Annual Report 2009

Two international engineering businesses with market-leading positions based on customer service, brands and technology

CHARTER

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Financial highlights

Metric	Year	Value
Revenue	2009	£1,659.2m
	2008	£1,887.0m
Adjusted operating profit[1]	2009	£125.6m
	2008	£211.2m
Adjusted profit before tax[2]	2009	£126.0m
	2008	£213.2m
Profit before tax	2009	£92.7m
	2008	£197.7m
Cash flow from operations	2009	£171.5m
	2008	£159.5m
Net cash	2009	£50.9m
	2008	£51.8m
Earnings per share (Adjusted)[2]	2009	55.0p
	2008	99.2p
Earnings per share (Basic)	2009	38.1p
	2008	90.1p
Dividend per share (Second interim)	2009	14.5p
	2008	14.0p
Dividend per share (Total for the year)	2009	21.5p
	2008	21.0p

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

- Adjusted earnings per share of 55.0 pence
- Operating cashflow of £171.5 million
- Second interim dividend of 14.5 pence per share, making a total for the year of 21.5 pence (2008: 21 pence), an increase of 2.4 per cent
- ESAB operating profit (before exceptional items) of £64.5 million, including the benefit of over £50 million of cost savings
- Howden operating profit (before exceptional items) of £70.5 million and margin of 11.2 per cent
- Howden year-end order book of £441 million
- Balance sheet remains strong with net assets of £550 million and net cash of £51 million

"2009 was a very challenging year during which Charter acted quickly and resolutely to ensure both ESAB and Howden addressed the challenges of recession and dislocation in the financial markets, whilst continuing to invest in both businesses and to position them for future growth.

We believe that the worst of the recession is behind us but the recovery is expected to be uneven across the many different regions in which Charter operates. ESAB is well positioned to benefit from any recovery in steel consumption and, whilst we expect Howden's results in 2010 to be a little softer than 2009, we expect growth to resume in 2011.

Our decision to declare an increased dividend reflects Charter's robust performance in 2009, its strong balance sheet and the Board's confidence that both ESAB and Howden will make further progress in 2010."

Michael Foster
Chief Executive
23 March 2010

Charter at a glance

The Charter group of companies consists of two international engineering businesses, one focused on welding, cutting and automation ('ESAB'), and the other on air and gas handling ('Howden').

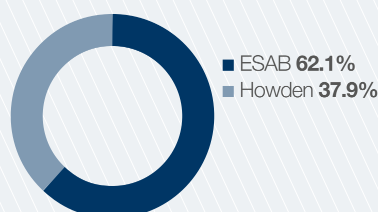
Both ESAB and Howden are established world-leaders in their chosen industries, supplying performance critical products to end-users in many different markets around the world.

Principal business and financial strengths of Charter

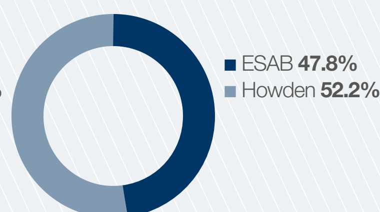
Rapid response to economic downturn	Restructuring led to over £50 million of savings in 2009
International diversity	Charter derived approximately one-half of sales in the developed world and one-half in emerging markets, with strong market positions in the BRIC economies
ESAB – a market leader	ESAB is the world's leading manufacturer of welding consumables, and the only worldwide full service welding and cutting company
Howden – a market leader	Howden is the world's leading designer and supplier of engineered fans to the power industry
Favourable long-term dynamics in key end-user segments	Both ESAB and Howden make a significant proportion of their sales to the energy industry
Flexible and modern manufacturing	Predominantly located in low cost areas
Dividend	Increased dividend of 21.5 pence per share, over 2.5 times covered by adjusted earnings
Balance sheet strength	Total equity shareholders' funds of £550 million
Net cash	Net cash of £51 million, and committed bank facilities of £170 million
Corporate status	Charter is registered in Jersey, tax resident in Ireland and listed on the London Stock Exchange. It is subject to the rules and regulations of the UKLA and the City Panel on Takeovers and Mergers, and complies with the Combined Code

Figures relate to the year ended 31 December 2009

Revenue £1,659.2m
(2008: £1,887.0m)



Operating profit £135.0m*
(2008: £221.7m)



*before central operations and exceptional items

ESAB is a world-leading manufacturer and supplier of welding consumables and equipment, and cutting and automation solutions.

Key competitive advantages

- Market leadership based on technology, customer service and brand strength
- Clear market-leader in Europe and a strong position in North America
- Market leadership positions in Brazil, Russia and India; potential to develop its positions in China, Asia and Africa
- Largest end-user segment is energy, including oil and gas, nuclear and renewable
- Extensive research and development function maintains technical leadership and market responsiveness
- Manufacturing predominantly located in low cost areas
- Rapid response to lower levels of demand, with profitability maintained in its major markets throughout the downturn
- Strong environmental credentials

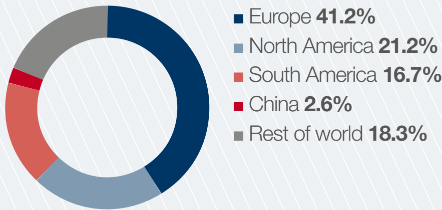
Howden

Howden is a world-leading international applications engineer. It designs, manufactures, installs and services fans, heat exchangers, compressors and related products for use in the power, oil and gas, petrochemical and other industries.

Key competitive advantages

- Market leadership based on technology, reputation and brand strength
- Global reach with strong positions in Europe, North America, China and South Africa
- Developing market positions in the Middle East, India, Russia and South America
- Customers in the power and energy industries account for over three-quarters of sales
- Growing aftermarket business accounted for 30 per cent of sales in 2009 with potential for further development
- Engineering centres of excellence provide bespoke solutions for customers
- Flexible business model with a manufacturing base predominantly located in low cost areas
- Restructuring has reduced manned capacity ahead of anticipated softer market for new equipment sales in 2010; growth expected to resume in 2011
- Strong environmental credentials

Revenue by destination



Revenue (£m)

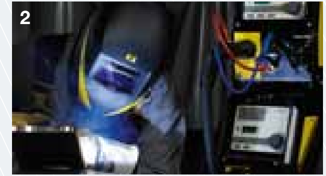
2009	£1,031.4m
2008	£1,259.8m

Operating profit (£m)*

2009	£64.5m
2008	£148.6m

*before exceptional items

Employees 8,581



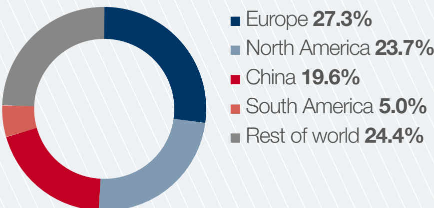
1 Submerged arc welding wire feed system for use with high productivity Tandem Twin Subarc welding heads.

2 Manual MIG/MAG welding using an ESAB Origo 4001i multi-process welding machine.

3 Plasma cutting with an ESAB Eagle 2500 automated cutting machine.

See pages 12 to 19 for more information

Revenue by destination



Revenue (£m)

2009	£627.8m
2008	£627.2m

Operating profit (£m)*

2009	£70.5m
2008	£73.1m

*before exceptional items

Employees 3,819

1 Twin screw rotors intermesh to develop the pressure rise in the Howden Screw Compressor.

2 Assembly of hub for the Variax® variable pitch axial fan.

3 Fully machined impeller for high-speed Howden centrifugal turbo compressor.

See pages 20 to 27 for more information

Summary of results

	2009 £m	2008 £m
Revenue	**1,659.2**	1,887.0
Adjusted operating profit[1]	**125.6**	211.2
Exceptional items	**(26.8)**	(8.3)
Other adjusting items	**(2.8)**	(1.9)
Operating profit	**96.0**	201.0
Net financing charge – retirement benefit obligations	**(7.7)**	(0.7)
Other financing charge before retranslation of intercompany loan balances	**(3.1)**	(1.2)
Net gain/(loss) on retranslation of intercompany loan balances	**4.0**	(4.6)
Net financing charge	**(6.8)**	(6.5)
Share of post-tax profits of associates and joint ventures	**3.5**	3.2
Profit before tax	**92.7**	197.7

	2009 £m	2008 £m
Profit before tax	**92.7**	197.7
Add/(deduct) adjustments:		
Exceptional items	**26.8**	8.3
Net financing charge – retirement benefit obligations	**7.7**	0.7
Net (gain)/loss on retranslation of intercompany loan balances	**(4.0)**	4.6
Other adjusting items	**2.8**	1.9
Adjusted profit before tax	**126.0**	213.2

	2009 £m	2008 £m
Tax charge on profit on ordinary activities (before the items set out below)	**(22.7)**	(38.5)
Taxation on exceptional items	**4.2**	1.5
Taxation on net financing charge – retirement benefit obligations	**1.1**	–
Taxation on net gain/(loss) on retranslation of intercompany loan balances	**(1.2)**	(2.4)
Taxation on other adjusting items	**0.7**	0.4
Taxation	**(17.9)**	(39.0)
Profit after tax	**74.8**	158.7
Attributed to: Equity shareholders	**63.5**	150.2
Minority interests	**11.3**	8.5
	74.8	158.7
Cash flow from operations	**171.5**	159.5

	pence	pence
Earnings per share Adjusted[2]	**55.0**	99.2
Basic	**38.1**	90.1
Dividend per share Second interim	**14.5**	14.0
Total for the year	**21.5**	21.0

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

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

"The total dividend has been increased to 21.5 pence per share."

Dear Shareholder

I am pleased to be able to report that, despite the very challenging economic and financial conditions which prevailed during 2009, Charter traded profitably through the year and generated increased operating cash flow. This was largely due to the strength of its businesses and the speed with which they were able to respond to the change in trading conditions. Full details of Charter's results are presented on the following pages.

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 came to light during an internal review of another matter that has been satisfactorily resolved.

The Company has now completed its investigation into all matters of which it became aware. There is no clear evidence of any improper payments having been made although the relevant authorities have been notified where, on advice, this has been considered appropriate. We are absolutely committed to maintaining high ethical standards of business practice, and we expect the same from our employees, agents and others with whom we transact business. Steps are being taken to reinforce our existing compliance programmes to ensure these standards are maintained.

Board changes

During the year, there have been a number of Board changes.

We were delighted to welcome Manfred Wennemer who was appointed as a Non-Executive Director with effect from 26 March 2009. Until recently, he was Chief Executive of Continental AG, the international manufacturer of tyres and equipment for the automotive and transport industry.

James Bruce stood down as Senior Independent Non-Executive Director and Chairman of the Remuneration Committee at the Company's Annual General Meeting in April 2009. I am sure that Shareholders will join me and the rest of the Board in thanking James for his contribution and wishing him well for the future. Grey Denham has replaced him as the Senior Independent Non-Executive Director and Chairman of the Remuneration Committee.

There have also been some changes amongst the responsibilities of the Executive Directors. In order to more closely manage the restructuring of ESAB and its response to the economic downturn, Michael Foster took direct responsibility for ESAB in April 2009. James Deeley, previously Legal Director, became the Company's Commercial Director with effect from 26 March 2009, and in April also took on responsibility for ESAB's Standard Equipment, Automation and Cutting activities.

On 21 October 2009, Michael Hampson joined Charter as Company Secretary and General Counsel.

Dividend

In recognition of the Company's robust performance during 2009, its strong balance sheet and our confidence that both ESAB and Howden will make further progress in 2010, the Board has declared a second interim dividend of 14.5 pence per share, increasing the total dividend in respect of 2009 to 21.5 pence. This compares with the total dividend of 21.0 pence per share which was paid in respect of 2008. It is anticipated that the dividend will be paid on 7 May 2010 to holders of ordinary shares registered on 16 April 2010.

Going forwards, the Board will look to maintain and grow the dividend in a way which reflects the overall performance of the Company and the general economic and financial conditions in the principal markets in which the Company and its subsidiaries operate.

Concluding comments

The Board's review of the Company's strategy confirmed that Charter will continue to focus on the development of ESAB and Howden as a means of generating long-term value for shareholders. A key part of this will be to maintain Charter's financial strength, which will allow it to continue to invest in the growth of the businesses and, where the opportunity arises, to make acquisitions.

The Board remains confident that the Company will make further progress in 2010 and that the long-term prospects of both businesses and the industries in which they operate remain strong.

Lars Emilson
Chairman
23 March 2010

Chief Executive's statement

"Charter demonstrated resilience and flexibility as it responded to the difficult financial and trading conditions of 2009 in which both businesses demonstrated their ability to continue to generate profits and cash."

Summary of results and performance
The results for the year are summarised below.

	2009 £m	2008 £m	Change
Revenue			
ESAB	**1,031.4**	1,259.8	**(18.1%)**
Howden	**627.8**	627.2	**0.1%**
	1,659.2	1,887.0	**(12.1%)**
Howden order book	**441.1**	499.3	**(11.7%)**
Operating profit before exceptional items			
ESAB	**64.5**	148.6	**(56.6%)**
Howden	**70.5**	73.1	**(3.6%)**
Central operations	**(12.2)**	(12.4)	
	122.8	209.3	**(41.3%)**
Operating margin			
ESAB	**6.3%**	11.8%	**(5.5% points)**
Howden	**11.2%**	11.7%	**(0.5% points)**
Charter			
Adjusted earnings per share	**55.0p**	99.2p	**(44.6%)**
Cash flow from operations	**£171.5m**	£159.5m	**7.5%**

In 2009, revenue was £1,659.2 million (2008: £1,887.0 million) and operating profit before exceptional items was £122.8 million (2008: £209.3 million). Adjusted earnings per share were 55.0 pence (2008: 99.2 pence). Cash flow from operations was £171.5 million (2008: £159.5 million), an increase of 7.5 per cent.

Our determination to continue investing in our businesses was illustrated by capital expenditure of £60 million compared with depreciation of £26 million, and total expenditure on research and development of £17 million (2008: £13 million).

The Board was extremely pleased with the manner in which the businesses responded to 2009, addressing unfolding events and circumstances with appropriate rapid responses and determination. It bodes well for the future of the Charter group of companies that the morale in the businesses remained high and that the staff were able to sustain the effort to effect long-term improvement in operations whilst simultaneously meeting severe short-term pressures.

In 2009, as the engineering and manufacturing sectors contracted at unprecedented rates in Western Europe and North America in particular, ESAB's revenue and operating profit decreased compared with 2008. In an uncertain economic climate, forward visibility was clouded but the overall result for the year was in line with the revised forecasts that were prepared during the second quarter of the year.

During the year, Howden successfully executed the strong order book with which it started the year, booked new orders and continued to grow its aftermarket business. As a result, it achieved an operating profit which was broadly in line with the budget set by the Board at the start of the year.

The Board considers that the best measure of the extent to which Charter is generating shareholder value is adjusted earnings per share, which excludes exceptional and other items considered by the Board to be not directly related to underlying performance. Adjusted earnings per share in the year of 55.0 pence were slightly ahead of the revised forecast prepared during the second quarter of the year, but behind the original budget. The Board is also focused on the cash generated from operations during the year which amounted to £171.5 million (2008: £159.5 million), an increase of 7.5 per cent.

We also believe that the results for 2009 should be seen within the context of the progress which Charter has made over the past five years. You will find set out on pages 10 and 11 charts which illustrate how some of our principal measures of business performance have moved over this period.

Charter's strategy
Charter recognises that both ESAB and Howden are market leaders in their respective industries with the potential for further development.

In the current economic environment, we will drive operational improvement and cost management, whilst investing in the technology and infrastructure which these businesses need to maintain their positions of leadership and to deliver increasing value to their customers as the recovery unfolds.

We believe that both businesses have been growing their shares of the principal markets in which they operate and have the capability to continue to do so through continued emphasis on customer service, technical competence and increasingly global footprints.

By maintaining a strong balance sheet, Charter will ensure that ESAB and Howden will have the financial resources which the businesses need in order to meet their goal of returning to the strong growth achieved before the onset of the recession towards the end of 2008.

Review of 2009
2009 saw dramatic reductions in levels of industrial activity in many regions around the world, the impact of which was heightened by the continuing shortage of credit as the financial system struggled to recover. Towards the end of the year, there were signs that the worst is behind us, but various regions, including the USA and Western Europe, remained generally weak throughout the year and the timing and extent of widespread economic recovery remains uncertain.

Within this economic environment, the impact on ESAB was more immediate and, whilst Howden was generally able to maintain levels of activity, it suffered from a falling order intake.

ESAB
The severe economic downturn had a significant impact on the results for the year with revenue down by 18 per cent and operating profit before exceptional items down by 57 per cent, or by 28 per cent and 65 per cent respectively at constant currencies. Despite this, ESAB remained profitable in every major region and generated significant cash flow.

Volumes of welding consumables for the year as a whole were down by around one-quarter compared with 2008. After a sharp reversal in the fourth quarter of 2008, volumes were generally stable in the first quarter of 2009 but then slipped again in the second quarter. Volumes in the second half of the year did not show any sustained improvement.

Whilst average net selling prices of consumables trended downwards during the year, generally reflecting the pass through of lower steel costs, ESAB's pro-active product and brand management enabled it to maintain premium pricing for its products in many markets in which it operates and on average for the year as a whole prices remained slightly ahead of 2008.

Revenue in the standard equipment business was down by around 40 per cent for the year as a whole, and finished the year without there having been any real signs of recovery in the key European and North American markets, although various emerging markets did start to recover as the year progressed. Engineered automation had a generally stable year, reflecting the relatively large proportion of its sales which are made to the energy industry. In the first half of the year, the cutting business reported higher revenues than in 2008, but with lower margins, whilst markedly lower order intake led to much reduced levels of activity in the second half of the year and a consequent negative impact on the business's profitability. Low levels of activity are likely to continue in cutting for some time to come.

We responded to the lower levels of demand by implementing restructuring measures to reduce capacity and to achieve lasting improvements in the operational efficiency of the business. These measures saved over £50 million of costs during the year, and resulted in exceptional charges in ESAB for the year of £24 million. Some £6 million of exceptional costs which we previously envisaged being incurred in 2009 have been carried over into 2010.

ESAB's adjusted operating margin for the year was 6.3 per cent. After a difficult second quarter, margin performance generally improved during the second half of the year, led by the consumables business, but was offset by the deterioration in the cutting business. The outcome for the year, whilst appreciably below the level achieved in 2008, was ahead of the trough margin of 5.7 per cent recorded in 2001, despite the much larger volume reductions seen in 2009.

"Despite the severe economic downturn, ESAB remained profitable in every major region and generated significant cash flow."

Chief Executive's statement
continued

"Howden delivered another strong set of results with operating profit before exceptional items of £70.5 million."

During 2009, various senior management changes were implemented within ESAB. In order to more directly oversee ESAB's restructuring and response to the downturn, I took over executive responsibilities for ESAB in April at which time Jon Templeman stood down from his position as CEO of ESAB Global and left the business. Also at that time, James Deeley, Charter's Commercial Director, additionally took on the responsibility for ESAB's Standard Equipment, Automation and Cutting activities. We are taking additional steps to strengthen certain of ESAB's central functions to further improve its ability to respond to changes in its markets and to deliver customer focused solutions as well as levels of customer service.

Howden

Against a difficult economic and financial backdrop, Howden delivered another strong set of results with almost unchanged revenue of £627.8 million (2008: £627.2 million) and operating profit before exceptional items of £70.5 million (2008: £73.1 million), a decrease of 4 per cent. The results were assisted by favourable exchange rate movements; at constant currencies, revenue and operating profit before exceptional items fell by 13 per cent and 19 per cent respectively.

A particular feature of the results was the strong growth in the aftermarket business, where revenues increased by 17 per cent to £189 million, representing 30 per cent of Howden's total revenues.

The opening order book proved to be robust, with order cancellations during the year amounting to only £11 million.

Order intake during the year of £514 million was down by 23 per cent compared with 2008. This primarily reflected weak order intake from the power sector in China, where electricity demand in the early part of the year was lower than in 2008, and in the USA, where weak economic and financial conditions combined with uncertainty over the new administration's policies on energy and environmental protection.

Howden's order book gives it good visibility over future levels of activity and allows it to manage changes in levels of manned capacity. During 2009, restructuring measures, which are expected to lead to cost savings in 2010 of £8 million, led to an exceptional charge of £2 million. As a result of these measures, manned capacity has been brought into line with the levels of demand which the business expects to see during 2010.

I am delighted that Howden's successes in recent years have been recognised by the business community. Howden was named by the British Chamber of Commerce as the UK Company of the Year 2009.

Balance sheet and cash flow

As at 31 December 2009, shareholders' funds were £550 million and Charter had net cash balances of £51 million. It remains our intention to maintain the Company's balance sheet strength.

The prevailing economic and financial conditions increased focus on cash generation and control of working capital. During the year, cash inflow from operations was £171.5 million (2008: £159.5 million).

During the year, Charter extended its financing facilities and presently has committed facilities of £170 million with maturity dates between 2011 and 2013, which were undrawn at the end of the year.

2010 outlook

ESAB

ESAB has started the year with overall volumes of consumables generally in line with the volumes seen in the comparable period in 2009. There are some signs of modest improvements in volumes, but the performance between regions varies. Europe is generally patchy with no clear trends yet emerging; Southern Europe is weak and Western Europe remains flat but sales to Russia are recovering; Central Europe is benefiting from higher levels of activity in the automotive sector, but weakness in shipbuilding will continue which will impact sales to Germany, Poland and elsewhere. We are seeing an improving performance in South America, led by Brazil, and in India. We expect South-East Asia to trend positively, but performance between individual countries will vary. Oil and gas projects will drive the Middle East and we expect ESAB's sales into Africa will continue to grow. The economy in North America remains amongst the weaker performers, although ESAB's presence there is supported by strong positions in sectors which are proving to be more resilient, such as energy.

In October 2009, The World Steel Association ('WSA') published a forecast for 2010 growth of 13.1 per cent in the consumption of steel for the world excluding China, which, if achieved, should lead to a similar increase in the demand for welding consumables. We have reinstated certain amounts of capacity in response to an improved outlook, but at present this is limited to specific geographies and products. Generally, we believe that ESAB's manned capacity is in line with current levels of demand, and ESAB has

"We expect both ESAB and Howden to make further progress in 2010 and to perform well against the principal markets in which they operate."

the flexibility to restore manned capacity quickly and cheaply as and when levels of demand warrant it.

Selling prices of welding consumables are being maintained and, as demand for steel recovers, we expect to see some price escalation later in the year.

On the equipment side, we see demand for standard equipment taking longer to recover, despite the more positive trends we are seeing in some developing markets. During the year, ESAB will introduce a new range of standard equipment. We see good prospects for engineered automation, with its significant exposure to the energy industry, despite some softening in order intake at the end of 2009. We do not expect any discernable recovery in the cutting business to be seen before 2011.

We will continue to take steps to ensure that ESAB emerges from the downturn as a stronger company.

We will maintain capital expenditure at levels well ahead of depreciation, but with the focus on improving customer service and business efficiency. Additions to capacity will be selective and in response to specific opportunities. We will also continue to invest in research and development.

Overall, we believe that the restructuring measures already taken in response to the economic downturn will bring long-term benefits to the business and result in permanent cost savings of around £10 million, representing additional margin of about 1 per cent.

During 2010, we envisage further restructuring measures, including in relation to the European supply chain and the cutting business where demand conditions remain depressed. Taking these into account and, as noted above, the charge of £6 million carried over from 2009, we expect the total exceptional charge in 2010 to be around £15 million.

Howden

After a very robust business performance in 2009, Howden's order book at 1 January 2010 stood at £441 million, of which £340 million is for delivery in 2010 and the remaining £101 million thereafter. Allowing for some element of 'book and bill', we anticipate new equipment sales being slightly below the record levels seen in 2008 and 2009, and we have taken steps to reduce manned capacity in Howden accordingly.

Growth in Howden's aftermarket activities, which we expect to continue in 2010, will partially offset lower sales of new equipment and, together with the flexibility of its business model, means that Howden's margin in 2010 should be only slightly lower than the level achieved in 2008 and 2009.

Towards the end of 2009, enquiry levels showed signs of picking up which we hope will be reflected in higher bookings in 2010 and lead to a resumption of growth in new equipment sales in 2011.

Concluding comments

2009 was a very challenging year during which Charter acted quickly and resolutely to ensure both ESAB and Howden addressed the challenges of recession and dislocation in the financial markets, whilst continuing to invest in both businesses and to position them for future recovery and growth.

We believe that the worst of the recession is behind us although we do not expect the recovery to be smooth or even across the many different regions in which Charter operates. We expect both ESAB and Howden to make further progress in 2010 and to perform well against the principal markets in which they operate. ESAB is well positioned to benefit from any recovery in steel consumption and, whilst we expect Howden's results in 2010 to be a little softer than 2009, we expect bookings to recover and growth to resume in 2011.

Looking further ahead, we expect the long-term dynamics of rising energy demand and steel usage to prevail, and ESAB and Howden each have the market positions, people and assets required to continue to deliver superior value to Charter shareholders in the future.

Michael Foster
Chief Executive
23 March 2010

For further details on ESAB and Howden strategy and performance, see pages 12 to 27.

How our principal measures of business performance have moved over the last five years

Revenue

Description of measure
Revenue growth measures the success which we are having at increasing the volume of products sold and changes in the prices at which we are able to sell them. Revenue growth helps us to determine whether we are gaining or losing market share by region, product or end-user segment.

Performance
Charter achieved strong revenue growth in both businesses until 2009. In 2009, ESAB's revenue fell, as the economic recession led to lower sales of consumables and equipment. Howden maintained its revenue in 2009, reflecting the strength of its opening order book, further growth in aftermarket revenues and favourable exchange rate movements.

Revenue (£m)

Year	Revenue
2009	£1,659.2m
2008	£1,887.0m
2007	£1,451.1m
2006	£1,257.9m
2005	£1,065.7m

Adjusted operating profit

Description of measure
Adjusted operating profit measures the success we are having at increasing revenues net of increases in the cost of employees, goods and other services which we are incurring. We adjust operating profit to exclude the impact of unusual or non-recurring items, such as restructuring costs, which we believe is appropriate to give a truer picture of underlying performance.

Performance
Adjusted operating profit grew consistently up to 2009, when it fell as ESAB suffered deteriorating trading conditions and despite restructuring measures which saved over £50 million during the year, whilst Howden's profit fell only slightly.

Adjusted operating profit (£m)

Year	Adjusted operating profit
2009	£125.6m
2008	£211.2m
2007	£173.8m
2006	£144.6m
2005	£97.5m

Operating margin

Description of measure
Operating margin measures the rate at which revenue changed relative to the rate at which operating profit (before exceptional items) changed. Whilst the operating margin may move for a variety of reasons, such as changes in geographic or product mix, the actual operating margin achieved against the expected level is one of our principal measures of underlying performance.

Performance
Charter's operating margin improved until 2008, when the onset of the economic recession in the second half of the year led to the margin for the year as a whole easing. In 2009, the operating margin fell further reflecting the downturn in ESAB's business, whilst Howden's operating margin remained in excess of 11 per cent.

Operating margin (%)

Year	Operating margin
2009	7.4%
2008	11.1%
2007	11.9%
2006	11.5%
2005	9.1%

Howden order book

Description of measure
Howden's order book gives good visibility of new equipment sales and also gross margin for the following 12 to 18 months. Movements in the order book can be used as a leading indicator of Howden's performance relative to the market, and also to manage changes in capacity levels.

Performance
Howden's order book consistently grew until 2009 when, despite the severe economic conditions prevailing, Howden continued to book orders but at levels slightly below its sales, leading to a modest fall in the order book during the year.

Howden order book (£m)

Year	Howden order book
2009	£441.1m
2008	£499.3m
2007	£416.7m
2006	£361.0m
2005	£304.0m

Cash flow from operations

Description of measure
We monitor cash flow from operations, but in doing so, we set targets which recognise that, as businesses grow, they tend to absorb cash into working capital. Our measure of cash flow from operations takes into account certain non-recurring items including expenditure on restructuring.

Performance
Throughout the period, Charter has successfully increased the amount of cash generated from its operations. Cash flow from operations continued to improve in 2009, despite the fall in revenue and profit, as there was an increased focus on the control of working capital in particular in ESAB.

Cash flow from operations (£m)

Year	Cash flow from operations
2009	£171.5m
2008	£159.5m
2007	£149.1m
2006	£106.8m
2005	£84.5m

Adjusted earnings per share

Description of measure

Adjusted earnings per share shows the net profit generated for shareholders in an accounting period, after taking into account financing and tax. The measure is defined so as to exclude exceptional charges or income and other items considered by the Board to be not directly related to the underlying performance of our businesses.

Performance

Adjusted earnings per share more than doubled between 2005 and 2008. In 2009, adjusted earnings per share fell but still remained well above the figure achieved in 2005.

Adjusted earnings per share (p)

Year	Value
2009	55.0p
2008	99.2p
2007	84.7p
2006	68.1p
2005	43.0p

Equity shareholders' funds

Description of measure

Equity shareholders' funds reflect the value of net assets available to shareholders. It is a measure of the strength of Charter's balance sheet and reflects the value of Charter's current and non-current assets and liabilities, including its net cash/(debt) position.

Performance

Charter's balance sheet has strengthened considerably over the period, with equity shareholders' funds increasing more than four-fold. During this time, the Company has moved from a position of modest net debt to net cash, despite a period of high capital expenditure, acquisitions financed out of cash flow and the resumption of dividend payments.

Equity shareholders' funds (£m)

Year	Value
2009	£549.9m
2008	£578.3m
2007	£426.4m
2006	£246.1m
2005	£135.1m

Capital expenditure

Description of measure

The absolute level of capital expenditure and its relationship to the depreciation charge are indications of the extent to which Charter is investing in the productive capacity of its businesses, which might include increasing the absolute capacity of the businesses or measures to improve operating efficiency or customer service.

Performance

Throughout the period, Charter's capital expenditure has been significantly in excess of depreciation as it has increased its global manufacturing capacity. Capital expenditure has been higher in ESAB than in Howden, reflecting in part their respective business models and relative sizes.

