged to income in the year in which it is incurred.

Internal development expenditure is charged to income in the year in which it is incurred, unless it meets the recognition criteria of IAS 38 'Intangible assets', in which case such costs are capitalised and amortised over the estimated useful life of the asset created, usually between 3 and 10 years.

(c) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred and amortised on a straight-line basis over the estimated useful life of the licence, usually between 3 and 7 years.

Internal expenditure associated with developing or maintaining computer software programmes is charged to income in the year in which it is incurred, except for such costs that are directly associated with the production of identifiable and unique software products controlled by the Group that are likely to generate benefits exceeding costs beyond 1 year which are capitalised and amortised on a straight-line basis over the estimated useful life of the software product, usually less than 7 years.

(d) Intangibles arising on acquisitions

In establishing the fair value of assets and liabilities arising on acquisitions the Group identifies the fair values attributable to intangible assets. The intangible assets recognised include the value in respect of brands and trademarks, intellectual property rights, customer contracts and relationships and proprietary technology rights and know-how. All intangibles recognised on business combinations are amortised over the expected useful economic lives, usually between 3 and 10 years.

(x) Impairment of assets

Assets that have an indefinite useful life, including goodwill, are not subject to amortisation and are tested annually for impairment and whenever there is an indication that the intangible asset may be impaired. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(xi) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first-in first-out ('FIFO') basis or the average cost basis. Cost includes expenditure which is incurred in the normal course of business in bringing the product to its present location and condition. Net realisable value is the estimated selling price less all disposal costs to be incurred.

(xii) Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is met only when the asset is available for immediate sale in its present condition and the sale is highly probable within one year from the date of classification.

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell and cease to be depreciated from the date of classification.

1 Basis of preparation and accounting policies (continued)

(xiii) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less any provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is recognised in the income statement. Trade receivables are discounted when the time value of money is considered material. Amounts due after more than 12 months from the balance sheet date are classified in the balance sheet as 'non-current'.

(xiv) Cash, cash equivalents and bank overdrafts

For the purposes of the cash flow statement, cash, cash equivalents and bank overdrafts includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(xv) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(xvi) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost. Where borrowings are used to hedge the Group's interest in the net assets of foreign operations, the portion of the foreign exchange gain or loss on the borrowings that are determined to be an effective hedge is recognised in shareholders' equity. Gains and losses accumulated in shareholders' equity are included in the income statement when the foreign operation is disposed of.

Borrowing costs directly attributable to expenditure that first commenced after 1 January 2009 on a qualifying asset (one that takes a substantial period of time to get ready for use or sale) is included in the cost of that asset. Capitalisation ceases when the qualifying asset is substantially complete. Borrowing costs in relation to inventories and construction contracts that are manufactured in large quantities on a repetitive basis are not capitalised.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(xvii) Taxation

Taxation is that chargeable on the profits for the period, together with deferred income taxation. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, including actuarial gains and losses on retirement benefit obligations (see (xviii) Employee benefits below) and share-based payments (see (xix) Share-based payments below), in which case it is recognised in equity.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income taxation liabilities are provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated balance sheet.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income taxation is not provided on the unremitted earnings of subsidiaries where the timing of the reversal of the resulting temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future or where the remittance would not give rise to incremental tax liabilities or is otherwise not taxable.

(xviii) Employee benefits

The Group accounts for pensions and similar post-retirement benefits (principally healthcare) under IAS 19 'Employee benefits'.

In respect of defined benefit pension plans, where the amount of pension benefit that an employee will receive on retirement is defined by the plan, the liability recorded in the balance sheet is the present value of the defined obligation at that date less the fair value of the plan assets, together with an adjustment for any unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the period in which they occur directly in equity, in the statement of comprehensive income. Taxation attributable to actuarial gains and losses is taken to equity.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period, in which case the past service costs are spread over that period.

For defined benefit schemes, the amount charged to operating profit in the income statement comprises the current service cost, past service cost and the impact of any settlements or curtailments. Interest on plan liabilities and the expected return on plan assets is included within financing in the income statement. For defined contribution plans, where the Group pays a fixed contribution into a separate entity and has no legal or constructive obligations to pay further contributions irrespective of whether or not the fund has sufficient assets to pay all employees the benefits relating to service in the current and prior periods, the contributions are recognised as an expense when they are due.

1 Basis of preparation and accounting policies (continued)

For other defined benefit post-employment obligations, principally post-employment medical arrangements in the US, a similar accounting methodology to that for defined benefit pension plans is used. Where the actuarial valuation of a scheme demonstrates that the scheme is in surplus, the recognised asset is limited to the extent that the Group can benefit in future, for example by refunds or a reduction in contributions. Movements in the amount of any irrecoverable surplus are recognised directly in equity, in the statement of comprehensive income.

(xix) Share-based payments

The Group operates both equity-settled and cash-settled share-based compensation plans.

The fair value of the employee services received in exchange for participation in the plan is recognised as an expense in the income statement.

In the case of equity-settled plans the fair value of the employee service is based on the fair value of the equity instruments granted. This expense is spread over the vesting period of the instrument. The corresponding entry is credited to equity. Taxation attributable to the excess of the fair value over the charge to the income statement is taken to equity. The liability for social security costs arising in relation to the awards is remeasured at each reporting date based on the share price as at the reporting date and the elapsed portion of the relevant vesting periods to the extent it is considered probable that a liability will arise.

Cash-settled plans are measured on a similar basis except that the fair value of the liability is remeasured at each reporting date, with changes recognised in the income statement. For cash-settled plans the corresponding entry is included as a liability.

(xx) Government grants

Grants receivable from governments or similar bodies are credited to the balance sheet in the period in which the conditions relating to the grant are met. Where they relate to specific assets they are amortised on a straight-line basis over the same period as the asset is depreciated. Where they relate to revenue expenditure and/or non-asset criteria they are taken to the income statement to match the period in which the expenditure is incurred and criteria met.

(xxi) Provisions for other liabilities

Provisions for disposal and restructuring costs, warranty and product liability, and legal and environmental liability are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If all these conditions are not met then no provision is recognised. Incurred but not reported ('IBNR') amounts are included in provisions. Provisions are not recognised for future operating losses. 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.

(xxii) Share capital

Ordinary shares are classified as equity. Share issue costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid is deducted from Group equity until the shares are cancelled or reissued.

(xxiii) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for goods and services and the value of work executed during the year in respect of construction contracts. Revenue, which is recorded net of value-added tax, rebates and discounts, and after eliminating intra-group sales, is recognised as follows:

(a) Sales of goods and services

The majority of the Group's revenues relate to the sale of goods and services which are recognised when a Group entity has fulfilled its contractual obligations to a customer and has obtained the right to receive consideration. In respect of the sale of goods this is usually on despatch but is dependent upon the contractual terms that have been agreed with a customer.

(b) Construction contracts

Revenue is recognised by a Group entity in accordance with the stage of completion of its contractual obligations to the customer. The stage of completion is usually based on the proportion of costs incurred compared to the total expected costs to complete the contract, where this also represents a right to receive consideration, and provided the outcome of the contract can be assessed with reasonable certainty.

Losses on contracts are recognised in the period in which the loss first becomes foreseeable. Contract losses are determined to be the amount by which estimated direct and indirect costs of the contract exceed the estimated total revenues that will be generated by the contract.

1 Basis of preparation and accounting policies (continued)

(xxiv) Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in property, plant and equipment and the capital element of the leasing commitments is shown as an obligation under finance leases. The lease rentals are treated as consisting of capital and interest repayment elements. The capital element is applied to reduce the outstanding obligations and the interest element charged to income so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

(xxv) Dividend distribution

Dividend distributions to the Company's shareholders are recognised in the accounts in the period when paid.

2 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.

The following is an analysis of the revenue, results, assets and liabilities for the year analysed by segment.

	Welding £m	Cutting and automation £m	Welding, cutting and automation £m	Air and gas handling £m	Other £m	Total £m
Year ended 31 December 2009						
Total revenue	**846.7**	**184.7**	**1,031.4**	**627.8**	**–**	**1,659.2**
Segment result (before exceptional items)	**54.7**	**9.8**	**64.5**	**70.5**	**(12.2)**	**122.8**
Exceptional items – restructuring	**(18.0)**	**(6.3)**	**(24.3)**	**(2.0)**	**–**	**(26.3)**
– loss on disposal of business	**–**	**(0.5)**	**(0.5)**	**–**	**–**	**(0.5)**
Operating profit	**36.7**	**3.0**	**39.7**	**68.5**	**(12.2)**	**96.0**
Share of post-tax profits of associates and joint ventures	**3.5**	**–**	**3.5**	**–**	**–**	**3.5**
	40.2	**3.0**	**43.2**	**68.5**	**(12.2)**	**99.5**
Net financing charge						**(6.8)**
Profit before tax						**92.7**
Tax						**(17.9)**
Profit for the year						**74.8**
Minority interests						**(11.3)**
Profit attributable to equity shareholders						**63.5**
Investments in associates and joint ventures	**17.0**	**–**	**17.0**	**0.8**	**0.2**	**18.0**
Other segment assets	**629.3**	**124.2**	**753.5**	**421.9**	**23.5**	**1,198.9**
Segment assets	**646.3**	**124.2**	**770.5**	**422.7**	**23.7**	**1,216.9**
Unallocated assets: current income tax receivables						**10.0**
: deferred income tax						**88.5**
Total assets						**1,315.4**
Segment liabilities	**(241.6)**	**(59.8)**	**(301.4)**	**(327.2)**	**(20.7)**	**(649.3)**
Unallocated liabilities: current income tax liabilities						**(33.4)**
: deferred income tax liabilities						**(29.7)**
: borrowings (excluding bank overdrafts)						**(11.7)**
Total liabilities						**(724.1)**
Other segment items						
Capital expenditure on property, plant, equipment, computer software and development costs	**39.5**	**5.8**	**45.3**	**18.7**	**0.7**	**64.7**
Depreciation	**18.1**	**2.0**	**20.1**	**5.9**	**0.2**	**26.2**
Amortisation of intangible assets	**4.2**	**1.7**	**5.9**	**2.0**	**0.3**	**8.2**

2 Segment analysis (continued)

	Welding £m	Cutting and automation £m	Welding, cutting and automation £m	Air and gas handling £m	Other £m	Total £m
Year ended 31 December 2008						
Total revenue	1,042.2	217.6	1,259.8	627.2	–	1,887.0
Segment result (before exceptional items)	122.7	25.9	148.6	73.1	(12.4)	209.3
Exceptional items – restructuring	(5.6)	(0.6)	(6.2)	–	–	(6.2)
– change in holding company	–	–	–	–	(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[i]	745.0	181.4	926.4	467.5	46.1	1,440.0
Segment assets	761.5	181.4	942.9	468.5	46.3	1,457.7
Unallocated assets: current income tax receivables						6.0
: deferred income tax						69.7
Total assets						1,533.4
Segment liabilities	(304.8)	(98.9)	(403.7)	(375.3)	(53.5)	(832.5)
Unallocated liabilities: income tax liabilities						(32.1)
: deferred income tax liabilities[i]						(35.1)
: borrowings (excluding bank overdrafts)						(15.4)
Total liabilities						(915.1)
Other segment items						
Capital expenditure on property, plant, equipment, computer software and development costs	49.4	4.6	54.0	14.2	1.9	70.1
Depreciation	(15.0)	(1.2)	(16.2)	(4.6)	(0.1)	(20.9)
Amortisation of intangible assets	(3.2)	(1.0)	(4.2)	(1.1)	(0.1)	(5.4)

(i) The comparative information for 2008 has been restated following the finalisation of acquisition accounting adjustments as explained in note 1. The impact of this restatement is to increase goodwill included in the air and gas handling segment assets and deferred income tax liabilities by £2.6 million.

