ANNUAL REPORT 2008

CHARTER

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.

Results for the year ended 31 December 2008

Revenue	**2008**	**£1,887.0m**	**+30%**
	2007	£1,451.1m	
Operating profit	**2008**	**£201.0m**	**+16%**
	2007	£173.3m	
Adjusted profit before tax[1]	**2008**	**£212.5m**	**+17%**
	2007	£181.1m	
Profit before tax	**2008**	**£197.7m**	**+11%**
	2007	£178.1m	
Cash flow from operations	**2008**	**£159.5m**	**+7%**
	2007	£149.1m	
Earnings per share Adjusted[1]	**2008**	**99.2 pence**	**+17%**
	2007	84.7 pence	
Earnings per share Basic	**2008**	**90.1 pence**	**+9%**
	2007	82.7 pence	
Dividend per share Intended final	**2008**	**14.0 pence**	**+17%**
	2007	12.0 pence	
Dividend per share Total for the year	**2008**	**21.0 pence**	**+75%**
	2007	12.0 pence	

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

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

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

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

Michael Foster
Chief Executive
26 February 2009

Charter International plc owns (through a number of intermediate companies) 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, supplying performance critical components to end-users.

REASONS TO INVEST IN CHARTER

1. Balance sheet strength	Total Equity Shareholders' Funds of £578.3 million, equivalent to 347 pence per share.
2. Cash and bank	Net cash of £51.8 million and committed bank facilities of £145 million.
3. Dividend	Charter's 2008 dividend of 21 pence per share is 4.7 times covered by adjusted earnings per share.
4. Experienced management teams	The management teams in Charter, ESAB and Howden are largely made up of the individuals who led the businesses through the last recession and subsequent growth.
5. International diversity	Charter generates 40.3 per cent of its sales in Europe, 22.3 per cent in North America, 12.1 per cent in South America, 9.2 per cent in China, and 16.2 per cent in the rest of the world. Broadly one-half of sales arise in the developed world and one-half in emerging markets.
6. ESAB – a market leader	ESAB is the world's leading manufacturer of welding consumables, and one of only two worldwide full service welding and cutting companies.
7. Howden – a market leader	Howden is the world's leading designer and supplier of fans and heaters for use in coal-fired electricity generation.
8. Long-term dynamics	Both ESAB and Howden enjoy favourable long-term dynamics related to investment in energy, infrastructure and petrochemicals.
9. Efficient, low-cost manufacturing	Recent investment has provided both ESAB and Howden with an efficient manufacturing base, predominantly located in low-cost areas.
10. Corporate status	Charter is listed on the London Stock Exchange, it is subject to the rules and regulations of the UKLA and City Panel on Takeovers and Mergers and complies with the Combined Code.

Figures relate to the year ended 31 December 2008

CHARTER

ESAB

Howden

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

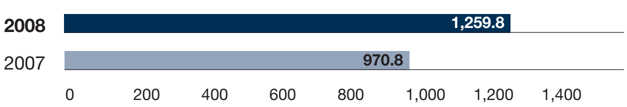
KEY BUSINESS STRENGTHS

- Market leadership based on technology, reputation and brand strength
- Sales spread across different regions and end-user segments
- Extensive research and development function supporting a manufacturing base predominantly located in low-cost areas
- Action taken to reposition the business for lower levels of demand
- Favourable long-term dynamics underpin growth prospects
- Strong environmental credentials

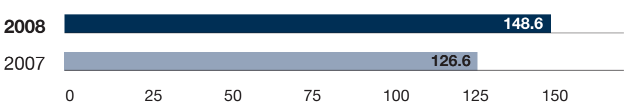
REVENUE BY DESTINATION

	2008 £m	2007 £m	Increase %
Europe	**594.7**	474.8	**+25.3**
North America	**238.6**	213.4	**+11.8**
South America	**198.0**	137.2	**+44.3**
China	**36.4**	24.7	**+47.4**
Rest of world	**192.1**	120.7	**+59.2**
Total	**1,259.8**	970.8	**+29.8**

REVENUE £m



OPERATING PROFIT £m



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

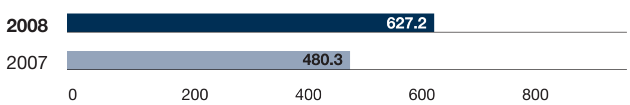
KEY BUSINESS STRENGTHS

- Market leadership based on technology, reputation and brand strength
- Sales spread across different regions
- Record year-end order book
- Customers in the power and energy industries account for over three-quarters of sales
- Engineering centres of excellence coupled with a manufacturing base predominantly located in low-cost areas
- Growing aftermarket business
- Strong environmental credentials