Capital expenditure (£m)*

Year	Value
2009	£64.7m
2008	£70.1m
2007	£52.1m
2006	£27.6m
2005	£22.6m

*Including capitalised development costs

Research and development expenditure

Description of measure

Charter recognises that its technology is an important factor in maintaining the leadership of its products in the competitive markets in which it operates. Research and development expenditure is written off as incurred, except that certain development expenditure is capitalised as required by IAS 38.

Performance

Research and development expenditure has increased over the period including in 2009. The majority of this expenditure has been in ESAB. Howden engineers bespoke solutions for particular customers' air and gas handling requirements but this expenditure is generally not classified as 'research and development'.

Research and development expenditure (£m)

Year	Value
2009	£17.1m
2008	£13.2m
2007	£9.2m
2006	£9.1m
2005	£7.5m

Lost time injury frequency rate

Description of measure

We recognise that financial performance is not a sufficient measure on its own. We operate in heavy engineering environments where there is considerable inherent risk and the safety of our employees is a key priority. We use a variety of measures, including Lost Time Injury Frequency Rate ('LTIFR'), to assess the effectiveness of our health and safety performance.

Performance

LTIFR fell by around one-half during the period from 2007 to 2009 in which data has been systematically collected and verified, underlining Charter's commitment to employee welfare. Further information on our health and safety performance are set out in the Corporate responsibility report on pages 36 to 41.

Lost time injury frequency rate
(Per 200,000 hours worked)

Year	Value
2009	1.17
2008	1.53
2007	2.31

ESAB

ESAB is a world-leading international welding and cutting company. It formulates, develops, manufactures and supplies consumable products and equipment for use in the cutting and joining of steels, aluminium and metal alloys.

About ESAB

ESAB's comprehensive range of welding consumables includes electrodes, cored and solid wires, and fluxes. ESAB's welding and cutting equipment ranges from standard equipment to large bespoke plant used in industrial applications.

In 2009, ESAB derived over 80 per cent of its sales from welding consumables and standard welding equipment. The energy sector, including oil and gas, nuclear and renewables, is the largest user of ESAB products and is estimated to account for around one-quarter of revenue.

ESAB's sales are split broadly evenly between developed and emerging economies. ESAB is the clear market leader in Europe, South America and India. It is the largest international welding company in Russia and is developing its position in Africa, China and elsewhere in Asia.

ESAB's manufacturing facilities are located predominantly in low cost locations, in particular in Central Europe, South America and Asia. Following a sharp reduction of demand in the fourth quarter of 2008, restructuring measures saved over £50 million of operating costs; however, towards the end of 2009, steps were taken to restore some manned capacity in anticipation of a recovery in demand in certain markets.

During the downturn, ESAB has maintained its focus on customer service, as illustrated by it being named by Frost & Sullivan as 'best global partner in welding and cutting systems for energy generation'.

2009 highlights

	2009 £m	2008 £m	Change %
Welding	**846.7**	1,042.2	**(18.8)**
Cutting and automation	**184.7**	217.6	**(15.1)**
Revenue	**1,031.4**	1,259.8	**(18.1)**
Welding	**54.7**	122.7	**(55.4)**
Cutting and automation	**9.8**	25.9	**(62.2)**
Operating profit before exceptional items	**64.5**	**148.6**	**(56.6)**
Share of profits of associates (post tax)	**3.5**	3.1	**12.9**
Operating margin	**6.3%**	11.8%	
Capital expenditure	**39.8**	49.7	
Depreciation	**(20.1)**	(16.1)	
Research and development expenditure	**15.5**	12.1	
Average number of employees	**8,581**	9,372	

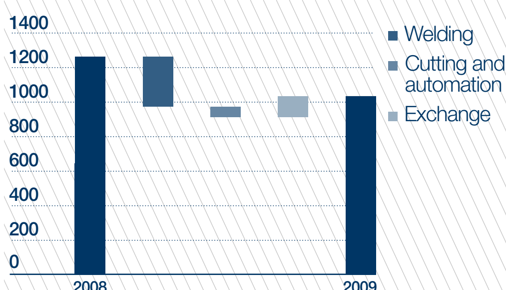
- Restructuring measures reduced headcount by 17 per cent and led to cost savings in excess of £50 million
- Continued capital expenditure and investment in research and development expenditure
- Revenue for the year of £1,031.4 million (2008: £1,259.8 million) and operating profit before exceptional items of £64.5 million (2008: £148.6 million)
- Operating margin of 6.3 per cent, with an improving performance in consumables offset by a progressive deterioration in cutting
- The welding consumables and equipment businesses are well placed to recover during 2010 but further restructuring may be required in cutting.

ESAB strategy

ESAB's strategic objective is to generate significant growth in revenue and profit over the next five years through building upon its position as the world's leading company in welding consumables and its strong global positions in welding and cutting equipment. In pursuit of this objective, ESAB will undertake the following measures:

- ESAB will enhance its market leadership by leveraging its broad product range in all its markets globally as well as by further investment in brand recognition and customer service. ESAB is recognised as the welding authority and, in support of this, will continue to develop initiatives such as its worldwide network of process centres;
- ESAB will use its research and development facilities to develop highly customer-focused products to enhance its leading position in welding technology, in particular through the development of new welding materials and equipment such as the telescopic boom and robotic friction stir welding;
- ESAB will build upon its leading position in Europe and other developed markets to achieve growth at above market rates through continued customer focus, improved supply infrastructure and new products, particularly for the energy sector;
- In relation to developing markets, ESAB is the market leader in South America and India, and will continue to grow in Russia where it is the leading international welding company. ESAB has a new strategy to build a meaningful presence in China, and will target other markets in Asia and elsewhere, such as Africa;
- ESAB will target specifically those welding-intensive end-user segments, such as nuclear, pipelines, wind energy, off-shore and transport, which are seen as offering particular growth opportunities; and
- ESAB will look to act as a consolidator in the global welding industry, using acquisitions to strengthen market positions, enter new markets and improve its technology base.

ESAB's physical manufacturing capacity is generally seen as being sufficient for its immediate requirements, but selective capacity increases may be required to meet specific product or geographic shortages. Investment will also be made in increasing manufacturing efficiencies and in measures to improve customer service.



During 2009, ESAB's revenues declined by 18.1 per cent. Of this, welding consumables and standard equipment led to a decline of 22.9 per cent and cutting and automation led to a decline of 4.8 per cent, offset by a positive contribution from exchange movements of 9.6 per cent. The decline in welding was primarily attributable to lower volumes of consumables which fell 24 per cent during the year. Price movements and mix in relation to welding consumables led to small positive variances.

Overview of performance

In a year of unprecedented declines in industrial production in virtually every economy, ESAB saw reductions in revenue and profit, but, due to a series of strong measures undertaken to reduce costs, remained profitable and cash generative.

In 2009, ESAB generated revenue of £1,031.4 million (2008: £1,259.8 million), a reduction of 18.1 per cent. Of this reduction, 22.9 per cent came from the welding business (consumables and standard equipment) and 4.8 per cent from the cutting and automation businesses, whilst currency movements, in particular the weakening of sterling against the euro and the US dollar, added 9.6 per cent.

Operating profit before exceptional items was £64.5 million (2008: £148.6 million), a reduction of 56.6 per cent (64.9 per cent at constant currency). The operating margin for the year was 6.3 per cent (2008: 11.8 per cent).

Restructuring measures, which were progressively implemented from October 2008 onwards, reduced headcount by some 1,600 employees (equivalent to 17 per cent of ESAB's workforce at that time) and saved in excess of £50 million and led to a restructuring charge for the year of £24 million. Towards the end of the year, some headcount was selectively restored in response to the improving outlook in certain markets.

Volumes of welding consumables for the year as a whole were down by around one-quarter compared with 2008. After a sharp reversal in the fourth quarter of 2008, volumes were generally stable in the first quarter of 2009. There were further general declines in volume during the second quarter, but thereafter volumes generally stabilised. A number of customers in Europe and North America took longer than usual Christmas breaks which adversely impacted December volumes.

Whilst average net selling prices of consumables trended downwards during the year, generally reflecting the pass through of lower steel costs, ESAB's pro-active product and brand management enabled it to maintain premium pricing for its products in many markets in which it operates and on average for the year as a whole prices remained slightly ahead of 2008.

The strength of demand from different end-user segments varied with energy remaining reasonably strong throughout the year, automotive being very weak in the first half of the year but showing some signs of recovery in the second half, and shipbuilding, especially in Europe, declining markedly in the second half of the year.

Volumes of standard equipment were generally weak throughout the year, with revenues down by about 40 per cent compared with 2008, in response to which manned capacity was cut by around one-half. However, towards the end of the year, there were some signs of recovery in South America, India and other emerging markets. The engineered automation business, which makes a significant proportion of its sales into the energy industry, maintained revenues and, despite a dip in its order book at the year-end, has a reasonable outlook.

The cutting business had increased revenue in the first half of the year, albeit with lower margins, as a consequence of the order book with which it started the year. However, a significant deterioration in the market for cutting equipment led to sharply lower order intake and to a fall in revenue in the second half of the year which severely impacted profitability. With order intake remaining weak, the cutting business is likely to remain difficult throughout 2010 and further restructuring measures will be required.

ESAB's overall margin performance, having been adequate in the first quarter, slipped during the second quarter as consumables volumes, especially in Europe, fell and there was some short-term weakness in pricing. In the second half of the year, margins recovered, led by the consumables business, but offset by the deterioration in the cutting business and, to a lesser extent, the extended Christmas shutdowns amongst customers in Europe and North America.

By the end of the year, most regions in which ESAB operates appeared to have been through the bottom of the cycle, although the economies of some regions, such as Western and Southern Europe and the USA, continued to suffer varying degrees of weakness. Signs of recovery were patchy, with South America, India and Russia amongst the more positive regions.

The Hybrid Laser Process
Advanced MIG/MAG welding solutions for use with high power lasers.

By increasing the arc welding power it is possible to utilise high power lasers in industrial manufacturing processes. The extra power facilitates higher welding speeds and increased weld penetration, opening up new potential such as the welding of thick steel structures.

Despite the economic conditions, ESAB has continued to invest in its business. Capital expenditure amounted to £40 million, slightly below the level seen in 2008 but still well ahead of depreciation; significant expenditure during the year took place in relation to selective re-equipping and additions to various factories, a new warehouse in the Middle East, land purchase and upgrades to IT systems. Research and development expenditure increased to £15.5 million (2008: £12.1 million), representing 1.5 per cent of revenue.

ESAB restructuring

In the face of the economic downturn and significant reductions in the demand for welding consumables and equipment which first took place in October 2008, ESAB took significant steps to restructure its business, in particular through reductions in manned capacity, factory closures and mothballing, improved procurement of materials and services, and reductions in overheads, whilst protecting the longer-term potential of the business.

Following the downturn of demand which started in October 2008, some 1,600 employees (representing 17 per cent of ESAB's permanent workforce at that time) left the company. By the middle of the year, manned capacity had been reduced by around one-third in consumables and by around one-half in equipment to bring it into line with the levels of prevailing demand.

As part of this process, three consumables factories (in Finland, Sweden and Italy) were closed during the year. Equipment from the closed factories is being re-installed in other ESAB factories, meaning that physical capacity will be little changed. Two further factories (an equipment factory in China and a consumables factory in Italy) were mothballed.

However, by the end of the year, to reflect the improving outlook in certain markets, some manned capacity had been restored and steps had been taken to resume production at the mothballed Italian consumables factory.

The opportunity is also being taken to restructure ESAB's equipment factory in the USA, with production being transferred to other ESAB factories where spare capacity can be utilised. Customer service and marketing facilities for the North American market are being retained locally.

Overall, the restructuring measures achieved cost savings of over £50 million in 2009. The extent to which these cost savings recur in 2010 will depend on how much manned capacity is restored during the year to meet higher levels of demand, but it is expected that the measures will lead to permanent margin enhancement of around 1 per cent. The restructuring measures resulted in an exceptional charge for the year of £24 million, together with a further £6 million of costs which have been carried over into 2010.

ESAB management will continue to monitor capacity levels against demand and make further capacity adjustments where necessary. Manned capacity can be restored quickly and at relatively low cost, for example through overtime, new shifts or the introduction of contract labour. On the basis that the worst of the recession has passed, further general reductions in capacity are not anticipated except in the cutting business which is expected to continue to face difficult trading conditions.

During 2010, ESAB will take further steps to ensure that it emerges from the downturn as a stronger company, including a programme of capital expenditure and continued investment in research and development. ESAB will continue to restructure its European supply chain and to take other measures to improve business efficiency. Within the cutting business, certain additional restructuring is likely to be necessary as demand conditions are expected to remain depressed, and, as noted above, restructuring charges of £6 million have been carried over from 2009. Taking all these into account, it is expected that there will be a total exceptional charge in 2010 of around £15 million.

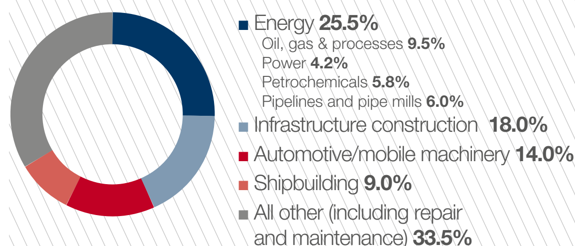
Industry overview

Market size and end-user segments

In 2009, the global welding and cutting industry had total revenue estimated at US$13 billion, divided approximately equally between welding consumables and welding and cutting equipment. In addition, the total market for welding robots and associated automation products amounted to US$3 billion.

The manual MIG/MAG welding process

Welding industry end-user segments



Source: Frost & Sullivan

In 2009, the energy segment, including oil and gas, power and pipelines, was the largest end-user segment accounting for an estimated 25.5 per cent of industry revenues. Other major end-user segments were infrastructure construction (18 per cent), automotive and mobile machinery (14 per cent) and shipbuilding (9 per cent). All other users, including repair and maintenance, accounted for the remaining 33.5 per cent.

ESAB Rosio™ FSW
By combining high payload industrial robots with the friction stir welding process it is now possible to weld complex 3-dimensional aluminium components for a wide range of industrial applications.

The major global end-user segments are as follows:

- the energy sector, which includes the oil and gas industries and electricity generation (from conventional, nuclear and renewable sources) and transmission, is estimated to account for 25.5 per cent of industry revenue;
- infrastructure construction, such as the building of light rail networks, sewerage systems and other public works, is estimated to account for 18 per cent;
- the transport segment, which includes original equipment manufacturers of cars and commercial vehicles and related component suppliers, as well as 'off road' vehicles such as excavators, dumpers and agricultural equipment, and railway rolling stock (estimated to account for 14 per cent); and
- shipyards, producing ships for commercial and naval customers (estimated to account for 9 per cent).

In addition, welding and cutting take place in many other industries where steel is used in the manufacture process; together these applications are estimated to account for 33.5 per cent of the industry's revenues.

Demand

Demand for welding and cutting products is determined largely by the consumption of steel and, to a lesser but growing extent, of other metals, such as aluminium and advanced alloys. China is the largest producer and consumer of steel but accounts for only around 3 per cent of ESAB's revenues. Accordingly, ESAB management typically considers the demand environment for ESAB products by reviewing worldwide production and consumption of steel excluding China.

The most recent estimate by the World Steel Association ('WSA') is that, excluding China, worldwide consumption of steel in 2009 was 577 mmt (2008: 764 mmt), a reduction of 24 per cent which is unprecedented. All major regions suffered significant falls, with EU (27) and the USA down by 33 per cent and 39 per cent respectively. Apart from China, where consumption is estimated to have increased by 19 per cent to 526 mmt (representing 48 per cent of worldwide steel consumption) and India, no major country recorded an increase in consumption.

The WSA's most recent forecast (published in October 2009) is that steel consumption in 2010 will recover but not by enough to offset the reductions experienced during 2009, with worldwide consumption (excluding China) expected to increase by 13.1 per cent. Consumption in EU (27) and the USA is expected to increase by 12 per cent and 19 per cent respectively compared to 2009. By contrast, the growth of steel consumption in China is forecast to slow to 5 per cent.

ESAB expects that, as a general rule, any recovery in steel consumption would lead to a similar percentage increase in the demand for welding consumables. On the basis of the WSA forecasts, ESAB would also expect that demand for standard welding equipment would start to show generalised signs of recovery during 2010. The market for cutting equipment is seen as longer-cycle and is expected to remain weak beyond 2010. Demand for engineered automation equipment from the oil and gas, nuclear and renewables segments of the energy industry will reflect the long-term dynamics of rising energy demand.

Competitive environment

Globally, ESAB is the leading supplier of welding consumables. It is the only worldwide, full service welding and cutting company and is also the clear industry leader outside North America where it ranks behind the two market leaders. ESAB operates in a competitive environment, consisting of a relatively small number of companies that operate on a multinational basis and a much larger number of smaller companies which operate in regional or product niches.

ESAB estimates that it has a 12 per cent share, by value, of the available global welding and cutting market. ESAB believes that, despite the turbulence seen in its Western European and North American markets in 2009, it at least maintained its global market share due to its continued efforts to enhance customer service, production facilities and product development, and as certain competitors were financially or operationally less well positioned to respond to the challenges presented by the economic and financial conditions prevailing during the year.

Over the longer term, ESAB expects to maintain and progressively strengthen its global market share, despite the potential threat of low cost

Wind towers
ESAB has been involved with the wind tower industry for many years, designing and developing solutions to meet the consistently increasing demand for higher quality and productivity. Today 80 per cent of all towers in service worldwide have been manufactured using ESAB technology.

Throughout the world, ESAB has partnered with manufacturers of wind towers, foundation piles and transition pieces, for land based, offshore or arctic service. ESAB solutions range from the retrofitting of existing production facilities to turnkey equipment for greenfield installations.

manufacturers looking to increase their shares of markets in which ESAB has an established position, due to a number of factors including:

- its brand;
- its industry-leading technology;
- its extensive product portfolio in both consumables and equipment;
- the governmental and other certifications it possesses for many different specialist and demanding applications;
- its manufacturing facilities which are generally modern and located in low cost areas;
- its well-established and wide-ranging distribution network and supply chain; and
- the financial strength of Charter.

ESAB aims to be a consolidator in the relatively fragmented worldwide welding industry and will look to make acquisitions which build its geographic strength, increase its presence in markets where it is currently under-represented or give access to new technologies, provided that the terms of the acquisition are expected to be value accretive for Charter shareholders.

ESAB supply chain

Manufacturing locations

ESAB has manufacturing facilities in each of the regions in which it operates. With the principal exceptions of the USA and various specialist units in Western Europe, the facilities are generally located in low cost areas.

ESAB's global capacity for the manufacture of welding consumables amounts to approximately 700,000 tonnes annually, after taking into account the re-commissioning of equipment removed from factories which were closed during the year.

ESAB expects to continue to invest in its manufacturing facilities at a rate in excess of the annual depreciation charge. With existing physical capacity likely to be sufficient for the foreseeable future, the emphasis will be on improving operational efficiencies and customer service.

Raw materials

The principal raw material used in the manufacture of welding consumables is steel and to a lesser extent, aluminium alloys, chemicals and minerals. Following rapid price escalations during 2008, steel prices generally eased throughout 2009.

In the case of welding equipment, automation and cutting, the most significant items purchased are electronic components, copper and aluminium alloys.

Human resources

A skilled and motivated management team and workforce are seen as key to ESAB achieving its strategic objectives. The great majority of personnel are employees, although periodic use is made of temporary or contract workers, particularly to cope with periods of higher demand. As noted elsewhere, restructuring measures have led to headcount reductions across the business.

Intellectual property

ESAB has accumulated large amounts of intellectual property which represents one of its principal competitive advantages and a major barrier to competitors seeking to enter its markets.

Intellectual property includes, in relation to welding consumables, the formulation of the electrode coatings or cored wire fillings required for different welding applications and the manufacturing process knowledge which ESAB has developed.

ESAB is continuing to develop all aspects of its welding and cutting expertise through its research facilities in Sweden and elsewhere in the world which together employ some 250 people.

ESAB's intellectual property also includes the certifications which it holds from governmental and private sector bodies around the world which are generally required for critical welding applications.

ESAB's customers can access its accumulated welding knowledge through a network of process centres throughout the world staffed by ESAB welding engineers who can assist in developing the optimal welding solutions for individual customers.

Further information

Further information on ESAB's supply chain can be viewed on Charter's website www.charter.ie.

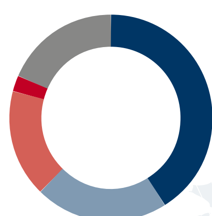
Telbo™
ESAB's telescopic column and boom requires significantly less rear clearance due to the unique 3-section, telescopic retraction facility of the boom itself. All three sections are synchronised to ensure an even, stable motion throughout the entire reach-out of the boom.

Business and financial review – ESAB
continued

ESAB revenue by destination

	2009 £m	2008 £m	Change %	Change at constant exchange rates %
Europe	**424.6**	594.7	(28.6)	(35.4)
North America	**218.6**	238.6	(8.4)	(22.9)
South America	**171.9**	198.0	(13.2)	(19.4)
China	**27.1**	36.4	(25.5)	(45.9)
Rest of world	**189.2**	192.1	(1.5)	(14.7)
Total	**1,031.4**	1,259.8	(18.1)	(27.7)

Revenue by destination



- Europe **41.2%**
- North America **21.2%**
- South America **16.7%**
- China **2.6%**
- Rest of world **18.3%**

Regional overview of performance

ESAB's revenue by destination is summarised in the table above. Revenue is split broadly equally between the developed economies of Western and Northern Europe and North America and the developing economies of Central, Southern and Eastern Europe, Asia and South America. Revenue fell in all regions due to the impact of the global recession, although the full impact of these falls on ESAB's financial results was partly offset by exchange movements.

Regional markets

Europe

Europe remains ESAB's most important region, where it is the leading welding company. Europe as a region accounted for 41 per cent of ESAB's total revenue during the year.

Following sharp reductions in volumes in the fourth quarter of 2008, the first quarter of the year saw generally stable trading conditions albeit at levels appreciably below those of the previous year. The second quarter saw further slippages in both the consumables and equipment businesses as industrial production in Europe continued to deteriorate, whilst ESAB's margins were also impacted by short-term price discounting.

During the second half of the year, overall trading conditions generally stabilised. Summer shutdowns were less severe than had been feared, and there were some tentative signs of recovery, for example in the automotive industry and in Russia, although generally these were patchy and the benefit of these was offset by certain industries, particularly shipbuilding, declining markedly. Christmas shutdowns amongst end-users were generally longer than usual.

In response to the lower levels of demand seen during the year, steps were taken to reduce costs including the closure of three consumables factories. A further factory was mothballed, although by the end of the year steps had been taken to return this factory to production. Reductions in workforce were made across the business.

Margins in the second half of the year showed some recovery, despite further deteriorations in the cutting business.

North America

ESAB recorded sales in North America of £218.6 million (2008: £238.6 million), a decrease of 8.4 per cent.

The North American welding market moved into recession during 2008, ahead of Western Europe, and the further reductions in volumes of consumables and equipment seen during 2009 were less pronounced than in other regions. During this time, ESAB has performed creditably and stayed profitable throughout the year, albeit at lower margins. ESAB's performance benefited from its strong market positions in the energy and naval shipbuilding sectors, and the measures which it took to reduce headcount and other costs.

As part of the restructuring of its welding and cutting equipment business, ESAB's equipment factory in the USA is being significantly downsized with production of most equipment being transferred to ESAB factories in China, Europe and South America. Marketing, aftermarket and other customer-facing functions will be retained in the USA.

ESAB Aristo™ U8 2
The new ESAB Aristo™ U8 2 digital control pendant was designed to complement the Aristo™ range of power sources and wire feed units. Providing enhanced levels of welding performance, the unit can be used for manual or mechanised MIG/MAG welding and with the TIG and MMA welding processes.

By the end of the year, there was little evidence that the economy or the welding market in the USA had commenced any meaningful recovery although ESAB believes that it is well placed to at least maintain its position in the market and it will also benefit from the launch of a new range of standard equipment which will take place during 2010.

South America

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

After a relatively quiet start to the year, trading performance improved in the second half of the year, reflecting a recovery in the export sectors of the Brazilian economy in particular. Whilst volumes have fallen during the worldwide recession, overall percentage reductions have been smaller than seen in Europe and North America.

China

ESAB's sales to customers in China were £27.1 million (2008: £36.4 million), a decrease of 25.5 per cent.

A new strategy has been formulated which will see ESAB progressively increase volumes and generate a margin consistent with those being earned elsewhere in ESAB.

During the year, ESAB made progress towards its objective of increasing sales of welding consumables to domestic Chinese customers. Production is being increased at the consumables factory in Weihai with the energy and shipbuilding industries being targeted. Falling levels of demand in Europe and North America during the early part of the year meant that the amount of product exported by ESAB factories in China reduced considerably, although there were marked improvements later in the year. Equipment sales were low in the early months of the year, leading to the mothballing of the equipment factory at Zhangjiagang.

Rest of world

Asia-Pacific (excluding China)

During the year, ESAB experienced mixed trading conditions in the region, with a stronger performance in Indonesia, but less strong in Singapore, Malaysia and the Philippines.

India

ESAB India, in which ESAB holds a 56 per cent shareholding, has seen reduced revenues as lower selling prices for its welding consumables more than offset modestly higher sales volumes. Margins were generally maintained.

Middle East and Africa

There were mixed trading conditions in the Middle East during the year, reflecting continued investment in the energy industry but lower levels of activity in construction.

ESAB's sales in Africa, which has been targeted as an area where ESAB has previously been under-represented, increased markedly, albeit from a low level. Further progress is expected in 2010.

Associated undertaking

ESAB owns 50 per cent of ESAB SeAH Corporation, situated in South Korea. ESAB's share of the post-tax profits of that company increased to £3.5 million (2008: £3.1 million).

Howden

Howden is a world-leading international applications engineer. It designs, manufactures, installs and maintains various types of air and gas handling equipment for use in the power, oil and gas, petrochemical and other industries.

About Howden

Howden's principal products are centrifugal and axial fans, air and gas rotary heat exchangers and compressors. Howden's fans and heat exchangers are integral parts of the coal-fired boiler and emission control systems used by the power industry. Howden also makes significant sales to the oil and gas, petrochemical, mining, iron and steel and other process industries.

Howden's sales are split broadly equally between Europe, China and North America, and other emerging economies, including the rest of Asia-Pacific, the Middle East and South Africa. Howden is investing in its presence in South America which is seen as an important growth market.

In 2009, Howden derived 30 per cent of its revenues from its aftermarket business which benefits from the extensive installed base of Howden equipment.

Howden has developed a flexible business model with its own manufacturing concentrated on higher value-added or performance critical components, with the manufacture of other components outsourced to sub-contractors in low cost locations.

2009 highlights

	2009 £m	2008 £m	Change %
New equipment	**438.6**	465.0	**(5.7)**
Aftermarket	**189.2**	162.2	**16.6**
Revenue	**627.8**	627.2	**0.1**
Operating profit before exceptional items	**70.5**	73.1	**(3.6)**
Operating margin	**11.2%**	11.7%	
Order book	**441.1**	499.3	**(11.7)**
Capital expenditure	**18.4**	14.1	
Depreciation	**(5.9)**	(4.6)	
Research and development expenditure	**1.6**	1.1	
Average number of employees	**3,819**	3,856	

- Howden's result for 2009 demonstrates the resilience of its order book and the flexibility of its operating model
- Revenue of £627.8 million (2008: £627.2 million) and operating profit before exceptional items of £70.5 million (2008: £73.1 million)
- Operating margin remained in excess of 11 per cent.
- Strong performances in respect of compressors and aftermarket revenues offset relative weakness in sales of fans to the power industry
- Headcount reduction in anticipation of a slowdown in new equipment sales will result in cost savings of over £8 million in 2010
- Howden's year-end order book was £441 million (2008: £499 million), including £340 million for delivery in 2010. Enquiry levels are encouraging and suggest a pick-up in bookings in 2010.

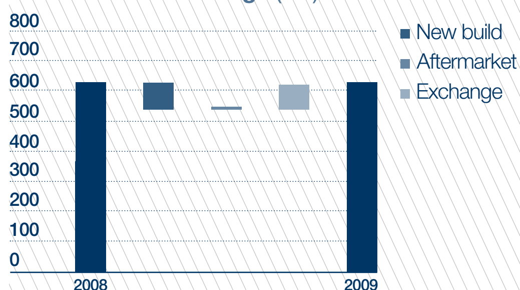
Howden strategy

Howden's strategic objective is to generate significant growth in revenue and profit over the next five years though building upon its current world-leading position as an applications engineer which designs, manufactures, installs and maintains performance critical components for air and gas handling. In pursuit of this objective, Howden will pursue the following initiatives:

- Howden will maintain and enhance its position in all those regions where there is expected to be significant new build of coal-fired generating capacity and emission control equipment; Howden already has strong market positions in Europe, China, North America and South Africa, and will look to build its presence in India, Russia and South America;
- Howden will develop further its position in the oil and gas and petrochemicals industries, in particular through enhancing its position in the compressor industry which it will do through an increased range of products and exploitation of market niches;
- Howden will look to enhance its presence in other industries where its technology and expertise can be used to advantage; these include bio-fuels and waste-water treatment;
- Howden will continue to develop its aftermarket business, in particular in China, with the objective of consistently generating one-third of its annual revenue through aftermarket sales; and
- Howden will consider growing the business through acquisitions that will strengthen its market position and improve its technology base.

To achieve this uplift in revenue will require continued development of Howden's supply chain which will be achieved through increased plant utilisation, moderate amounts of targeted capital expenditure on plant expansion and IT, continued initiatives to ensure that Howden has access to sufficient trained engineers, and continued use of Lean techniques across all aspects of its business. A critical part of Howden's supply chain is its global network of sub-contractors which Howden will continue to monitor and develop.

Business and financial review – Howden
continued



During 2009, Howden's revenues increased by 0.1 per cent. Of this, new build revenues (at constant currency) led to a decline of 14.2 per cent, offset by positive contributions from aftermarket revenues (at constant currency) of 1.3 per cent and exchange movements of 13.0 per cent. Within new equipment, strength in the sale of compressors offset lower sales of fans, particularly to the power industry.