2 Segment analysis (continued)

Geographical information

	Revenue (by location of customer)	
	2009 £m	2008 £m
Ireland	**2.3**	4.0
UK	**67.8**	73.5
Other Europe	**525.6**	682.5
Europe	**595.7**	760.0
USA	**297.0**	346.8
Other North America	**70.6**	73.3
North America	**367.6**	420.1
Brazil	**159.1**	164.5
Other South America	**44.5**	63.8
South America	**203.6**	228.3
China	**150.2**	173.0
Rest of world	**342.1**	305.6
Total	**1,659.2**	1,887.0

	Non-current assets[i]	
	2009 £m	2008 £m
Ireland	**0.2**	–
UK	**33.4**	27.3
Other Europe	**111.2**	116.6
Europe	**144.8**	143.9
USA	**63.0**	54.8
Other North America	**8.4**	9.1
North America	**71.4**	63.9
Brazil	**63.7**	52.3
Other South America	**13.8**	16.0
South America	**77.5**	68.3
India	**46.1**	48.0
China	**43.3**	52.3
Rest of world	**36.2**	34.6
Total	**419.3**	411.0

	Capital expenditure[ii]	
	2009 £m	2008 £m
Ireland	**0.2**	–
UK	**8.9**	8.2
Other Europe	**16.4**	20.3
Europe	**25.5**	28.5
USA	**20.6**	15.3
Other North America	**0.9**	1.3
North America	**21.5**	16.6
Brazil	**5.2**	7.7
Other South America	**1.4**	3.4
South America	**6.6**	11.1
China	**2.4**	8.8
India	**3.1**	2.5
Rest of world	**5.6**	2.6
Total	**64.7**	70.1

(i) Non-current assets included above comprise intangible assets and property, plant and equipment.

(ii) Capital expenditure included above comprises property, plant, equipment, computer software and development costs.

3 Analysis of revenue by category

	2009 £m	2008 £m
Sales of goods (including spare parts)	**1,220.8**	1,419.6
Revenue from construction contracts	**385.0**	423.3
Revenue from services	**53.4**	44.1
	1,659.2	1,887.0

4 Operating profit

	2009 £m	2008 £m
The following amounts have been charged/(credited) in arriving at operating profit:		
Staff costs (note 8)	**375.6**	359.9
Depreciation of property, plant and equipment (note 11)		
– Owned assets	**25.6**	20.8
– Finance leases	**0.6**	0.1
Impairment of property, plant and equipment (note 11)	**2.1**	0.8
Amortisation of intangible assets (note 10)	**8.2**	5.4
Impairment of intangible assets (note 10)	**1.4**	0.3
(Profit)/loss on disposal of property, plant and equipment	**(0.1)**	0.2
Operating lease rentals payable	**18.1**	22.8
Repairs and maintenance expenditure on property, plant and equipment	**16.6**	20.8
Research and development expenditure	**11.4**	8.8
Inventories recognised as expense (note 13)	**998.1**	1,187.7
Trade and other receivables impairment (note 14)	**5.4**	5.9
Amortisation of government grants	**(0.6)**	(0.5)
Net exchange losses	**2.6**	0.1
Restructuring costs (note 5)	**17.1**	5.4

	Group 2009 £m	Associated pension schemes 2009 £m	Group 2008 £m	Associated pension schemes 2008 £m
Services provided by the Company's Auditor and network firms				
Audit services				
Fees payable to Company Auditor for the audit of the parent Company and consolidated financial statements	**0.7**	**–**	0.7	–
Non-audit services				
Fees payable to the Company's Auditor and its associates for other services:				
Auditing of the Company's subsidiaries pursuant to legislation	**2.3**	**0.1**	2.3	0.1
Other services pursuant to legislation	**0.2**	**–**	0.2	–
Other services relating to taxation	**0.5**	**–**	0.8	–
Services in relation to the Scheme of Arrangement	**–**	**–**	1.6	–
All other services	**0.1**	**–**	0.2	–
	3.8	**0.1**	5.8	0.1

Of the services in relation to the Scheme of Arrangement in 2008, £1.2 million is included in exceptional items in the income statement and £0.4 million is included as part of issue costs deducted from equity.

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:

	2009 £m	2008 £m
Restructuring costs		
Headcount reductions	**13.8**	5.4
Impairment of intangibles and property, plant and equipment	**3.5**	0.8
Impairment of inventory	**4.8**	–
Impairment of receivables	**0.9**	–
Other restructuring costs	**3.3**	–
	26.3	6.2
Loss on disposal of business (note 29)		
Loss on disposal before exchange gains transferred from reserves	**1.4**	–
Exchange gains transferred from reserves	**(0.9)**	–
	0.5	–
Change in holding company	**–**	2.1
	26.8	8.3

A tax credit of £4.2 million (2008: £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.

6 Net financing charge

	2009 £m	2008 £m
Net financing charge – retirement benefit obligations:		
Interest on schemes' liabilities	**(37.8)**	(37.3)
Expected return on schemes' assets	**30.1**	36.6
	(7.7)	(0.7)
Interest payable on bank borrowings	**(1.8)**	(3.7)
Interest payable on bank borrowings – fees	**(0.7)**	(0.8)
	(2.5)	(4.5)
Interest payable on other loans	**(0.1)**	(0.8)
Interest payable on finance leases	**(0.1)**	(0.1)
Fair value losses on derivative financial instruments	**(1.5)**	(1.0)
Exchange losses on cash and borrowings	**(1.1)**	–
Other	**(2.0)**	–
Unwinding of discount on provisions (note 18)	**(0.3)**	(0.4)
Other financing charge before exchange losses on retranslation of intercompany loan balances	**(7.6)**	(6.8)
Interest income on bank accounts and deposits	**1.9**	3.3
Interest income on financial assets not held at fair value	**0.2**	0.4
Fair value gains on derivative financial instruments	**0.1**	1.2
Other	**2.3**	0.7
Other financing income before exchange gains on retranslation of intercompany loan balances	**4.5**	5.6
Net financing charge before exchange gains/(losses) on intercompany loan balances	**(10.8)**	(1.9)
Net exchange gains/(losses) on retranslation of intercompany loan balances	**4.0**	(4.6)
Net financing charge	**(6.8)**	(6.5)

7 Taxation

	2009 £m	2008 £m
Tax charge on underlying profits	**22.7**	38.5
Taxation on exceptional items	**(4.2)**	(1.5)
Taxation on amortisation and impairment of acquired intangibles and goodwill	**(0.7)**	(0.4)
Taxation on net financing charge – retirement benefit obligations	**(1.1)**	–
Taxation on retranslation of intercompany loan balances	**1.2**	2.4
Taxation charge	**17.9**	39.0

	2009 £m	2008 £m
Current taxation		
Current year	**37.9**	62.4
Adjustments in respect of previous years	**10.5**	(9.4)
Total current tax charge	**48.4**	53.0
Deferred income taxation		
Current year	**(13.4)**	(3.5)
Adjustments in respect of previous years	**(17.1)**	(10.5)
Total deferred income tax credit (note 19)	**(30.5)**	(14.0)
Taxation charge	**17.9**	39.0

Factors affecting the tax charge for the year

The Company is tax-resident in Ireland. Prior to 22 October 2008 Charter plc, a UK tax-resident company, was the ultimate parent company of the Charter Group. The tax assessed for the year is lower (2008: lower) than the standard rate of corporation tax for investment companies in the Republic of Ireland of 25 per cent (2008: UK 28.5 per cent). The differences are explained below:

	2009 £m	2008 £m
Profit before tax	**92.7**	197.7
Profit multiplied by rate of corporation tax in the Republic of Ireland of 25 per cent (2008: UK 28.5 per cent)	**23.2**	56.3
Effects of:		
Adjustment to tax in respect of prior year[i]	**(6.5)**	(19.8)
Benefit of lower foreign tax rates	**(1.2)**	(5.2)
Other taxes (primarily US state taxes)	**1.6**	2.4
Tax incentives	**(0.2)**	(0.3)
Non-deductible expenses and tax-effective items not in income statement	**(0.8)**	8.9
Movement on deferred income tax assets not recognised	**1.9**	(5.8)
Difference between book profit and chargeable gains	**0.2**	(0.1)
Share of associates' post-tax profits not taxable	**(0.9)**	(0.9)
Non-taxable exchange on retranslation of intercompany loan balances	**0.6**	3.5
Taxation charge	**17.9**	39.0

(i) The adjustment attributable to previous year's tax principally reflects the net release of a provision following the final settlement of an uncertain tax position in respect of a previously ongoing tax audit. In 2008 the adjustment mainly relates to the recognition of the benefit of the future use of brought-forward tax losses that were not previously considered to be recoverable from future taxable profits.

8 Employees and Directors

	2009 £m	2008 £m
(i) Aggregate amounts payable		
Wages and salaries	**309.1**	296.3
Long-term incentive plan costs	**1.9**	0.5
Social security costs	**55.1**	53.5
Post-retirement costs		
Defined benefit schemes and overseas medical costs (note 20)	**2.1**	2.2
Defined contribution schemes	**7.4**	7.4
	375.6	359.9

8 Employees and Directors (continued)

	2009 Number	2008 Number
(ii) Average number of persons employed by the Group		
Welding	**7,256**	8,063
Cutting and automation	**1,325**	1,309
Welding, cutting and automation	**8,581**	9,372
Air and gas handling	**3,819**	3,856
Corporate	**51**	51
Total average headcount	**12,451**	13,279

At the year end the number of employees was 11,982 (2008: 13,364).

(iii) Directors' remuneration

Information covering Directors' remuneration, interests in shares and interests in share options is included in the Remuneration report on pages 55 to 61.

	2009 £m	2008 £m
(iv) Key management compensation		
Salaries and short-term employee benefits	**3.3**	3.8
Termination benefits	**0.3**	–
Post-retirement benefits	**0.3**	0.4
Share-based payments	**1.0**	0.7
	4.9	4.9

The amounts disclosed above for key management include the Directors of the Company and the key management listed on page 44. The Human Resources Director and the Managing Director of ESAB Europe became key management on 29 April 2009, and the Charter Company Secretary and General Counsel was appointed on 21 October 2009. The former Chief Executive of ESAB Global and the President, Chairman and General Counsel of Anderson Group Inc. ceased to be key management on 29 April 2009 and 25 February 2009 respectively.

9 Earnings per share

Basic headline earnings per share is calculated on an average of 166.8 million shares (2008: 166.7 million shares).

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of 0.7 million (2008: 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 on the next page.

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 2008 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.

9 Earnings per share (continued)

	Per share		Total earnings	
	2009 pence	2008 pence	2009 £m	2008 £m
Basic earnings per share				
Profit attributable to equity shareholders of the Company	**38.1**	90.1	**63.5**	150.2
Items not relating to underlying business performance				
Exceptional items	**16.0**	5.0	**26.8**	8.3
Amortisation and impairment of acquired intangibles and goodwill	**1.5**	1.1	**2.5**	1.9
Acquisition costs	**0.2**	note (i)	**0.3**	note (i)
Net financing charge – retirement benefit obligations	**4.6**	note (i)	**7.7**	note (i)
Retranslation of intercompany loan balances	**(2.4)**	2.8	**(4.0)**	4.6
Taxation on items not relating to underlying business performance	**(2.9)**	0.3	**(4.8)**	0.5
Minority share of items not relating to underlying business performance	**(0.1)**	(0.1)	**(0.2)**	(0.2)
Adjusted basic earnings attributable to equity shareholders of the Company	**55.0**	99.2	**91.8**	165.3

	Per share		Total earnings	
	2009 pence	2008 pence	2009 £m	2008 £m
Fully diluted earnings per share				
Profit attributable to equity shareholders of the Company	**37.9**	90.0	**63.5**	150.2
Items not relating to underlying business performance				
Exceptional items	**16.0**	5.0	**26.8**	8.3
Amortisation and impairment of acquired intangibles and goodwill	**1.5**	1.1	**2.5**	1.9
Acquisition costs	**0.2**	note (i)	**0.3**	note (i)
Net financing charge – retirement benefit obligations	**4.6**	note (i)	**7.7**	note (i)
Retranslation of intercompany loan balances	**(2.4)**	2.7	**(4.0)**	4.6
Taxation on items not relating to underlying business performance	**(2.9)**	0.3	**(4.8)**	0.5
Minority share of items not relating to underlying business performance	**(0.1)**	(0.1)	**(0.2)**	(0.2)
Adjusted diluted earnings attributable to equity shareholders of the Company	**54.8**	99.0	**91.8**	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 2008 is not significant and therefore these amounts have not been restated.