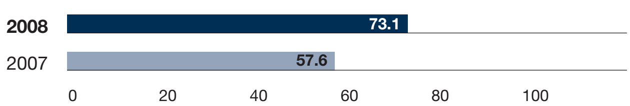
REVENUE BY DESTINATION

	2008 £m	2007 £m	Increase %
North America	**181.5**	114.8	**+58.1**
Europe	**165.3**	140.6	**+17.6**
China	**136.6**	114.1	**+19.7**
South America	**30.3**	15.4	**+96.8**
Rest of world	**113.5**	95.4	**+19.0**
Total	**627.2**	480.3	**+30.6**

REVENUE £m



OPERATING PROFIT £m



SUMMARY OF RESULTS

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

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

LARS EMILSON
Chairman

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

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

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

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

New holding company

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

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

Dividend

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

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

Concluding comments

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

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

Lars Emilson
Chairman
26 February 2009

Charter delivered excellent results for 2008, which showed material growth compared with 2007 in terms of revenue, profit and earnings per share.

SUMMARY OF RESULTS

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

The Company's results for 2008 continue to demonstrate the progress which has been made in developing both ESAB and Howden, and were achieved in a year which saw generally favourable market conditions during the first three quarters of the year followed by a sharp deterioration in economic and financial conditions in the final quarter.

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

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

Summary of results and performance against key indicators

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

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

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

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

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

MICHAEL FOSTER
Chief Executive

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

It is recognised that financial performance is not a sufficient measure on its own. Non-financial key performance indicators, such as health and safety and environmental measures, are monitored with robust plans in place to continuously improve performance. These matters receive regular focus, both from management and the Board, and are reported on in the Company's Corporate Social Responsibility Report (see pages 32 to 35).

Charter's strategy

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

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

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

More information on the strategies to be pursued by ESAB and Howden are set out in the Business Reviews.

Review of 2008

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

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

ESAB

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

Further details on ESAB's 2008 performance and restructuring are given in ESAB's business review on pages 10 to 17.

Howden

Howden had another excellent year, and produced a markedly stronger performance in the second half of the year, reflecting the strength of its order book. Further details are contained in the Howden business review on pages 18 to 23.

Balance sheet

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

Cash flow, acquisitions and financing

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

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

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

2009 outlook

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

ESAB

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

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

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

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

Howden

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

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

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

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

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

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

Concluding comments

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

Michael Foster
Chief Executive
26 February 2009

ABOUT ESAB

- ESAB's comprehensive range of welding consumables includes electrodes, cored and solid wires, and fluxes. ESAB's welding equipment ranges from small retail applications and users to large plant in the energy and shipbuilding sectors.
- ESAB's sales are split broadly evenly between the developed economies of Western and Northern Europe and North America, and the developing economies of Central, Eastern and Southern Europe, South America and Asia. ESAB derives over 80 per cent of its sales from welding consumables and equipment and the remainder from cutting and automation solutions.
- ESAB's manufacturing facilities are located predominantly in low-cost locations, in particular in Central and Eastern Europe, South America and Asia. ESAB has invested in new capacity in China to meet the needs of domestic customers as well as supplying other parts of the world.

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.

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

2008 HIGHLIGHTS – ESAB

	2008 £m	2007 £m	Increase %
Welding	**1,042.2**	813.1	**+28.2**
Cutting and automation	**217.6**	157.7	**+38.0**
Revenue	**1,259.8**	970.8	**+29.8**
Welding	**122.7**	112.5	**+9.1**
Cutting and automation	**25.9**	14.1	**+83.7**
Operating profit (before exceptional items)	**148.6**	126.6	**+17.4**
Share of profits of associates (post tax)	**3.1**	3.0	
Capital expenditure	**49.7**	40.0	
Depreciation	**(16.2)**	(11.2)	
Operating margin	**11.8%**	13.0%	
Average number of employees	**9,372**	7,860	

ESAB STRATEGY

Growth of demand for welding and cutting products is expected to exceed the rate at which the consumption of steel is growing. Furthermore, as economies mature, they become more steel-intensive, which suggests that steel consumption will grow at a rate in excess of GDP. Whilst most forecasters expect steel consumption to fall in 2009 and to be flat in 2010, growth is expected to resume over the medium term. Process conversion (the move away from electrodes to continuous processes) is expected to continue, particularly in emerging markets, resulting in stronger growth in demand for solid and flux cored wires than for higher margin electrodes. The increased use of continuous processes will mean more opportunity for ESAB's welding equipment, and the shortage of skilled welders is likely to increase the opportunity for automated welding solutions where ESAB will continue to grow its business. The medium-term outlook for the welding industry is also strengthened by further major developments expected to take place in energy, oil and gas and infrastructure around the world.