Howden Cooling Fan
Howden SX-Series low-noise cooling fans are used in a wide range of cooling and ventilation systems that must meet strict environmental noise levels.

Overview of performance

Against a difficult economic and financial backdrop, Howden achieved another strong set of results in 2009 with almost unchanged revenue of £627.8 million (2008: £627.2 million), representing a decrease of 12.9 per cent at constant exchange rates.

Operating profit before exceptional items was £70.5 million (2008: £73.1 million), a decrease of 3.6 per cent (18.7 per cent decrease at constant exchange rates). The operating margin was 11.2 per cent (2008: 11.7 per cent).

The outstanding feature of the results was the growth in the aftermarket business, where revenues increased by 17 per cent to £189 million, representing 30 per cent of Howden's total revenues for the year. Revenue from new equipment sales fell by 6 per cent, with continued strength in the sales of Howden compressors partly offsetting weaker sales of fans to customers in the power, steel and cement industries.

Order book

The strength of Howden's order book at the start of the year meant that Howden's trading results in 2009 were comparatively unaffected by the difficult economic and financial conditions prevailing during the year. Total order cancellations during the year were £11 million, out of an order book of £499 million on 1 January 2009.

As at 31 December 2009, the order book stood at £441 million (31 December 2008: £499 million), a decrease of 11.7 per cent (22.0 per cent at constant exchange rates), spread broadly equally between Europe, China, North America and other emerging economies. The order book at 31 December 2009 included some £340 million for delivery in 2010 and £101 million for delivery in 2011 or beyond.

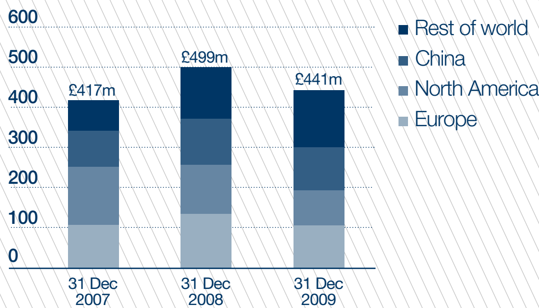
Orders booked in the year were £513.6 million (2008: £659.0 million), a reduction of 23 per cent. There was a marked weakening in the ordering of power generation and emission control equipment by customers in China and the USA due to economic and financial conditions and, specifically in the USA, uncertainty over energy policy and emission control legislation. Orders from customers in the metals and cement industries continued to be weak, reflecting the impact of the global recession on the steel and construction sectors. Orders for compressors from customers in the oil and gas industry remained strong.

In recent months, new enquiries from the power industry in particular have shown some improvement and some longer-term prospects appear to be reaching the point at which orders should be placed. In addition, the placing of certain orders may have been deferred from late 2009 into 2010 and financing constraints, which were a feature of certain markets during 2009, have also generally eased. On this basis, Howden management expects that order bookings in 2010 should increase compared with 2009.

Restructuring

An important feature of Howden's growth in recent years has been the flexibility which it has built into its supply chains, including the extensive use of sub-contractors and relatively low levels of fixed cost.

During 2009, Howden management took steps to adjust the manned capacity of its new equipment business. Certain potentially surplus capacity has been re-deployed, with engineering resource and expertise being transferred from new equipment businesses to focus on the aftermarket, certain work being retained in-house as opposed to being passed to sub-contractors, and workload being shared between factories. Overtime working and the use of external contractors has been reduced at Howden facilities, and short-time working was introduced at four factories, although full-time working was subsequently re-introduced at two of these units.



As at 31 December 2009, the order book stood at £441 million; of this amount, £340 million was for delivery in 2010. During 2009, each of Europe, North America and China experienced a fall in outstanding orders, and overall the order book declined by £58 million, with a 'book-to-bill' ratio of 0.82. Orders with a combined value of 2 per cent of the opening order book were cancelled during the year.

Nevertheless, it was necessary during the year to take steps to terminate the employment of around 270 employees, representing about 8 per cent of the workforce, at a cost of £2 million; these measures are expected to result in cost savings of over £8 million in 2010.

Products and segmentation

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

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

The great majority of Howden's products are bespoke to an individual customer's specifications. Order lead times are typically 9 to 18 months, generally being shorter in China and longer in Europe and North America. Design work is carried out by Howden's engineers in its locations around the world. Amongst its achievements during the year, Howden developed an axial fan blade profile that delivers higher pressure and flow, together with a higher strength hub, which is seen as having particular advantages in the retrofit market.

Industry overview

Demand – new equipment

Demand for new Howden equipment is strongly influenced by the construction of new coal-fired power stations, environmental legislation (which impacts demand for emission control equipment for coal-fired power stations and other heavy industrial plant) and the construction of new refineries, steel plant and cement factories. As with many capital goods industries, the aftermarket represents an important part of the total market.

Howden's order book at any time gives it reasonable visibility over new equipment revenue over the next 12 to 18 months, although in any financial year there is an element of 'book and bill', that is, orders which are booked and delivered in the same year.

Over the longer term, Howden continues to believe that demand for its products from the power generation industry, its largest end-user segment, will provide a basis for its future growth. Overall, the demand for electricity is expected to continue to grow at a rate at least in line with global GDP, and coal is generally expected to maintain or increase the percentage of electricity generation for which it accounts.

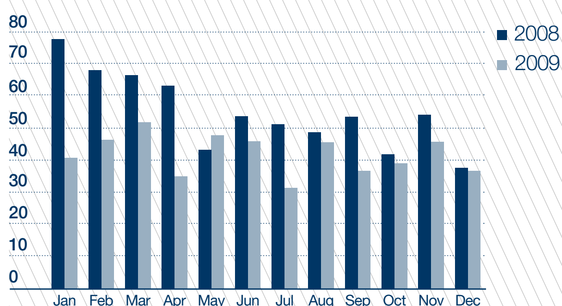
Demand for Howden products will arise from the construction of new generating plant and the replacement of life-expired generating plant. According to the International Energy Authority ('IEA'), construction of new coal-fired generating plant will average 53 GW per annum for at least the next 20 years, of which more than half will be built in China, where Howden has a leading market position. It is estimated that around 750 GW of coal-fired generating capacity, primarily in the developed world, is currently over 30 years old and will progressively fall due for replacement over the next decade or so.

As noted above, orders booked during 2009 from customers in the power industry, especially in China and the USA, were below those booked in 2008. There is some evidence that, during 2009, the placing of new orders for Howden equipment was delayed by the general economic conditions and the shortage of credit; this includes various power generation projects in China, where demand for power fell in the final quarter of 2008 and early 2009. However, power usage in China increased towards the end of the year leading to higher enquiry levels which should be reflected in order bookings during 2010.

Fabrication of fan casing
Flexible supply chains allow fabrication to be carried out in-house or at quality approved sub-contractors.

Business and financial review – Howden
continued

Howden order intake (£m)



Total orders booked during 2009 were £514 million, compared with £659 million in 2008. The principal part of this shortfall occurred in the first four months of the year which in 2008 were very busy, partly due to orders for axial fans from customers in North America. Towards the end of 2009, there was a pick-up in the level of enquiries which should be reflected in higher bookings in 2010.

Howden also supplies equipment for use in processes which reduce atmospheric pollution generated by coal-fired power stations and industrial plant. Governments generally recognise the need to limit the environmental impact of generating plant, although uncertainty over the strategies to be followed and the nature and timing of legislation is somewhat slowing this market at present. In the EU, legislation on NOx reduction from large power plants to meet a 2016 deadline is creating a market for Howden emission control products, whilst in the USA, continued uncertainty over legislation to replace the Clean Air Interstate Rules has led to a deferral in the placing of orders for such equipment.

Howden compressors are mainly sold into the oil and gas and petrochemicals industries, in particular for use in refineries and related applications, and also into other industries, including refrigeration and waste-water treatment. In recent years, notable sales have been made to customers in Europe, the Middle East and South America. Order bookings and sales are influenced by the amount of exploration and refinery construction in progress which themselves are influenced by the strength of demand for petroleum products and also the availability of finance.

Demand – aftermarket

The aftermarket is Howden's single biggest opportunity for growth. During 2009, the aftermarket accounted for 30 per cent of Howden's total revenues. With the opportunity to increase this further in future years, Howden has allocated increased resources internally to pursuing aftermarket opportunities globally. Each delivery of new equipment creates a potential aftermarket revenue stream over the operating life of the equipment which is typically 30 to 40 years. Aftermarket services are provided by Howden to the equipment operator (usually an electricity utility in the case of the power industry), as opposed to one of the lead contractors in the construction process (usually the boiler maker in relation to fans supplied to the power industry) who is normally the customer for new equipment. Whilst there is no contractual obligation on the operator to employ Howden to provide aftermarket services on equipment which it originally supplied, Howden believes that it is able to optimise the long-term performance of any such equipment which it continues to service.

Competitive environment

Howden's strong global positions in the specialised markets that it supplies, particularly in heavy-duty fans, are based on the cost-effectiveness of its product offering, its technology and customer service. Contracts are generally won after a competitive tendering process.

Howden's position in the compressor industry is built around strong positions in a number of specialised niches, including being one of the five leading worldwide suppliers of process gas screw compressors for use in the oil and gas industry.

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

Her Royal Highness the Princess Royal visited the Howden Compressor factory in Glasgow following completion of its £4 million investment programme.

Howden compressor package

Howden designs, engineers, assembles and tests complete compressor packages in addition to building the compressors themselves. Throughout the world, Howden compressor packages are used in the oil and gas, petrochemical, energy and other sectors where absolute reliability is paramount.

Each compressor package is custom designed for its environment and its duties, incorporating as much additional plant as appropriate. Howden ensures that the complete installation meets all operational safety standards and matches the size and weight criteria and environmental guidelines of its site. By creating and testing an integrated system, Howden is able to apply high standards of reliability and efficiency to the whole package.

Howden supply chain

Manufacturing

Howden's principal manufacturing facilities are located in Europe, China and North America. Other facilities exist principally to serve local markets, such as South Africa. During the year, Howden has constructed a new manufacturing facility in South America.

Howden makes extensive use of a global network of sub-contractors to manufacture non-performance critical components. In 2009, the number of man-hours sub-contracted is estimated to have slightly exceeded in-house man-hours.

Human resources

A key component in Howden's supply chain is the quality and quantity of its engineers who are predominantly located in Europe, China and North America. The Howden Academy, a partnership with Glasgow Caledonian University, has so far introduced 200 new engineers from Howden's businesses around the world to its range of products.

Intellectual property

Howden's technology and brand are key parts of its competitive advantage. Using their extensive applications and product knowledge, Howden engineers undertake product development work focused on meeting the specific requirements of its customers. During 2009, particular effort has been applied to developing Howden's ranges of axial fans and compressors.

Further information

Further information on Howden's supply chain can be viewed on Charter's website www.charter.ie.

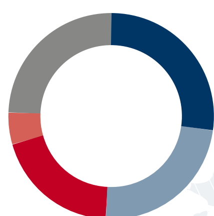
Regional overview of performance

See overleaf

Howden revenue by destination

	2009 £m	2008 £m	Change %	Change at constant exchange rates %
Europe	**171.1**	165.3	3.5	(4.2)
North America	**149.0**	181.5	(17.9)	(34.0)
China	**123.1**	136.6	(9.9)	(28.1)
South America	**31.7**	30.3	4.6	(1.0)
Rest of world	**152.9**	113.5	34.7	23.5
Total	**627.8**	627.2	0.1	(12.9)

Revenue by destination



- Europe **27.3%**
- North America **23.7%**
- China **19.6%**
- South America **5.0%**
- Rest of world **24.4%**

Regional overview of performance

Howden's revenue by destination is summarised in the table above. As in previous years, Howden has maintained a general balance between sales to customers in developed and emerging economies.

Regional markets

Europe

Revenue in Europe was £171.1 million (2008: £165.3 million), an increase of 3.5 per cent, reflecting robust sales of Howden new equipment to customers in the power, oil and gas and other industrial sectors and also growth in revenues from aftermarket services. A particular feature of Howden's performance was continued high levels of order intake and sales at Howden BC Compressors in France which supplies new equipment to customers in Europe, the Middle East and South America.

Howden continues to build a presence in the important Russian market with further orders being booked despite the difficult financial conditions in the Russian economy for much of the year.

North America

Sales to customers in North America were £149.0 million, a decrease of 17.9 per cent. This reflected the strong order book with which Howden started the year, primarily for emission control equipment, but orders placed for shipment during the year were relatively weak. The aftermarket business made further progress.

During the year, order intake from customers in North America showed a marked reduction compared with 2008, reflecting uncertainty over environmental protection legislation, continued weakness in the US economy generally and financial constraints. This led to outstanding orders to customers in North America falling to £88 million as at 31 December 2009 (2008: £122 million).

China

Sales to customers in China amounted to £123.1 million (2008: £136.6 million), a reduction of 9.9 per cent. This primarily reflected reduced demand from the power industry as electricity usage contracted sharply towards the end of 2008 and in the early part of 2009.

Order intake during the year was much reduced, although in the latter parts of the year, as the Chinese economy resumed growth, enquiry levels picked up and this is expected to be reflected in some recovery in bookings in 2010.

The aftermarket in China is seen as offering significant opportunities for Howden, as equipment delivered during the last few years reaches the point where major servicing is required. During 2009, Howden's aftermarket revenues in China showed considerable growth, albeit from relatively modest levels, and the business remains on track to achieve its longer-term objectives.

The compressor factory in Weihai has continued to develop, with increasing sales to the water treatment and petrochemical industries in China and elsewhere in the region.

Assembly of axial fan hub
The Variax® variable pitch axial fan is the proven, reliable and robust choice for a wide range of applications particularly in power generation where high volumes, high pressures and precise flow control are required.

The principle of adjusting the pitch of the blades to govern aerodynamic performance is the proven route to optimum efficiency, enabling the fan performance to be accurately matched to its duties in real time, allowing the drive motor to run constantly at its recommended speed and power consumption. These critical components are assembled in-house at our technically sophisticated facilities in Belfast, UK and Weihai, China.

South America

Following the acquisition in 2008 of Aeolus Industria e Comercio, one of the region's leading designers and manufacturers of industrial fans, Howden has taken further steps to increase its presence in the South American market, including the construction of a new and much enhanced facility, due to be completed in mid-2010, which will enable an increased range of Howden products to be manufactured locally. Revenue for the year was £31.7 million (2008: £30.3 million), an increase of 4.6 per cent which also reflected the supply of new equipment to a major customer in the oil industry in Brazil.

Rest of the world

Africa

Howden Africa Holdings Limited, in which Howden has a holding of some 55 per cent, achieved increased revenue driven by new equipment sales to the power and the mining sectors in South Africa. Aftermarket revenues also increased as Eskom accelerated programmes ahead of the 2010 FIFA world cup.

Bookings during the year remained reasonably strong, reflecting the company's participation in the Eskom new build and refurbishment programmes and general strength in the mining sector.

Middle East

Howden's sales of compressors in the Middle-East benefited from continued high levels of investment in the oil and gas and petrochemical sectors. In recognition of its long-term potential of the region, Howden has recently opened a sales office in Dubai.

Asia-Pacific

Howden's presence in India continues to strengthen with a current focus on the petrochemical and power industries.

In Australia, Howden performed well with the industries served generally avoiding the global economic downturn.

Trading results for the year

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

Exceptional items

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

The results for the year to 31 December 2009 include exceptional costs of £26.8 million, comprising restructuring costs of £26.3 million, of which £24.3 million was incurred by ESAB and £2.0 million was incurred by Howden, and the loss on the disposal of a business of £0.5 million.

The restructuring costs relate to the measures being taken by ESAB and Howden to bring manned capacity into line with demand and, in the case of ESAB, to reduce distribution and administration costs. Restructuring costs comprise headcount reductions of £13.8 million, impairment of intangibles, property plant and equipment, inventory and receivables of £9.2 million and closure and other costs of £3.3 million.

On 13 May, ESAB completed the disposal of HD Engineering Limited, a manufacturer of drilling equipment, consumables and accessories, for a cash consideration of £1.7 million. The loss on disposal was £0.5 million, net of exchange gains transferred from reserves of £0.9 million.

Earnings per share

Basic earnings per share were 38.1 pence (2008: 90.1 pence). However, adjusted earnings per share are considered a better indication of the Group's underlying business performance.

Adjusted earnings per share are calculated by adjusting basic earnings per share for items not relating to underlying business performance. Previously, amortisation and impairment of acquired intangibles and goodwill, exceptional items and exchange gains and losses on retranslation of intercompany loans, including attributable tax and minority interests, were excluded from basic earnings in calculating adjusted earnings per share.

In 2009, acquisition costs and the non-cash net financing costs attributable to retirement benefit obligations have also been excluded as these amounts are not considered to 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 2008 adjusted earnings per share have not been restated.

Adjusted earnings per share decreased by 44.6 per cent to 55.0 pence (2008: 99.2 pence) and were derived from basic earnings per share as set out below:

	Per share		Total earnings	
	2009 pence	**2008 pence**	**2009 £m**	**2008 £m**
Basic earnings	**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**	– (i)	**0.3**	– (i)
Net financing charge – retirement benefit obligations	**4.6**	– (i)	**7.7**	– (i)
(Gains)/losses on 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 earnings attributable to equity shareholders	**55.0**	99.2	**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.

Net financing charge

The net financing charge, before taking into account the net finance charge attributable to retirement benefit obligations and the retranslation of intercompany loan balances, was £3.1 million (2008: £1.2 million) and comprised interest payable of £2.7 million (2008: £5.4 million), fair value loss on derivative financial instruments of £1.5 million (2008: £1.0 million), exchange losses on cash and borrowings of £1.1 million (2008: £nil), other charges of £2.0 million (2008: £nil) and the unwinding of discounts on provisions of £0.3 million (2008: £0.4 million), offset by interest and other financing credits of £4.5 million (2008: £5.6 million).

Taxation

In 2009, the total tax on profit on ordinary activities was £17.9 million (2008: £39.0 million), which comprised:

	2009 £m	2008 £m
Current tax charge	**48.9**	54.0
Deferred tax credit	**(26.2)**	(15.5)
Tax charge on adjusted profit before tax, before share of post-tax profits of associates and joint ventures	**22.7**	38.5
Tax on exceptional items	**(4.2)**	(1.5)
Tax on amortisation and impairment of acquired intangibles and goodwill	**(0.7)**	(0.4)
Tax on net financing charge – retirement benefit obligations	**(1.1)**	–
Taxation on net gains on retranslation of intercompany loan balances	**1.2**	2.4
Tax charge	**17.9**	39.0

The tax charge of £17.9 million compares with tax paid in the year of £46.0 million. The tax charge is lower than the actual tax paid in the year primarily due to the recognition of additional deferred tax assets in the US and the settlement of a number of prior year tax liabilities.

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

	2009 £m	2008 £m
Profit before tax	**92.7**	197.7
Add/(deduct) adjustments:		
Exceptional items	**26.8**	8.3
Aborted acquisition costs	**0.3**	– (i)
Amortisation of acquired intangibles and goodwill	**2.5**	1.9
Net financing charge – retirement benefit obligations	**7.7**	– (i)
Net losses on retranslation of intercompany loan balances	**(4.0)**	4.6
Share of post-tax profits of associates and joint ventures	**(3.5)**	(3.2)
Adjusted profit before tax, before share of post-tax profits of associates and joint ventures	**122.5**	209.3
Tax charge before taxation on adjustments above	**22.7**	38.5
Adjusted effective tax rate(i)	**18.5%**	18.4%

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

The Group continues to benefit from profits being generated in relatively low-tax jurisdictions, such as China and Eastern Europe, together with the recognition and utilisation of previously unrecognised tax losses. The adjusted effective tax rate is likely to remain at approximately the same level in the medium term.

Currency

Charter's results are sensitive to movements in exchange rates. The translation impact of exchange rate movements on segmental sales and operating profits before exceptional items in 2009 is set out below:

	2009 £m	Underlying movement at constant exchange rates £m	2008 translated at 2009 exchange rates £m	Currency fluctuations £m	2008 £m
Sales					
ESAB	**1,031.4**	(348.8)	1,380.2	120.4	1,259.8
Howden	**627.8**	(80.6)	708.4	81.2	627.2
Total	**1,659.2**	(429.4)	2,088.6	201.6	1,887.0
Operating profit (before exceptional items)					
ESAB	**64.5**	(96.4)	160.9	12.3	148.6
Howden	**70.5**	(13.7)	84.2	11.1	73.1
Central operations	**(12.2)**	0.2	(12.4)	–	(12.4)
Total	**122.8**	(109.9)	232.7	23.4	209.3

Currency movements had a favourable impact on the 2009 results, increasing sales and operating profits by 10.7 per cent and 11.2 per cent respectively, compared with the prior year. However, this is only the translation impact of currency movements. It excludes the impact of currency movements on transactions when products are manufactured in one currency zone and sold in another. The transaction impact of currency movements is difficult to quantify but the overall impact on the 2009 results is not considered significant.

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

Rates of exchange to £1	At 31 December 2009	Average rate for 2009	At 31 December 2008	Average rate for 2008
US dollar	**1.61**	**1.56**	1.44	1.85
Euro	**1.13**	**1.12**	1.03	1.26
Chinese renminbi	**11.02**	**10.65**	9.81	12.9
Brazilian real	**2.82**	**3.12**	3.35	3.34
Czech koruna	**29.72**	**29.70**	27.77	31.64
Polish zloty	**4.62**	**4.84**	4.26	4.42

Balance sheet

The following table shows a summary of the balance sheet:

	2009 £m	2008 £m
Non-current assets (excluding retirement benefits assets)	**547.2**	529.0
Inventories	**238.5**	292.0
Trade and other receivables	**426.5**	573.2
Trade and other payables	**(378.8)**	(512.2)
Other	**(23.7)**	(55.7)
Working capital	**262.5**	297.3
Net retirement benefit obligations	**(162.2)**	(139.3)
Provisions	**(73.9)**	(74.9)
Other long-term liabilities	**(33.2)**	(45.6)
Net cash	**50.9**	51.8
	591.3	618.3
Equity shareholders' funds	**549.9**	578.3
Minority interests	**41.4**	40.0
	591.3	618.3

During the year, total equity shareholders' funds decreased by £28.4 million to £549.9 million (2008: £578.3 million).

The principal components of this decrease were the profit for the year attributable to Charter shareholders of £63.5 million and net after-tax gains on cash flow and net investment hedges of £13.7 million, offset by net after-tax actuarial losses on retirement benefit obligations of £37.0 million, net translation exchange losses of £33.8 million and dividends paid of £35.0 million.

As at 31 December 2009, the total equity attributable to minority interests increased by £1.4 million to £41.4 million (2008: £40.0 million), reflecting profit attributable to minority interests of £11.3 million, offset by net translation losses of £3.0 million and dividends payable of £6.9 million. The significant minority interests are the 30 per cent interest in Howden Hua Engineering Co Limited, the 45 per cent interest in Howden Africa Holdings Limited and the 44 per cent interest in ESAB India Limited.

Working capital has reduced by £34.8 million to £262.5 million, a decrease of 11.7 per cent. Included within 'Trade and other receivables' are amounts receivable under construction contracts of £41.9 million (2008: £71.9 million). Included within 'Trade and other payables' are amounts payable within twelve months under construction contracts of £45.3 million (2008: £113.1 million). The net liability in respect of construction contracts has therefore reduced by £40.2 million in the year, mainly in Howden, reflecting a lower level of payments on account from customers due to lower order intake. Excluding construction contracts, working capital has reduced by 21.0 per cent.

Retirement benefit obligations

As shown in the table below, the net obligation in respect of pensions and other post-retirement benefits increased by £22.9 million in the year to £162.2 million.

	2009 £m	2008 £m
Fair value of plan assets	**549.4**	517.6
Present value of funded and unfunded defined benefit obligations	**(709.6)**	(656.6)
	(160.2)	(139.0)
Unrecognised past service costs	**0.1**	0.2
Surplus not recoverable	**(2.1)**	(0.5)
Net liability recognised on the balance sheet	**(162.2)**	(139.3)

The £22.9 million increase in the net retirement benefit obligation comprises asset returns of £61.2 million, contributions of £20.0 million and net exchange gains of £9.1 million, offset by interest on liabilities of £37.8 million, actuarial losses of £71.8 million, principally due to lower discount rates and higher inflation rates, and other adjustments of £3.6 million.

A detailed breakdown of the movement is provided below:

	Pension obligation – defined benefit schemes £m	Unrecognised past service costs and surplus not recoverable £m	Pension obligation – net liability recognised in the balance sheet £m	Post-employment medical benefits £m	Total £m
At 1 January 2009	(117.5)	(0.3)	**(117.8)**	(21.5)	**(139.3)**
Exchange adjustments	6.8	(0.1)	**6.7**	2.4	**9.1**
Income statement charge:					
Operating profit	(1.0)	(0.1)	**(1.1)**	(1.0)	**(2.1)**
Financing	(6.5)	–	**(6.5)**	(1.2)	**(7.7)**
Taken to equity – actuarial (losses)/gains	(41.1)	(1.5)	**(42.6)**	0.4	**(42.2)**
Contributions paid	18.6	–	**18.6**	1.4	**20.0**
At 31 December 2009	(140.7)	(2.0)	**(142.7)**	(19.5)	**(162.2)**

A breakdown of the charge to operating profit of £2.1 million (2008: £2.2 million) in respect of defined benefit pension schemes and overseas medical schemes is set out below. In addition, £7.4 million (2008: £7.4 million) was charged against operating profit in respect of defined contribution pension schemes.

	2009 £m	2008 £m
Defined benefit pension schemes and overseas medical schemes:		
Current service cost	**(1.9)**	(1.9)
Past service cost	**(0.1)**	(0.1)
Losses on settlement and curtailment	**(0.1)**	(0.2)
	(2.1)	(2.2)
Defined contribution pension schemes	**(7.4)**	(7.4)
	(9.5)	(9.6)

Provisions

At 31 December 2009, provisions were £73.9 million (2008: £74.9 million). Of this amount, £30.6 million (2008: £35.5 million) was in respect of legal and environmental claims and disputes. Of the remainder, £7.9 million (2008: £6.1 million) was in respect of disposals and restructuring, £30.5 million (2008: £28.0 million) was in respect of warranty and product liability, and £4.9 million (2008: £5.3 million) was in respect of other items.

Cash flow

During the year, the net cash of £51.8 million at 31 December 2008 reduced by £0.9 million to £50.9 million at 31 December 2009. Cash flows during the year are summarised below.

	2009 £m	2008 £m
Operating profit before exceptional items	**122.8**	209.3
Exceptional items	**(26.8)**	(8.3)
Operating profit	**96.0**	201.0
Depreciation and impairment	**28.3**	21.7
Amortisation and impairment	**9.0**	5.2
Charge for share-based incentives	**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
Movement in working capital	**50.7**	(55.7)
Movement in provisions	**4.0**	2.2
Movement in net retirement benefit obligations	**(17.9)**	(16.0)
Cash flow from operations	**171.5**	159.5
Capital expenditure	**(60.0)**	(66.5)
Capitalised development costs	**(5.7)**	(4.4)
Acquisitions	**(2.6)**	(39.4)
Investment in associates and joint ventures	**(1.9)**	–
	(70.2)	(110.3)
Disposals	**1.3**	–
Sale of property, plant and equipment	**0.9**	1.7
	(68.0)	(108.6)
Dividends from associates and joint ventures	**4.3**	1.6
Net financing expense	**(0.5)**	(2.0)
Cash settlement of US dollar and euro net investment hedges	**(13.7)**	–
Dividends paid to minority interests	**(6.9)**	(4.3)
Dividends paid to equity shareholders	**(35.0)**	(31.7)
Tax paid	**(46.0)**	(49.7)
Issue of shares	**0.3**	(1.6)
Purchase of treasury shares	**(0.2)**	(0.2)
Net cash flow	**5.8**	(37.0)
New finance leases	**(1.3)**	(0.4)
Movement in interest payable accrual	**–**	(0.1)
Foreign exchange adjustments	**(5.4)**	1.1
Decrease in net cash	**(0.9)**	(36.4)
Opening net cash	**51.8**	88.2
Closing net cash	**50.9**	51.8

Cash flow from operations generated £171.5 million (2008: £159.5 million), an increase of 7.5 per cent over the previous year. This represents cash conversion after exceptional items of 178.6 per cent compared with 79.4 per cent in 2008.

Free cash flow for the year was £64.5 million compared with £40.2 million in 2008, and reflects a significant investment of £64.8 million (2008: £69.2 million) on capital expenditure and development costs, net of disposal proceeds.

	2009 £m	2008 £m
Cash flow from operations	**171.5**	159.5
Net financing expense	**(0.5)**	(2.0)
Tax paid	**(46.0)**	(49.7)
Net cash flow from operating activities	**125.0**	107.8
Net capital expenditure (including software and development costs)	**(64.8)**	(69.2)
Dividends from associates and joint ventures	**4.3**	1.6
Free cash flow	**64.5**	40.2
Property, plant and equipment additions	**52.1**	57.3
Depreciation	**26.2**	20.9
Ratio	**2.0**	2.7

Capital expenditure on property, plant and equipment of £52.1 million exceeded depreciation by £25.9 million (2008: £36.4 million). Capital expenditure reflects the acquisition of an existing ESAB manufacturing plant in North America for £9.5 million, which was previously leased, together with the continued investment in new manufacturing facilities, new equipment and new computer systems in both businesses.

Cash and borrowings

As at 31 December 2009, cash balances were £75.6 million (2008: £95.7 million), of which the majority was held overseas for local working capital purposes or pending dividend payments. Of the cash held overseas, £3.2 million (2008: £4.1 million) is retained as cash collateral in connection with certain local trading practices or banking facilities. The credit status of institutions where cash is held is kept under review with credit limits being set and monitored accordingly.

As at 31 December 2009, gross borrowings were £24.7 million (2008: £43.9 million).

Going concern

At 31 December 2009, in addition to net cash balances of £50.9 million, the Group had undrawn centrally held committed borrowing facilities of £170 million, which are due to expire (unless otherwise extended or renewed) between 2011 and 2013. All facilities are unsecured. Whilst these facilities have certain financial and other covenants, the financial strength of the Charter Group means that the covenants attaching to these facilities are not expected to prevent the full utilisation of the facilities if required.