10 Intangible assets

		Computer software				
	Goodwill £m	Internally generated £m	Other £m	Development costs £m	Acquired intangibles £m	Total £m
Cost						
At 1 January 2009	**97.7**	**5.8**	**16.9**	**17.9**	**21.7**	**160.0**
Exchange adjustments	**0.7**	**–**	**(0.2)**	**(0.5)**	**0.5**	**0.5**
Additions	**–**	**–**	**1.8**	**–**	**–**	**1.8**
Disposals	**–**	**–**	**(0.5)**	**(1.3)**	**(0.5)**	**(2.3)**
Internally generated	**–**	**5.1**	**–**	**5.7**	**–**	**10.8**
At 31 December 2009	**98.4**	**10.9**	**18.0**	**21.8**	**21.7**	**170.8**
Accumulated amortisation						
At 1 January 2009	**5.7**	**0.5**	**9.1**	**5.9**	**2.8**	**24.0**
Exchange adjustments	**–**	**–**	**–**	**(0.1)**	**0.1**	**–**
Charge for the year	**–**	**1.2**	**2.0**	**2.5**	**2.5**	**8.2**
Impairment charge for the year[v]	**–**	**–**	**0.5**	**0.9**	**–**	**1.4**
Disposals	**–**	**–**	**(0.1)**	**(1.3)**	**(0.5)**	**(1.9)**
At 31 December 2009	**5.7**	**1.7**	**11.5**	**7.9**	**4.9**	**31.7**
Net book amount						
At 1 January 2009	**92.0**	**5.3**	**7.8**	**12.0**	**18.9**	**136.0**
At 31 December 2009	**92.7**	**9.2**	**6.5**	**13.9**	**16.8**	**139.1**

10 Intangible assets (continued)

	Goodwill £m	Computer software: Internally generated £m	Computer software: Other £m	Development costs £m	Acquired intangibles £m	Total £m
Cost						
At 1 January 2008	65.8	0.4	12.1	10.7	7.1	96.1
Exchange adjustments[i]	8.1	–	2.2	2.8	1.8	14.9
Additions	–	–	3.0	–	–	3.0
Acquired (note 29)[ii]	23.8	–	–	–	12.8	36.6
Disposals	–	–	(0.4)	–	–	(0.4)
Internally generated	–	5.4	–	4.4	–	9.8
At 31 December 2008	97.7	5.8	16.9	17.9	21.7	160.0
Accumulated amortisation						
At 1 January 2008	5.7	–	6.2	3.5	0.5	15.9
Exchange adjustments	–	–	1.4	0.9	0.4	2.7
Charge for the year	–	0.5	1.5	1.5	1.9	5.4
Impairment charge for the year[v]	–	–	0.3	–	–	0.3
Disposals	–	–	(0.3)	–	–	(0.3)
At 31 December 2008	5.7	0.5	9.1	5.9	2.8	24.0
Net book amount						
At 1 January 2008	60.1	0.4	5.9	7.2	6.6	80.2
At 31 December 2008	92.0	5.3	7.8	12.0	18.9	136.0

(i) Goodwill acquired in business combinations and carried in the balance sheet is allocated to the cash-generating units ('CGUs') that are expected to benefit from that business combination. The comparative information for 2008 has been restated following the finalisation of acquisition accounting adjustments as explained in note 1. The impact of this restatement is to increase goodwill on acquisition by £3.0 million and to decrease exchange adjustments by £0.4 million, resulting in an increase of £2.6 million at 31 December 2008. The carrying amounts of goodwill have been allocated as follows:

	2009 £m	As restated 2008 £m
Welding		
Alcotec (single CGU)	**10.4**	10.4
ESAB Sp. z o.o. (single CGU)	**5.8**	5.8
Eutectic (single CGU)	**0.9**	0.9
ESAB South America (several CGUs)	**21.2**	19.4
ESAB India (single CGU)	**14.3**	15.3
ESAB Atas (single CGU)	**1.2**	1.3
Electrodi AD (single CGU)	**1.1**	1.2
Romar (several CGUs)	**17.3**	19.0
	72.2	73.3
Air and gas handling		
Howden South Africa (several CGUs)	**2.8**	2.6
Howden Compressors (several CGUs)	**7.8**	8.1
Howden Aeolus (single CGU)	**9.9**	8.0
	92.7	92.0

(ii) The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates, expected sales prices and direct costs during the period. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts and internal forecasts. Selling prices and direct costs are based on past experience and expectations of future changes in the market.

10 Intangible assets (continued)

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next two years and extrapolates cash flows for the following years based on estimated growth rates detailed in the table below. These do not exceed the average long-term growth rate for the relevant markets.

The pre-tax rates used to discount the forecast cash flows are detailed in the table below.

	Growth rates		Discount rates	
	2009 %	2008 %	2009 %	2008 %
ESAB South America	**1.5 to 3.5**	1.1 to 3.6	**18.7 to 20.3**	13.9 to 14.8
ESAB India	**6.4**	7.1	**14.8**	12.3
Romar	**4.1**	6.3	**10.0**	9.5
Other cash-generating units	**up to 3.5**	up to 4.0	**10.1 to 20.3**	5.7 to 10.5

(iii) Development costs are internally generated. Development costs are amortised once the asset is brought into use. The Group tests development costs for assets not yet brought into use at least annually for impairment.

(iv) Other intangible assets have finite lives, over which the assets are amortised. The amortisation periods are set out in the accounting policies on page 73.

Intangibles, other than goodwill which is not amortised, with a carrying value as at 31 December 2009 of £46.4 million (2008: £44.0 million) had a remaining amortisation period of up to 10 years as at 31 December 2009 and 31 December 2008. Amortisation has been included in the income statement as follows:

	Computer software		Development costs		Acquired intangibles		Total	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Cost of sales	**0.3**	0.2	**2.5**	1.4	**0.2**	0.3	**3.0**	1.9
Selling and distribution costs	**0.4**	0.2	**–**	0.1	**1.1**	1.2	**1.5**	1.5
Administrative expenses	**2.5**	1.6	**–**	–	**1.2**	0.4	**3.7**	2.0
Total	**3.2**	2.0	**2.5**	1.5	**2.5**	1.9	**8.2**	5.4

(v) Impairment has been included in the income statement as follows:

	Computer software		Development costs		Acquired intangibles		Total	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Cost of sales	**–**	–	**0.6**	–	**–**	–	**0.6**	–
Selling and distribution costs	**–**	–	**0.1**	–	**–**	–	**0.1**	–
Administrative expenses	**0.5**	0.3	**0.2**	–	**–**	–	**0.7**	0.3
Total	**0.5**	0.3	**0.9**	–	**–**	–	**1.4**	0.3

Of the impairment charge of £1.4 million in 2009, £0.5 million relates to the welding segment and £0.9 million relates to the cutting and automation segment. The charge of £0.3 million in 2008 relates to the air and gas handling segment.

11 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Vehicles and office equipment £m	Total £m
Cost				
At 1 January 2009	137.0	262.0	40.3	439.3
Exchange adjustments	(7.5)	(14.8)	(2.1)	(24.4)
Additions	22.3	24.5	5.3	52.1
Disposals	(0.6)	(7.9)	(1.2)	(9.7)
Disposal of business (note 29)	(0.5)	(0.5)	(0.6)	(1.6)
At 31 December 2009	150.7	263.3	41.7	455.7
Accumulated depreciation				
At 1 January 2009	16.2	121.9	26.2	164.3
Exchange adjustments	(0.3)	(5.3)	(1.5)	(7.1)
Charge for the year	4.1	17.3	4.8	26.2
Impairment charge for the year[1]	–	2.0	0.1	2.1
Disposals	(0.5)	(7.2)	(1.2)	(8.9)
Disposal of business (note 29)	(0.2)	(0.4)	(0.5)	(1.1)
At 31 December 2009	19.3	128.3	27.9	175.5
Net book amount				
At 1 January 2009	120.8	140.1	14.1	275.0
At 31 December 2009	131.4	135.0	13.8	280.2
Net book amount includes the following in respect of assets held under finance leases				
At 1 January 2009	–	–	0.7	0.7
At 31 December 2009	–	–	1.3	1.3

11 Property, plant and equipment (continued)

	Land and buildings £m	Plant and machinery £m	Vehicles and office equipment £m	Total £m
Cost				
At 1 January 2008	104.0	181.0	30.0	315.0
Exchange adjustments	25.0	46.9	7.7	79.6
Additions	7.1	43.4	6.8	57.3
Disposals	(2.7)	(11.8)	(4.6)	(19.1)
Acquisitions (note 29)	3.6	2.5	0.4	6.5
At 31 December 2008	137.0	262.0	40.3	439.3
Accumulated depreciation				
At 1 January 2008	13.8	96.5	22.0	132.3
Exchange adjustments	2.5	19.7	5.2	27.4
Charge for the year	3.7	13.7	3.5	20.9
Impairment charge for the year[i]	–	0.8	–	0.8
Disposals	(3.8)	(8.8)	(4.5)	(17.1)
At 31 December 2008	16.2	121.9	26.2	164.3
Net book amount				
At 1 January 2008	90.2	84.5	8.0	182.7
At 31 December 2008	120.8	140.1	14.1	275.0
Net book amount includes the following in respect of assets held under finance leases				
At 1 January 2008	0.2	–	0.5	0.7
At 31 December 2008	–	–	0.7	0.7

(i) The impairment charge of £2.1 million (2008: £0.8 million) relates to exceptional restructuring costs (note 5) in the welding segment of £1.6 million (2008: £0.8 million) and £0.5 million in the cutting and automation segment (2008: £nil). Of this amount £0.3 million, (2008: £0.8 million), £1.5 million (2008: £nil) and £0.3 million (2008: £nil) has been charged to cost of sales, selling and distribution costs and administration expenses respectively.

(ii) The Group tests for impairment of property, plant and equipment when there are indications that such assets might be impaired. In view of the trading performance, start-up costs and challenging economic environment in China, the Directors have conducted an impairment review in respect of the property, plant and equipment of ESAB China and, as a result, continue to believe that the fair value of these tangible assets is in excess of carrying value.

When determining the fair value of property, plant and equipment, independent third party advice was obtained. Where no such evidence existed, a value-in-use calculation was performed. The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates, expected sales values and direct costs during the period. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts and internal forecasts.

The Group prepares cash flow forecasts from the most recent budgets approved by management for the next two years and extrapolates cash flows for the following years based on estimated growth rates. These rates do not exceed the average long-term growth rate for the relevant markets.

In respect of ESAB China, the forecast cash flows cover a period of ten years (being the remaining estimated useful life of the property, plant and equipment at 31 December 2009), have been based on growth rates of 10 per cent (2008: 8 per cent) per annum and have been discounted at a rate of 11 per cent (2008: 11 per cent) per annum. Selling prices and direct costs are based on past experience and expectations of future changes in the market.

(iii) Assets in the course of construction as at 31 December 2009 were £20.2 million (2008: £30.4 million).

12 Investments in associates and joint ventures

	2009 £m	2008 £m
At 1 January	**17.7**	15.2
Exchange adjustments	**(0.8)**	0.9
Additions	**1.9**	–
Share of net (losses)/profits retained	**(0.8)**	1.6
At 31 December	**18.0**	17.7

There is no goodwill included in the share of net assets of associates and joint ventures in either 2009 or 2008.