ESAB WILL:

- enhance its market leadership through brand recognition, new technology and enhanced customer service;
- act as a consolidator in the global welding industry, using acquisitions to strengthen market positions, enter new markets and improve its technology base;
- leverage its global footprint through establishing manufacturing facilities in locations which best suit the needs of the market; and
- achieve growth through increasing volumes in developing markets and through range expansion, especially into high-end technology products, in established developed markets.

WHAT DOES THE ESAB BRAND STAND FOR?

The ESAB brand is one of the strongest brands in the global welding and cutting market. The brand is underpinned by its Swedish heritage and its solutions-orientated products are seen to be of high quality, consistent and easy to use.

ESAB's position as the global welding and cutting authority provides a strong platform on which to develop its brand further and to defend its market positions against less-qualified competitors.

As part of its brand development programme, ESAB has established a world class process centre in Sweden responsible for building, harnessing and disseminating application knowledge and capabilities to ESAB customers. These process centres are being rolled out globally.

Overview of performance

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

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

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

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

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

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

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

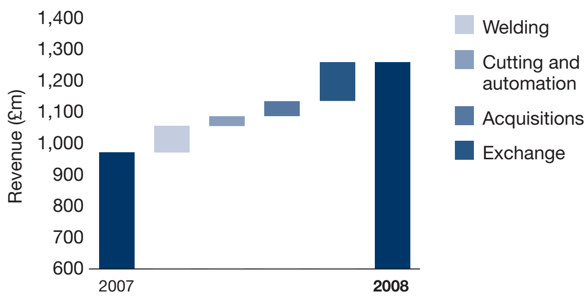
Industries and segmentation

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

Major global end-user segments are:

- **the energy sector**, which includes the oil and gas industries, electricity generation and transmission and renewable energy, is the largest user of welding consumables and equipment. Many applications, such as the construction of electricity generating plants, including nuclear, are extremely stringent in their specifications for the welding consumables which they use. Wind towers are a rapidly growing sub-segment of the energy sector, the construction of which requires advanced automation equipment and uses relatively high levels of welding consumables.

ESAB REVENUE BRIDGE



Revenue grew by 29.8 per cent in 2008, reflecting buoyant conditions in the first three quarters of the year and a sharp fall in demand in Europe and North America in particular in the final quarter of the year.

Of this increase, the welding business (consumables and standard equipment) contributed 8.9 per cent and the cutting and automation business contributed 3.0 per cent. The acquisitions of an additional shareholding in ESAB India during 2007 and of Romar and Linkweld in 2008 contributed a further 5.0 per cent of growth.

Foreign exchange differences make up the balance of 12.9 per cent of the revenue growth, principally as a result of the euro, other European currencies and the US dollar strengthening against sterling over the year.

- **infrastructure construction**, where welding plays an important role in the fabrication of infrastructure such as the construction of sewerage systems and light rail networks. In contrast, relatively little welding is used in the construction of residential or commercial buildings.
- **the transport segment** includes automotive original equipment manufacturers ('OEMs'), most of which require technically demanding welding solutions for use within their highly automated production environments. This segment also includes 'off road' vehicles such as excavators, dumpers and agricultural equipment, as well as rail vehicles, all of which generally require high levels of welding.
- **shipyards**, which are amongst the largest and most demanding users of both welding and cutting products. ESAB supplies welding and cutting products to shipyards in Europe, South America, the USA and certain countries in Asia including, through its associated company ESAB SeAH, South Korea.

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

Industry overview

Demand

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

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

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

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

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

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

Competitive environment

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

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

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

CUSTOMER FOCUS

ESAB has adopted customer focus as its key strategic intent.

This has involved placing the customer at the centre of its decision making processes and transforming its organisation to meet the needs of the customer. This resulted in a new management operation model, new product management and R&D processes and a revised supply chain infrastructure in its key geographies.

As an early sign of appreciation by its customers, ESAB was awarded the 2008 Frost & Sullivan Global Welding Consumables Award for Customer Service Excellence.

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

ESAB restructuring

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

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

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

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

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

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

ESAB supply chain

Manufacturing locations

ESAB has manufacturing facilities in each of the regions in which it operates.

ESAB has made considerable progress in relocating and concentrating its manufacturing facilities in low cost locations within each region, in particular the great majority of welding consumables manufactured and sold in Europe are manufactured in Central Europe.