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

At 31 December 2009, the Group had £257.5 million of uncommitted bonding facilities, of which £113.8 million were provided by its principal bankers. Bonds and guarantees totalling £131.2 million had been issued under these facilities.

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

In reaching this conclusion, the Directors have considered carefully the risks to the Group's trading performance and cash flows as a result of the current global economic and financial environment. The Directors have also had regard to the Group's operating plan and budget for 2010 and have considered the principal risks to which the Group is exposed, including those summarised on page 34.

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

Contingent liabilities

Details of contingent liabilities are set out in note 27 to the consolidated financial statements.

Significant accounting policies

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

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

Principal risks and uncertainties

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

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

Economic recession

Many regions in which Charter companies operate entered recession in the second half of 2008 and remained in recession during 2009; these regions include in particular Europe and North America, which together account for well over half of Charter's total revenue. The consumption of steel, which is a key macro-economic indicator of demand for ESAB products, saw unprecedented falls in 2009 across all major economic regions apart from China.

Whilst there are presently a number of leading economic indicators that suggest that the world economy is through its low point and starting to recover, it remains unclear how strong or sustained any recovery will be.

ESAB experienced a sharp reduction in the demand for its products in late 2008 and 2009. In response, it took significant steps to reduce output and manned capacity. Whilst it believes that these steps were appropriate in the light of prevailing levels of demand, there can be no certainty that additional steps will not be required and that additional exceptional costs will not be incurred.

In 2009, Howden's revenue was broadly in line with that achieved in 2008. However, during the year, order intake was down markedly and in response Howden implemented measures to reduce headcount in anticipation of lower sales of new equipment. These measures are considered to be appropriate in the light of expected levels of demand for its products, but any further fall in the level of order intake could require additional steps to be taken which are likely to involve additional exceptional charges. During 2009, Howden experienced only limited order cancellations and deferrals, but it is possible that the incidence of cancellations may increase in 2010; whilst Howden's position is protected by a number of measures, including customer deposits which Howden could use to offset any costs or losses incurred as a consequence of a cancellation, there could still be a detrimental impact on Howden's business should the incidence of cancellations increase.

Financing

During the final quarter of 2008, there was a significant reduction across most regions in the availability of banking facilities and other forms of financing, and availability remained generally weak throughout 2009. The direct impact on Charter was limited, as Charter had previously negotiated sufficient committed bank facilities for its requirements.

In the light of the prevailing financial conditions, Charter reviewed certain aspects of the ways in which it conducts its business, including the credit-worthiness of customers which was continuously monitored and, where necessary, changes were made to the way in which Charter companies conducted business with them.

If economic recession and weak conditions in financial markets remain, there may also be disruption to supplies of goods and services to Charter companies. Additional steps have been taken to monitor the financial condition and performance of suppliers and to mitigate any risk of failure by identifying alternative suppliers where possible.

The reduced availability of financing facilities may also have the effect of causing the power station, refinery or major construction projects with which Howden is involved to be delayed or cancelled. To date, it is not believed that this has had a significant impact on Howden's business, but it may become a factor in the future if financial conditions remain volatile.

Actions of competitors

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

As set out in the Business review, both businesses have established strong market positions through measures such as technological leadership, strong brands and providing cost-effective solutions to their customers' needs. Throughout the economic downturn, both ESAB and Howden have maintained capital expenditure at levels well in excess of depreciation and continued to invest in research and development, product innovation and customer service. These measures are considered the most effective means to prevent competitors from gaining market share at the expense of ESAB or Howden.

Competitor action may result initially in reductions in profit, although these are more likely to be specific to particular product areas or geographies. To date, there has been no evidence of widespread price-cutting by competitors of either ESAB or Howden, although there remains the possibility that this might happen in the future, especially if market conditions do not improve.

Foreign exchange: transaction risk

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

In ESAB, manufacturing tends to be relatively close to the end-user, which naturally reduces currency exposures. The principal transactional exposures arising within ESAB do so on account of the manufacture of product in Central Europe and Sweden which is exported to the Eurozone and other parts of Europe and elsewhere. ESAB's general policy is not to hedge currency exposures unless they relate to a significant specific contract. In 2009, ESAB benefitted from transactional gains resulting from the depreciation of most Central European currencies against the euro and most other currencies, which partly offset the downward pressure on margins caused by lower volumes passing through the factories.

In relation to Howden, exposure is principally in relation to the US dollar, the euro and the Chinese renminbi. Howden substantially covers forward its committed trading exposures.

Foreign exchange: translation risk

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

Charter's operations in the UK are limited and principally comprise Howden's manufacturing operations in Scotland and Northern Ireland and various managerial and administrative functions in London. Customers in the UK account for less than 5 per cent of Charter's revenue. The largest profit translation exposures are in relation to the US dollar and the euro. Generally, it is Charter's policy not to hedge profit translation exposures; this may give rise to unexpected fluctuations in Charter's reported profit.

The Company has significant investments in operations outside the UK; as a result, movements in exchange rates can significantly affect the consolidated balance sheet. In 2009, exchange translation losses reduced equity shareholders' funds by £33.8 million. In certain circumstances, currency borrowings, forward foreign exchange contracts or other derivatives may be used to hedge balance sheet exposures. Gains and losses arising on such hedges are recognised as required under IFRS in the consolidated statement of changes in equity until the items being hedged have impacted the income statement. During 2009, Charter paid £13.7 million in respect of the cash settlement of US dollar and euro net investment hedges.

Certain liabilities are denominated in foreign currencies. These include working capital items, which naturally offset corresponding working capital assets, and retirement benefit obligations. Charter does not have any meaningful amounts of debt denominated in foreign currencies. Movements in exchange rates can cause the sterling values of these liabilities to fluctuate.

Legal and regulatory

Charter companies have contracts and operations in many parts of the world. They are subject to the laws and regulations of many jurisdictions including, without limitation, regulations relating to import-export controls, money-laundering, false accounting, anti-bribery and competition provisions. From time to time, Charter companies may be subject to regulatory investigations relating to its operations. Non-compliance with these laws, regulations and restrictions could expose them to fines, penalties, suspension or debarment, which could have a material adverse effect on the financial position of Charter.

Charter, ESAB and Howden are subject to litigation and other forms of legal actions in the ordinary course of their business; further details are contained in note 27.

Pension risk

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

The assets held by the various schemes are invested by the trustees primarily in equities and bonds. During 2009, the values of equities have recovered a proportion of the falls suffered during 2008. The liabilities of each scheme are subject to movements in variables such as corporate bond yields, changes in life expectancy and forecasts of future rates of inflation. The net liability which appears on Charter's balance sheet relating to overseas schemes is also subject to movements in exchange rates; any depreciation of sterling against the US dollar and against European currencies in general could result in an increase in the net liability.

The level of cash contributions by the Company to the schemes is determined through periodic negotiations between the pension trustees and the Company, and also potentially by changes in legislation. To date, increases in the level of cash contributions have been relatively modest, but uplifts may be larger in the future.

Raw material prices

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

Prices can fluctuate significantly. After significant increases in the prices of various commodities, including steel, during the first three quarters of 2008, prices generally eased during the first half of 2009 and generally stabilised in the second half of the year. During this time, ESAB was able to protect itself against price fluctuations through forward purchase contracts and by increasing its stocks of raw materials. Historically, ESAB has generally been able to pass through the higher steel prices to its customers, although any future increases in raw material prices may lead to pressure on its margins.

Howden may also make use of forward purchase contracts to lock in margin. In times of raw material price inflation, it has the opportunity to include cost price accelerator clauses in its sale contracts.

Internal controls

Charter has an established system of internal controls covering its own activities and those of ESAB and Howden, which are considered essential for the effective management of such geographically diverse businesses. These controls have been and will be continuously developed to take into account changes in the trading environments which the businesses face, and include compliance and self-certification programmes together with the ongoing reviews performed by the Charter internal audit function which reports its activities and findings to the Company's Audit Committee on a quarterly basis. The Audit Committee has been delegated formal responsibility for reviewing the effectiveness of the system of internal controls.

Any system of internal controls is to some extent vulnerable to deliberate malfeasance by employees or others associated with the Company and cannot provide absolute assurance. A failure of the Company's system of internal controls could have a material impact on its financial position and trading prospects.

Corporate responsibility report

ESAB Brazil has had a long association with the communities it serves. Programmes to support health, children, the disabled and local events have been a long-standing feature in the company calendar. These events are not just for the community outside the company; ESAB includes employees and their families. ESAB's environment, health and safety material and publicity have a common theme: "good for you, good for your family, good for the company." One such programme has been the Cidades da Solda (Welding Cities) Project, which is an initiative that trains youths in social risk situations as welders. Supported by ESAB, Cidades da Solda now has seven units and has successfully trained hundreds of welders.

Approach and governance

The Board considers social, environmental and ethical matters in the context of the overall business environment. Charter is committed to understanding and responsibly managing significant risks to the environment and the communities in which it has a presence and where it has operational control or significant influence. They are managed as part of the overall corporate governance and risk management framework. Our policies and management approach can be seen in the Corporate Responsibility ('CR') section of our website, www.charter.ie.

The operational heads of all Charter businesses have responsibility for implementing the policies and are accountable for CR performance. CR is being integrated within our overall risk management practices. The Head of Risk Management has an overall co-ordinating role in areas of CR to improve the sharing of best practice, collection of data and consistency of reporting.

The Board and the senior management receive a monthly performance report on environmental and health and safety ('EHS') performance. Formal reviews of major risks are undertaken by senior management (quarterly) and by the Board (every six months).

Environmental, health and safety

Management approach

In 2009, a new EHS policy was formally adopted by the Board, signed by the Chief Executive and distributed to all businesses. Also new Charter travel guidelines were approved, covering health, safety and security.

The Board and the senior management receive a monthly summary of EHS performance worldwide, presenting lost time injury cases, results of the incident analysis and key corrective actions taken. It also reports the number of near misses, progress on key activities and plans for the next quarter, enabling issues most relevant to the business to be prioritised and resources to be focused.

Resources and training

EHS management resources were strengthened further in 2009 with additional central resources and reinforcement of operational capabilities through additional recruits and skills training. The ESAB Director of EHS is now also responsible for Quality, which reflects our belief that these two areas complement each other as part of our corporate responsibility. Howden has appointed a full-time EHS professional for Africa and also for its Aeolus plant in Brazil.

An EHS conference was held in North America with representatives from all ESAB and Howden sites. A 3.5-day Howden EHS conference was run in Spain for all managers worldwide. The Howden Academy now runs two modules dedicated to EHS and global training schemes for all units are being planned for 2010.

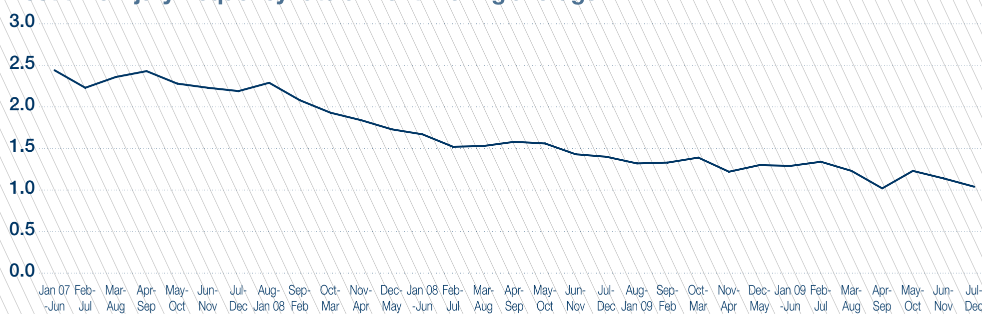
Approximately £0.7 million was spent by Howden on EHS improvement projects in 2009.

EHS management systems

Charter aims for all operating sites to implement certified EHS management systems and significant progress has been made in recent years. In 2008 ESAB became the first international company to be jointly certified to ISO 14001 and OHSAS 18001 for the entire organisation. In 2009 this was extended to include the Romar automation business, acquired in 2008, with factories in Singapore and China. An ESAB energy management system will be developed in 2010 and incorporated into the existing EHS management system.

Additionally, trained internal personnel audit ESAB sites annually to assess compliance with policies and to monitor progress with improvement action plans. 41 audits were completed in 2009, representing 87 per cent of all ESAB operating units (2008: 24 out of 43).

Howden has continued to make progress in 2009 with ISO 14001 certification, with five more manufacturing sites completing the process, and two more sites achieving OHSAS 18001 certification. Certified sites are independently reviewed as part of the re-certification process. It is planned to complete certification to ISO 14001 and OHSAS 18001 at all manufacturing sites during 2010. Howden UK's Construction and Maintenance Division retained its British Safety Council 5-Star rating with an improved score and was, once again, awarded a Sword of Honour. Howden has also made progress with the roll-out of a web-based EHS management and reporting system.



EHS regulatory issues

During 2009, there were no environmental releases reported. Howden's operation in Mexico City, Buffalo Forge SA, paid a fine of £1,700 following an audit by PROFEPA in September 2005. No other regulatory actions, fines or penalties were reported.

Pre-registration under REACH (EU Regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals) was completed by 30 November 2008. Charter has been preparing to participate in Substance Information Exchange Forums ('SIEFs') as required. ESAB has been revising product warning labels and safety information sheets to prepare for REACH compliance.

Howden has retained consultants to help develop a programme to comply with the UK's new, legally binding, climate change and energy-saving scheme, the Carbon Reduction Commitment, where Charter will be a full participant.

Safety performance

Charter operates in heavy engineering environments where there is considerable inherent risk and we recognise the need to adopt best practice safety management across all our operations.

We are pleased to report that no fatalities occurred in 2009 (including on-site contractors). Nevertheless, we regret that during the year we recorded six amputations, all involving fingers, five to employees and one to a contractor. These incidents are considered unacceptable and we have placed the highest priority on investigating the root causes and implementing corrective action plans in each case.

In 2009, the Lost Time Injury Frequency Rate (LTIFR) was 1.17, around 24 per cent less than in 2008, and 50 per cent less than in 2007. The number of days away from work per 200,000 hours worked was reduced by 26 per cent from 40 in 2008 to 29.5 in 2009. These numbers include acquisitions. The total number of hours worked in 2009 was 24.5 million compared to 26.1 million in 2008, a reduction of 6 per cent.

In 2008 and 2009, the total numbers of near misses were recorded. Just under 3,400 such incidents were recorded in 2009, an increase of 76 per cent from 2008. This reflects our effort to identify and correct hazardous situations before they can lead to a more serious injury. We continue to eliminate the root causes through use of hazard and risk assessment tools.

Correcting unsafe conditions before they result in injuries is also an important part of our approach. In the last quarter of 2008, ESAB started recording reports of unsafe conditions centrally, and during 2009 over 3,000 were logged. This has contributed to a progressive fall in both the number of injuries, and also the severity of these injuries.

Health

To respond to the H1N1 flu virus, the business continuity plan was implemented, with Charter's crisis management team monitoring developments and issuing frequent communications. This ensured appropriate actions were taken at all businesses and continue to be taken.

Environmental performance

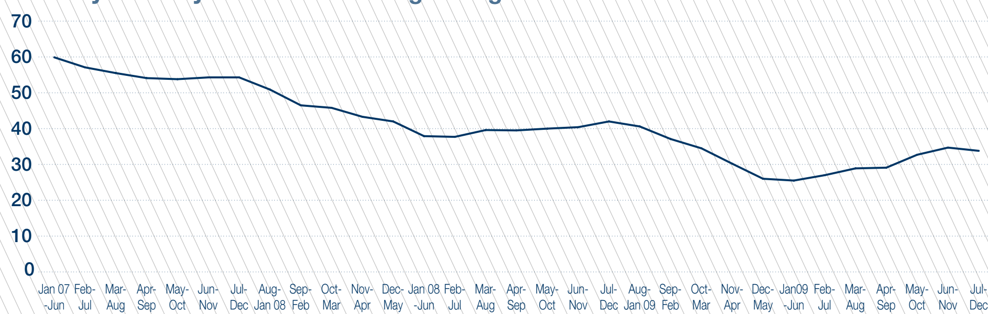
On the basis of UK government guidelines and the challenges of climate change and water scarcity, Charter has selected as environmental KPIs the reduction of direct and indirect energy usage, water consumption and waste transferred to landfill. This focus, which is integrated with the Lean Manufacturing initiative, is also expected to drive efficiency gains and cost savings.

Due to reporting deadlines, the latest annual environmental data available is for 2008. This relates to a year where production volumes in ESAB were at their highest ever levels. Data for 2009 is expected to be available in the second quarter when it will be added to the Company's website.

Between 2007 and 2008, ESAB's consumables production and revenue both increased by 16.9 per cent; not surprisingly, all of ESAB's environmental KPIs also showed an increase. However, all KPIs reflect improvements in eco-efficiency when compared with the increase in revenue and production.

- Energy usage increased by 7.6 per cent (from 1,408,787 GJ to 1,516,299 GJ) whilst greenhouse gas emissions increased by 8.9 per cent (from 281,629 TCO_2eq to

Corporate responsibility report
continued



306,587 TCO_2eq). This reflects the increase in consumables production now in countries where a higher proportion of electricity is generated from fossil fuels, for example China and Poland. However, considering the increase in revenue, the business was more energy-efficient in 2008, resulting in an 8.0 per cent fall in energy consumed and a 7.0 per cent fall in CO_2eq emissions per £million of revenue generated.

In April 2009, ESAB set a 12-month target to reduce energy consumption at each site by 10 per cent per tonne of consumables manufactured and by 5 per cent in its equipment factories and offices. A detailed blueprint for achieving best practice has been drawn up and communicated to factories. Each unit reports its energy usage monthly and also shares best practices with other sites. There are now 529 live projects.

- ESAB's waste to landfill increased by 8.8 per cent (from 8,694 tonnes to 9,460 tonnes) but, per £million of revenue, it fell by 6.9 per cent. This figure includes waste from a major project at the Monterrey site in Mexico that resulted in an additional 650 tonnes of waste to landfill in 2008.
- The consumption of water increased only insignificantly, from 1,248,292 cubic metres to 1,252,575 cubic metres, and the total per £million of revenue fell by 14.2 per cent.

Data for Howden has been collected for 2007 and 2008.

- Energy use increased by 12 per cent (from 118,919 GJ to 133,075 GJ) whilst greenhouse gas emissions increased by 8.9 per cent (from 17,660 TCO_2eq to 19,233 TCO_2eq). Considering the increase in revenue, Howden's energy efficiency improved, with a reduction of 14.3 per cent in energy consumed per £million of revenue and a corresponding 16.6 per cent fall in CO_2eq;
- Howden's waste to landfill increased by 33.8 per cent (from 512 metric tonnes to 685 tones), equivalent to a 3.0 per cent increase per £million of revenue. The main reason for this increase was a manufacturing process change that resulted in an unusually high level of scrap;
- Water use increased by 1.4 per cent (from 62,742 metric tonnes to 63,606 metric tonnes) but, per £million of revenue, it fell by 22.4 per cent.

Howden has set a target for reducing the energy used by Howden's manufacturing sites by 5 per cent between March 2009 and March 2010. To provide an improved measure of manufacturing efficiency this will be normalised using production hours rather than overall revenue.

Quality and product integrity

ESAB products are used in a wide variety of engineering structures across the world, requiring the highest levels of technology and manufacturing precision to provide assurance of weld integrity. In addition to our internal quality management, all of our products are tested routinely by external laboratories to provide the highest possible level of confidence.

ESAB is committed to objective disclosure on the quality and safety of our products, including real or perceived hazards relating to substances in the product, the product itself, or product use. Comprehensive safety data sheets have been compiled for every consumable product and are available online in 21 languages. They include advice on minimising impacts relating to product use and disposal.

The need for low-energy designs by our customers has led to the use of ever lighter materials, demanding more sophisticated welding techniques.

In 2009 ESAB's quality management team was strengthened with the appointment of a group quality director who will be implementing global standards to ensure that our products continue to meet the high specifications demanded by our markets.

Employment

Human resource ('HR') management

Charter, ESAB and Howden have a clear, three-year 'roadmap' for human resource development. The 2008-2011 plan is to take the 'HR' function away from traditional, reactive activities to one that delivers tangible business value.

In August 2009 Howden Africa Holdings Limited, in partnership with electricity providers Eskom, awarded a grant of R100,000 to the Kwazamokuhle Secondary School at Hendrina in Mpumalanga to establish a science laboratory at the school. A Corporate Social Investment ('CSI') committee was also appointed and to date has presented more than R200,000 in financial assistance to causes located near Howden's Booysens factory, South Africa. The principal long-term beneficiaries of Howden's programme include Cotlands, St Mary's Orphanage and Girls & Boys Town, the Viva English Project at Mount Pleasant School in Port Elizabeth and Nita Taljaard, Howden's beneficiary at United Cerebral Palsy.

The Group's key 2009 goals for human resource management were managing and developing our existing talent worldwide, succession planning and more consistent and rigorous performance appraisal systems, including increased emphasis on CR objectives.

We have retained these priorities whilst, in the face of a major downturn, also prioritising a responsible redundancy programme.
Our approach has involved a combination of short-term working options, clear redundancy selection frameworks, appropriate compensation packages, clear communications, engagement with unions and government officials and outplacement counselling. This approach not only respects those affected but maintains the respect and trust of our retained employees.

To support our drive for more proactive HR management, our Group head of HR is also a Director of Charter Limited. We recruited a new head of HR for ESAB North America and strengthened HR capability supporting our global lines of business. The Howden global HR group, set up in 2008, has now identified 14 projects to be completed over five years, focusing on skills, development and retention. A new Howden HR information system was implemented in 2009, allowing the recording of employee details in seven languages in 17 countries and a similar system is to follow in ESAB. This aids legal compliance with equality laws, for example relating to ethnic origin in South Africa.

Employee numbers

Employee numbers at the end of 2009 were 11,982 (2008: 13,364). As a consequence of a fall in demand, reductions in manned capacity were implemented throughout ESAB's businesses, and through the calendar year of 2009 more than 1,200 jobs ceased taking ESAB's total reduction from autumn 2008 to December 2009 to 1,641. Howden has benefited to some degree from its backlog of orders, however, due to cost reduction requirements it was necessary to make approximately 270 people redundant in 2009.

Equal opportunities

Charter recognises and values diversity in the workforce and all recruitment, selection and promotion is on the basis of individual qualifications, skills, experience and merit.

Our equal opportunities policy was re-communicated in ESAB in 2009.

No reports have been received of any breaches of anti-discrimination laws in all relevant jurisdictions concerning matters of gender, ethnic origin, age, religion, sexual orientation or disability.

Training and development

Recruitment, performance appraisal and reward processes have been enhanced across the Group. Through linking various processes together, such as the objectives planning process to that of budgeting and reporting, performance is being increasingly linked to reward. Talent management is linked to executive education, coaching and succession. This linkage of professional recruitment, performance management and reward directly supports the Company strategy of professional competence, excellence and customer focus. In order for ESAB to become the clients' preferred partner and to be seen as 'The Welding Authority', the aim of the HR function is to enable better solutions for customers by means of superior people performance. Likewise Howden has used this HR philosophy to support its five-year strategic plan.

Charter businesses invest in employee skills and capabilities through a variety of programmes, including training and succession planning.
The Charter Manual is being updated to clarify line managers' responsibilities for managing their people and the Group continues to invest in developing skills across both ESAB and Howden, for example through the Lean Manufacturing programme. Two 'boot camps' have been run in ESAB to train lean practitioners each of 10 days' duration. During 2009, approximately 80 Howden managers from nine countries have participated in the Unipart Lean Leadership Training programme, with an additional 12 delegates from seven countries attending a 'boot camp'.

ESAB training

In 2009 ESAB made progress with its Leadership Development Programme. This programme involves 220 people worldwide who have been selected to join three talent groups: leadership talent, developing talent and technical talent.
The programme has established an online community that can access a growing library of articles matching MBA standards and which can

contribute via a collaborative software system. This programme is seen as critical to the Company's sustainable development by harnessing and developing its core talent.

The ESAB University was launched, focusing on a number of learning themes and workstreams. This was accompanied by the roll-out of a global e-learning capability, extending the previous year's pilot to North America. 750 individuals across Europe, Asia, the Middle East and North America now use the SkillPort web system and more than 1,000 hours of training have already been delivered. Within ESAB University, a two-week residential leadership development programme was run with delegates from 13 countries spanning the Americas, Europe, the Middle East, South East Asia and China. The faculty included Charter Executive Directors including the Chief Executive, who led a session on EHS.

2009 has also seen the delivery of an awareness programme on diversity and inclusion. This aims to create a more culturally aware cadre of managers and to guide executives around the world on how to be more successful in regional businesses. Executive Directors of Charter, Department Heads of Charter and senior ESAB managers received a briefing on equal opportunities and employment law.

Howden training

Howden held an HR conference in Spain in September 2009, focusing on training for global HR staff, including training on psychometric profiling. The conference also looked at developing plans to support the business in managing through an economic downturn.

Howden piloted a global management development programme in 2009, involving 12 managers and covering a range of topics including recruitment, communications, performance management and leadership. Five more courses are planned for 2010, which will be extended to include EHS, and the goal is for all managers of people (385) to attend the programme over a three-year period.

A core talent and succession management programme has also been continued in 2009. The programme, which dovetails performance appraisals into talent development and succession management, has achieved 100 per cent coverage of the 157 senior managers identified for participation.

The Howden Academy has continued in 2009; four cohorts have now been run, each lasting three weeks. Approximately 200 new engineers from 14 countries have attended the Howden Academy over the 1.5 years since starting in July 2008, with more than 90 per cent of the engineers' managers confirming an acceleration in productivity and effectiveness as a result of training received. The Howden Academy's success has been recognised by a number of awards, including the Glasgow Business Award for Excellence in Skills and Learning and the UK CBI Human Capital award for Education Skills and Leadership. In 2010 the Howden Academy will be made available to employees online, using e-learning modules. The course will also be developed further to include additional product ranges.

Media training has been provided for the Howden Board and Senior Executives and a coaching programme was delivered to develop those senior managers identified as potential leaders.

Employee communications

ESAB is continuously seeking to improve communications with its employees. During 2009, ESAB continued with its in-house magazine 'Let's Talk', and the monthly Cascade. The Cascade communicates key messages through the management chain with local content added. The Cascade brief is posted on ESAB's intranet to ensure the fullest coverage. Key messages show frequent links to other business initiatives such as environment, health and safety performance, the Lean Programme, objective setting, performance management and organisation development. Increasingly, the intranet is used as a source of information and education, including portals for specialist knowledge and online learning.

Howden continues to produce the 'Team Brief' every two months and a group newsletter every six months. Works councils and other consultative bodies continue to be used for two-way constructive dialogue and consultation on decisions affecting people at work.

Sub-contractors and suppliers

ESAB and Howden's relationships with sub-contractors and suppliers create potential risks in their supply chains associated with a range of CR issues linked, for example, to mineral extraction, manufacturing, employment, the environment and business ethics.

We aim to work with product suppliers that meet our own standards of safety, environmental and quality management. ESAB has a Code of Ethics for purchasing and has in place a self-assessment procedure through which about 1,500 suppliers have been surveyed since 1997; non-conformances are addressed by the ESAB local business units. A list of banned and hazardous substances has also been circulated to suppliers and is monitored regularly.

From 2009, the self-assessment programme is being strengthened with the introduction of on-site environmental, health, safety and quality audits for finished goods suppliers. All new finished goods suppliers will be audited and we will also systematically cover the existing supply base.

Howden has implemented, group-wide, a formal vendor audit process, which includes ensuring the Charter Code of Conduct is followed.

Code of Conduct

Charter's Code of Conduct provides the framework for the behaviour expected of all employees in conducting themselves, whatever their role and wherever they are located. It is the responsibility of all Charter businesses and employees to ensure the Code and all supporting policies and procedures are complied with. As part of the Code of Conduct, Charter operates a whistleblowing policy which was re-issued in 2009. 20 events involving allegations of fraud, theft or other possible breaches of the Code of Conduct were investigated in 2009. 13 resulted in dismissals, two led to resignations, four required no further action and one is still under investigation.

Communities

Many Charter businesses support local charities through fundraising or other forms of assistance. In addition, local voluntary initiatives and community investment serve to build stakeholder relations and enhance our reputation as an employer of choice and a good 'corporate citizen'. Details of charitable donations are reported on page 46.

The Board believes that its structure provides the correct balance of skills and experience for the business

1

1: Lars Emilson
Chairman (68) N,R

Mr Emilson began his career with PLM AB, a Swedish pan-European packaging group, and was appointed Chief Executive after its acquisition by Rexam plc. He joined the board of Rexam plc in 2000, with responsibility for the worldwide beverage can business and became Chief Executive from 2004 until his retirement in 2007. He was appointed Chairman of Charter plc on 1 November 2007 and subsequently became Chairman of Charter International plc on 27 August 2008. Mr Emilson is a Non-Executive Director of Filtrona plc, Luvata Espoo Oy and East Capital Explorer AB.

2

2: Michael Foster
Chief Executive (57) N,D

Appointed as Chief Executive Officer of Charter International plc on 27 August 2008, having been Chief Executive Officer of Charter plc since 1 July 2006. Mr Foster joined Charter plc as a Non-Executive Director in December 2001 and became Commercial Director on 1 January 2005. He was formerly Executive Director responsible for the UK, USA and Ireland at RMC Group plc. He has a degree in Engineering and Electrical Sciences from Cambridge University, is a Fellow of the Association of Corporate Treasurers and is qualified as a solicitor.

3

3: Robert Careless
Finance Director (56) D

Appointed as Finance Director of Charter International plc on 27 August 2008, having been Finance Director of Charter plc since 22 April 2004. Mr Careless qualified as a chartered accountant with KPMG and was formerly Finance Director and Company Secretary of Semara Holdings Plc. He has a degree in Physics from Oxford University.