The Group's share of the net assets of associates and joint ventures:

	2009 £m	2008 £m
Non-current assets	**9.0**	8.4
Current assets	**18.6**	19.4
Current liabilities	**(8.9)**	(9.5)
Non-current liabilities	**(0.7)**	(0.6)
Share of net assets	**18.0**	17.7

The Group's share of revenue, profit and dividends of associates and joint ventures:

	2009 £m	2008 £m
Revenue	**45.4**	38.8
Operating profit	**4.6**	4.1
Interest	**0.1**	0.2
Profit before tax	**4.7**	4.3
Tax	**(1.2)**	(1.1)
Share of post-tax profits	**3.5**	3.2
Dividends received from associates and joint ventures	**(4.3)**	(1.6)
	(0.8)	1.6

The Group's share of capital commitments and operating lease commitments of associates and joint ventures were £nil (2008: £nil) and £nil (2008: £nil) respectively.

There are currently no restrictions in place that might impact the Group's associates' and joint ventures' ability to remit funds.

13 Inventories

	2009 £m	2008 £m
Raw materials, components and consumables	**80.5**	106.6
Work in progress	**40.2**	36.7
Finished goods	**117.8**	148.7
	238.5	292.0
Inventories carried at net realisable value	**13.8**	17.3
Carrying amount of inventories pledged as security for liabilities	**–**	–

The cost of inventories recognised as an expense and included in cost of sales amounted to £998.1 million (2008: £1,187.7 million). £11.6 million (2008: £5.0 million) was recognised as an expense in the year for the write-down of inventories to net realisable value. £3.2 million (2008: £0.7 million) of amounts recognised as an expense in earlier periods for the write-down of inventories to net realisable value was reversed in the period.

14 Trade and other receivables

	2009 £m	2008 £m
Trade receivables – net	**331.6**	428.7
Other receivables – net (including statutory assets (mainly indirect taxation) of £10.4 million (2008: £7.0 million))	**49.0**	60.4
	380.6	489.1
Amounts receivable under construction contracts	**41.9**	71.9
Prepayments	**25.3**	42.7
	447.8	603.7
Less: non-current portion		
Trade receivables – net	**(13.9)**	(17.2)
Other receivables – net	**(7.2)**	(9.9)
Prepayments	**(0.2)**	(3.4)
	(21.3)	(30.5)
Current portion	**426.5**	573.2

There is no significant difference between the net book amount and the fair value of current trade and other receivables due to their short-term nature.

The fair values of non-current receivables are as follows:

	2009 £m	2008 £m
Trade receivables – net	**13.9**	17.2
Other receivables – net	**7.2**	9.9
Prepayments	**0.2**	3.4
	21.3	30.5

The effective interest rates on non-current receivables were as follows:

	2009 %	2008 %
Trade receivables – net	**4.3**	3.5
Other receivables – net	**1.7**	2.8

The creation and release of the provision for impaired receivables has been included in the income statement as follows:

	2009 £m	2008 £m
Cost of sales	**0.6**	2.1
Selling and distribution costs	**2.3**	2.6
Administrative expenses	**2.5**	1.2
Total	**5.4**	5.9

There is no particular concentration of credit risks to trade receivables, as the Group has a large number of internationally dispersed customers.

£32.4 million (2008: £40.2 million) is included within amounts receivable in relation to contract retentions held by customers in respect of construction contracts.

Trade and other receivables are disclosed net of provisions for impaired receivables, an analysis of which is as follows:

	2009 £m	2008 £m
At 1 January	**21.9**	12.5
Exchange adjustments	**(0.5)**	4.7
Income statement charge	**5.4**	5.9
Written off as uncollectable	**(3.8)**	(1.5)
Acquisitions and disposals	**(0.1)**	0.3
At 31 December	**22.9**	21.9

14 Trade and other receivables (continued)

Trade and other receivables that have not been received within the payment terms agreed are classified as overdue. The age of overdue amounts at 31 December was as follows:

	2009		2008	
	Impaired £m	Not impaired £m	Impaired £m	Not impaired £m
Past due not more than three months	**1.3**	**52.6**	6.2	74.6
Past due more than three months and not more than six months	**1.8**	**11.3**	5.7	14.2
Past due more than six months	**19.7**	**7.0**	18.0	8.7
	22.8	**70.9**	29.9	97.5

15 Cash and cash deposits

	2009 £m	2008 £m
Cash at bank and in hand	**65.5**	76.1
Short-term bank deposits	**0.6**	13.8
Bank deposits with original maturity of more than three months and balances held as cash collateral	**9.5**	5.8
Cash and cash deposits in the balance sheet	**75.6**	95.7
Less: Bank deposits with original maturity of more than three months and balances held as cash collateral	**(9.5)**	(5.8)
: Bank overdrafts (note 16)	**(13.0)**	(28.5)
Cash, cash equivalents and bank overdrafts in the statement of cash flows	**53.1**	61.4

For the purposes of the cash flow statement, cash, cash equivalents and bank overdrafts includes overdrafts repayable on demand and excludes bank deposits with an agreed maturity of more than three months. The bank overdrafts are excluded from the definitions of cash and cash equivalents disclosed in the balance sheet.

The effective interest rate on bank deposits was 5.2 per cent (2008: 3.2 per cent). These deposits have an average maturity from inception of 228 days (2008: 33 days).

The carrying amounts of cash and cash equivalents approximate to their fair values.

Cash and cash deposits in the balance sheet of £75.6 million (2008: £95.7 million) includes balances of £3.2 million (2008: £4.1 million) held as cash collateral in connection with certain local trading practices or banking facilities. At 31 December 2009 cash at bank and in hand is distributed over a large number of banks located in the countries where the Group operates.

The credit status of institutions where cash is held is kept under review with credit limits being set and monitored accordingly.

16 Borrowings

	2009 £m	2008 £m
Non-current		
Bank loans – secured	**4.2**	3.8
Bank loans – unsecured	**–**	2.3
Other loans – unsecured	**0.4**	0.4
Finance lease obligations	**0.3**	0.2
	4.9	6.7
Current		
Other bank loans – secured	**0.9**	–
Other bank loans – unsecured	**5.0**	8.2
Bank overdrafts – secured	**0.2**	1.0
Bank overdrafts – unsecured	**12.8**	27.5
Finance lease obligations	**0.9**	0.5
	19.8	37.2
Total borrowings	**24.7**	43.9

Secured bank loans at 31 December 2009 are in respect of facilities made available to Howden Africa (Pty) Ltd secured on amounts due from trade debtors and bank account balances of Howden Africa (Pty) Ltd and certain of its subsidiary companies and Zao ESAB-SVEL secured by a mortgage on property in St Petersburg.

Secured bank overdrafts at 31 December 2009 of £0.2 million (2008: £1.0 million) principally relate to an overdraft secured on receivables.

16 Borrowings (continued)

The currency risk profile of the Group's borrowings as at 31 December 2009 was:

	2009 £m	2008 £m
Currencies		
Euro	**1.4**	5.1
US dollar	**3.5**	1.0
Chinese renminbi	**5.0**	8.2
South African rand	**4.3**	3.9
Other	**4.2**	5.1
Total currency	**18.4**	23.3
Sterling	**6.3**	20.6
Total	**24.7**	43.9

The effective interest rate on total borrowings was 4.2 per cent (2008: 5.9 per cent). No borrowing costs were capitalised. The Group's borrowings at 31 December 2009 and 31 December 2008 were all subject to interest at floating rates.

The maturity of non-current borrowings is as follows:

	Bank loans 2009 £m	Finance leases 2009 £m	Other loans 2009 £m	Total 2009 £m
Between one and two years	**–**	**0.2**	**–**	**0.2**
Between two and five years	**1.7**	**0.1**	**0.4**	**2.2**
Over five years	**2.5**	**–**	**–**	**2.5**
	4.2	**0.3**	**0.4**	**4.9**

The maturity of non-current borrowings in the prior year was as follows:

	Bank loans 2008 £m	Finance leases 2008 £m	Other loans 2008 £m	Total 2008 £m
Between one and two years	2.3	0.2	–	2.5
Between two and five years	1.5	–	0.4	1.9
Over five years	2.3	–	–	2.3
	6.1	0.2	0.4	6.7

The minimum lease payments under finance leases are as follows:

	2009 £m	2008 £m
Within one year	**0.9**	0.5
In the second to fifth years inclusive	**0.4**	0.2
	1.3	0.7
Less: Future finance charges	**(0.1)**	–
Present value of lease obligations	**1.2**	0.7

The Group has the following undrawn committed borrowing facilities:

	2009 £m	2008 £m
Expiring beyond one year	**170.0**	145.0

17 Trade and other payables

	2009 £m	2008 £m
Trade payables	**149.4**	204.1
Construction contracts[i]	**45.5**	115.7
Other payables[ii]	**63.0**	82.5
Other taxation and social security	**23.2**	22.4
Government grants	**1.8**	2.6
Accruals	**98.9**	92.6
	381.8	519.9
Less: non-current portion:		
Construction contracts[i]	**(0.2)**	(2.6)
Other payables[ii]	**–**	(2.1)
Government grants	**(1.2)**	(2.0)
Accruals	**(1.6)**	(1.0)
	(3.0)	(7.7)
Current portion	**378.8**	512.2

(i) Construction contracts includes advances received for contract work of £7.8 million (2008: £16.8 million).

(ii) Other payables includes deferred consideration payable of £2.1 million (2008: £16.4 million) of which £nil (2008: £2.1 million) is non-current.

(iii) There is no significant difference between the net book amount and the fair value of trade and other payables due to their short-term nature.

18 Provisions for other liabilities and charges

	Disposal and restructuring £m	Warranty and product liability £m	Legal and environmental £m	Other £m	Total £m
At 1 January 2009	**6.1**	**28.0**	**35.5**	**5.3**	**74.9**
Exchange adjustments	**(0.5)**	**(1.9)**	**(2.8)**	**(0.1)**	**(5.3)**
Amounts provided	**18.1**	**24.2**	**8.6**	**1.1**	**52.0**
Amounts released	**(1.2)**	**(11.2)**	**(2.2)**	**(0.3)**	**(14.9)**
Utilised in the year	**(14.6)**	**(8.6)**	**(8.8)**	**(1.1)**	**(33.1)**
Unwinding of discount	**–**	**–**	**0.3**	**–**	**0.3**
At 31 December 2009	**7.9**	**30.5**	**30.6**	**4.9**	**73.9**

Provisions have been analysed between current and non-current as follows:

	2009 £m	2008 £m
Current	**52.3**	48.2
Non-current	**21.6**	26.7
	73.9	74.9

(i) Disposal and restructuring costs include £7.3 million (2008: £6.1 million) in respect of employee severance costs, of which £6.6 million (2008: £6.1 million) is in the welding, cutting and automation business and £0.7 million (2008: £nil) is in the air and gas handling business, and £0.6 million (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 31 December 2009, these receivables amounted to £7.9 million (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 £12 million (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).

19 Deferred income tax

The movement on the net deferred income tax asset is set out below:

	2009 £m	2008 £m
At 1 January	**34.6**	12.7
Exchange adjustments	**(4.0)**	11.4
Income statement credit	**30.5**	14.0
Reclassification to income tax liabilities	**(4.9)**	(10.4)
Acquisitions	**–**	(3.8)
Taken to equity – attributable to hedging reserve	**(2.6)**	2.8
– attributable to share-based payments	**–**	(0.2)
– attributable to actuarial gains/(losses) on retirement benefit obligations	**5.2**	8.1
At 31 December	**58.8**	34.6

Deferred income tax assets are recognised for tax losses carried forward to the extent to which the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of £19.0 million (2008: £14.8 million) in respect of taxable losses of £84.2 million (2008: £59.2 million) that can be carried forward against taxable profits. Unrecognised tax losses of £49.2 million (2008: £7.8 million) have no expiry date and £35.0 million (2008: £51.4 million) in respect of the US, China, Italy and the Netherlands expire as follows:

Date of expiry	2009 £m
31 December 2010	**0.3**
31 December 2011	**7.3**
31 December 2012	**3.4**
31 December 2013	**6.1**
31 December 2014	**17.9**
	35.0

In addition the Group has an unrecognised deferred income tax asset in respect of its provision for post-retirement benefits under IAS 19 of £20.7 million (2008: £16.7 million).