From mid-2006, ESAB invested in additional manufacturing capacity, principally in China, Central Europe and South America. This programme reached its conclusion during 2008. As referred to above, two factories, in Sweden and Finland, were closed at the end of 2008. Global capacity for the manufacture of welding consumables now amounts to 680,000 tonnes annually.

ESAB will continue to invest in its manufacturing facilities in 2009 at a rate which is likely to exceed the depreciation charge, with an emphasis on operational improvement and cost reduction measures. ESAB will continuously review its manufacturing operations to ensure that capacity is aligned with global demand and located in the most appropriate locations to meet such demand.

Raw materials

The principal raw materials used in the manufacture of welding consumables are various grades of steel and to a lesser extent, aluminium alloys, chemicals and minerals, most of which are normally available on the open market. However, certain of ESAB's more specialised welding wires require bespoke orders from steel mills.

The first three quarters of 2008 saw unprecedented increases in the price of steel and periodic shortages; during this time, ESAB was able to procure the steel which it required without its production being interrupted. During the fourth quarter, steel prices showed a general decline as the market moved to being over-supplied.

NEW TELESCOPIC WELDING CRANE BOOM

During 2008, ESAB launched an innovative telescopic welding crane boom to provide its customers with a cost-effective and space efficient solution.

The apparatus consists of a three piece telescopic boom, constructed so as to minimise the space needed behind the boom and maximise reach in front, which is able to position the welding head with the accuracy required for top quality welding.

The telescopic boom was developed following a detailed market study. This market driven approach, which combines customer needs with ESAB's design skills, has delivered a uniquely proficient product that can increase customer productivity materially.

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

Whilst energy costs are less significant than raw material costs in ESAB's own manufacturing process, they are significant costs in the production of steel, aluminium and copper, and therefore indirectly impact upon the cost of goods sold.

Human resources

ESAB recognises that human resources are a key part of its supply chain. ESAB's policy is to attract, train and retain appropriate management resources and shop floor personnel within the Group. Use is made of temporary or contract workers, particularly to cope with periods of higher demand. With the changing demand patterns seen through the year, and in particular the sharp decline in demand experienced in the fourth quarter and the continuing volatility seen in 2009 to date, ESAB will keep manning levels under review in all parts of its organisation to ensure that they remain appropriate.

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.

Welding consumables and welding and cutting equipment are generally technologically advanced products; for example, a key component of every welding electrode or cored wire is the formulation of the electrode coating or cored wire filling which differ according to the welding application. With its history going back over one hundred years, ESAB has developed many unique formulations to suit particular welding applications, which are generally protected by international patents.

The manufacturing process knowledge which ESAB has developed is also critical to achieving optimal product characteristics, as well as maximising production efficiency, from which the customer benefits through superior products and lower manufacturing costs.

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 257 people.

A number of industries require stringent certification for welding consumables before allowing their use for certain applications. ESAB holds comprehensive certifications across its product range.

A key business objective has been to ensure that ESAB's customers enjoy the full benefit of its accumulated welding knowledge. In support of this, ESAB has established a network of process centres throughout the world where ESAB's experienced welding engineers combine the business's knowledge with its broad range of welding and cutting products to develop the optimal solution for each customer.

ESAB: revenue by destination

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

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

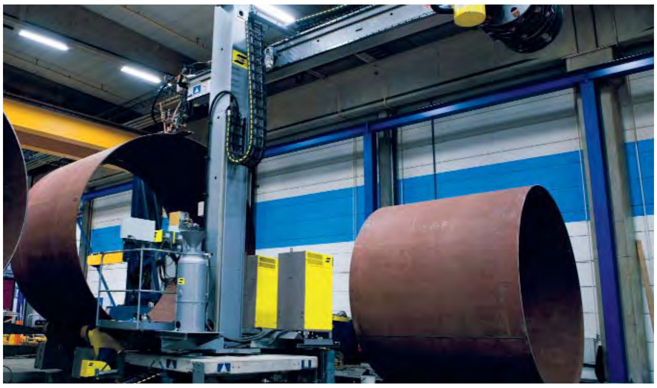
ESAB: REVENUE BY DESTINATION

	2008 £m	2007 £m	Increase %	Increase at constant exchange rates %
Europe	**594.7**	474.8	**+25.3**	**+9.9**
North America	**238.6**	213.4	**+11.8**	**+3.7**
South America	**198.0**	137.2	**+44.3**	**+30.3**
China	**36.4**	24.7	**+47.4**	**+32.4**
Rest of world	**192.1**	120.7	**+59.2**	**+48.9**
Total	**1,259.8**	970.8	**+29.8**	**+16.9**

WIND TOWERS

Wind towers are a rapidly growing sub-segment of the electricity generating industry. ESAB has established itself as a world leader in the supply of cutting and welding solutions to this global industry, supported by its global footprint and its unique ability to offer a wide range of cutting and welding equipment and welding consumables.