4

4: James Deeley
Commercial Director (46) D

Appointed as Commercial Director of Charter International plc on 26 March 2009, having been Legal Director of Charter plc since 10 July 2006. Mr Deeley qualified as a solicitor with Slaughter and May and subsequently held positions as Director of Legal Services at Regus plc, Head of Group Legal at DS Smith plc and Corporate Services Director and Company Secretary of Numerica Group plc.

Key to committee membership:
A Audit Committee
R Remuneration Committee
N Nominations Committee
D Disclosure Committee

5

5: John Biles

Independent Non-Executive Director (62) A,R,N

Appointed as a Non-Executive Director of Charter International plc on 27 August 2008, having been a Non-Executive Director of Charter plc since 1 April 2005. Mr Biles is a chartered accountant and was previously Finance Director of international engineering group FKI plc for six years until 2004. He currently serves as a Non-Executive Director and Chairman of the Audit Committees of Northern Ireland Electricity plc, Bodycote plc, Hermes Fund Managers Limited, Sutton & East Surrey Water plc and Alan Dick & Company (Holdings) Limited.

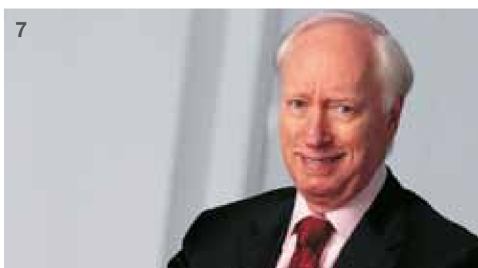
6

6: Grey Denham

Senior Independent Non-Executive Director (61) A,R,N

Appointed as a Non-Executive Director of Charter International plc on 27 August 2008, having been a Non-Executive Director of Charter plc since February 2005. He recently retired as Company Secretary and Group Director Legal and Compliance of GKN plc. Mr Denham was appointed to the Council of the UK Competition Commission in September 2009 and is a Non-Executive Director of the charity Young Enterprise UK. He is a former Chairman of both the Primary Markets Group of the London Stock Exchange and of the CBI in the West Midlands. He is a qualified barrister.

7



7: John Neill CBE

Non-Executive Director (62)

Appointed as a Non-Executive Director of Charter International plc on 27 August 2008, having been a Non-Executive Director of Charter plc since 1994. He is currently Group Chief Executive of the Unipart Group of Companies Limited. Mr Neill is a Non-Executive Director of Rolls-Royce Group plc and was formerly a Director of the Bank of England and a Non-Executive Director of Royal Mail Group plc.

8

8: Andrew Osborne

Independent Non-Executive Director (43) A,R,N

Appointed as a Non-Executive Director of Charter International plc on 27 August 2008, having been a Non-Executive Director of Charter plc since February 2005. He is a chartered accountant and is currently Deputy Chairman of Geoffrey Osborne Limited.

9

9: Manfred Wennemer

Independent Non-Executive Director (62) A,R,N

Appointed as a Non-Executive Director of Charter International plc on 26 March 2009. He was previously Chief Executive of Continental AG, a position which he held for seven years. Prior to this, he worked for seven years for companies within the Continental group as Chief Executive of Benecke-Kaliko AG and ContiTech AG. Before his tenure with Continental he worked for the Freudenberg Group for 14 years, latterly as Chief Executive of the Spunbond Nonwovens Group. Mr Wennemer is also a Director of Bekaert and Knorr-Bremse AG.

Key management

1

1: Bob Cleland
Chief Executive of Howden Global (Howden's worldwide operations) (63)
Appointed as Chief Operating Officer of Howden Global in 1998 and as Chief Executive Officer in 1999. Mr Cleland was formerly Group Operations Director of Triplex Lloyd Plc. He has a degree in Mathematics and Physics from Glasgow University and a Masters degree in Operations Research from Lancaster University.

2

2: Michael Hampson
Company Secretary and General Counsel (51)
Appointed as Company Secretary and General Counsel on 21 October 2009. Mr Hampson held positions as Director of Corporate Development at Anglian Water Group plc, Director of Corporate Affairs at RMC Group plc and Company Secretary and General Counsel at Whitbread plc. He is a Non-Executive Director of the charity the Royal Society for the Prevention of Accidents, and is a barrister and a Chartered Secretary.

3

3: Peter Dodd
Managing Director – ESAB Europe (62)
Appointed as Managing Director of ESAB Europe on 1 July 2008, having previously been Sales and Marketing Director since 2003. Mr Dodd joined the Group in October 1975 in what was then BOC and subsequently transferred to ESAB in 1982. He has a number of sales and commercial positions, becoming Managing Director of ESAB Group (UK) Limited in 1994. He has a degree in Biochemistry, a diploma in Business Studies and an MBA, all from Liverpool University.

4

4: Ian Muir
Human Resources Director (51)
Appointed as Charter HR Director and Global HR Director of ESAB on 18 August 2008. Previously he was a director of Cable & Wireless International Group Limited. Mr Muir has a degree in Social Sciences from the University of Bath, is an alumnus of INSEAD and is a Fellow of the Chartered Institute of Personnel and Development.

Directors' report

The Directors present their report, together with the audited financial statements for the year ended 31 December 2009.

Principal activities and review of operations

A review of the activities and operations of Charter International plc and its subsidiaries is given in the Chairman's statement on page 5, the Chief Executive's statement on pages 6 to 9 and the Business and financial review on pages 12 to 35. These sections, together with the other sections of the annual report referred to in the Directors' report are incorporated, by reference, into and form part of the Directors' report.

Business and financial review

The Business and financial review is a review of the development, the operational and financial performance of and key trends and factors within the business during the year ended 31 December 2009 and contains a description of the principal risks and uncertainties facing the business.

Profits

The profit after tax for the year ended 31 December 2009 was £74.8 million (2008: £158.7 million).

Dividends

On 23 March 2010 the Directors declared a second interim dividend of 14.5 pence per ordinary share (2008: 14 pence per ordinary share) to be paid on 7 May 2010 to holders of ordinary shares registered on 16 April 2010. An interim dividend of 7 pence per ordinary share was paid in respect of the six months ended 30 June 2009 (2008: 7 pence).

Directors

The names and brief biographical details of the Directors and key management of the Company appear on pages 42 to 44. Manfred Wennemer was appointed as a Non-Executive Director on 26 March 2009 and the Hon. James Bruce retired from the Board on 29 April 2009, whereupon Grey Denham became Senior Independent Non-Executive Director and Chairman of the Remuneration Committee.

At the Company's Annual General Meeting ('AGM') John Neill will offer himself for re-election, in accordance with provision A.7.2. of the Combined Code on Corporate Governance of the Financial Reporting Council ('Combined Code') as he has served as a Non-Executive Director of Charter plc and Charter International plc in aggregate for more than nine years.

Further details regarding the Company's procedures for the appointment of Directors can be found on page 50 – Nominations Committee and Board balance and independence and on page 51 – Re-appointment. The Board of Directors, which is responsible for the management of the business, may exercise all the powers of the Company subject to the provisions of relevant legislation, the Company's Memorandum and Articles of Association and any special resolution of the Company passed at a general meeting. The Directors have the power to issue and buy back shares in the Company, as well as to grant options over or otherwise dispose of unissued shares in the Company, to such persons, at such times and on such terms as they think proper.

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, Howden 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 the 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 retirement on 7 May 2009. He had no day-to-day involvement in the management of Hoeganaes.

No other Directors had any interest in contracts with the Company or its subsidiaries at any time during the period other than service contracts and indemnity agreements. Directors' interests in the ordinary shares of the Company as well as details of their remuneration and service contracts can be found in the Remuneration report on pages 55 to 61.

Settlement with City Index

In May 2009 City Index discontinued the pursuit of its claims for contribution against certain current and former Directors of the Company and against the Company's Auditors.

Corporate governance

A review of the Company's application of the principles and provisions of the 2008 Combined Code can be found on pages 49 to 52.

Directors' indemnities

Each of the Directors has been granted an indemnity by the Company, to the extent permitted by applicable law, in respect of certain liabilities that may arise as a result of the Director acting as a Director or employee of the Company or an associated company. Under the terms of each indemnity, the relevant Director is indemnified against liability to third parties excluding the liability to pay criminal fines and regulatory penalties and certain other liabilities. In relation to any third-party claim, the Company may loan funds to a Director to allow him to fund his legal costs. Any such loan must be repaid by the Director if the Director is convicted of an offence, judgment is given against the Director or the Director's application for relief is refused by the court.

Financial instruments

The financial risk management objectives and policies of the Company including interest rate, currency and credit risk are outlined in note 21 to the Company's consolidated financial statements.

Annual General Meeting

The Company's AGM will take place at 2.00 pm on 29 April 2010 at 27 Northwood House, Northwood Park, Santry, Dublin 9, Ireland. The notice of AGM (the 'Notice') can be found in a separate circular to shareholders. The Notice sets out details of the resolutions that will be proposed at the AGM as well as explanatory notes giving the background and reasons for such resolutions.

In particular, the Notice contains a resolution proposing certain amendments to the Company's Articles of Association ('the Articles'). The proposed amendments are intended to ensure that the Company retains a corporate governance framework equivalent to that of a UK incorporated listed company to the extent practicable. The proposed amendments reflect the final

phase implementation of the UK Companies Act 2006, the introduction of the Shareholders' Rights Regulations 2009 in the UK effective on 3 August 2009 and certain miscellaneous updates.

The Notice also contains a resolution proposing an amendment to the Charter International plc Long-Term Incentive Plan in respect of the maximum annual award which may be made to an employee of the Company.

Employees

The Company's policy is to encourage effective communication and consultation between employees and management. Subsidiaries develop their own consultation and communication procedures as part of their employment practices. Further details can be found in the corporate responsibility report on pages 36 to 41 of the Business and financial review. The Company and its subsidiaries are equal opportunities employers and seek to attract, develop, deploy and reward prospective and present employees solely on the basis of merit, regardless of gender, race, colour, nationality, ethnic or racial origins, marital status, sexual orientation, age, religion or disability. In addition, the Company and its subsidiaries give full and fair consideration to applications for employment made by disabled people, having regard to their aptitudes and abilities. Should employees become disabled during employment, they would be considered for any necessary retraining and available work within their capabilities. For the purposes of training, career development and promotion, disabled employees are treated in the same way as other employees.

Creditor payment policy

The Group companies are responsible for establishing terms and conditions with their suppliers.

The creditor payment policy of the Company and its subsidiaries is to settle amounts due to creditors in accordance with agreed terms. The policy provides that local practice must be observed in the countries in which they operate and that standard payment terms in each country may also be varied by negotiation with individual suppliers. The Company had no trade creditors at the year end.

Charitable and political contributions

During the year the Company and its subsidiaries donated £113,000 (2008: £121,000) to charities of which £9,000 (2008: £13,000) was to charities in the United Kingdom. Within the United Kingdom, donations were made in the year to support charities working in medical research/support £6,000 (2008: £10,350) and community support £3,000 (2008: £2,650). There were no political donations made during the year (2008: £nil).

Research and development

The Company and its subsidiaries continue to place strong emphasis on research and development to meet the changing needs of the markets they serve. Research and development expenditure, which excludes engineering and production support costs, totalled £17.1 million (2008: £13.2 million) for the year of which £11.4 million (2008: £8.8 million) has been charged to the income statement for the year and £5.7 million (2008: £4.4 million) has been capitalised as intangible assets.

Share capital structure

Share capital

As at 23 March 2010, the Company had 166,955,167 fully paid ordinary shares of £0.02 each in issue which are listed on the London Stock Exchange. The Company has a single class of shares.

Rights and obligations attaching to shares

The rights and obligations attaching to the Company's shares are contained in the Articles of Association, a copy of which can be obtained upon request to the Company Secretary. The Articles may only be changed by a special resolution passed at a general meeting of the Company. Holders of ordinary shares are entitled to receive notice of, attend, speak and vote at any general meeting of the Company, except as described below.

Voting

On a show of hands, every shareholder who is present has one vote and on a poll every member who is present has one vote for every £0.02 in nominal amount of his shares. Where shares are held jointly, the vote of the shareholder who first appears on the register of members in respect of the share shall be conclusive. At any general meeting, a poll may be demanded by shareholders who are present and entitled to vote when (i) not less than five such shareholders make such a demand; (ii) any shareholders represent not less than one-tenth of the total voting rights of all shareholders having the right to vote at the meeting; or (iii) any shareholders represent not less than one-tenth of the total paid-up share capital. Holders of ordinary shares also have various rights to appoint a proxy or proxies (who need not be members of the Company) or, where appropriate, a corporate representative, to attend and vote on their behalf. Further details about the right to appoint a proxy or a corporate representative are set out in the Notice. The Directors may make calls on shareholders in respect of monies unpaid on their shares. If any call is not complied with, the Directors may serve a notice requiring payment with interest and expenses. Failure to comply with this may result in forfeiture of any share the subject of the notice. The Company has a lien on any share which is not fully paid.

Voting restrictions

No member shall, unless the Directors otherwise determine, be entitled to vote at a general meeting either personally or by proxy, or to exercise any other right conferred by membership in relation to meetings of the Company, if any call or other sum presently payable by him to the Company in respect of such shares remains unpaid. Further, a shareholder is not, unless the Directors otherwise determine, entitled to attend or vote at any general meeting if the shareholder has failed to comply with a notice under the Articles (an 'Article 16 notice') to investigate interests in the Company's shares within 14 days.

Dividends and other distributions

Subject to the provisions of Jersey Companies Law, the Company may by ordinary resolution declare dividends up to the amount recommended by the Directors. The Board may, if authorised by an ordinary resolution of the Company, offer any holder of shares (excluding treasury shares) the right to elect to receive a dividend in the form of fully-paid ordinary shares. Subject to the provisions of Jersey Companies Law, the Board may authorise the payment of dividends of such amount and on such dates as it thinks justified by the financial position of the Company.

If a shareholder who holds at least 0.25 per cent in nominal value of the ordinary shares is in default of an Article 16 notice, then the Directors may also withhold the payment of any dividend to and restrict the transfer of shares held by that shareholder.

Payments of dividends

The Company's Income Access Share Arrangements ('IAS') mean that shareholders are able to elect whether they receive their dividends from a company resident for tax purposes in the Republic of Ireland or, instead, under the IAS arrangements from a company resident for tax purposes in the UK.

Where no election has been made to receive dividends under the IAS, dividends paid by the Company will be treated as having an Irish source and may, subject to the availability of exemptions, be paid subject to Irish Dividend Withholding Tax.

Where an election has been made to receive dividends under the IAS, dividends will instead be paid from a UK tax resident company (Charter Limited) and will be treated as having a UK source. Dividends paid under the IAS will not be subject to UK Withholding Tax.

Copies of the IAS election form are available on the Company's website at www.charter.ie.

For a general summary of some of the tax implications of receiving dividends with an Irish source from the Company, or dividends with a UK source under the IAS, please see the section on the Company's website at: www.charter.ie relating to the IAS.

Transfer restrictions

The Directors may refuse to register any transfer of any share which is not a fully paid-up share and refuse to register any transfer in favour of more than four persons jointly. The Directors may also refuse to recognise any instrument of transfer unless it is in respect of any one class of share, is lodged at such place as they may determine and, where appropriate, is accompanied by any relevant share certificates and such other evidence as they may reasonably require to show the right of the transferor to make the transfer. The Directors may also suspend transfers where a shareholder has failed to comply with an Article 16 notice, in the manner noted above.

Certain restrictions on transfers of shares may from time to time be imposed by laws and regulations (for example, insider trading laws) and pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities.

Securities carrying special rights

Without prejudice to any special rights which have been conferred on any shareholders, any share of the Company may be issued with such preferred, deferred or other special rights or subject to such restrictions as the Directors or the shareholders may determine. No shares have been issued that carry any special rights with regard to the control of the Company.

Variation of rights

Subject to the provisions of Jersey Companies Law and to any rights attached to existing shares (and except in the case where there is only one holder of the issued shares of a class of shares, in which case any and all of the rights attached to that class of shares may be varied only with the consent in writing of that holder), rights attached to any class of shares may be varied with the written consent of the holders of not less than two-thirds in nominal value of the issued shares of that class (calculated excluding any shares held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting (except an adjourned meeting) the quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares).

Appointment and replacement of Directors

Shareholders may, by special resolution, set out regulations or provisions by which the Directors must abide. The Directors shall be not less than two in number. The Company may by ordinary resolution vary the minimum and/or maximum number of Directors. A Director shall not be required to hold any shares in the Company. Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board holds office only until the next following AGM of the Company and is then eligible for re-appointment. The Board or any committee authorised by the Board may from time to time appoint one or more Directors to hold any employment or executive office for such period and on such terms as they may determine and may also revoke or terminate any such appointment.

At every AGM of the Company, any Director who has been appointed by the Board since the last AGM, or who held office at the time of the two preceding AGMs and who did not retire at either of them, or who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the AGM, shall retire from office and may offer himself for re-appointment by the members. The Company may by ordinary resolution remove any Director before the expiration of his period of office. The office of a Director shall be vacated if: (i) he resigns or offers to resign and the Board resolves to accept such offer; (ii) his resignation is requested by all of the other Directors and all of the other Directors are not less than three in number; (iii) he is or has been suffering from mental or physical ill health and the Board resolves that his office be vacated; (iv) he is absent without the permission of the Board from meetings of the Board (whether or not an alternate director appointed by him attends) for six consecutive months and the Board resolves that his office is vacated; (v) he becomes bankrupt or compounds with his creditors generally; (vi) he is prohibited by law from being a Director; (vii) he ceases to be a Director by virtue of the provisions of Jersey Companies Law; or (viii) he is removed from office pursuant to the Company's Articles.

Powers of the Directors

Subject to the Company's Memorandum and Articles of Association, the Jersey Companies Law and any directions given by the Company by special resolution, the business of the Company will be managed by the Board who may exercise all the powers of the Company, whether relating to the management of the business of the Company or not. In particular, the Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge any of its undertaking, property, assets (present and future) and uncalled capital and subject to the Jersey Companies Law to issue debentures and other securities and to give security for any debt, liability or obligation of the Company or of any third party.

Powers in relation to the Company issuing or buying back its own shares

At the AGM shareholders will be asked to grant a further authority to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company (i) up to a nominal amount of £1,113,034, and (ii) comprising equity securities (as defined in the Articles) up to a nominal amount of £2,226,068 (after deducting from such limit any allotments or grants made under (i)) in connection with an offer by way of a rights issue (the 'allotment authority'), such allotment authority to apply until the end of next year's AGM (or, if earlier, until 30 June 2011).

A special resolution will also be proposed to renew the Directors' power to make non-pre-emptive issues for cash in connection with rights issues and otherwise up to a nominal amount of £166,955.

No market purchases were made by the Company during the year ended 31 December 2009.

A special resolution will also be proposed to renew the Directors' authority to repurchase the Company's ordinary shares in the market. The authority will be limited to a maximum of 16,695,516 ordinary shares and sets the minimum and maximum prices which may be paid.

Major shareholders

As at 23 March 2010, the Company had received the following notifications pursuant to DTR 5 of the Disclosure and Transparency Rules of the FSA (the 'DTR').

Date of notification	Shareholder	Direct/ indirect interest	No. of shares/ voting rights	% of issued share capital/ voting rights
19/03/10	Ignis Investment Services Limited	Indirect	5,088,564	3.05%
21/12/09	AXA S.A.	Direct	2,284,274	1.37%
		Indirect	6,597,416	3.95%
		Total	8,881,690	5.32%
07/12/09	Blackrock Inc.	Indirect	10,941,558	6.55%
11/11/09	Standard Life Investments Limited	Direct	4,984,872	2.98%
		Indirect	1,499,491	0.89%
		Total	6,484,363	3.87%
05/11/09	Lloyds Banking Group plc	Direct	1,868,623	1.11%
		Indirect	8,020,015	4.8%
		Total	9,888,638	5.91%
20/08/09	Legal & General Group plc	Direct	6,571,031	3.93%

Significant agreements

The Company acts as guarantor in respect of a £75 million Multi-Currency Revolving Facility Agreement dated 3 September 2008 between HSBC Bank ('HSBC') and Charter Central Finance Limited, a subsidiary of the Company. This contains a change of control provision which, if triggered, could restrict further utilisations and/or require the repayment of all outstanding utilisations. In such circumstances HSBC may also call for cash collateral for outstanding utilisations under separate documentary credit facilities, totalling US$130 million provided to two subsidiaries of the Company.

Similar change of control provisions are contained in other credit facilities that Charter Central Finance Limited has entered into with Skandinaviska Enskilda Banken AB, Bank of China (UK) Limited, Lloyds TSB Bank plc and Barclays Bank plc.

The Company's Long-Term Incentive Plan contains provisions that allow outstanding awards to vest in certain circumstances upon a change of control of the Company. Conditional awards made pursuant to the Charter International plc Deferred Bonus Plan will automatically vest on a change of control of the Company. Further details concerning the above can be found in the Remuneration Report on pages 55 to 61.

Rights under the employee share schemes

Under the rules of the Charter International Long-Term Incentive Plan and the Charter International Deferred Bonus Plan eligible employees are awarded shares in the Company. As at 23 March 2010, Appleby Trust (Jersey) Limited as trustee of the Charter Employee Trust holds 0.044 per cent of the issued share capital of the Company on trust for the benefit of the Executive Directors, senior executives and managers of the Group. The voting rights in relation to these shares have been waived by the Trustee.

Corporate responsibility ('CR')

The Company's report on CR, including its approach to health and safety, social, environmental and other related environmental issues, can be found on pages 36 to 41 of the Business and financial review.

Statement of disclosure of information to Auditors

So far as the Directors each are aware, there is no relevant audit information (that is, information needed by the Company's Auditors in connection with preparing their report) of which the Company's Auditors are unaware, and each Director has taken all reasonable steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Directors' statement pursuant to the Disclosure and Transparency Rules

The Directors (whose names and functions are set out on pages 42 and 43) confirm that, to the best of their knowledge, the financial statements are prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group taken as a whole; and the Directors' report includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as Auditors to the Company and a further resolution to authorise the Board to fix the Auditors' remuneration will be proposed at the AGM.

By order of the Board
Michael Hampson
Company Secretary and General Counsel
23 March 2010

Registered office:
22 Grenville Street
St Helier
Jersey JE4 8PX
Registered in Jersey Number 100249

1 Compliance with the Combined Code

The Company monitors its compliance with the requirements of the Combined Code on Corporate Governance (the 'Combined Code') most recently revised in June 2008 on a continuous basis.

This report, in addition to the Remuneration Report on pages 55 to 61 and the Audit Committee report on pages 53 and 54, describes how the Company has applied and complied with the principles, supporting principles and provisions contained in the Combined Code, and in accordance with the Combined Code's 'comply or explain' principle, further explains where the Company has not complied with the provisions of the Combined Code. The Board is of the opinion that in respect of the period from 1 January 2009 to 31 December 2009 the Company has been in compliance with the provisions of the Combined Code with only one exception. The service contracts of Michael Foster and Robert Careless contain liquidated damages clauses, which are in contrast to requirement B.1.5 of the Combined Code for outgoing directors to mitigate their loss. The Board feels that these arrangements are not excessive and serve to balance the interests of shareholders with the need to ensure the retention of these individuals. The policy has been revised with regard to the service contracts of new Executive Directors and hence the service contract of James Deeley contains no such provision.

2 Directors

(a) The Board

The Board conducts itself in such a way as to provide leadership to the Company and its subsidiaries and their respective employees. It is committed to the highest standards of corporate governance and to the delivery of enhanced shareholder value in a manner consistent with sound business practices and proper standards of the Company's Corporate Responsibility Report ('CR'). In providing such leadership, the Board focuses on integrity and personal responsibility with the overriding objective of creating shareholder value. The Board operates in accordance with a Management and Governance Framework (the 'Framework'). This has been approved and adopted by the Board, and consolidates those policies which govern the management and governance of the Company and its subsidiaries. The Framework contains details of: (a) the specific powers that the Board has retained (b) the authority that has been delegated to the Board Committees and their terms of reference and (c) the role of the Board, the Chairman and the Chief Executive. The Framework is kept under regular review and modified as and when new situations, requirements or developments in best practice arise. The Board ensures that the membership of its committees is refreshed so that undue reliance is not placed on individual Directors. The Board meets regularly and there are seven scheduled meetings for 2010.

The Board hosts an annual strategy conference at which it considers and determines the strategic plans for the Company's businesses. Details of attendance at meetings of the Board and its Audit, Nominations and Remuneration Committees are shown in the following table. Agendas and supporting papers are distributed to Directors in advance of each meeting so that the meeting can benefit from informed debate. No individuals other than the Committee chairman and the members are entitled to be present at meetings of the Audit, Nominations and Remuneration Committees, although others including the Executive Directors, the Charter HR Director, Head of Internal Audit, Head of Taxation and the external Auditors may attend at the prior invitation of the relevant committee chairman.

		Committee		
	Board	Audit	Nominations	Remuneration
Meetings attended:				
Lars Emilson	9/9	n/a	3/3	6/6
Michael Foster	9/9	n/a	3/3	n/a
Robert Careless	9/9	n/a	n/a	n/a
James Deeley	9/9	n/a	n/a	n/a
John Biles	9/9	4/4	3/3	6/6
The Hon. James Bruce[1]	1/3	0/1	1/3	1/2
Grey Denham	8/9	4/4	3/3	6/6
John Neill	7/9	n/a	n/a	n/a
Andrew Osborne	8/9	4/4	3/3	6/6
Manfred Wennemer[2]	4/6	2/3	1/1	3/4

1 The Hon. James Bruce retired from the Board on 29 April 2009
2 Manfred Wennemer joined the Board on 26 March 2009

The powers and authorities retained by the Board include:

- the approval of annual and half year results, interim management statements and associated announcements;
- the membership, authority and terms of reference of Board committees;
- corporate strategy;
- significant financing arrangements;
- matters relating to share capital (including employee share schemes and share options);
- contracts or expenditures in excess of certain monetary thresholds;
- adoption of annual budgets; and
- approval of appointments of Directors to the Board and the appointment and removal of the Company Secretary.

Subject to these retained powers and authorities, the day-to-day management of the Company's subsidiaries resides with the boards of those subsidiaries. Any concerns that the Non-Executive Directors may have regarding either the administration of the Company and its subsidiaries, or any proposed actions, are recorded in the minutes of the Company where an alternative resolution cannot be found. The Company has provided its Directors with appropriate insurance cover in respect of legal proceedings and other claims against them.

(b) Board committees

(i) Standing Committee

Composition: Any two Directors of the Company.

Role: The Committee is responsible for taking necessary steps that are ancillary to and required in order to progress transactions that have been approved in principle by the Board and which relate to the Company, to review and make recommendations to the Board in respect of the Policies and Procedures Manual and determine the remuneration and other terms and conditions of appointment of the Non-Executive Directors of the Company.

(ii) Nominations Committee
Composition: Lars Emilson (Chairman), Michael Foster, John Biles, Grey Denham, Andrew Osborne and Manfred Wennemer, who joined the Committee on his appointment to the Board on 26 March 2009. The Hon. James Bruce retired from the Committee on 29 April 2009. All of the members of the Committee, excluding Michael Foster, are considered independent Non-Executive Directors pursuant to the Combined Code and accordingly a majority of the members are independent.

Role: The Committee is responsible for making recommendations to the Board concerning appointments to the Board, including evaluating the skills, knowledge and experience required and setting a job description for specific appointments. In fulfilling its role in respect of new appointments, the Committee generally seeks advice and assistance from external search consultants to identify, benchmark and select appropriate candidates. In July 2008 the Committee appointed an executive search consultant to assist in sourcing a suitable candidate to recommend for appointment to the Board of Directors. Having met the Committee's search criteria and having undergone a series of interviews with the Chairman and the Directors of the Company, Manfred Wennemer was appointed a Non-Executive Director of the Company.

The Board of Charter International plc reviewed plans for orderly management succession in relation to both Board and senior management appointments at its annual strategy conference in September 2009. The Board believes that this provided the necessary reassurance that appropriate plans have been adopted to ensure that the correct balance of skills and experience are maintained on the Board and within the senior management of the Company and its subsidiaries.

(iii) Remuneration Committee
Composition: Grey Denham (Chairman), John Biles, Lars Emilson, Andrew Osborne and Manfred Wennemer, who joined the Committee on his appointment to the Board on 26 March 2009. The Hon. James Bruce retired as Chairman and as a member of the Committee on the 29 April 2009. The members of the Committee are considered independent Non-Executive Directors pursuant to the Combined Code.

Role and activities: An explanation of the role and activities of the Committee can be found in the remuneration report on pages 55 to 61.

(iv) Disclosure Committee
Composition: The Committee comprises the three Executive Directors.

Role: The Committee is primarily responsible for the creation and maintenance of appropriate procedures, systems and controls to ensure compliance by the Company with its obligations under the Disclosure and Transparency Rules ('DTR') and the Listing Rules of the Financial Services Authority. In particular, it has responsibility for the determination, on a timely basis, of the disclosure treatment of material information and designing, implementing and evaluating disclosure controls and procedures that operate within the Company and its subsidiaries. The Committee also has responsibility for identifying inside information, for the purpose of maintaining the Company's insider lists as required by the DTR.

(v) Audit Committee
Details regarding the membership, role, responsibilities and work of the Committee during the year under review can be found in the Audit Committee report on page 53.

(c) Chairman and Chief Executive
Lars Emilson is Chairman and Michael Foster is Chief Executive of the Company. The Board believes that the two roles carry different responsibilities and has approved a clear division of responsibilities between the Chairman and Chief Executive which is reflected in the Framework. The Chairman has primary responsibility for leading the Board, for ensuring its effectiveness, and for ensuring that good communications are maintained with shareholders, while the Chief Executive has responsibility for running the Company's businesses. Lars Emilson has no significant commitments that require disclosure in relation to his Chairmanship. The Chairman periodically meets with the Non-Executive Directors without the other Executive Directors present as well as maintaining contact should they wish to raise any issues with him outside the formal setting of the Board meetings.