No deferred income tax is provided on the unremitted earnings of overseas subsidiary undertakings as the Group is able to control the remittance of such earnings and has no intention of making any such remittance.

A deferred income tax liability of £1.4 million (2008: £1.4 million) is provided in respect of the tax that would be payable on the remittance of the retained earnings of associates.

The movements in deferred income tax assets and liabilities during the year are shown below:

Deferred income tax assets

	Provisions £m	Tax losses £m	Post-retirement benefits £m	Other £m	Total £m
At 1 January 2009	**20.3**	**18.0**	**17.3**	**14.1**	**69.7**
Exchange adjustments	**(1.0)**	**(1.0)**	**(0.9)**	**(0.7)**	**(3.6)**
Income statement credit	**7.9**	**16.0**	**2.1**	**3.4**	**29.4**
Reclassification to income tax liabilities	**–**	**(4.9)**	**–**	**–**	**(4.9)**
Taken to equity – attributable to hedging reserve	**–**	**–**	**–**	**(2.1)**	**(2.1)**
At 31 December 2009	**27.2**	**28.1**	**18.5**	**14.7**	**88.5**
Deferred income tax asset to be recovered within twelve months					**27.2**
Deferred income tax asset to be recovered after more than twelve months					**61.3**
					88.5

Of the deferred income tax asset recognised during the year £3.1 million was recognised in relation to tax losses that arose in businesses that generated taxable losses in 2009. These losses are expected to be recovered from taxable profits arising from new contractual arrangements that were entered into in November 2009.

19 Deferred income tax (continued)

Deferred income tax liabilities

	Accelerated capital allowances £m	Held over capital gains £m	Post-retirement benefits £m	Other £m	Total £m
At 1 January 2009	**(12.3)**	**(4.1)**	**(9.6)**	**(9.1)**	**(35.1)**
Exchange adjustments	**(0.2)**	**–**	**–**	**(0.2)**	**(0.4)**
Income statement credit	**0.5**	**0.1**	**–**	**0.5**	**1.1**
Taken to equity – attributable to actuarial gains on retirement benefit obligations	**–**	**–**	**5.2**	**–**	**5.2**
– attributable to hedging reserve	**–**	**–**	**–**	**(0.5)**	**(0.5)**
At 31 December 2009	**(12.0)**	**(4.0)**	**(4.4)**	**(9.3)**	**(29.7)**
Deferred income tax liabilities to be settled within twelve months					**(1.2)**
Deferred income tax liabilities to be settled after more than twelve months					**(28.5)**
					(29.7)
Net deferred income tax assets					
At 31 December 2009					**58.8**
At 31 December 2008					**34.6**

The movements in deferred income tax assets and liabilities during the prior year are shown below:

Deferred income tax assets

	Provisions £m	Tax losses £m	Post-retirement benefits £m	Other £m	Total £m
At 1 January 2008	17.9	11.7	4.9	5.6	40.1
Exchange adjustments	7.2	1.9	2.5	2.0	13.6
Income statement credit	4.0	5.8	1.1	3.9	14.8
Reclassification to income tax liabilities	(8.8)	(1.4)	–	–	(10.2)
Taken to equity – attributable to share-based payments	–	–	–	(0.2)	(0.2)
– attributable to actuarial gains on retirement benefit obligations	–	–	8.8	–	8.8
– attributable to hedging reserve	–	–	–	2.8	2.8
At 31 December 2008	20.3	18.0	17.3	14.1	69.7
Deferred income tax asset to be recovered within twelve months					17.0
Deferred income tax asset to be recovered after more than twelve months					52.7
					69.7

Deferred income tax liabilities

	Accelerated capital allowances £m	Held over capital gains £m	Post-retirement benefits £m	Other £m	Total £m
At 1 January 2008	(9.6)	(3.7)	(8.4)	(5.7)	(27.4)
Exchange adjustments[i]	(1.1)	(0.7)	–	(0.4)	(2.2)
Income statement (charge)/credit	(0.6)	0.3	(0.5)	–	(0.8)
Reclassified to income taxation	(0.2)	–	–	–	(0.2)
Taken to equity – attributable to actuarial gains on retirement benefit obligations	–	–	(0.7)	–	(0.7)
Acquisitions[i]	(0.8)	–	–	(3.0)	(3.8)
At 31 December 2008	(12.3)	(4.1)	(9.6)	(9.1)	(35.1)
Deferred income tax liabilities to be settled within twelve months[i]					(1.2)
Deferred income tax liabilities to be settled after more than twelve months					(33.9)
					(35.1)
Net deferred income tax assets					
At 31 December 2008					34.6
At 31 December 2007					12.7

(i) The comparative information for 2008 has been restated following the finalisation of acquisition accounting adjustments as explained in note 1. The impact of this restatement is to increase deferred income tax liabilities on acquisition by £3.0 million and to decrease exchange adjustments by £0.4 million resulting in an increase of £2.6 million at 31 December 2008. Of this amount, as at 31 December 2008, £0.3 million is to be settled within twelve months and £2.3 million is to be settled after more than twelve months.

20 Retirement benefit obligations

The major pension schemes operated by the Group are in the United Kingdom and are of the defined benefit type, the assets of which are held in trustee-administered funds. The Group also provides post-employment medical benefits in the United States.

The valuation of United Kingdom and overseas defined benefit pension schemes and the liability for United States post-employment medical benefits are assessed by professionally qualified independent actuaries using the projected unit credit method.

The principal actuarial assumptions used were as follows:

	2009		2008	
	UK %	Overseas %	UK %	Overseas %
Discount rate	**5.70**	**5.60**	6.30	5.60
Inflation rate	**3.60**	**2.80**	2.60	2.60
Expected return on plan assets – equities	**8.00**	**9.10**	7.50	8.80
– bonds	**4.90**	**5.30**	4.50	5.60
– property	**7.50**		7.00	
– other	**4.25**	**5.60**	3.00	5.15
– total	**6.20**	**7.20**	5.70	7.00
Future salary increases	**4.60**	**4.00**	3.60	3.45
Future pension increases	**3.55**	**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 (2008: 27 years) after retirement if they are male and for a further 30 years (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 (2008: 26 years) if they are male and for a further 29 years (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 further 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 (2008: 24 years) after retirement if they are male and for a further 26 years (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 (2008: 23 years) if they are male and for a further 25 years (2008: 25 years) if they are female. Mortality assumptions for schemes in Sweden and Germany have been derived from the FFFS 2007 tables and the Heubeck 2005 G tables respectively.

The expected return on plan assets is a blended average of projected long-term results for the various asset classes. Equity returns are developed based on the selection of the equity risk premium above the risk-free rate which is measured in accordance with the yield on government bonds. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the schemes' holdings of these instruments. Other class asset returns are determined by reference to current experience.

The estimated impact on the liability for defined benefit pensions and post-employment medical benefits as at 31 December 2009 resulting from changes to key assumptions is set out below:

	Estimated increase in liability	
	2009 £m	2008 £m
Discount rate – 0.25 per cent decrease	**23**	20
Mortality – one year increase in life expectancy after retirement	**19**	17

A 1 per cent increase in the inflation assumption on medical costs would increase the total service cost and interest cost by £0.1 million (2008: £0.1 million) and the liability by £1.9 million (2008: £2.1 million). A 1 per cent decrease in the inflation assumption on medical costs would reduce the total service cost and interest cost by £0.1 million (2008: £0.1 million) and the liability by £1.8 million (2008: £2.0 million).

20 Retirement benefit obligations (continued)

The movement on the net retirement benefit asset/(obligation) is summarised below:

	2009					2008				
	Pension obligation - defined benefit schemes £m	Un-recognised 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	Pension obligation – defined benefit schemes £m	Un-recognised 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	**(117.5)**	**(0.3)**	**(117.8)**	**(21.5)**	**(139.3)**	(58.1)	(2.9)	(61.0)	(15.6)	(76.6)
Exchange adjustments	**6.8**	**(0.1)**	**6.7**	**2.4**	**9.1**	(18.2)	0.2	(18.0)	(6.0)	(24.0)
Income statement (charge)/credit										
– operating profit	**(1.0)**	**(0.1)**	**(1.1)**	**(1.0)**	**(2.1)**	(1.7)	(0.1)	(1.8)	(0.4)	(2.2)
– financing	**(6.5)**	**–**	**(6.5)**	**(1.2)**	**(7.7)**	0.3	–	0.3	(1.0)	(0.7)
Taken to equity – actuarial (losses)/gains	**(41.1)**	**(1.5)**	**(42.6)**	**0.4**	**(42.2)**	(56.9)	2.5	(54.4)	0.4	(54.0)
Contributions paid	**18.6**	**–**	**18.6**	**1.4**	**20.0**	17.1	–	17.1	1.1	18.2
At 31 December	**(140.7)**	**(2.0)**	**(142.7)**	**(19.5)**	**(162.2)**	(117.5)	(0.3)	(117.8)	(21.5)	(139.3)
Included in the balance sheet as follows:										
Non-current assets					**15.9**					35.1
Non-current liabilities					**(178.1)**					(174.4)
					(162.2)					(139.3)

Pension benefits – defined benefit schemes

The amounts recognised in the income statement are as follows:

	2009			2008		
	UK schemes £m	Overseas schemes £m	Total £m	UK schemes £m	Overseas schemes £m	Total £m
Current service cost	**(0.3)**	**(1.3)**	**(1.6)**	(0.6)	(1.1)	(1.7)
Interest cost	**(25.9)**	**(10.7)**	**(36.6)**	(26.7)	(9.6)	(36.3)
Expected return on plan assets	**22.5**	**7.6**	**30.1**	28.7	7.9	36.6
Past service cost	**–**	**(0.1)**	**(0.1)**	–	(0.1)	(0.1)
Gains/(losses) on settlement and curtailment	**0.8**	**(0.2)**	**0.6**	–	–	–
Total	**(2.9)**	**(4.7)**	**(7.6)**	1.4	(2.9)	(1.5)
Included in the income statement as follows:						
Cost of sales	**(0.1)**	**(0.3)**	**(0.4)**	(0.3)	(0.2)	(0.5)
Selling and distribution costs	**–**	**(0.4)**	**(0.4)**	–	(0.3)	(0.3)
Administrative expenses	**0.6**	**(0.9)**	**(0.3)**	(0.3)	(0.7)	(1.0)
Financing (charge)/credit	**(3.4)**	**(3.1)**	**(6.5)**	2.0	(1.7)	0.3
Total	**(2.9)**	**(4.7)**	**(7.6)**	1.4	(2.9)	(1.5)

The amounts recognised in the statement of comprehensive income are as follows:

	2009			2008		
	UK schemes £m	Overseas schemes £m	Total £m	UK schemes £m	Overseas schemes £m	Total £m
Actual return/(loss) on plan assets	**51.3**	**9.9**	**61.2**	(44.7)	(12.0)	(56.7)
Expected return on plan assets	**(22.5)**	**(7.6)**	**(30.1)**	(28.7)	(7.9)	(36.6)
Experience adjustments arising on plan assets	**28.8**	**2.3**	**31.1**	(73.4)	(19.9)	(93.3)
Experience adjustments arising on plan liabilities	**(5.0)**	**1.3**	**(3.7)**	2.6	(2.0)	0.6
Changes in assumptions underlying present value of plan liabilities	**(67.0)**	**(1.5)**	**(68.5)**	44.3	(8.5)	35.8
Total actuarial (losses)/gains	**(43.2)**	**2.1**	**(41.1)**	(26.5)	(30.4)	(56.9)
Changes in amount of surplus not recoverable	**–**	**(1.5)**	**(1.5)**	–	2.5	2.5
Total	**(43.2)**	**0.6**	**(42.6)**	(26.5)	(27.9)	(54.4)