(d) Board balance and independence
The Board currently comprises nine Directors, three of whom are Executive and six of whom are Non-Executive. The Board believes that this structure provides the correct balance of skills and experience for the business and would allow for any changes to the Board's composition to be managed without undue disruption, whilst ensuring that the presence of six Non-Executive Directors prevents a concentration of power and influence in a small number of individuals. The Board has determined that, with the exception of John Neill who is no longer considered to be independent by virtue of his combined length of service on the Boards of the Company and Charter plc and his relationship with the Unipart Group of Companies, all of the Non-Executive Directors including the Chairman are regarded as independent. The Board does not consider that there exist any relationships or circumstances likely to affect the judgement of any Non-Executive Director. The Board greatly values the contribution and experience of John Neill and recommends his re-election at the forthcoming AGM as a Non-Executive Director. No Executive Director currently holds a non-executive directorship of a FTSE 100 company.

(e) Information and professional development
The Company Secretary, under the guidance of the Chairman, is responsible for ensuring good information flows within the Board and its committees. All Directors of the Company have access to the advice and services of the Company Secretary and may take independent professional advice on any matter relating to the Company at the Company's expense. In advance of Board and committee meetings, Directors and relevant committee members receive detailed papers on the matters to be considered, enabling them to request further clarification or additional information and to participate fully in discussions. The Company Secretary is responsible for advising the Board, through the Chairman, on all governance matters and best practice.

The Company has a comprehensive induction process for all Directors when they join the Board. This includes a detailed information pack, which combines publicly available information, such as the Annual Report and product information, with confidential briefing notes on the Company's financing arrangements, corporate structures, management accounts, advisers and other relevant information. In addition briefing meetings are organised with key members of the Board and senior management and visits are arranged to the Company's businesses.

(f) Performance evaluation
Evaluation of the Board and its principal committees is conducted by gathering feedback from the relevant Board members. This feedback is gathered from two sources: a) a confidential questionnaire eliciting both measurable data and free-format responses and b) individual interviews. The process is run by the Charter HR Director who collates the results and presents them to

the Chairman and the Board. The individual interviews are between the Chairman and Board members who give their feedback on Board performance against a structured agenda. Board members also give more general comment on the performance of the Board and its committees. The Chairman is responsible for conducting the Chief Executive's performance review. The Non-Executive Directors, led by the Senior Independent Director, are responsible for evaluating the performance of the Chairman. In doing so, they also take account of the views of the Executive Directors. The Chief Executive conducts individual evaluations of the Executive Directors as part of the Company's formal performance management process. Performance is assessed against written objectives.

The results of the 2009 questionnaire and the individual meetings were summarised in a paper submitted to the Board by the Charter HR Director on 3 December 2009. This considered the areas that the Directors identified for improvement and set out the way in which they will be addressed. In addition, careful attention was given to those areas that recorded different ratings since the similar exercise in 2008. The Board was unanimous in its agreement with the assessment that the Board, its committees and individuals continued to be effective and that there had been an overall improvement in effectiveness in 2009. The Board valued the continuity of approach and the total confidentiality of the questionnaire and agreed to repeat the process in 2010.

(g) Re-appointment

Under Article 93 of the Articles of Association of the Company, at every AGM any Director who has been appointed by the Board since the last AGM, or who held office at the time of the two preceding AGMs and who did not retire at either of them, or who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the meeting, shall retire from office and may offer himself for re-appointment by the members.

Given that the Company's first AGM was held in April last year, all the Directors accordingly came up for election. As a result, none of the Directors are required to stand for re-election at the forthcoming AGM, apart from John Neill who is subject to annual re-election by virtue of his length of service.

(h) Directors' conflicts of interest

The Company has procedures in place to deal with Directors' conflicts of interest and these procedures have operated effectively.

3 Accountability and Audit

(a) Financial reporting & Directors' responsibilities

The following paragraphs set out the responsibilities of the Directors in relation to the consolidated financial statements for the Group and the financial statements for the Company. The reports of the external Auditors, shown on page 62, set out their responsibilities in relation to those financial statements.

Under the Companies (Jersey) Law 1991 (as amended) (the 'Jersey Companies Law'), the Directors are responsible for preparing financial statements for the Company in respect of each of its financial periods. The Company's financial statements are required to show a true and fair view of, or be presented fairly in all material respects, so as to show: (i) the profit or loss of the Company for the financial period covered by such financial statements; and (ii) the state of affairs of the Company at the end of such financial period. The Company's financial statements for each of its financial periods are required to be prepared in accordance with the generally accepted accounting principles adopted by the Company and to specify such generally accepted accounting principles. The Company's financial statements are prepared in accordance with UK generally accepted accounting principles ('UK GAAP').

Although the Company is not required to prepare consolidated financial statements for the Group under the Jersey Companies Law, it is required to prepare them under the Listing Rules of the London Stock Exchange. The consolidated financial statements for the Group are prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

In preparing both the consolidated financial statements for the Group and the financial statements for the Company, the Directors were required to:

(1) select appropriate accounting policies and apply them consistently;

(2) make judgements and estimates that are reasonable and prudent;

(3) state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained; and

(4) prepare those financial statements on the going concern basis, unless they consider them to be inappropriate.

The Directors are responsible under the Jersey Companies Law for ensuring that the Company keeps accounting records which are sufficient to show and explain its transactions and that are such as to disclose with reasonable accuracy, at any time, the financial position of the Company and to enable the Directors to ensure that the Company's financial statements comply with the Jersey Companies Law. The Directors are required to have the Company's financial statements for each of the Company's financial periods audited, and for this purpose, to provide the Auditors with a right of access to the Company's records and to provide them with such information and explanations as they think necessary for the performance of their duties as auditors.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and its subsidiaries and, in that context, to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the Company's website.

The requirements of Jersey Companies Law and UK legislation which govern the preparation and dissemination of financial statements may differ from the requirements of applicable legislation in other jurisdictions.

The Directors consider that they have taken the actions necessary to meet their responsibilities as set out in the paragraphs above.

Going concern

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

(b) Internal control

The Board has overall responsibility for the maintenance of a system of internal control. The Audit Committee has been formally delegated responsibility for reviewing the effectiveness of the system of internal control. The processes to manage the key risks to the success of the Company and its businesses are reviewed and improved as necessary. There is an organisational structure with clearly defined lines of responsibility and delegation of authority

and there are also established policies and procedures for monitoring each business. While the operational control is largely decentralised and responsibility is delegated, the businesses are subject to the overall internal control framework. This, by its nature, can provide reasonable but not absolute assurance against material misstatement or loss. Detailed policies and procedures have been established by the Board dealing with numerous issues, including internal controls. Examples of internal control procedures are summarised on the following pages:

(i) Assessment of business risk
A system of risk identification, assessment and evaluation of controls is embedded within the Company's management processes. Strategic risks and opportunities arising from changes in the business environment are regularly reviewed by the senior management and formally discussed by the Board. Risks relating to key activities within the operating businesses and at the Company's head office are assessed on a continuous basis and reported to the Board as appropriate.

(ii) Control environment
Under the Framework described on page 49, the Board sets overall policy and approves the core policies and procedures to be adopted by all of its subsidiaries. A well-defined organisational structure with clear operating procedures and lines of responsibility and delegated authority has been established. There are procedures for appraisal, review and authorisation of matters of significance, including investments, capital expenditure, borrowings, guarantees, indemnities and material contracts.

(iii) Information and communication
The Company's operating procedures include a comprehensive system for reporting financial and non-financial information to the Board, including:

- the preparation and review of annual budgets and monthly results and forecasts;
- a review of the businesses at each Board meeting, focusing on any new risks arising (for example, those relating to proposed major investments and key changes in the markets); and
- meetings between various Executive Directors and operational management.

(iv) Control procedures
Detailed operational procedures are developed for each key business activity that embody key controls. The implications of changes in law and regulations are taken into account within these procedures. Procedures are established to safeguard the assets of the Company and its subsidiaries and to ensure that all financial transactions are properly recorded. Accounting policies and practices are widely disseminated throughout the Company's subsidiaries and its affiliates.

Control processes are dynamic. Continuous improvements are made to adapt them to the changing risk profile of operations and whenever a weakness in the internal control system is identified appropriate remedial action is taken.

The Company is committed to the highest ethical standards. The Company has an established code of business conduct that requires that all of its businesses and employees act with integrity at all times and that there is strict compliance with applicable laws. Employees are provided with a whistleblowing hotline allowing them to raise concerns anonymously. These reports are monitored by the Audit Committee and are investigated as appropriate by the Charter Head of Internal Audit independently of management. Recently the Company completed investigations into possible irregular payments that might have been made by two overseas third party agents of two Howden subsidiaries to obtain business in an emerging market. Howden is in the process of reinforcing its existing ethics and compliance programme, to ensure these standards are maintained and this includes the use of third party agents. This work has been ongoing for the last year and is expected to take another 12 months to complete.

(v) Monitoring process
There are clear procedures for monitoring the system of internal controls. The significant components of these are:

- the Chief Executive Officer and Chief Financial Officer of each operating company are required to review internal controls and to return a self-certified internal control questionnaire confirming the effectiveness of internal control systems;
- each operating company deploys a variety of risk identification and assessment processes and develops mitigating actions. Major, high or medium risks are escalated and progress on action plans is reviewed at least quarterly as part of management meetings. The Board reviews every six months the major and high risks and monitors progress against action plans;
- as part of its audit visits to operating companies, the internal audit function evaluates the effectiveness of internal controls. The Audit Committee reviews the findings of the internal audit process;
- the Audit Committee has specific responsibility for reviewing the effectiveness of internal controls and monitors the process of assessing the internal controls on behalf of the Board; and
- the Audit Committee reviews the process by which risks are identified and assessed by operating units, operational management and the Board.

The Board confirms it has carried out a review of the effectiveness of the system of internal controls described above for the financial year ended 31 December 2009 and up to the date of this Report in accordance with the guidance set out in Internal Control: Revised Guidance for Directors on the Combined Code (the 'Turnbull Guidance'). The review encompassed operational, financial and compliance controls as well as risk management.

The system used included the following key elements: (i) as part of their ongoing reviews of the business, the Executive Directors and Key Management reviewed the effectiveness of strategic, operational and compliance internal controls and risk management. This involved considering reports on key risk areas (concentrating on significant changes in the risk profile) and in the light of such reviews making appropriate amendments to policies and procedures to control risks; and (ii) the Board considered reports from the Audit Committee and the Executive Directors on these areas during the year and, at the time of approving the Annual Report, considered a summary of the assessments of the effectiveness of the controls on the key risks identified.

4 Relations with shareholders
The Company has a policy of maintaining an active dialogue with institutional shareholders through individual meetings. Communications with private shareholders are conducted through the Annual Report, Company announcements, presentations at the AGM and the Company's website which, includes descriptions of the Company's business operations. The Board receives regular updates on all meetings and communications with major shareholders and major shareholders are offered the opportunity to meet with the Non-Executive Directors from time to time. The Senior Independent Non-Executive Director is available to shareholders if they have concerns that cannot be addressed through regular channels such as the Chairman, Chief Executive or Finance Director.

Audit Committee report

Composition

The Committee comprises John Biles (Chairman), Grey Denham, Andrew Osborne and Manfred Wennemer, who joined the Committee on his appointment to the Board on 26 March 2009. The Hon. James Bruce retired from the Committee on 29 April 2009. The members of the Committee are considered independent Non-Executive Directors pursuant to the Combined Code. Their biographical details are set out on pages 42 to 43 and their remuneration on pages 55 to 61. The Company Secretary acts as secretary to the Committee. The Board, as part of the review of the effectiveness of the Board and its committees, has satisfied itself that both John Biles and Andrew Osborne have recent and relevant financial experience, as required by the Combined Code.

Role of the Committee

The Committee is a sub-committee of the Board, to whom it reports its findings, and its primary role is to ensure the integrity of the financial reporting and audit processes, and the maintenance of a sound internal control and risk management system. In pursuing these objectives, the Committee:

- monitors the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- makes recommendations to the Board regarding the adoption of annual and half yearly financial reports and the approval of any other formal announcements relating to the Company's financial performance;
- reviews the Company's internal financial controls and internal control and risk management systems;
- monitors and reviews the effectiveness of the Company's internal audit function;
- makes recommendations to the Board regarding the external Auditors and their terms of appointment;
- reviews and monitors the external Auditors' independence and objectivity and the effectiveness of the audit process;
- is responsible for developing and implementing a policy on the engagement of the external Auditors to supply non-audit services; and
- makes recommendations to the Board in relation to 'whistleblowing' policies and procedures.

In the performance of its duties, the Committee has independent access to the internal audit function and to the external Auditors; and may obtain outside professional advice as necessary. Both the Head of Internal Audit and the external Auditors have direct access to the Chairman of the Committee outside formal Committee meetings. The Committee has written terms of reference that outline its authority and responsibilities and the terms of reference are available for download at www.charter.ie. These are considered annually by the Committee and any proposed changes are referred to the Board for approval.

Report on the Committee's activities in 2009

Meetings and attendance

The Committee met on four occasions in 2009. Meetings of the Committee are timed to coincide with the financial and reporting cycles of the Company. Committee members' attendance at the meetings held during the year is set out in the table contained in the corporate governance report on pages 49 to 52. The Chairman, Chief Executive, Finance Director, senior representatives of the external Auditors, the Head of Internal Audit and senior financial executives from head office and the operations attended meetings by invitation for appropriate business. In addition, the members of the Committee met separately with the external Auditors and the Head of Internal Audit to discuss matters without the Executive Directors being present. The Chairman of the Committee reports to the subsequent meeting of the Board on the key issues covered by the Committee and the Board also receives copies of the minutes of each meeting. During the year the Chairman of the Committee has had additional meetings with the Company's senior financial managers to review a range of financial matters, and has also met with the external and internal Auditors prior to Committee meetings.

Financial reporting

During 2009 the Committee reviewed a wide range of financial reporting and related matters, including the interim and annual financial statements prior to their submission to the Board and the assessment of 'going concern' and liquidity risk.

The Committee focused in particular on key accounting policies and practices adopted by the Company and its subsidiaries and significant areas of judgement that impacted reported results including litigation and taxation matters. In respect of the 2009 year-end review, the Committee has taken into account the key questions posed by the Financial Reporting Council in their paper 'Challenges for Audit Committees arising from current economic conditions' and satisfied itself that the Company has taken the appropriate actions and has adequate resources and systems in place to deal with current trading conditions.

External Auditors

The Committee annually performs a review of the effectiveness of the Company's external Auditors, and has recommended to the Board that PricewaterhouseCoopers LLP, who have been the Company's auditors for a number of years, be re-appointed as the external Auditors of the Company. The Committee remains satisfied as to the independence of the external Auditors following a review at its meeting on 3 December 2009 and has received written confirmation from the external Auditors to this effect. The external Auditors are required to rotate the Group audit partner every five years and other key audit partners every seven years. There are no contractual obligations restricting the Company's choice of external auditor. In accordance with its remit, the Committee reviewed and adopted the external Auditors' plans for the audit of the Company's 2009 financial statements. In approving the terms of engagement for the audit, the Committee considered the proposed audit fee and associated expenses.

Audit Committee report
continued

The Committee is responsible for the development, implementation and monitoring of the Company's policies on external audit and the provision of some other appropriate services by the external Auditors. The Committee has reviewed those non-audit services provided by the external Auditors throughout the year in accordance with the Company's policy on the provision of other services by the external Auditors. This policy notes that such services are likely to fall within the following types:

- financial statements and external reports;
- acquisitions;
- disposals;
- taxation; and
- other services.

It identifies three categories of non-audit services: permitted engagements that require no specific approval; permitted engagements requiring the approval of the Committee Chairman; and engagements that are not permitted. The total fees paid to the external Auditors were £3.8 million of which £3.2 million related to the statutory audits of the parent company, consolidated accounts, subsidiary undertakings and other assurance-related services. The non-audit fees of £0.6 million represent 16 per cent of the total fees paid to the external Auditor. Further details of the fees paid to the external Auditors of the Company can be found in note 4 to the financial statements on page 79.

Internal audit and monitoring of internal control issues

The Committee has reviewed the results of the audits undertaken by the internal audit function and considered the adequacy of management's response to the matters raised, including the implementation of recommendations made by the function. It also reviewed and approved the internal audit plan for the coming year and the level of resources allocated to the internal audit function.

During 2009 internal audit also started tracking the status of work done throughout the Group in response to external Auditors' management letter recommendations.

The review of the effectiveness of the internal audit function was based primarily on guidelines issued by the Institute of Chartered Accountants in England and Wales. The Committee reviewed the reports from the internal audit function and the external Auditors on the Company's systems of internal control and reported to the Board on the results of these reviews. Further details of the Company's system of internal control and its policies and procedures can be found in the Corporate governance report on pages 49 to 52.

Whistleblowing

The Company's whistleblowing policy was monitored by the Committee at its meetings throughout the year. All issues raised through the Company's whistleblowing procedures during the year were considered and follow-up actions were taken as and when required. Most whistleblowing issues were subject to independent follow-up by internal audit, the exceptions mainly being human resources-related issues.

On behalf of the Committee

John Biles
Chairman of the Audit Committee
23 March 2010

Remuneration report

The Directors present the Remuneration report for the year ended 31 December 2009. The report describes how the Company has applied the principles of the Combined Code with regard to remuneration. Sections 3(iv) to 3(viii) and 'Remuneration earned in the financial year' on pages 59 to 61 are subject to audit.

1 The Remuneration Committee

The Board has delegated authority to the Remuneration Committee ('the Committee') to determine the remuneration and other terms and conditions of the Executive Directors, the Chairman and the Company Secretary and to formulate the policy for their remuneration. The Committee is also responsible for reviewing the remuneration trends across the Company and its major businesses and for reviewing the remuneration of those individuals identified as key and senior management by the Board of the Company.

The Committee had access to the advice of the Chief Executive, the Company Secretary and the Charter HR Director (none of whom participated in any discussion directly relating to their own remuneration). In conducting its duties the Committee was also advised by Hewitt New Bridge Street Consultants ('HNBS' part of Hewitt Associates), who provided independent advice regarding the Executive Directors' remuneration on a range of issues throughout the year, including the changes for 2010 set out below and Watson Wyatt who were engaged to present an overview of remuneration trends and to facilitate a Committee discussion on remuneration policy. Neither HNBS nor Watson Wyatt provided any other services to the Company during the year; however, Hewitt Associates provided actuarial advice to the Company.

The members of the Committee are Grey Denham, John Biles, Andrew Osborne and Manfred Wennemer (all of whom are independent Non-Executive Directors) and Lars Emilson (the Chairman of the Company). The Hon. James Bruce retired from the Board and as the Committee's Chairman on 29 April 2009 and Grey Denham was appointed Chairman of the Committee on that date. Manfred Wennemer joined the Committee on his appointment to the Board on 26 March 2009. Details of the number of meetings held by the Committee in 2009, as well as attendance details, can be found in the table contained in the Corporate governance report on page 49.

During 2009 some of the key issues addressed by the Committee were as follows:

- reviewing and updating the Company's policy on Executive Directors' remuneration to ensure it remained appropriate;
- reviewing the base salaries of the Executive Directors for 2010;
- setting performance targets in line with the Company's strategy for the annual bonus plan for 2010 and determining the amounts potentially payable, including increasing the maximum for the Chief Executive;
- reviewing the structure of the long-term incentive arrangements and proposing changes to them for 2010;
- agreeing to the percentage of the long-term incentive awards that should vest; and
- agreeing to the amounts payable in respect of the annual bonus scheme.

The terms of reference of the Committee are available upon request from the Company Secretary and are on the Company's website at www.charter.ie.

2 Remuneration policy

The Company seeks to attract, motivate and retain exceptional executives who have experience of operating in geographically complex, international engineering and manufacturing companies; in order to achieve these aims the Committee keeps the remuneration packages of Executive Directors under regular review.

The policy for the remuneration of Executive Directors is designed to ensure that their total reward is competitive and linked both to individual and business performance. Risk is taken into account when setting the targets and when determining entitlements under variable reward schemes; this is done by ensuring that targets, whilst stretching, are realistic, attainable and for the long-term benefit of the Company and that they are achievable without taking inappropriate business risks.

The salaries paid to Executive Directors are dependent on the experience and capabilities of the individual and are determined after having regard to the salaries paid by similar complex or geographically diverse businesses.

Short-term incentives (i.e. annual bonuses) are seen as an essential part of total reward and incentivisation for Executive Directors. Annual bonus targets will include separate elements for performance against both financial criteria (ordinarily calculated at constant currency rates) and personal objectives. The targets set will aim to address the issues facing the business over the coming year. It is the Committee's view that the bonus plan design should remain flexible and, where appropriate, be adjusted to reflect economic conditions.

The Committee believes that bonuses should reward high performance and deliver higher reward on the achievement of significant performance above expectation. It retains a discretion to adjust the amount of bonus paid if it believes the amount payable to be inappropriate in the light of underlying financial performance or economic circumstances.

25 per cent of bonus payments will ordinarily be deferred for three years and delivered by way of shares with no vesting for Directors who leave voluntarily or for cause during that period.

It is the view of the Committee that there should be long-term incentive plans for Executive Directors whereby they are rewarded with interests in the Company's shares for sustained performance over a period of time. As such, long-term incentives will continue to form an important element of total executive remuneration and appropriate performance criteria such as total shareholder return ('TSR') and/or earnings per share ('EPS') will be used. All structural changes to long-term incentive arrangements requiring shareholder approval will be consulted upon with leading shareholders and shareholder bodies prior to such consent being sought.

The Committee considers that a substantial portion of remuneration should be linked to performance. Following the changes proposed for 2010, around 50 per cent of the Chief Executive's target remuneration package will be fixed pay, with the balance split broadly equally between annual bonus and long-term incentives.

When setting remuneration levels for the Executive Directors, the Committee has regard to general pay and employment policies across the Company as a whole as well as the wider market, in order to ensure that a coherent policy applies.

3 Overview of remuneration

(a) 2009 Review

A detailed review of the remuneration packages of the Executive Directors was undertaken in 2009. The results highlighted that the total remuneration packages and certain elements of them were uncompetitive. Details of the changes to base salaries, a change to the bonus plan for the Chief Executive and proposed changes to the Long-Term Incentive Plan resulting from this review are set out in the relevant sections below. When considering these changes the Committee took into account the need to bring the Executive Directors' remuneration packages more closely into line with the market whilst recognising the need for pay constraint in the current economic climate.

(b) Executive Directors

(i) Base salary

The base salaries of the Executive Directors are reviewed annually and following exceptional one-off events where the individual responsibilities of the Executive Director change significantly. Salaries are benchmarked against those paid to directors in companies in comparable sectors which are of a similar size and international complexity.

The base salaries of the Executive Directors were reviewed with effect from 1 January 2010 and details of the increases awarded are set out on page 59.

(ii) Bonus

The maximum bonus potential of the Executive Directors in 2009 was 100 per cent of salary.

Actual bonus payouts in respect of 2009 were dependent on the achievement of a number of corporate and individual targets as discussed below. In order to align the interests of Directors with those of the Company's shareholders, it is the Company's policy that bonuses are only payable for the achievement of stretching performance targets, the majority of which are linked to the Company's financial performance. For the year ended 31 December 2009, these targets were as follows:

(1) 64 per cent of bonus: EPS performance relative to budget;

(2) 16 per cent of bonus: cash flow performance relative to budget; and

(3) 20 per cent of bonus: personal performance.

For target 1, 40 per cent of the maximum bonus was payable for meeting budget (rather than 50 per cent as had been the practice in previous years) and for target 2, 50 per cent of the maximum bonus was payable for meeting budget. The maximum bonus would only become payable for a performance that was substantially in excess of budget. The Committee has reserved the overriding discretion to review aggregate bonus levels payable to Executive Directors based on the above criteria to ensure that they are appropriate taking into account the underlying financial performance of the Company and other factors. The bonuses payable to Executive Directors are not pensionable.

Following a review of the Executive Directors' performance and the financial performance of the Company during the year ended 31 December 2009, the Committee determined that the threshold EPS target had not been achieved and accordingly no bonus was paid in respect of this element. The threshold cash flow target was achieved and accordingly, a bonus payment of 5.8 per cent of salary was made in respect of this element of the bonus.
In recognition of individual performances in respect of objectives set to strengthen and rationalise the Company, bonus payments were made at 20 per cent of salary in respect of the personal performance element. Details of the bonuses paid to the Executive Directors in respect of the year ended 31 December 2009 are set out on page 59.

In respect of the year ending 31 December 2010, with one exception, bonuses payable to the Executive Directors will be measured against the same performance categories and on the same basis as those used in determining the 2009 bonus entitlements. The Committee believes that EPS and cash remain the Company's most important metrics for 2010, with the recovery in earnings the most important priority for the year. The only change is in respect of the EPS target whereby 50 per cent of the maximum bonus for that performance category will be payable for meeting budget. This will require a significant improvement over 2009. The maximum bonus will only become payable for a performance that is substantially in excess of budget and the threshold above which a percentage of the bonus first becomes payable (zero is payable at threshold) has been set at an EPS level above that achieved by the Company in 2009.

For the year ending 31 December 2010, Michael Foster's maximum bonus potential will increase from 100 per cent of salary to 125 per cent of salary. The Committee considers that this increase is appropriate and brings his maximum potential bonus entitlement more closely into line with the market.

The Committee has agreed that performance under the EPS element of the bonus will be measured on a constant currency basis. The Committee believes that this approach is a better reflection of management's underlying performance since exchange rates are not within management's control.

(iii) Deferred Bonus Plan ('DBP')

One-quarter of any bonus paid to Executive Directors will be paid in shares acquired in the market and compulsorily deferred for three years under the DBP. If Executive Directors leave voluntarily or for cause during this deferral period, their awards will normally lapse. These shares are held in trust prior to their release on vesting following the expiration of the three-year deferral period.

(iv) Long-term incentives

Michael Foster's Long-Term Incentive Plan (the 'MF Plan')

As described in previous remuneration reports, Michael Foster was granted an option over the Company's ordinary shares pursuant to a one-off arrangement that was put in place specifically to facilitate and secure his appointment as Commercial Director in 2005. The option was granted pursuant to paragraph 9.4.2 of the Stock Exchange Listing Rules, and so did not require shareholder approval. No grants were made in respect of the year under review and there is no intention to make any grants under this plan in the future.

The options had an exercise price of 217.99 pence, and were subject to performance conditions based on the Company's EPS and total shareholder return performance over the three years from grant. 50 per cent of the option required average real earnings per share growth of 3 per cent per annum over a single three-year period whilst the remaining 50 per cent was dependent upon the Company's TSR performance ranking in the upper quartile of the FTSE 250 Index (excluding Investment Trusts). Both conditions were met in full, and so the option became exercisable on 13 March 2008. In accordance with the rules of the plan Mr Foster exercised his award on 9 March 2009.

Charter International plc Long-Term Incentive Plan ('CI LTIP')

The CI LTIP was approved by the shareholders of the Company on 27 August 2008.

Under the CI LTIP, Executive Directors and selected other members of key management are eligible to receive awards which vest at nil cost to the executive three years after grant, subject to the satisfaction of performance conditions.

Currently, an individual may not receive awards in any financial year over shares having a market value in excess of 100 per cent of salary, except in exceptional circumstances, such as recruitment or retention, where an individual may receive an award over shares worth up to 200 per cent of their annual salary.

It is proposed that the rules of the CI LTIP be amended to increase the maximum market value of shares over which awards may be made in any financial year from 100 per cent to 150 per cent of annual salary. A resolution to approve this amendment to the rules of the CI LTIP will be put to the shareholders of the Company at the AGM to be held on 29 April 2010; details of the resolution are set out in the shareholders' circular and notice of meeting dated 23 March 2010. The Committee considers that this will provide them with the necessary flexibility to award grants of LTIPs that are in line with market practice.

In 2010, awards are proposed to be made to the Executive Directors of 125 per cent of annual salary. If in future, the Committee contemplates making awards at above 125 per cent of salary, it is the intention to consult with major investors beforehand.

Vesting is currently based on the Company's TSR performance compared with the constituents of the FTSE 250 Index (excluding investment trusts) over a single three-year period beginning on the date of the grant of the award. No vesting occurs for a below-median ranking. At median, 25 per cent of the shares vest and at upper quartile 100 per cent of the shares vest. Between median and upper quartile rankings, awards vest on a straight-line basis. In addition, awards only vest if the Committee is satisfied that there has been a significant improvement in the Company's underlying financial performance over the three-year performance period. Awards normally only vest on or after the third anniversary of the date of grant provided that the individual remains an employee of the Company and the performance conditions and any other objective conditions have been satisfied. HNBS performs the TSR calculations for the purposes of the LTIP.

The Committee proposes that future awards made under the CI LTIP be subject to a new performance condition pursuant to which 60 per cent of the award will be based on the Company's relative TSR performance over three financial years and 40 per cent on adjusted EPS growth over the same three years. In future years, the Committee will consider the mix between EPS and TSR in the light of the then circumstances, but will only alter the balance after consultation with the Company's major shareholders.
The Committee recognises that relative TSR aligns management reward with returns to investors, but considers that the introduction of an EPS-related element will provide a good balance and a clear connection between management performance and rewards. However, irrespective of the TSR outcome, no awards will vest in relation to the TSR part of the award unless the Committee is satisfied with the underlying financial performance of the Company over the performance period. EPS will be defined for this purpose on an adjusted basis and will be measured consistently. The Committee has considered carefully the range of targets for the 2010 award and proposes that the range should be RPI plus an average of 6 per cent p.a. to RPI plus an average of 12 per cent p.a., with 25 per cent vesting at RPI plus 6 per cent p.a., rising on a straight-line basis until full vesting is achieved at RPI plus 12 per cent p.a. The Committee considers that this is a demanding range. The Committee wishes to retain the flexibility to set new targets each year, depending on the circumstances, but any new range will be no less challenging in the circumstances than the original range was when it was set. A resolution to approve this new performance condition will be put to the shareholders of the Company at the AGM to be held on 29 April 2010; details of the resolution are set out in the shareholders' circular and Notice of meeting dated 23 March 2010.

(v) Share ownership guidelines
The Executive Directors are encouraged to build and maintain a holding of 100 per cent worth of salary in shares in the Company. This is expected to be built via the retention of at least 50 per cent of the net gain on vested awards under the Company's share incentive schemes until the guideline has been achieved.