20 Retirement benefit obligations (continued)

The amounts recognised in the balance sheet are as follows:

	2009			2008		
	UK schemes £m	Overseas schemes £m	Total £m	UK schemes £m	Overseas schemes £m	Total £m
Present value of funded obligations	**(495.5)**	**(147.8)**	**(643.3)**	(424.6)	(160.3)	(584.9)
Fair value of plan assets	**436.9**	**112.5**	**549.4**	399.5	118.1	517.6
	(58.6)	**(35.3)**	**(93.9)**	(25.1)	(42.2)	(67.3)
Present value of unfunded obligations	**–**	**(46.8)**	**(46.8)**	–	(50.2)	(50.2)
Unrecognised past service costs	**–**	**0.1**	**0.1**	–	0.2	0.2
Surplus not recoverable	**–**	**(2.1)**	**(2.1)**	–	(0.5)	(0.5)
Net liability recognised in the balance sheet	**(58.6)**	**(84.1)**	**(142.7)**	(25.1)	(92.7)	(117.8)
Included in the balance sheet as follows:						
Non-current assets[i]	**15.3**	**0.6**	**15.9**	34.4	0.7	35.1
Non-current liabilities	**(73.9)**	**(84.7)**	**(158.6)**	(59.5)	(93.4)	(152.9)
	(58.6)	**(84.1)**	**(142.7)**	(25.1)	(92.7)	(117.8)

(i) During 2009 approval was obtained for a refund of excess amounts in relation to overseas schemes of £0.6 million at 31 December 2009.

(ii) The contribution expected to be paid by the Group during 2010 to UK schemes is £10.8 million and to overseas schemes is £4.7 million.

(iii) The contribution paid in 2009 by the Group was £18.6 million (2008: £17.1 million).

The movement in the present value of the plans' obligations (funded and unfunded) during the year was as follows:

	2009			2008		
	UK schemes £m	Overseas schemes £m	Total £m	UK schemes £m	Overseas schemes £m	Total £m
At 1 January	**(424.6)**	**(210.5)**	**(635.1)**	(470.2)	(153.5)	(623.7)
Exchange adjustments	**–**	**14.5**	**14.5**	–	(45.5)	(45.5)
Current service cost	**(0.3)**	**(1.3)**	**(1.6)**	(0.6)	(1.1)	(1.7)
Interest cost	**(25.9)**	**(10.7)**	**(36.6)**	(26.7)	(9.6)	(36.3)
Contributions by plan participants	**(0.1)**	**(0.1)**	**(0.2)**	(0.1)	(0.1)	(0.2)
Net actuarial (losses)/gains	**(72.0)**	**(0.2)**	**(72.2)**	46.9	(10.5)	36.4
Benefits and expenses paid	**26.6**	**13.0**	**39.6**	26.1	9.8	35.9
Curtailment gains/(losses)	**0.8**	**(0.2)**	**0.6**	–	–	–
Settlements	**–**	**0.9**	**0.9**	–	–	–
At 31 December	**(495.5)**	**(194.6)**	**(690.1)**	(424.6)	(210.5)	(635.1)

The movement in the fair value of plan assets during the year was as follows:

	2009			2008		
	UK schemes £m	Overseas schemes £m	Total £m	UK schemes £m	Overseas schemes £m	Total £m
At 1 January	**399.5**	**118.1**	**517.6**	459.4	106.2	565.6
Exchange adjustments	**–**	**(7.7)**	**(7.7)**	–	27.3	27.3
Expected return on plan assets	**22.5**	**7.6**	**30.1**	28.7	7.9	36.6
Net actuarial gains/(losses)	**28.8**	**2.3**	**31.1**	(73.4)	(19.9)	(93.3)
Contributions by employer	**12.6**	**6.0**	**18.6**	10.8	6.3	17.1
Contributions by plan participants	**0.1**	**0.1**	**0.2**	0.1	0.1	0.2
Benefits and expenses paid	**(26.6)**	**(13.0)**	**(39.6)**	(26.1)	(9.8)	(35.9)
Settlements	**–**	**(0.9)**	**(0.9)**	–	–	–
At 31 December	**436.9**	**112.5**	**549.4**	399.5	118.1	517.6

20 Retirement benefit obligations (continued)

The fair value of assets in the plans was:

	2009			2008		
	UK schemes £m	Overseas schemes £m	Total £m	UK schemes £m	Overseas schemes £m	Total £m
Equities	**185.8**	**56.4**	**242.2**	160.1	54.9	215.0
Bonds	**230.7**	**41.0**	**271.7**	223.8	46.3	270.1
Property	**7.0**	**–**	**7.0**	5.6	–	5.6
Other	**13.4**	**15.1**	**28.5**	10.0	16.9	26.9
Total	**436.9**	**112.5**	**549.4**	399.5	118.1	517.6

There are no interests in the Group's financial instruments, nor any property or other assets used by the Group included in the fair value of assets in the plans.

In accordance with the transitional rules in IFRS 1 all cumulative surpluses and deficits were recognised in the balance sheet at 1 January 2004. The cumulative amount of actuarial losses recognised in the statement of comprehensive income since 1 January 2004 is a loss of £84.0 million (2008: loss of £41.4 million).

History of experience gains and losses

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of obligations	**(690.1)**	(635.1)	(623.7)	(643.9)	(664.1)
Fair value of plan assets	**549.4**	517.6	565.6	557.5	538.9
	(140.7)	(117.5)	(58.1)	(86.4)	(125.2)
Experience adjustments arising on plan assets:					
Gain/(loss) – £m	**31.1**	(93.3)	(15.2)	6.3	35.7
Percentage of plan assets	**5.7%**	18.0%	2.7%	1.1%	6.6%
Experience adjustments arising on plan liabilities:					
Gain/(loss) – £m	**(3.7)**	0.6	0.6	(0.3)	(6.3)
Percentage of plan liabilities	**0.5%**	0.1%	0.1%	–%	0.9%

Post-employment medical benefits (United States)

The amounts recognised in the income statement were as follows:

	2009 £m	2008 £m
Current service cost	**(0.3)**	(0.2)
Interest cost	**(1.2)**	(1.0)
Net losses on settlement and curtailment	**(0.7)**	(0.2)
Total	**(2.2)**	(1.4)

The amounts recognised in the statement of comprehensive income are as follows:

	2009 £m	2008 £m
Experience adjustments arising on plan liabilities	**1.0**	0.5
Changes in assumptions underlying present value of plan liabilities	**(0.6)**	(0.1)
Total	**0.4**	0.4

The amounts recognised in the balance sheet as non-current liabilities were as follows:

	2009 £m	2008 £m
Present value of unfunded obligations	**(19.5)**	(21.5)

The contribution expected to be paid by the Group during 2010 is £1.3 million.

The contribution paid by the Group in 2009 was £1.4 million (2008: £1.1 million).

20 Retirement benefit obligations (continued)

The movement in the present value of the plans' unfunded obligations during the year was as follows:

	2009 £m	2008 £m
At 1 January	**(21.5)**	(15.6)
Exchange adjustments	**2.4**	(6.0)
Current service cost	**(0.3)**	(0.2)
Interest cost	**(1.2)**	(1.0)
Actuarial gains	**0.4**	0.4
Benefits and expenses paid by employer	**1.4**	1.1
Curtailment gains	**(0.2)**	–
Termination benefits	**(0.5)**	(0.2)
At 31 December	**(19.5)**	(21.5)

History of experience gains and losses

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of obligations	**(19.5)**	(21.5)	(15.6)	(19.3)	(26.4)
Experience adjustments arising on plan liabilities:					
Gain – £m	**1.0**	0.5	–	0.5	0.2
Percentage of plan liabilities	**5.1%**	2.3%	–%	2.6%	0.8%

In accordance with the transitional rules in IFRS 1 all cumulative surpluses and deficits were recognised in the balance sheet at 1 January 2004. The cumulative amount of actuarial losses recognised in the statement of comprehensive income since 1 January 2004 is £0.2 million (2008: £0.6 million).

21 Financial instruments and risk management

(i) Financial risk management

The international profile of Charter's operations exposes it to financial risks including the effects of changes in foreign exchange rates, interest rates, credit risks and liquidity risks. The Board sets policies to address these risks and there is a specific treasury policy setting out guidelines to manage foreign exchange risk, interest rate risk, credit risk and the use of financial instruments.

Charter's central treasury department is responsible for ensuring there are appropriate funding arrangements to meet the ongoing requirements of the Group and for managing effectively liquid funds held in the Group. Regular cash flow forecasts are prepared by subsidiaries and reviewed by management. In addition, it is responsible for managing the interest rate risks and balance sheet foreign currency translation risks of the Group within guidelines agreed by the Board. Foreign currency transaction risks are generally managed directly by operating subsidiaries in accordance with guidelines and controls defined in the treasury policy.

(a) Interest rate risk

The Group finances its operations mainly from its own cash resources. It is the Group's objective to minimise the cost of borrowings and maximise the value from cash resources, whilst retaining the flexibility of funding opportunities. If considered appropriate, the Group would use interest rate swaps, interest rate caps and collars and forward rate agreements to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations.

(b) Currency risk

The Group has significant investments in overseas operations, particularly in Europe and America, and recurring exposures to exchange rate fluctuations in respect of foreign currency transactions. As a result, movements in exchange rates can affect the Group's balance sheet and income statement. The Group seeks to comply with the requirements of hedge accounting where considered appropriate.

Subject to Board approval, balance sheet translation exposures may be mitigated through the use of currency borrowings, forward foreign exchange contracts or other derivatives. In 2008 the Group entered into forward foreign exchange contracts to hedge part or all of the net investment in subsidiaries whose functional currency is the euro or the US dollar. These contracts were closed out during 2009 such that none existed at 31 December 2009.

Foreign currency transaction exposures result from sales or purchases by subsidiaries in a currency other than their functional currency. Forward foreign exchange contracts may be used to hedge the net cash flows resulting from these transactions to the extent these are certain or highly probable.

(c) Financial credit risk

The principal credit risks relate to the failure of dealing counterparties for foreign currency transactions and financial institutions with whom surplus funds are deposited in the short term. Charter's central treasury department monitors regularly the credit status of such counterparties and financial institutions, as well as the location of surplus cash worldwide with credit limits being set and subject to regular review.

21 Financial instruments and risk management (continued)

(d) Liquidity risk

The Group's objective is to maintain committed facilities to ensure that, together with cash flows generated from operations, there are sufficient funds for current operations and their future requirements. During the year the Group increased its principal committed facilities by £25 million to £170 million, which have maturity dates in 2011, 2012 and 2013. All facilities are unsecured. Whilst these facilities have certain financial and other covenants, the financial strength of the Charter Group means that the covenants attaching to these facilities are not expected to prevent the full utilisation of the facilities if required. Charter's central treasury department reviews weekly cash balances held worldwide to ensure that optimal use is made of liquid funds within the Group and to avoid unnecessary borrowing.

(e) Capital management

The Group aims to manage its capital structure in order to safeguard the going concern of the Group and to provide returns for shareholders and benefits for other stakeholders. The Group may maintain or adjust its capital structure by adjusting the amount of dividends paid to shareholders, returning capital to shareholders, issuing new shares or selling assets. Capital is regarded as consisting of total equity, net cash and retirement benefit obligations.

(ii) Financial instruments by category

	2009				2008			
	Derivative financial instruments				Derivative financial instruments			
	Used for hedging £m	At fair value through profit and loss account £m	Loans and receivables £m	Total £m	Used for hedging £m	At fair value through profit and loss account £m	Loans and receivables £m	Total £m
Assets								
Derivative financial instruments	**1.4**	**0.4**	**–**	**1.8**	1.8	0.7	–	2.5
Trade and other receivables (excluding construction contracts, prepayments and statutory assets)	**–**	**–**	**370.2**	**370.2**	–	–	482.1	482.1
Cash	**–**	**–**	**75.6**	**75.6**	–	–	95.7	95.7
	1.4	**0.4**	**445.8**	**447.6**	1.8	0.7	577.8	580.3

	2009				2008			
	Derivative financial instruments				Derivative financial instruments			
	Used for hedging £m	At fair value through profit and loss account £m	Other financial liabilities £m	Total £m	Used for hedging £m	At fair value through profit and loss account £m	Other financial liabilities £m	Total £m
Liabilities								
Borrowings	**–**	**–**	**24.7**	**24.7**	–	–	43.9	43.9
Derivative financial instruments	**2.1**	**0.4**	**–**	**2.5**	33.8	1.0	–	34.8
Trade and other payables (note 17)								
Trade payables	**–**	**–**	**149.4**	**149.4**	–	–	204.1	204.1
Other payables (excluding deferred consideration payable)	**–**	**–**	**60.9**	**60.9**	–	–	66.1	66.1
Accruals	**–**	**–**	**98.9**	**98.9**	–	–	92.6	92.6
	2.1	**0.4**	**333.9**	**336.4**	33.8	1.0	406.7	441.5

Assets and liabilities included in the balance sheet at fair value

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements according to their level within the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At 31 December 2009 only derivative financial assets and liabilities were included in the balance sheet at fair value. The fair values were derived from observable market data and are considered to be level 2 in the fair value measurement hierarchy.

(iii) Market price risk

(a) Interest rate risk

On the basis of the Group's analysis, it is estimated that a rise/fall of one percentage point in the principal interest rates to which the Group's cash balances are exposed would increase/decrease profit before tax by approximately £0.4 million (2008: £0.6 million).

21 Financial instruments and risk management (continued)

On the basis of the Group's analysis, it is estimated that a rise/fall of one percentage point in the principal interest rates to which the Group's borrowings are exposed would decrease/increase profit before tax by approximately £0.2 million (2008: £0.4 million).

The following financial assets and liabilities are not directly exposed to interest rate risk:

	2009 £m	2008 £m
Non-current trade and other receivables	**20.8**	26.5
Current trade and other receivables	**349.1**	452.6
Non-current other payables	**(1.6)**	(1.0)
Current trade and other payables	**(307.5)**	(354.8)
	60.8	123.3

Financial assets included above comprise trade and other receivables as shown in note 14 excluding construction contracts, prepayments and statutory assets.

Financial liabilities included above comprise trade and other payables as shown in note 17 excluding construction contracts, other taxation and social security, government grants and deferred consideration payable.

(b) Currency risk

Financial instruments within individual Group companies that are not denominated in the functional currency of the company concerned as at 31 December 2009 were as follows:

	Net foreign currency monetary assets/(liabilities)									
	Sterling		Euro		US dollar		Other		Total	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Functional currency of Group operation										
Sterling	**–**	–	**7.7**	(24.1)	**3.5**	(55.7)	**1.5**	0.6	**12.7**	(79.2)
Euro	**–**	–	**–**	–	**(0.1)**	–	**0.6**	–	**0.5**	–
US dollar	**–**	–	**–**	–	**–**	–	**0.4**	0.1	**0.4**	0.1
Other	**(0.3)**	–	**0.2**	(9.7)	**18.2**	14.6	**–**	1.0	**18.1**	5.9
Total	**(0.3)**	–	**7.9**	(33.8)	**21.6**	(41.1)	**2.5**	1.7	**31.7**	(73.2)

It is estimated that the impact of every 10 per cent strengthening/weakening of the exchange rates of the principal currencies to which the Group's receivables are exposed would increase/decrease profit before tax by approximately £3.2 million (2008: £2.6 million).

It is estimated that the impact of every 10 per cent strengthening/weakening of the exchange rates of the principal currencies to which the Group's payables are exposed would decrease/increase profit before tax by approximately £2.5 million (2008: £3.4 million).

(iv) Credit risk

The Group's maximum exposure to credit risk in relation to financial assets is represented by the amount of cash and cash equivalents, trade and other receivables and derivative financial instruments. Details of the credit risk relating to financial assets are given in note 14 and note 15 in relation to trade and other receivables and cash and cash equivalents respectively.

(v) Liquidity risk

Financial liabilities included within trade and other payables (note 17) have a contractual maturity date within twelve months of the balance sheet date as at 31 December 2009 and 2008 except for accruals of £1.6 million (2008: £1.0 million) which are mainly payable between one and three years (2008: one and two years).

The table below analyses the maturity profile of the Group's borrowings. The maturity profile of the Group's derivative financial instruments is given in note (vi) below. The amounts disclosed below are the contractual undiscounted cash flows:

	2009			2008		
	Borrowings (note 16) £m	Contractual interest payments £m	Total contractual cash flows £m	Borrowings (note 16) £m	Contractual interest payments £m	Total contractual cash flows £m
Less than one year	**19.8**	**0.5**	**20.3**	37.2	0.2	37.4
Between one and two years	**0.2**	**–**	**0.2**	2.5	0.5	3.0
Between two and five years	**2.2**	**1.3**	**3.5**	1.9	1.2	3.1
Over five years	**2.5**	**1.6**	**4.1**	2.3	2.1	4.4
	24.7	**3.4**	**28.1**	43.9	4.0	47.9

21 Financial instruments and risk management (continued)

(vi) Derivative financial instruments

Net fair values of derivative financial instruments that qualify for hedge accounting

(a) Cash flow and fair value hedges

	Assets		Liabilities	
	2009 £m	2008 £m	2009 £m	2008 £m
Forward foreign currency contracts	**1.4**	1.8	**(2.1)**	(14.5)
Less non-current portion	**(0.1)**	(0.1)	**0.5**	2.8
Current portion	**1.3**	1.7	**(1.6)**	(11.7)

At 31 December 2009, the Group has outstanding foreign currency contracts designated as cash flow hedges with a gross outflow amount of £101.8 million (2008: £150.9 million). The majority of hedge contracts (approximately 79 per cent, 2008: 89 per cent) will mature within the next twelve months.

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis. The amounts disclosed below are the contractual undiscounted cash flows:

	2009			2008		
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years
Forward foreign exchange contracts						
Outflow	**(81.8)**	**(17.3)**	**(2.7)**	(122.3)	(22.6)	(6.0)
Inflow	**81.6**	**17.1**	**2.7**	112.9	20.5	5.8
	(0.2)	**(0.2)**	**–**	(9.4)	(2.1)	(0.2)

The net fair value (losses)/gains on open forward foreign exchange contracts in relation to cash flow and fair value hedges are expected to be transferred from the hedging reserve to the income statement as follows:

	2009 £m	2008 £m
Losses already recognised in the year	**(0.4)**	(3.2)
Gains/(losses) expected to be recognised in the next year	**0.2**	(6.9)
Losses expected to be recognised in subsequent years	**(0.2)**	(2.6)
	(0.4)	(12.7)

(b) Net investment hedges

	Current liabilities	
	2009 £m	2008 £m
Forward foreign currency contracts	**–**	(19.3)

Hedge of net investment in foreign operations

At 31 December 2009 there were no forward foreign exchange contracts (2008: US$95.0 million and €55.0 million) designated as hedges of the Group's net investments in foreign operations. There was no ineffectiveness in respect of net investment hedges in 2009 or 2008.

Net fair values of derivative financial instruments that do not qualify for hedge accounting

	Current assets		Current liabilities	
	2009 £m	2008 £m	2009 £m	2008 £m
Embedded derivatives within contracts	**0.2**	0.7	**(0.1)**	(0.3)
Other contracts not designated as hedges	**0.2**	–	**(0.3)**	(0.7)
	0.4	0.7	**(0.4)**	(1.0)

Interest rate swaps

There were no outstanding interest rate swap contracts at 31 December 2009 or at 31 December 2008.

(vii) Fair values of financial liabilities

	Book value		Fair value	
	2009 £m	2008 £m	2009 £m	2008 £m
Primary financial instruments held or issued to finance the Group's operations:				
Short-term borrowings and current portion of long-term borrowings	**(19.8)**	(37.2)	**(19.8)**	(37.2)
Long-term borrowings	**(4.9)**	(6.7)	**(4.9)**	(6.7)

21 Financial instruments and risk management (continued)

The fair values of short-term deposits and borrowings approximate to the carrying amount because of the short maturity of these instruments. The fair values of long-term borrowings approximate to the carrying amount because these loans bear interest at floating rates and can be repaid at any time without penalty.

22 Share capital and share premium

	2009 Number of ordinary shares of 2 pence each	2009 £	2008 Number of ordinary shares of 2 pence each	2008 £
Authorised:	**300,000,000**	**6,000,000**	230,000,000	4,600,000
Issued:				
Fully-paid shares	**166,955,167**	**3,339,103**	166,751,581	3,335,032

In 2009, 149,089 ordinary shares were issued for consideration of £324,999 on the vesting of awards under the MF Plan and 54,497 (2008: 52,439) ordinary shares were issued for nil consideration on the vesting of awards under the CI LTIP. As a result a total of £0.8 million (2008: £0.2 million) share premium arose.

At 31 December 2009, one participant held options over a total of 66,413 ordinary shares of the Company. These options were granted under an employee share option scheme and are exercisable up to 29 March 2011 at a price of 139.9 pence. At 31 December 2008 two participants held employee share options over 215,502 ordinary shares of the Company exercisable during various periods up to 29 March 2011 at prices ranging from 139.9 pence to 218.0 pence.

Details of awards of contingent rights to the allotment of ordinary shares in the Company under long-term incentive plans are given in the Remuneration report on pages 55 to 61.

The cost of the purchase of 44,502 (2008: 29,618) shares by the Charter Employee Trust in connection with the Deferred Bonus Plan has been deducted from retained earnings. The consideration paid was £0.2 million (2008: £0.2 million). At 31 December 2009 the Charter Employee Trust held 74,120 (2008: 29,618) ordinary shares of the Company with a market value of £0.5 million (2008: £0.1 million). The dividends receivable on these shares have been waived.

23 Share-based payments

Share-based compensation arrangements established since 7 November 2002 for the Executive Directors and selected other senior executives are set out in the Remuneration report on pages 55 to 61.

2009 and 2008 awards

The awards granted under the CI LTIP were valued using the Stochastic ('Monte Carlo') model as follows:

	Grant date		
	9 March 2009	25 March 2008	21 November 2008
Number of shares	**396,537**	172,512	12,479
Fair value – £	**1,174,700**	854,900	10,576
– pence per share	**296.2**	495.6	84.8
Expected volatility %	**58.7**	35.4	55.8
Risk-free interest rate %	**1.8**	4.1	2.5
Dividend yield %	**–**	–	–

Expected volatility is calculated based on historical volatility for the Company. The total shareholder return performance condition of the awards has been incorporated into the measurement of fair value.

Participants are entitled to a dividend equivalent at the end of the vesting period therefore a dividend yield is not included in the valuation.

Deferred bonus plan

On 9 March 2009 awards over 44,236 shares were made under the Deferred Bonus Plan at a fair value of 387.5 pence per share based on the share price at the date of grant.

On 25 March 2008 and 23 May 2008 awards over 29,229 shares and 389 shares respectively were granted under the Deferred Bonus Plan. The fair value of the awards granted under the Deferred Bonus Plan on 25 March 2008 was based on the share price at the date of grant of 801 pence. The awards made on 23 May 2008 represent the reinvestment of the final dividend for the year ended 31 December 2007 using a share price of 899 pence to calculate the number of shares subject to the award.