(vi) Dilution
In the period to 31 December 2009 the Company has remained within the headroom limits set out in the ABI Guidelines 'Executive Remuneration – Policies and Practices', for the Company's existing share plans as set out below:

Total issued share capital at 31 December 2009	166,955,167
All schemes (10% in any rolling 10-year period)	1,876,431
Remaining headroom	14,819,085
Discretionary schemes (5% in any rolling 10-year period)	1,876,431
Remaining headroom	6,471,327

The Committee has the flexibility to satisfy awards pursuant to the CI LTIP by either a market purchase or new issue of the Company's shares. To date the Company has not bought shares to hedge the exposure to the Company's share price; however, the Committee keeps its hedging policy under review. Awards under the DBP will be satisfied by shares purchased in the market.

(vii) Pensions
All of the Executive Directors are members of the Charter HM Revenue & Customs-approved pension scheme. Mr Foster's accrual rate is one-thirtieth of base salary, and Messrs Careless and Deeley's accrual rates are one-forty-fifth of base salary, for each year of service as an Executive Director. They are all subject to a cap on pensionable earnings of £105,600 per annum and are entitled to receive, in lieu of pension over the cap, an allowance to the value of 25 per cent of the excess of base salary over the cap. These payments are included in their emoluments shown on page 59. Mr Deeley has elected that, from this amount, 9 per cent of his base salary in excess of the cap is paid to the Company's defined contribution stakeholder pension scheme. Details of pension entitlements can be found in the table on page 60.

(viii) Other benefits
Further benefits contained within the remuneration packages of the Executive Directors comprise tax-assessable benefits arising from employment and include car and petrol allowances, medical insurance for the Executive Directors and their immediate dependants and life assurance.

(ix) Service contracts
Details of the service contracts of those individuals who served as Executive Directors during the year are set out below. The normal retirement age of all the Executive Directors is 65.

The Executive Directors entered into new service agreements with Charter Central Services Limited ('CCSL') on 27 August 2008 which became effective on 22 October 2008 (the 'Service Agreements' and each a 'Service Agreement'). The Service Agreements are terminable in writing by CCSL upon 12 months' prior written notice; by Messrs Careless and Deeley on six months' prior written notice, and by Mr Foster on nine months' prior written notice. If the Service Agreement of either Michael Foster or

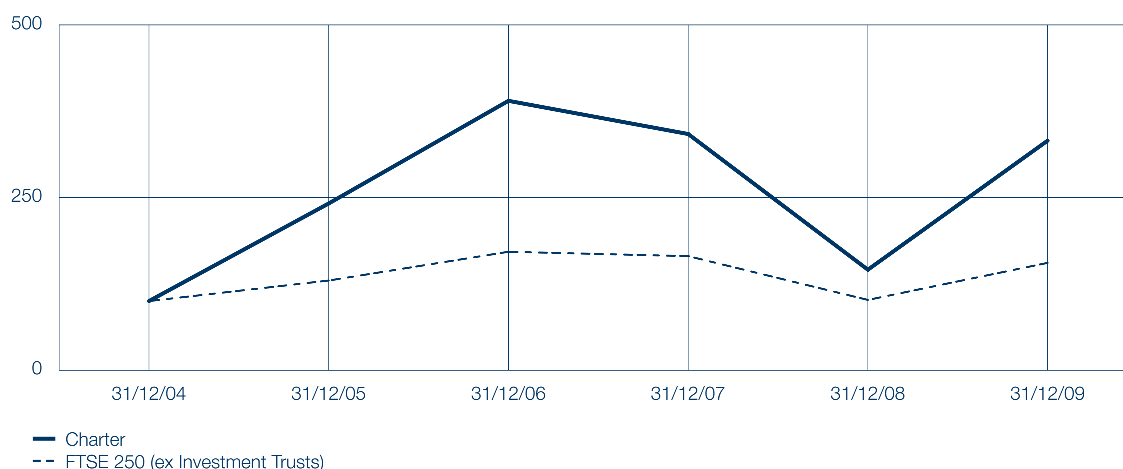
Remuneration report
continued

Robert Careless is terminated by CCSL except with notice, on retirement or for cause, then CCSL shall pay as liquidated damages an amount equal to the value of each Executive Director's annual salary, including both pension allowance and the value of the Executive Director's lost pension benefits. In respect of the service contract of Mr Deeley, and for Directors appointed in the future, the Committee will look to apply the principles of mitigation following termination.

CCSL has agreed 'tax equalisation' arrangements with each Executive Director under which, if the amount of any remuneration paid by CCSL or any Associated Company to that Director is taxed in a jurisdiction other than the United Kingdom, CCSL or the Director will make a balancing payment so that the amount received by the Director after tax in respect of that remuneration is the same as it would have been had he only been subject to United Kingdom tax in respect of it. Similar 'tax equalisation' arrangements have been put in place for the Chairman and the Non-Executive Directors, with the exception of Manfred Wennemer, who is a German resident and was not previously on the board of the former Charter plc.

The Executive Directors entered into letters of appointment in respect of their duties as Directors of the Company which took effect on 22 October 2008. Each appointment will be subject to termination by either party giving the other party not less than one month's notice in writing and will automatically cease if that Executive Director ceases to be an employee of CCSL.

(x) Total shareholder return ('TSR')
TSR calculations are carried out independently by HNBS by monitoring the percentage change in the Company's share price plus dividends reinvested over a period of time. The chart below shows the value by 31 December 2009, of £100 invested in Charter plc on 31 December 2004 and re-invested in Charter International plc on 22 October 2008 as compared with £100 invested in the FTSE 250 (excluding investment trusts) index on the same date. The other points plotted are the values at intervening financial year-ends.



In the opinion of the Directors, the FTSE 250 Index (excluding investment trusts) is the most appropriate index against which the TSR of Charter should be measured because it is an index of similar-sized companies.

(c) Non-Executive Directors
The Board has delegated authority to the Standing Committee to determine the fees payable to the Non-Executive Directors and has delegated authority to the Remuneration Committee to determine the fees payable to the Chairman. Non-Executive Directors are not eligible to participate in any of the Company's bonus, pension or share incentive schemes. They do not have service contracts but their terms of engagement are regulated by letters of appointment that comply with the recommendations of the Combined Code, details of which are set out below:

Name	Effective date of appointment letter	Notice period	Term	Unexpired term
Lars Emilson	22 October 2008	1 month (Company) 1 month (Director)	3 years	19 months
John Biles	22 October 2008	1 month (Company) 1 month (Director)	3 years	19 months
Grey Denham	22 October 2008	1 month (Company) 1 month (Director)	3 years	19 months
John Neill	22 October 2008	1 month (Company) 1 month (Director)	3 years	19 months
Andrew Osborne	22 October 2008	1 month (Company) 1 month (Director)	3 years	19 months
Manfred Wennemer	26 March 2009	1 month (Company) 1 month (Director)	3 years	24 months

The fees payable to the Non-Executive Directors during 2009 were £57,750 per annum, with the chairmen of the Audit and Remuneration Committees being paid an additional £6,000 and £4,000 per annum respectively. The additional fees payable to the chairmen of the Audit and Remuneration Committees reflect the increased duties attributable to fulfilling those roles. The policy is to review the fees payable to the Chairman and the Non-Executive Directors on an annual basis. With effect from January 2010, it was agreed to increase the Non-Executive Directors' fees by £2,500. The total fees payable to the Chairman of the Company remained unchanged.

Non-Executive appointment letters are available for inspection at the Company's registered office and will be made available at the AGM.

(d) External appointments

No Executive Directors currently hold any external directorships of listed companies.

Remuneration earned in the financial year

(a) Remuneration

(i) Directors' emoluments

The figures in the tables below represent the aggregate emoluments earned by the Directors from Charter International plc and its subsidiaries during the year ended 31 December 2009.

Directors	Salary £'000	Fees £'000	Bonuses paid in cash £'000	Bonuses paid in shares £'000	Benefits £'000	Payment in lieu of pension/ pension contributions £'000	Total 2009 £'000	Total 2008 £'000
Executive Directors								
Michael Foster	457	58	100	33	17	102	767	966
Robert Careless	236	58	57	19	15	47	432	529
James Deeley[3]	209	58	52	17	17	26	379	491
Executive Directors' total	**902**	**174**	**209**	**69**	**49**	**175**	**1,578**	**1,986**
Non-Executive Directors								
Lars Emilson	–	209	–	–	–	–	209	200
John Biles	–	64	–	–	–	–	64	56
The Hon. James Bruce[1]	–	26	–	–	–	–	26	56
Grey Denham[4]	–	60	–	–	–	–	60	55
John Neill	–	58	–	–	–	–	58	55
Andrew Osborne	–	58	–	–	–	–	58	55
Manfred Wennemer[2]	–	44	–	–	–	–	44	–
Non-Executive Directors' total	**–**	**519**	**–**	**–**	**–**	**–**	**519**	**477**
Total	**902**	**693**	**209**	**69**	**49**	**175**	**2,097**	**2,463**

1 The Hon. James Bruce retired from the Board on 29 April 2009

2 Manfred Wennemer joined the Board on 26 March 2009

3 James Deeley received a £12,500 salary increase on becoming Commercial Director on 26 March 2009

4 Grey Denham was appointed Chairman of the Remuneration Committee on 29 April 2009 and received additional fees from this date.

(1) During the period, the remuneration of the Executive Directors was split so that, in common with the Non-Executive Directors, they received fees from Charter International plc of £57,750 in respect of their duties as Directors of Charter International plc. At the same time the salaries received by them from CCSL in respect of their executive duties on behalf of the rest of the Charter Group were reduced by an equivalent amount so that in aggregate they received the same remuneration.

(2) With effect from 1 January 2010, the fees payable to all Directors in respect of their duties as Directors of Charter International were increased from £57,750 to £60,250 per annum, with the chairmen of the Audit and Remuneration Committees continuing to be paid an additional £6,000 and £4,000 respectively. The additional fees payable to the chairmen of the Audit and Remuneration Committees reflect the increased duties attributable to fulfilling these roles. The total fees payable to the Chairman of the Company remained unchanged.

(3) With effect from the annual review on 1 January 2010, the current base salary and fees of the Executive Directors are as follows:

	Salary £'000	Fees £'000	Total £'000
Michael Foster	470	60	530
Robert Careless	248	60	308
James Deeley	230	60	290

The percentage increase in Michael Foster's salary was 2.5 per cent, which was below the forecast average increase for employees across the whole Group. Robert Careless received a 4.8 per cent increase to bring him more closely into alignment with the market. James Deeley received a 7 per cent increase to reflect the greater responsibility he had taken on during 2009.

(4) Two Executive Directors (2008: 2) have waived their fees from a subsidiary undertaking. Fees waived by these Directors during the year amounted to £1,200 (2008: £1,200).

(ii) Pensions and payments in lieu of pensions and life assurance

	Michael Foster £	Robert Careless[1] £	James Deeley £
Accumulated total accrued pension at year end[2]	17,600	17,200	8,000
Increase in accrued pension during year excluding inflation	2,800	1,600	2,100
Increase in accrued pension during year including inflation	3,500	2,300	2,300
Transfer value of benefits accrued during the year excluding inflation	65,400	37,600	28,800
Transfer value of benefits accrued during the year including inflation	81,800	55,100	32,700
Transfer value accrued at end of year	408,900	403,800	111,700
Transfer value at start of year	232,300	238,700	42,600
Increase in transfer value over year	176,600	165,100	69,100

1 The accrued entitlement includes that earned by Robert Careless as an employee, prior to becoming a Director, as well as that earned for qualifying services after becoming a Director.

2 The pension entitlement shown in the first row is the aggregate amount which would be paid annually on normal retirement based on service to the end of 2009 under the approved scheme.

3 The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

4 The transfer value of the accrued entitlement represents the value of assets that the pension schemes would need to transfer to another pension provider on transferring the scheme's liabilities in respect of the Director's pension benefits. It does not represent sums payable to the individual Directors and, therefore, cannot be added meaningfully to annual remuneration.

5 The transfer value of the increases in accrued benefits, required by the Listing Rules, discloses the current value of the increase in accrued benefits that the Director has earned in the period, whereas the change in its transfer value, required by the Companies Act, discloses the absolute increase or decrease in its transfer value and includes the change in value of the accrued benefits that results from market volatility affecting the transfer value at the beginning of the period, as well as additional value earned in the year.

(b) Directors' interests

(i) Shareholdings

The beneficial interests of the Directors in the share capital of the Company as at 31 December 2009 were as follows:

Directors	Total as at 31.12.2009	Total as at 31.12.2008
Executive Directors		
Michael Foster[1]	**94,739**	42,266
Robert Careless	**43,824**	35,895
James Deeley	**2,000**	2,000
Non-Executive Directors		
Lars Emilson	**10,000**	10,000
John Biles	**8,461**	8,461
The Hon. James Bruce	**–**	–
Grey Denham	**1,000**	1,000
John Neill	**87,278**	87,278
Andrew Osborne	**1,000**	–
Manfred Wennemer	**–**	–
Total	**248,302**	186,900

1 93,739 shares are held by Mrs Marion Foster and 1,000 shares are held by Miss Emma Foster, both connected persons to Michael Foster.

There has been no change in the beneficial interests of the Directors in the share capital of the Company between 1 January 2010 and the date of this remuneration report.

(ii) Share options and incentives

Awards under Charter International plc Incentive Plans

	Grant date	Number at 01 January 2009	Granted in year	Exercised in year	Lapsed in year	Number at 31 December 2009	Exercise price	Earliest exercise date	Expiry date	Value at 31 December 2009[1]
Michael Foster										
MF Plan	22.03.05[5]	149,089	–	149,089	–	Nil	217.99p	March 08	12.03.09	Nil
LTIP	24.03.06[6]	46,378	–	19,478	26,900	Nil	Nil	24.03.09	–	Nil
LTIP	22.03.07	46,673	–	–	–	46,673	Nil	22.03.10	–	336,979
LTIP	25.03.08	64,800	–	–	–	64,800	Nil	25.03.11	–	467,856
LTIP	09.03.09[2]	–	125,763	–	–	125,763	Nil	09.03.12	–	908,009
DBP	25.03.08	13,824	–	–	–	13,824	Nil	25.03.11	–	99,809
DBP	23.05.08[4]	184	–	–	–	184	Nil	25.03.11	–	1,328
DBP	09.03.09[3]	–	21,422	–	–	21,422	Nil	09.03.12	–	154,667
Total		**320,948**	**147,185**	**168,567**	**26,900**	**272,666**				**1,968,648**
Robert Careless										
LTIP	24.03.06[6]	30,691	–	12,890	17,801	Nil	Nil	24.03.09	–	Nil
LTIP	22.03.07	29,170	–	–	–	29,170	Nil	22.03.10	–	210,607
LTIP	25.03.08	36,936	–	–	–	36,936	Nil	25.03.11	–	266,678
LTIP	09.03.09[2]	–	71,684	–	–	71,684	Nil	09.03.12	–	517,558
DBP	25.03.08	8,493	–	–	–	8,493	Nil	25.03.11	–	61,319
DBP	23.05.08[4]	113	–	–	–	113	Nil	25.03.11	–	816
DBP	09.03.09[3]	–	11,340	–	–	11,340	Nil	09.03.12	–	81,875
Total		**105,403**	**83,024**	**12,890**	**17,801**	**157,736**				**1,138,853**
James Deeley										
LTIP	10.07.06[7]	19,257	–	–	19,257	Nil	Nil	10.07.09	–	Nil
LTIP	22.03.07	23,336	–	–	–	23,336	Nil	22.03.10	–	168,486
LTIP	25.03.08	32,400	–	–	–	32,400	Nil	25.03.11	–	233,928
LTIP	09.03.09[2]	–	62,881	–	–	62,881	Nil	09.03.12	–	454,001
DBP	25.03.08	6,912	–	–	–	6,912	Nil	25.03.11	–	49,905
DBP	23.05.08[4]	92	–	–	–	92	Nil	25.03.11	–	664
DBP	09.03.09[3]	–	11,474	–	–	11,474	Nil	09.03.12	–	82,842
Total		**81,997**	**74,355**	**–**	**19,257**	**137,095**				**989,826**

1 The value of the awards under the LTIP shows the number of the awards held multiplied by the market price of the Company's shares at 31 December 2009. The assumption is that the maximum number of options/awards vested in accordance with the performance conditions described on page 57. It should be noted that the actual value may be less than the maximum, including zero if performance conditions are not met.
2 The number of shares granted on 09 March 2009 is the share equivalent of 100 per cent of the base salary based on the average of the mid-market closing values of the Company's shares for the five dealing days ending on 6 March 2009, being 409.5 pence.
3 These awards under the DBP represent 25 per cent of the bonus payable to the Executive Directors, in respect of the year ended 31 December 2008. The awards were calculated by reference to the average share price of the Company over the five dealing days ending on 6 March 2009, being 409.5 pence.
4 Awards represent the reinvestment of the final dividend for the year ended 31 December 2009 using a share price of 899 pence to calculate the number of shares subject to the award, which was the share price on the ex-dividend date of 30 April 2009.
5 On 9 March 2009 Michael Foster exercised his award under the MF Plan in full following satisfaction of the performance conditions. 109,319 shares were sold to meet the exercise price, tax and NI liabilities, the remaining 39,770 shares were retained by Michael Foster. The market price on the date of exercise was 387.5 pence.
6 On 29 April 2009 Michael Foster and Robert Careless exercised their awards under the LTIP granted on the 24 March 2006. The assessment of the performance conditions produced a vesting of 42 per cent of the original award. Michael Foster sold 6,775 shares to meet the tax and NI liabilities and retained 12,703 shares. Robert Careless sold 4,961 shares to meet the tax and NI liabilities and retained 7,929 shares. The market price on the date of exercise was 525 pence.
7 The performance conditions for the LTIP were not met and the award lapsed.
8 During the year, the range of share prices was 315.5 pence to 770.0 pence, with the price on 31 December 2009 being 722.0 pence.
9 The performance conditions applying to any of the above awards are as described on page 57.
10 The accrued cost of Directors' LTIP awards outstanding at 31 December 2009, calculated in accordance with IFRS2 'share-based payment' was £1.9 million (2008: £1.3 million).

By order of the Board

Grey Denham
Chairman of the Remuneration Committee
23 March 2010

Registered office:
22 Grenville Street
St Helier, Jersey JE4 8PX
Registered in Jersey Number 100249

Audit opinion – Group financial statements

Independent Auditors' report to the members of Charter International plc

We have audited the accompanying Group financial statements of Charter International plc which comprise the consolidated balance sheet as of 31 December 2009 and the consolidated income statement, statement of comprehensive income and expense and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes. We have also audited the information in the Directors' Remuneration report that is described as having been audited, in accordance with the Listing Rules.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of Jersey law. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We review whether the Corporate governance statement reflects the Company's compliance with the nine provisions of the Combined Code 2008 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' report, the unaudited part of the Directors' Remuneration report, the Chairman's statement, the Chief Executive's statement, the Business and financial review, the Corporate governance statement and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2009, and of the financial performance and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 110 of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
23 March 2010

Notes:

(a) The maintenance and integrity of the Charter International website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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Consolidated income statement

For the year ended 31 December 2009

	Note	2009 £m	2008 £m
Continuing operations			
Revenue	2 & 3	**1,659.2**	1,887.0
Cost of sales		**(1,206.5)**	(1,353.2)
Gross profit		**452.7**	533.8
Selling and distribution costs		**(191.6)**	(182.7)
Administrative expenses		**(165.1)**	(150.1)
Operating profit	2 & 4	**96.0**	201.0
Analysed as:			
Operating profit before exceptional items, acquisition costs, amortisation and impairment of acquired intangibles and goodwill		**125.6**	211.2
Acquisition costs		**(0.3)**	–
Amortisation and impairment of acquired intangibles and goodwill	9	**(2.5)**	(1.9)
Operating profit before exceptional items		**122.8**	209.3
Exceptional items – restructuring		**(26.3)**	(6.2)
– loss on disposal of business		**(0.5)**	–
– change in holding company		**–**	(2.1)
		96.0	201.0
Net financing charge – retirement benefit obligations	6	**(7.7)**	(0.7)
Other financing charge before losses on retranslation of intercompany loan balances	6	**(7.6)**	(6.8)
Other financing income before gains on retranslation of intercompany loan balances	6	**4.5**	5.6
Net gains/(losses) on retranslation of intercompany loan balances	6	**4.0**	(4.6)
Net financing charge	6	**(6.8)**	(6.5)
Share of post-tax profits of associates and joint ventures	2 & 12	**3.5**	3.2
Profit before tax		**92.7**	197.7
Taxation charge on underlying profits	7	**(22.7)**	(38.5)
Taxation on exceptional items	7	**4.2**	1.5
Taxation on amortisation and impairment of acquired intangibles and goodwill	7	**0.7**	0.4
Taxation on net financing charge – retirement benefit obligations	7	**1.1**	–
Taxation on net gains/(losses) on retranslation of intercompany loan balances	7	**(1.2)**	(2.4)
Taxation charge	7	**(17.9)**	(39.0)
Profit for the year		**74.8**	158.7
Attributable to:			
– Equity shareholders		**63.5**	150.2
– Minority interests		**11.3**	8.5
		74.8	158.7
Earnings per share	9		
Basic		**38.1p**	90.1p
Diluted		**37.9p**	90.0p

Consolidated statement of comprehensive income

For the year ended 31 December 2009

	2009 £m	2008 £m
Profit for the year	**74.8**	158.7
Other comprehensive income and expenditure		
Exchange translation	**(36.8)**	124.6
Exchange translation – transfer to income statement on disposal	**(0.9)**	–
Actuarial losses on retirement benefit obligations	**(42.2)**	(54.0)
Tax on actuarial losses on retirement benefit obligations	**5.2**	8.1
Change in fair value of oustanding cash flow hedges	**2.7**	(9.1)
Net transfer to income statement – hedges	**7.9**	(2.4)
Net investment hedges	**5.7**	(27.3)
Net deferred income tax movement for the year – hedges	**(2.6)**	2.8
Total other comprehensive income and expenditure	**(61.0)**	42.7
Total comprehensive income for the year	**13.8**	201.4
Total comprehensive income attributable to:		
– Equity shareholders of the Company	**5.5**	184.7
– Minority interests	**8.3**	16.7
	13.8	201.4

Consolidated statement of changes in equity

For the year ended 31 December 2009

	Attributable to owners of the Company						
	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Total £m	Minority interests £m	Total equity £m
At 1 January 2008	3.3	646.4	296.9	(520.2)	426.4	27.6	454.0
Comprehensive income							
Profit for the year	–	–	150.2	–	150.2	8.5	158.7
Other comprehensive income and expenditure							
Exchange translation	–	–	–	116.3	116.3	8.3	124.6
Actuarial losses on retirement benefit obligations	–	–	(53.9)	–	(53.9)	(0.1)	(54.0)
Tax on actuarial losses on retirement benefit obligations	–	–	8.1	–	8.1	–	8.1
Change in fair value of outstanding cash flow hedges	–	–	–	(9.1)	(9.1)	–	(9.1)
Net transfer to income statement – hedges	–	–	–	(2.4)	(2.4)	–	(2.4)
Net investment hedges	–	–	–	(27.3)	(27.3)	–	(27.3)
Net deferred income tax movement for the year – hedges	–	–	–	2.8	2.8	–	2.8
Total other comprehensive income and expenditure	–	–	(45.8)	80.3	34.5	8.2	42.7
Total comprehensive income for the year	–	–	104.4	80.3	184.7	16.7	201.4
Capital reorganisation – share issue costs	–	–	(1.6)	–	(1.6)	–	(1.6)
– reduction in capital	–	(646.6)	646.6	–	–	–	–
Purchase of treasury shares (note 22)	–	–	(0.2)	–	(0.2)	–	(0.2)
Share-based payments – charge for year	–	–	0.9	–	0.9	–	0.9
– attibutable tax	–	–	(0.2)	–	(0.2)	–	(0.2)
– shares issued	–	0.2	(0.2)	–	–	–	–
Dividends paid	–	–	(31.7)	–	(31.7)	(4.3)	(36.0)
At 31 December 2008	3.3	–	1,014.9	(439.9)	578.3	40.0	618.3
At 1 January 2009	**3.3**	**–**	**1,014.9**	**(439.9)**	**578.3**	**40.0**	**618.3**
Comprehensive income							
Profit for the year	**–**	**–**	**63.5**	**–**	**63.5**	**11.3**	**74.8**
Other comprehensive income and expenditure							
Exchange translation	**–**	**–**	**–**	**(33.8)**	**(33.8)**	**(3.0)**	**(36.8)**
Exchange translation – transfer to income statement on disposal	**–**	**–**	**–**	**(0.9)**	**(0.9)**	**–**	**(0.9)**
Actuarial losses on retirement benefit obligations	**–**	**–**	**(42.2)**	**–**	**(42.2)**	**–**	**(42.2)**
Tax on actuarial losses on retirement benefit obligations	**–**	**–**	**5.2**	**–**	**5.2**	**–**	**5.2**
Change in fair value of outstanding cash flow hedges	**–**	**–**	**–**	**2.7**	**2.7**	**–**	**2.7**
Net transfer to income statement – hedges	**–**	**–**	**–**	**7.9**	**7.9**	**–**	**7.9**
Net investment hedges	**–**	**–**	**–**	**5.7**	**5.7**	**–**	**5.7**
Net deferred income tax movement for the year – hedges	**–**	**–**	**–**	**(2.6)**	**(2.6)**	**–**	**(2.6)**
Total other comprehensive income and expenditure	**–**	**–**	**(37.0)**	**(21.0)**	**(58.0)**	**(3.0)**	**(61.0)**
Total comprehensive income for the year	**–**	**–**	**26.5**	**(21.0)**	**5.5**	**8.3**	**13.8**
Purchase of treasury shares (note 22)	**–**	**–**	**(0.2)**	**–**	**(0.2)**	**–**	**(0.2)**
Share-based payments – charge for year	**–**	**–**	**1.0**	**–**	**1.0**	**–**	**1.0**
– shares issued	**–**	**0.8**	**(0.5)**	**–**	**0.3**	**–**	**0.3**
Dividends paid	**–**	**–**	**(35.0)**	**–**	**(35.0)**	**(6.9)**	**(41.9)**
At 31 December 2009	**3.3**	**0.8**	**1,006.7**	**(460.9)**	**549.9**	**41.4**	**591.3**

Consolidated balance sheet

At 31 December 2009

	Note	2009 £m	As restated 2008 £m
Non-current assets			
Intangible assets	10	**139.1**	136.0
Property, plant and equipment	11	**280.2**	275.0
Investments in associates and joint ventures	12	**18.0**	17.7
Retirement benefit assets	20	**15.9**	35.1
Deferred income tax assets	19	**88.5**	69.7
Trade and other receivables	14	**21.3**	30.5
Derivative financial instruments	21	**0.1**	0.1
		563.1	564.1
Current assets			
Inventories	13	**238.5**	292.0
Trade and other receivables	14	**426.5**	573.2
Derivative financial instruments	21	**1.7**	2.4
Current income tax receivables		**10.0**	6.0
Cash and cash deposits	15	**75.6**	95.7
		752.3	969.3
Total assets		**1,315.4**	1,533.4
Current liabilities			
Borrowings	16	**(19.8)**	(37.2)
Trade and other payables	17	**(378.8)**	(512.2)
Derivative financial instruments	21	**(2.0)**	(32.0)
Current income tax liabilities		**(33.4)**	(32.1)
Provisions for other liabilities and charges	18	**(52.3)**	(48.2)
		(486.3)	(661.7)
Non-current liabilities			
Borrowings	16	**(4.9)**	(6.7)
Deferred income tax liabilities	19	**(29.7)**	(35.1)
Retirement benefit obligations	20	**(178.1)**	(174.4)
Provisions for other liabilities and charges	18	**(21.6)**	(26.7)
Derivative financial instruments	21	**(0.5)**	(2.8)
Other payables	17	**(3.0)**	(7.7)
		(237.8)	(253.4)
Total liabilities		**(724.1)**	(915.1)
Net assets		**591.3**	618.3
Equity			
Ordinary share capital	22	**3.3**	3.3
Share premium	22	**0.8**	–
Retained earnings		**1,006.7**	1,014.9
Other reserves	24	**(460.9)**	(439.9)
Total equity shareholders' funds		**549.9**	578.3
Minority interests		**41.4**	40.0
Total equity		**591.3**	618.3

The financial statements on pages 64 to 108 were approved by the Board of Directors on 23 March 2010 and signed on its behalf by:

M G Foster
Director

R A Careless
Director

Consolidated cash flow statement

For the year ended 31 December 2009

	Note	2009 £m	2008 £m
Cash flow from operating activities			
Cash generated from operations	28	**171.5**	159.5
Interest received		**4.3**	4.5
Interest paid		**(4.8)**	(6.5)
Taxation paid		**(46.0)**	(49.7)
Net cash flow from operating activities		**125.0**	107.8
Cash flow from investing activities			
Purchase of subsidiary undertakings, net of cash acquired		**(2.6)**	(39.4)
Investment in associates and joint ventures		**(1.9)**	–
Disposal of subsidiary undertaking	29	**1.3**	–
Expenditure on development costs		**(5.7)**	(4.4)
Purchase of property, plant and equipment and computer software		**(60.0)**	(66.5)
Sale of property, plant and equipment and computer software		**0.9**	1.7
Dividends received from associates and joint ventures		**4.3**	1.6
Net cash flow from investing activities		**(63.7)**	(107.0)
Cash flow from financing activities			
Increase in short-term borrowings (other than those repayable on demand)		**–**	3.8
Decrease in short-term borrowings (other than those repayable on demand)		**(2.4)**	(2.4)
Increase in long-term borrowings		**–**	13.2
Decrease in long-term borrowings		**(1.3)**	(9.0)
Repayment of capital element of finance leases		**(0.7)**	(0.8)
Cash (outflow)/inflow from debt and lease financing		**(4.4)**	4.8
(Increase)/decrease in cash on deposit		**(4.0)**	0.8
Cash settlement of net investment hedges		**(13.7)**	–
Dividends paid to equity shareholders of the Company		**(35.0)**	(31.7)
Dividends paid to minority interests		**(6.9)**	(4.3)
Issue of ordinary share capital		**0.3**	–
Share issue costs		**–**	(1.6)
Purchase of treasury shares		**(0.2)**	(0.2)
Net cash flow from financing activities		**(63.9)**	(32.2)
Net decrease in cash, cash equivalents and bank overdrafts		**(2.6)**	(31.4)
Cash, cash equivalents and bank overdrafts at beginning of the year		**61.4**	89.8
Currency variations on cash, cash equivalents and bank overdrafts		**(5.7)**	3.0
Cash, cash equivalents and bank overdrafts at end of the year	15	**53.1**	61.4

Reconciliation of net cash flow to movement in net cash

	2009 £m	2008 £m
Net movement in cash, cash equivalents and bank overdrafts	**(8.3)**	(28.4)
Cash outflow/(inflow) from debt and lease financing	**4.4**	(4.8)
Increase/(decrease) in cash on deposit	**4.0**	(0.8)
Change in net cash resulting from cash flows	**0.1**	(34.0)
New finance leases	**(1.3)**	(0.4)
Movement in interest accrual	**–**	(0.1)
Currency variations on borrowings and cash deposits	**0.3**	(1.9)
Movement in net cash in the year	**(0.9)**	(36.4)
Opening net cash	**51.8**	88.2
Closing net cash	**50.9**	51.8
Gross borrowings	**(24.7)**	(43.9)
Cash at bank and in hand (including cash on deposit)	**75.6**	95.7
Closing net cash	**50.9**	51.8

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)[i]	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[i]	**–**	**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 UK schemes £m	2009 Overseas schemes £m	2009 Total £m	2008 UK schemes £m	2008 Overseas schemes £m	2008 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 UK schemes £m	2009 Overseas schemes £m	2009 Total £m	2008 UK schemes £m	2008 Overseas schemes £m	2008 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 UK schemes £m	2009 Overseas schemes £m	2009 Total £m	2008 UK schemes £m	2008 Overseas schemes £m	2008 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

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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.