24 Other reserves

	Translation reserve £m	Hedging reserve £m	Surplus on revaluation £m	Total £m
At 1 January 2008	27.0	0.6	(547.8)	(520.2)
Exchange translation	116.3	–	–	116.3
Change in fair value of outstanding cash flow hedges	–	(9.1)	–	(9.1)
Net transfer to income statement – hedges	–	(2.4)	–	(2.4)
Net investment hedges	(27.3)	–	–	(27.3)
Net deferred income tax movement for the year – hedges	–	2.8	–	2.8
At 31 December 2008	116.0	(8.1)	(547.8)	(439.9)
At 1 January 2009	**116.0**	**(8.1)**	**(547.8)**	**(439.9)**
Exchange translation	**(33.8)**	**–**	**–**	**(33.8)**
Exchange translation – transfer to income statement on disposal	**(0.9)**	**–**	**–**	**(0.9)**
Change in fair value of outstanding cash flow hedges	**–**	**2.7**	**–**	**2.7**
Net transfer to income statement – hedges	**–**	**7.9**	**–**	**7.9**
Net investment hedges	**5.7**	**–**	**–**	**5.7**
Net deferred income tax movement for the year – hedges	**–**	**(2.6)**	**–**	**(2.6)**
At 31 December 2009	**87.0**	**(0.1)**	**(547.8)**	**(460.9)**

25 Operating lease commitments – minimum lease payments

	2009		2008	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Amounts payable under non-cancellable operating leases:				
Within one year	**9.2**	**4.1**	10.1	4.4
Between two and five years	**17.4**	**4.3**	23.0	5.2
After five years	**11.1**	**–**	13.1	–
	37.7	**8.4**	46.2	9.6

26 Capital commitments

	2009 £m	2008 £m
Committed capital expenditure not provided in the financial statements		
Property, plant and equipment	**11.0**	17.5
Intangible assets	**0.1**	0.8
	11.1	18.3

27 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 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) 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.

27 Contingent liabilities (continued)

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

Date of verdict and court	Nature of verdict and number of claimants	Compensatory damages US$m	Punitive damages US$m	Number of defendants sharing award	Post trial motions or appeal in progress
December 2007 Federal court	Plaintiff 1 claimant	20.5	Nil	4	Yes
March 2008 Federal court	Plaintiff 1 claimant	0.7	1.7*	3	Yes
March 2008 State court	Defendants 4 claimants	Nil	Nil	–	Yes
November 2008 State court	Plaintiff 1 claimant	1.9	Nil	2	Yes
November 2008 Federal court	Defendants 1 claimant	Nil	Nil	–	No
February 2009 State court	Defendants 1 claimant	Nil	Nil	–	Yes
August 2009 State court	Defendants 1 claimant	Nil	Nil	–	No
October 2009 Federal court	Plaintiff 1 claimant	0.8	5.0**	4	Yes

* EGI's share is US$0.75 million

** EGI's share is US$1.75 million

EGI was also a defendant in a number of other state court cases set for trial in 2009. However, all of those cases were either dismissed or postponed.

With the exception of the punitive damage awards, if upheld on appeal, EGI's share of the adverse verdicts rendered in December 2007, March and November 2008 and October 2009 should be covered in substantial part by insurance. EGI, together with its co-defendants, is appealing all of the plaintiffs' verdicts noted above. There is, however, no guarantee that an appeal of an adverse verdict will be successful.

There are 8 manganese trials scheduled for the balance of 2010, although it is not anticipated that they will all proceed to trial as scheduled. Additional trials could also be scheduled.

Over the last 18 years, the Welding Industry Defense group, which was established to represent a number of the welding company defendants, including EGI, in this and other 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. EGI's defence costs, net of insurance recoveries, are estimated to be of the order of US$18.2 million, which is reflected in EGI's balance sheet at 31 December 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 and Pennsylvania in which claimants allege asbestos-induced personal injuries. The claimants seek compensatory and, in some cases, punitive damages for unspecified amounts from EGI, other welding consumable manufacturers and other defendants who manufactured a variety of asbestos products. EGI has no asbestos cases listed for trial in 2010. 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.

(iii) 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 11,116 cases and has, on the advice of counsel, settled 406 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.

27 Contingent liabilities (continued)

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.

The Company announced on 19 February 2010 that it had launched an investigation into possible irregular payments that may have been made in connection with an attempt to obtain business by an overseas Howden subsidiary in an emerging market; this investigation has been concluded.

Some evidence came to light which, whilst not conclusive, indicated that some inappropriate payments may have been made by two overseas third party agents of two Howden subsidiaries to obtain business in an emerging market. Appropriate steps have been taken to notify the relevant authorities.

At this time, the Company cannot determine whether any action will be taken by the relevant authorities. The timing or the outcome of any such action is uncertain. Accordingly no provision has been made for liabilities in these accounts in respect of the potential consequences of such action being taken. On the basis of external legal advice, the Directors do not believe the possible consequences are likely to have a material adverse impact on the Company's financial position.

(iv) Other

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

28 Cash generated from operations

	2009 £m	2008 £m
Operating profit	**96.0**	201.0
Depreciation and impairment of property, plant and equipment	**28.3**	21.7
Amortisation and impairment of intangible assets	**9.6**	5.7
Amortisation of government grants	**(0.6)**	(0.5)
Charge for share-based payments	**1.0**	0.9
Loss on disposal of business	**0.5**	–
(Profit)/loss on sale of property, plant and equipment	**(0.1)**	0.2
Decrease/(increase) in inventories	**37.7**	(57.4)
Decrease/(increase) in receivables	**132.1**	(28.1)
(Decrease)/increase in payables	**(119.1)**	29.8
Movements in provisions	**4.0**	2.2
Movements in net retirement benefit obligations	**(17.9)**	(16.0)
	171.5	159.5

29 Acquisitions and disposals

Current year

During the year ended 31 December 2009, the Group made no acquisitions of subsidiaries. Costs of £0.3 million in relation to a potential acquisition have been charged to the income statement. As explained in note 1, acquisition accounting adjustments have been finalised in relation to the acquisition of Aeolus Industria e Comercio Ltda by Howden on 22 August 2008 and the 2008 comparatives included below have been restated accordingly. During the year ended 31 December 2009, no adjustments have been made to the estimated fair value of the net assets of the other businesses 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 £3.1 million for a cash consideration of £1.7 million, net of disposal costs, resulting in a loss of £1.4 million. Cumulative exchange translation gains previously taken directly to equity of £0.9 million have been recycled through the income statement following this disposal. The cash inflow of £1.3 million, included in the cash flow statement, comprises the net cash consideration of £1.7 million less cash disposed of £0.4 million.

29 Acquisitions and disposals (continued)

The net assets disposed of were as follows:

	2009 £m
Property, plant and equipment	**0.5**
Inventories	**1.7**
Trade and other receivables	**1.5**
Cash and cash equivalents	**0.4**
Trade and other payables	**(0.9)**
Income tax liabilities	**(0.1)**
Net assets disposed	**3.1**
Currency translation gain transferred from equity	**(0.9)**
Total	**2.2**
Net cash consideration received (including costs and excluding cash disposed)	**1.7**
Loss on disposal (note 5)	**(0.5)**

Prior year acquisitions

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

On 25 April 2008, ESAB completed the acquisition of Romar Positioning Equipment Pte Limited ('Romar'), a leading designer, manufacturer and distributor of handling equipment for use in automated welding applications, in particular for customers in the energy industry, for a cash consideration of £25.5 million. Initial consideration for the transaction was S$65.0 million in cash with a further payment in 2008 of S$2.7 million. Additional consideration is payable to the extent that average EBIT for the 3 years to 31 December 2010 exceeds S$9.0 million. The acquisition of Romar increases ESAB's presence in mid-market automation equipment which is expected to become an increasingly important market segment given the world-wide shortage of skilled welding operatives. Synergy opportunities are expected to arise, including through the cross-selling of product to ESAB's and Romar's customer lists.

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

(ii) Other acquisitions

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

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

	Romar			Other acquisitions			Total
	Carrying amount before fair value adjustment £m	Fair value adjustment £m	Fair value £m	Carrying amount before fair value adjustment £m	Fair value adjustment £m	Fair value £m	Fair value £m
Intangible assets	–	4.1	4.1	–	8.7	8.7	12.8
Property, plant and equipment	1.6	0.5	2.1	4.0	0.4	4.4	6.5
Inventories	2.9	(0.5)	2.4	0.2	–	0.2	2.6
Trade and other receivables	3.9	–	3.9	3.3	–	3.3	7.2
Cash and cash equivalents	2.0	–	2.0	0.4	–	0.4	2.4
Trade and other payables	(1.7)	–	(1.7)	(3.9)	–	(3.9)	(5.6)
Income tax liabilities	–	–	–	(0.2)	–	(0.2)	(0.2)
Provisions	(1.1)	(0.1)	(1.2)	–	–	–	(1.2)
Deferred income tax liabilities	–	(0.8)	(0.8)	–	(3.0)	(3.0)	(3.8)
Net assets	7.6	3.2	10.8	3.8	6.1	9.9	20.7
Goodwill – on acquisition			14.7			9.1	23.8
			25.5			19.0	44.5
Satisfied by:							
Net cash consideration paid (including costs)			26.4			15.1	41.5
Consideration and costs to be paid in subsequent years			–			2.6	2.6
Exchange adjustments			(0.9)			1.3	0.4
			25.5			19.0	44.5

29 Acquisitions and disposals (continued)
In 2008 the net cash outflow included in the cash flow statement of £39.4 million comprised cash paid of £41.5 million in respect of 2008 acquisitions less cash acquired of £2.6 million plus cash paid of £0.5 million in respect of prior period acquisitions.

Intangible assets acquired principally represent customer relationships and brands.

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

30 Related party transactions
Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Key management compensation is disclosed in note 8. Details of transactions between the Group and other related parties are disclosed below.

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

	Sales of goods		Purchases of goods		Amounts owed by related parties		Amounts owed to related parties	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Associates and joint ventures	**2.7**	3.4	**4.9**	6.8	**0.8**	0.8	**0.6**	0.9

Other related party transactions
ESAB Holdings Limited, Howden Group Limited and The ESAB Group Inc., subsidiaries of the Company, are party to arms length consultancy agreements with Unipart Logistics Limited ('Unipart Logistics') for the provision of lean manufacturing and other consultancy services to ESAB Global, Howden Global and Anderson Group Inc. respectively. John Neill, a Non-Executive Director of the Company, is currently Group Chief Executive of the Unipart Group of Companies. The total charges paid to Unipart Logistics during the year amounted to £2.3 million (2008: £2.7 million). The amount payable to Unipart Logistics as at 31 December 2009 was £0.2 million (2008: £0.6 million).

Hoeganaes Corporation ('Hoeganaes'), a wholly-owned subsidiary of GKN plc, supplied powdered metal to two subsidiaries of the Company, being ESAB Group Inc and ESAB Mexico SA de CV, with a total sales value of US$2.1 million (2008: US$2.8 million). The amount payable to Hoeganaes at 31 December 2009 was US$0.3 million (2008: US$0.1 million). The relationship between Hoeganaes and the Company's subsidiaries is on an arms length basis and in the ordinary course of trade. Grey Denham, a Non-Executive Director of the Company, was Company Secretary and Group Director Legal and Compliance of GKN plc until his retirement on 7 May 2009 but had no day-to-day involvement in the management of Hoeganaes.

31 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 and an interim dividend of 7.0 pence per share for 2009, totalling £11.7 million, was paid on 9 September 2009.

On 23 March 2010 the Directors declared a second interim dividend of 14.5 pence per share in respect of the year ended 31 December 2009 to be paid on 7 May 2010 to holders of ordinary shares registered on 16 April 2010. This dividend, totalling £24.2 million, has not been included as a liability as at 31 December 2009.

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

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

The Charter Employee Trust has waived its entitlement to receive dividends on its holding of 74,120 ordinary shares in the Company.