Principal interests in Group undertakings

Principal interests in Group undertakings Subsidiary undertakings	Country of incorporation	Group interest in equity capital (per cent)	Nature of business
Welding, cutting and automation			
Europe			
ESAB AB	Sweden	100	Welding consumables and equipment
ESAB Vamberk s.r.o.	Czech Republic	100	Welding consumables and equipment
ESAB GmbH	Germany	100	Welding consumables and equipment
ESAB Cutting Systems GmbH	Germany	100	Oxy-fuel, plasma, laser and water jet cutting
ESAB Mor Kft	Hungary	100	Welding consumables
ESAB Sp. z o.o.	Poland	100	Welding consumables
ESAB Saldatura S.p.A.	Italy	100	Welding consumables and equipment
OOO ESAB	Russia	100	Welding consumables and equipment
Zao ESAB Svel	Russia	51	Welding consumables
North America			
The ESAB Group Inc.(iii)	USA	100	Welding consumables and equipment
South America			
ESAB Industria e Comercio Ltda	Brazil	100	Welding consumables and equipment
Eutectic do Brasil Ltda	Brazil	100	Welding consumables and equipment
Conarco Alambres y Soldaduras S.A.	Argentina	100	Welding consumables and equipment
China			
ESAB Welding and Cutting Products (Shanghai) Co Limited	China	100	Welding consumables and equipment
ESAB Welding Products (Jiangsu) Co Limited	China	100	Welding consumables and equipment
ESAB Cutting and Welding Automation (Shanghai) Co Limited	China	100	Cutting and automation
ESAB Welding Products (Weihai) Co Limited	China	100	Welding consumables
Asia Pacific			
ESAB Asia/Pacific Pte Limited	Singapore	100	Welding consumables and equipment
Romar Positioning Equipment International Pte Limited	Singapore	100	Welding equipment
HD Engineering Limited(iv)	Hong Kong	100	Drilling machines, components and accessories
ESAB India Limited	India	56	Welding consumables and equipment
ESAB Engineering Services Limited	India	89	Research and development
United Arab Emirates			
ESAB Middle East LLC	United Arab Emirates	100	Welding consumables and equipment
ESAB Middle East FZE	United Arab Emirates	100	Welding consumables and equipment
Air and gas handling			
Europe			
Howden UK Limited	Northern Ireland	100	Power, industrial fans and heat exchangers
Howden France	France	100	Industrial fans
Howden BC Compressors	France	100	Piston and diaphragm compressors
Howden Netherlands BV	Netherlands	100	Industrial fans
Howden Turbowerke GmbH	Germany	100	Industrial fans
Howden Ventilatoren GmbH	Germany	100	Power and industrial fans
Howden Denmark A/S	Denmark	100	Power and industrial fans
Howden Spain SL	Spain	100	Heat exchangers
Howden Compressors Limited	Scotland	100	Screw compressors
James Howden & Company Limited (trading as Howden Process Compressors)	Scotland	100	Screw compressor packages and blowers
North America			
Howden Buffalo Inc.(iii)	USA	100	Power and industrial fans
South America			
Howden South America Ventiladores e Compressores Industria e Comercio Ltda	Brazil	100	Industrial fans and heat exchangers
Aeolus Industria e Comercio Ltda	Brazil	100	Industrial fans
Asia Pacific			
Howden Hua Engineering Co Limited	China	70	Power and industrial fans, heat exchangers, compressors & blowers
Howden Australia Pty Limited	Australia	100	Power and industrial fans and heat exchangers
South Africa			
Howden Africa Holdings Limited	South Africa	55	Power and industrial fans, heat exchangers, gas cleaning equipment, pumps and cooling systems
Associates and joint ventures			
ESAB SeAH Corporation(v)	South Korea	50	Welding consumables

(i) The principal country of operation is the same as the country of incorporation.
(ii) The Group undertakings above are all held by subsidiary undertakings of the Company.
(iii) The ESAB Group Inc. and Howden Buffalo Inc. are both wholly-owned subsidiaries of Anderson Group Inc., the holding company of the Group's North America businesses.
(iv) HD Engineering Limited was sold on 13 May 2009.
(v) ESAB SeAH Corporation has only one class of capital.

Five year record

CONSOLIDATED INCOME STATEMENT	**2009 £m**	2008 £m	2007 £m	2006 £m	2005 £m
Revenue – continuing operations	**1,659.2**	1,887.0	1,451.1	1,257.9	1,065.7
Operating profit – continuing operations	**96.0**	201.0	173.3	144.6	101.7
Operating profit before exceptional items, acquisition costs and amortisation and impairment of acquired intangibles and goodwill	**125.6**	211.2	173.8	144.6	97.5
Exceptional items	**(26.8)**	(8.3)	–	–	4.2
Acquisition costs	**(0.3)**	–	–	–	–
Amortisation and impairment of acquired intangibles and goodwill	**(2.5)**	(1.9)	(0.5)	–	–
	96.0	201.0	173.3	144.6	101.7
Net financing (charge)/credit(i)	**(6.8)**	(6.5)	1.6	(4.4)	(2.7)
Share of post-tax profits of associates and joint ventures	**3.5**	3.2	3.2	5.8	4.5
Profit before tax	**92.7**	197.7	178.1	146.0	103.5
Taxation charge(ii)	**(17.9)**	(39.0)	(33.3)	(16.9)	(20.0)
Profit for the year	**74.8**	158.7	144.8	129.1	83.5
Attributable to: – Equity shareholders	**63.5**	150.2	137.8	123.4	74.0
– Minority interests	**11.3**	8.5	7.0	5.7	9.5
	74.8	158.7	144.8	129.1	83.5
CONSOLIDATED BALANCE SHEET					
Intangible assets	**139.1**	136.0	80.2	48.7	40.2
Property, plant and equipment	**280.2**	275.0	182.7	116.6	110.5
Investments in associates and joint ventures	**18.0**	17.7	15.2	19.6	24.7
Deferred income tax assets	**88.5**	69.7	40.1	34.6	17.1
Other non-current assets	**37.3**	65.7	47.8	38.9	15.9
Non-current assets	**563.1**	564.1	366.0	258.4	208.4
Inventories	**238.5**	292.0	177.5	132.0	119.5
Trade and other receivables(iii)	**438.2**	581.6	415.8	328.9	300.3
Trade, other payables and income tax liabilities	**(414.2)**	(576.3)	(399.9)	(296.9)	(282.4)
Total assets less current liabilities (excluding net cash/(debt) & provisions)	**825.6**	861.4	559.4	422.4	345.8
Long-term liabilities and provisions					
Deferred income tax liabilities	**(29.7)**	(35.1)	(27.4)	(24.6)	(14.6)
Retirement benefit obligations	**(178.1)**	(174.4)	(107.5)	(130.5)	(131.2)
Provisions	**(73.9)**	(74.9)	(55.6)	(50.9)	(40.7)
Other long-term liabilities	**(3.5)**	(10.5)	(3.1)	(3.1)	(4.2)
	(285.2)	(294.9)	(193.6)	(209.1)	(190.7)
	540.4	566.5	365.8	213.3	155.1
Financed by:					
Equity shareholders' funds	**549.9**	578.3	426.4	246.1	135.1
Minority interests	**41.4**	40.0	27.6	10.3	13.5
	591.3	618.3	454.0	256.4	148.6
Gross debt	**24.7**	43.9	30.3	19.2	82.2
Cash	**(75.6)**	(95.7)	(118.5)	(62.3)	(75.7)
Net (cash)/debt	**(50.9)**	(51.8)	(88.2)	(43.1)	6.5
	540.4	566.5	365.8	213.3	155.1

Basic earnings per share (expressed in pence per share)					
Adjusted(iv)	**55.0**	99.2	84.7	68.1	43.0
Headline	**38.1**	90.1	82.7	74.4	46.9

(i) Net financing (charge)/credit includes retranslation gains on intercompany loans of £4.0 million, £0.2 million and £3.6 million in 2009, 2006 and 2005 respectively, and losses of £4.6 million and £2.5 million in 2008 and 2007 respectively.
(ii) Tax on profit on ordinary activities in 2006 includes an exceptional credit of £10.5 million.
(iii) Trade and other receivables includes assets held for sale, derivative financial instruments and current income tax receivables.
(iv) Amortisation and impairment of acquired intangibles and goodwill, exceptional items and exchange gains and losses on retranslation of intercompany loans (including attributable tax and minority interests) are excluded from the calculations of adjusted earnings per share. 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 on 2008 is not significant. Previous years have not been restated.
(v) The 2006 results have been restated to reflect the change in accounting policy in 2007 to recognise actuarial gains and losses arising on employee benefits in full.

Audit opinion – parent Company financial statements

Independent Auditors' report to the members of Charter International plc

We have audited the accompanying parent Company financial statements of Charter International plc which comprise the balance sheet as of 31 December 2009 and the income statement, for the year then ended and a summary of significant accounting policies and other explanatory notes. We have also audited the information in the Directors' Remuneration report that is described as having been audited, in accordance with the Listing Rules.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with UK Accounting Standards (UK Generally Accepted Accounting Practice) and with the requirements of Jersey law.
This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' report, the unaudited part of the Directors' Remuneration report, the Chairman's statement,the Chief Executive's statement, the Business and financial review, the Corporate governance statement and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the parent Company as of 31 December 2009, and of the financial performance of the parent Company for the year then ended in accordance with UK Accounting Standards (UK Generally Accepted Accounting Practice) and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 110 of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
23 March 2010

Notes:

(a) The maintenance and integrity of the Charter International website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Company profit and loss account

For the year ended 31 December 2009

	Note	2009 £m	Period 14 March to 31 December 2008 £m
Administrative expenses	3	**(3.5)**	(2.4)
Interest receivable		**0.5**	–
Loss before taxation		**(3.0)**	(2.4)
Taxation	4	**–**	–
Loss for the financial year	10	**(3.0)**	(2.4)

The Company has no recognised gains and losses other than those included in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

Company balance sheet

At 31 December 2009

	Note	2009 £m	2008 £m
Fixed assets			
Tangible fixed assets	5	**0.2**	–
Investment in subsidiary undertakings	6	**650.9**	649.9
		651.1	649.9
Current assets			
Debtors	7	**368.0**	0.1
Cash		**0.1**	–
Creditors: amounts falling due within one year	8	**(380.4)**	(4.0)
Net current liabilities		**(12.3)**	(3.9)
Net assets		**638.8**	646.0
Capital and reserves			
Called-up share capital	9	**3.3**	3.3
Share premium	10	**0.8**	–
Profit and loss account	10	**634.7**	642.7
Shareholders' funds – equity interests		**638.8**	646.0

Approved by the Board of Directors on 23 March 2010 and signed on its behalf by:

M G Foster
Director

R A Careless
Director

1 Basis of preparation

The registered office of the Company is situated at 22 Grenville Street, St Helier, Jersey JE4 8PX, Channel Islands.

The separate financial statements of the Company are presented in compliance with the requirements for companies whose shares are listed on the London Stock Exchange. They were approved by the Board on 23 March 2010. The Company's financial statements are presented in sterling, as that is the functional currency of the Company.

The financial statements for the Company have been prepared on a going concern basis and under the historical cost convention and in accordance with the Companies (Jersey) Law 1991 and United Kingdom Generally Accepted Accounting Practice ('UK GAAP') on the basis of the accounting policies set out in note 2 below.

These financial statements comprise the profit and loss account, balance sheet and related notes. The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (Revised 1996) 'Cash flow statements'. The Company is also exempt under the terms of FRS 8 'Related party disclosures' from disclosing transactions with other members of the Charter Group.

2 Principal accounting policies

The principal accounting policies are set out below.

Foreign currencies

Foreign currency transactions are translated 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 profit and loss account.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are included at cost less provision for any impairment in value.

Deferred income taxation

Deferred income taxation is provided on the incremental liability approach in respect of timing differences giving rise to an asset or liability. Deferred income taxation assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred income taxation assets and liabilities are not discounted.

Share-based payments

The Company operates equity-settled share-based compensation plans. These include awards made in respect of shares in the then Charter plc exchanged for awards in respect of shares in the Company, following the Scheme of Arrangement establishing the Company as the holding company of the then Charter plc in 2008.

The fair value of the employee services received in exchange for participation in the plan is recognised as an expense in the profit and loss account.

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. The Company's 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.

Where a parent company grants rights to its equity instruments to employees of a subsidiary, and such share-based compensation is accounted for as equity-settled in the consolidated financial statements of the parent, the subsidiary is required to record an expense for such compensation in accordance with FRS 20 'Share-based payment', with a corresponding increase recognised in equity as a contribution from the parent. Consequently, in the financial statements of the parent (Charter International plc), the Company has recognised an addition to fixed asset investments of the aggregate amount of these contributions of £1.0 million with a corresponding credit to equity shareholders' funds.

Dividends

Dividend distributions to the Company's shareholders are recognised in the period when paid. Dividends receivable are recognised when the Company's right to receive payment has been established and is unconditional.

3 Operating loss

The operating loss is stated after charging:

	2009 £m	Period 14 March to 31 December 2008 £m
(i) Staff costs (including Directors' emoluments)		
Wages and salaries	**0.9**	0.1
Social security costs	**0.1**	–
Long-term incentive plan costs	**–**	0.1
	1.0	0.2

The average number of employees during the year was three (2008: one) all of whom performed administrative work in Ireland in both 2009 and 2008. Executive Directors of the Company are employed by other companies within the Group.

	2009 £m	Period 14 March to 31 December 2008 £m
(ii) Scheme of Arrangement costs	**–**	1.1

	2009 £m	Period 14 March to 31 December 2008 £m
(iii) Fees payable to the Company's Auditor and its associates:		
Audit services		
Fees payable to Company's Auditor for the audit of the parent company financial statements were £2,000 (2008: £2,000)		
Fees payable to Company's Auditor for the audit of the consolidated financial statements	**0.7**	0.7
Non-audit services		
Fees payable to Company's Auditor and its associates for other services:		
Services in relation to the Scheme of Arrangement	**–**	1.3
	0.7	2.0

In 2008, of the services in relation to the Scheme of Arrangement, £0.9 million is included in the profit and loss account and £0.4 million is included as part of issue costs deducted from equity.

	2009 £m	Period 14 March to 31 December 2008 £m
(iv) Directors' emoluments (included in staff costs)		
Salaries and benefits	**0.7**	0.1
Long-term incentive plans	**–**	0.1
	0.7	0.2
Highest paid director		
Total amount of emoluments	**0.2**	0.1

Retirement benefits are accruing to three Directors under a defined benefit scheme.

Details of the remuneration of Directors are set out in the Remuneration report on pages 55 to 61.

4 Taxation

(i) Tax charge for the year

There was no tax charge for the year (2008: £nil). The applicable rate of corporation tax in Ireland is 25 per cent. The reconciliation of the tax charge for the year is as follows:

	2009 £m	Period 14 March to 31 December 2008 £m
Loss before taxation	**(3.0)**	(2.4)
Loss on ordinary activities before tax multiplied by the applicable rate of corporation tax in Ireland of 25% (2008: 12.5%)	**0.8**	0.3
Effects of:		
Losses not recognised	**(0.8)**	(0.3)
Current tax charge for the year	**–**	–

(ii) Factors that may affect future tax charges

In the foreseeable future, the Company's tax charge will continue to be influenced by the nature of its income and expenditure in subsequent accounting periods and could be affected by changes in tax law.

5 Tangible fixed assets – office equipment

	2009 £m	2008 £m
At cost		
Opening balance	**–**	–
Additions	**0.2**	–
Closing balance	**0.2**	–
Depreciation		
Opening balance	**–**	–
Charge for the year	**–**	–
Closing balance	**–**	–
Net book amount		
Closing balance	**0.2**	–

6 Investment in subsidiary undertakings

(i) Shares in subsidiary undertakings

	2009 £m	2008 £m
Opening balance	**–**	–
Additions	**1.0**	649.9
Disposals	**–**	(649.9)
Closing balance	**1.0**	–

(ii) Long-term loan to subsidiary undertaking

	2009 £m	2008 £m
Opening balance	**649.9**	–
Additions	**–**	649.9
Closing balance	**649.9**	649.9

Additions in the current year of £1.0 million comprised the fair value of employee service in relation to share-based payment awards granted to employees of subsidiary undertakings.

During the prior year the Company acquired 100 per cent of Charter Consolidated Holdings Limited for cash of £100 and 100 per cent of Chartertop Limited for cash of €12,500.

On 22 October 2008 pursuant to the Scheme of Arrangement described in note 1 to the 2008 financial statements, the Company acquired 100 per cent of the issued ordinary shares in the then Charter plc in consideration for the issue of 166,751,581 ordinary shares in the capital of the Company.

Further, on 22 October 2008 the Company sold its entire interest in the share capital of Charter Limited (formerly Charter plc) to Charter Consolidated Holdings Limited for consideration of £649.9 million in cash settled by way of an interest-free loan from the Company to Charter Consolidated Holdings Limited. No profit or loss arose on this transaction.

Principal interests in Group undertakings are shown on page 109.

Notes to the financial statements of the Company (continued)

For the year ended 31 December 2009

7 Debtors – amounts falling due within one year

	2009 £m	2008 £m
Amounts due from subsidiary undertakings[i]	**367.9**	–
Other debtors	**0.1**	0.1
	368.0	0.1

(i) Amounts due from subsidiary undertakings are unsecured and are repayable on demand. Amounts due from subsidiary undertakings of £40.8 million receive interest at LIBOR plus 1 per cent and £327.1 million are interest-free.

8 Creditors – amounts falling due within one year

	2009 £m	2008 £m
Amounts due to subsidiary undertakings[i]	**380.3**	3.9
Other creditors	**0.1**	0.1
	380.4	4.0

(i) Amounts due to subsidiary undertakings are interest-free, unsecured and are repayable on demand.

9 Called-up share capital

	2009 £	2008 £
Opening balance	**3,335,032**	2
Issued	**4,071**	3,335,032
Cancelled	**–**	(2)
Closing balance	**3,339,103**	3,335,032

	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

On 29 April 2009 the Company increased its authorised share capital to £6,000,000 by the creation of an additional 70,000,000 ordinary shares of 2 pence each.

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 ordinary shares were issued for nil consideration on the vesting of awards under the CI LTIP.

On incorporation on 14 March 2008, the authorised share capital was £10,000 divided into 10,000 ordinary shares of £1 each. Of such shares, two were subscribed by the subscribers to the Memorandum of Association, Juris Limited and Lively Limited, and were paid up in full by those subscribers.

On 16 July 2008, the two issued ordinary shares in the Company held by Juris Limited and Lively Limited were transferred to each of James Deeley and Robert Careless.

On 16 July 2008:

(a) each of the two issued ordinary shares of £1 each in the Company were sub-divided into 50 ordinary shares of 2 pence each, these shares being cancelled on 6 November 2008; and

(b) the 9,998 unissued ordinary shares of £1 each in the Company were sub-divided into 499,900 ordinary shares of 2 pence each; and

(c) the authorised share capital of the Company was increased to £4,600,000, consisting of 230,000,000 ordinary shares of 2 pence each, by the creation of 229,500,000 ordinary shares of 2 pence each.

On 22 October 2008 pursuant to the Scheme of Arrangement the Company issued 166,751,581 ordinary shares on the basis of one ordinary share in the capital of the Company for each ordinary share previously held in the then Charter plc.

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 established by the then Charter plc and transferred to the Company pursuant to the Scheme of Arrangement. The options are exercisable up to 29 March 2011 at a price of 139.9 pence.

10 Reserves

	Share premium £m	Profit and loss account £m	Total £m
On incorporation on 14 March 2008	–	–	–
Shares issued	646.6	–	646.6
Share issue costs	–	(1.6)	(1.6)
Capital reduction	(646.6)	646.6	–
Loss for the year	–	(2.4)	(2.4)
Share-based payments	–	0.1	0.1
At 31 December 2008	–	642.7	642.7
Loss for the year	**–**	**(3.0)**	**(3.0)**
Share-based payments – charge for year	**–**	**1.0**	**1.0**
– shares issued	**0.8**	**(0.5)**	**0.3**
Dividends	**–**	**(5.5)**	**(5.5)**
At 31 December 2009	**0.8**	**634.7**	**635.5**

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

In 2008 transaction costs attributable to the issue of shares as part of the Scheme of Arrangement of £1.6 million have been deducted from equity.

The Company's reconciliation of movements in equity shareholders' funds was as follows:

	2009 £m	Period 14 March to 31 December 2008 £m
Loss for the financial year	**(3.0)**	(2.4)
Total recognised gains and losses	**(3.0)**	(2.4)
Shares issued	**0.3**	649.9
Share issue costs	**–**	(1.6)
Share-based payments – charge for year	**1.0**	0.1
Dividends	**(5.5)**	–
Net increase in shareholders' funds	**(7.2)**	646.0
Opening shareholders' funds	**646.0**	–
Closing shareholders' funds	**638.8**	646.0

11 Share-based payments

On 22 October 2008, pursuant to the Scheme of Arrangement, awards of contingent rights to the allotment of 609,507 ordinary shares of the then Charter plc granted under the MF Plan, the CI LTIP and the Deferred Bonus Plan ('DBP') were converted to awards of contingent rights to the allotment of ordinary shares in the Company. There were no other changes to the terms of these awards.

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

	Grant date (CI LTIP) 9 March 2009	Grant date (DBP) 9 March 2009	Grant date (CI LTIP) 21 November 2008
Number of shares	**396,537**	**44,236**	12,479
Fair value – £	**1,174,700**	**171,400**	10,576
– pence per share	**296.2**	**387.5**	84.8
Expected volatility %	**58.7**	**N/A**	55.8
Risk-free interest rate %	**1.8**	**N/A**	2.5
Dividend yield %	**–**	**–**	–

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

11 Share-based payments (continued)

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

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.

12 Guarantees

	2009 £m	2008 £m
Subsidiary company borrowings	**5.1**	5.9

13 Commitments – operating lease

The Company has annual commitments of £0.1 million (2008: £0.1 million) in respect of the lease of land and buildings up to 2012 (2008: up to 2009).

14 Dividends

Following the Scheme of Arrangement establishing the Company as the holding company of the Charter Group in 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.

During the year, as disclosed in note 31 to the consolidated financial statements, a dividend of 14.0 pence per share for the year ended 31 December 2008 and an interim dividend of 7 pence per share for 2009 totalling £35.0 million was paid to the Company's shareholders. Of this amount £5.5 million was paid by the Company to those shareholders who did not elect to receive dividends under the IAS election and £29.5 million was paid by Charter Limited under the IAS election.

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.

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

Shareholder information

Financial calendar

Financial year-end	31 December 2009
Unaudited results announced	19 February 2010
Record date for interim dividend	16 April 2010
AGM	29 April 2010
Payment date of interim dividend	7 May 2010
Announcement of half yearly results	30 July 2010
Financial year-end	31 December 2010

Dividends

On 23 March 2010 the Directors declared a second interim dividend of 14.5 pence per share to be paid on 7 May 2010 to ordinary shareholders on the register on 16 April 2010.

Shareholders who wish to have any future dividends paid directly into their bank account rather than sent by cheque to their registered address can complete a mandate for this purpose. Mandates can be obtained by contacting the Company's Registrars, Computershare Investor Services (Jersey) Limited at the address given below or can be downloaded from Computershare's website at www.investorcentre.co.uk/je.

The Company has put in place IAS Arrangements which allow ordinary shareholders to choose whether to receive dividends from a company tax resident in the Republic of Ireland (i.e. the Company) or to receive dividends under the IAS Arrangements from a company resident for tax purposes in the United Kingdom (i.e. Charter Limited, a wholly owned subsidiary of the Company). Further details of the IAS Arrangements can be found in the 'Payments of dividends' section on page 46 and on the Company's website at www.charter.ie.

Shareholder enquiries

For all enquiries about the registration of your shares and changes of name and address please contact the Company's Registrars, Computershare Investor Services (Jersey) Limited at:

PO Box 83
Ordnance House
31 Pier Road
St Helier
Jersey JE4 8PW
Telephone: 01534 825222
Email:info@computershareci.com

Shareholders can also view details of their shareholding by visiting Computershare's website at www.investorcentre.co.uk/je

Electronic communication

At the EGM on 26 June 2007, shareholders approved a resolution to allow the Company to send or supply documents or information to shareholders by their publication on a website. Where shareholders have not provided an email address for this purpose, notification of the publication of documents will be by letter. Should shareholders wish to elect to receive all communications electronically they can provide an email address for this purpose and this can be done by registering online at www.investorcentre.co.uk/je or by writing to Computershare Investor Services (Jersey) Limited at PO Box 83, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW. Shareholders may amend their instructions or provide new instructions regarding how they wish to receive communications at any time by contacting the Company's Registrars and may request a hard copy of a document at any time.

Shareholder analysis

Analysis of shareholdings as at 31 December 2009

Range	Total holders	Units	% of Issued Capital
1 – 1,000	3,997	1,224,911	0.73
1,001 – 5,000	810	1,711,262	1.02
5,001 – 10,000	103	747,019	0.45
10,001 – 100,000	271	11,232,485	6.73
100,001 – 250,000	90	13,974,194	8.37
250,001 – 500,000	36	13,001,573	7.79
500,001 – 1,000,000	31	21,998,621	13.18
1,000,001 plus	38	103,065,102	61.73
Total	5,376	166,955,167	100.00

Shareholder information
continued

Share-dealing service

An execution-only share-dealing service for the purchase and sale of Charter International plc shares is available from Natwest Stockbrokers. Natwest Stockbrokers is authorised and regulated by the Financial Services Authority and is a member of the London Stock Exchange and PLUS.

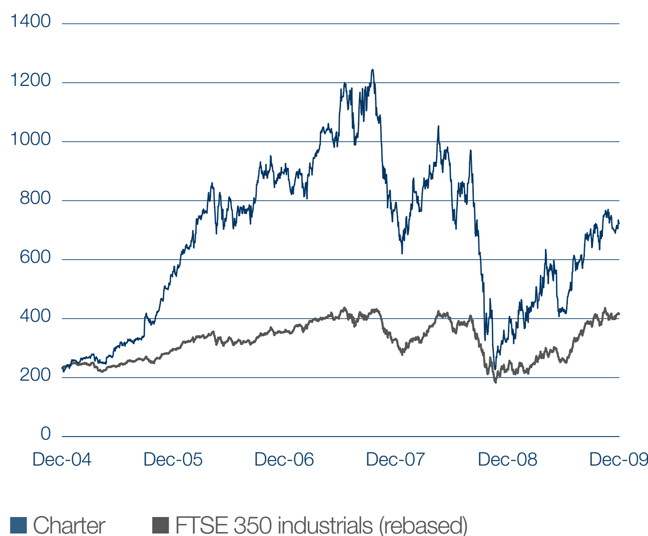
For details, please contact:

Natwest Stockbrokers
Waterhouse Square
183 – 142 Holborn
London EC1N 2TH

Telephone 0808 208 4433.

Share price

The Company's shares are listed on the London Stock Exchange and shareholders can check the current price by visiting www.londonstockexchange.com. The graph below illustrates the Company's share price performance over a five-year period to 31 December 2009.



Charter   FTSE 350 industrials (rebased)

Corporate Information

Registered office

22 Grenville Street
St Helier
Jersey JE4 8PX
Registered in Jersey
Company no: 100249
www.charter.ie

Head office

27 Northwood House
Northwood Park
Santry
Dublin 9
Ireland

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Stockbrokers

RBS Hoare Govett
250 Bishopsgate
London EC2M 4AA

JP Morgan Cazenove Limited
20 Moorgate
London
EC2M 4AA

Registrars

Computershare Investor Services (Jersey) Limited
PO Box 83
Ordnance House
31 Pier Road
St Helier
Jersey JE4 8PW

Shareholder line: 01534 825 222

Bankers

HSBC Bank plc
Corporate Investment Banking and Markets
8 Canada Square
London E14 5HQ

Solicitors

Slaughter and May
One Bunhill Row
London EC1Y 8YY

Financial PR advisers

Brunswick
16 Lincoln's Inn Fields
London WC2A 3ED

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

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Charter International plc
27 Northwood House
Northwood Park
Santry
Dublin 9
Ireland
Telephone +353 1 842 7190
Facsimile +353 1 816 1587

www.charter.ie