Vestas, one of the world's leading wind tower suppliers, chose ESAB as its strategic full service cutting and welding products supplier for its new Colorado, USA facility, with a contract value of some US$22 million. This contract win also highlights ESAB's ability to follow and service its global customers.



Regional markets

Europe

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

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

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

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

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

North America

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

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

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

South America

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

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

China

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

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

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

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

Rest of world

Asia Pacific (excluding China)

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

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

India

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

Middle East and Africa

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

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

Associated undertakings

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

ABOUT HOWDEN

- Howden's core products include centrifugal and axial fans, air and gas rotary preheaters and compressors. Howden's fans and heaters 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, mining, iron and steel and other process industries.
- Howden's sales are split broadly equally between the developed economies of Europe and North America, and emerging economies, in particular China, the rest of Asia and South Africa. During 2008, Howden acquired a manufacturing presence in South America, which is seen as an important growth market.
- Howden derives approximately one-quarter of its revenues through aftermarket sales, which benefit from its extensive installed product base.
- As Howden has increasingly concentrated on the higher value-added parts of its activities, the manufacture of non-performance critical components has progressively been outsourced to sub-contractors in low cost locations.

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

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

2008 HIGHLIGHTS – HOWDEN

	2008 £m	2007 £m	**Increase %**
New equipment	**465.0**	358.8	**+29.6**
Aftermarket	**162.2**	121.5	**+33.5**
Revenue	**627.2**	480.3	**+30.6**
Order book	**499.3**	416.7	**+19.8**
Operating profit	**73.1**	57.6	**+26.9**
Share of profits of associates (post tax)	**0.1**	0.2	
Capital expenditure	**14.1**	8.1	
Depreciation	**(4.6)**	(3.4)	
Operating margin	**11.7%**	12.0%	
Average number of employees	**3,856**	3,334	

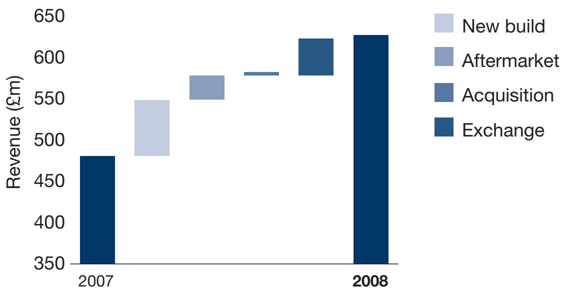
HOWDEN STRATEGY

A significant part of Howden's business is the supply of equipment to the electricity supply industry, most particularly for use in coal-fired generating plant. Demand for energy is expected to continue to grow and coal is expected to maintain, if not increase, its share of electricity generation. Even though there may be an easing of the rate at which new generating plant is being constructed whilst financial conditions remain difficult, it is still anticipated that the global stock of coal-fired generating capacity will almost double by 2030. In addition, significant amounts of generating capacity, especially in Europe and North America, are becoming life-expired and will require replacement. Demand for emission control products due to increasingly stringent government regulation will also create demand for Howden products. Increasing demand for Howden products is expected from the petrochemical and oil and gas industries, although recent reductions in the price of oil, as well as financing issues, may put a brake on this investment over the short term.

HOWDEN WILL:

- build upon its world-leading position as an applications engineer, which designs, manufactures, installs and maintains performance critical components for air and gas handling;
- 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;
- develop further its position in the oil and gas and petrochemicals industries, in particular in the compressor business;
- enhance its presence in other industries where its technology and expertise can be used to advantage;
- continue to develop its aftermarket business, including through the increased installed base following recent high levels of new equipment sales; and
- look to grow the business by acquisitions that will strengthen its market position and improve its technology base.

HOWDEN REVENUE BRIDGE



Out of total sales growth of 30.6 per cent in 2008, the new build segment contributed 14.2 per cent driven by sales of products for use in generation and emission control equipment in the electricity supply industries in particular in North America, Europe and China, and from the oil and gas and mining sectors in other regions.

The aftermarket segment contributed 6.1 per cent, reflecting an increase in retrofitting and servicing and the emergence of the Chinese aftermarket. The acquisition of Aeolus added a further 0.9 per cent.

The remaining 9.4 per cent came from currency movements.

Overview of performance

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

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

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

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

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

Order book

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

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

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

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

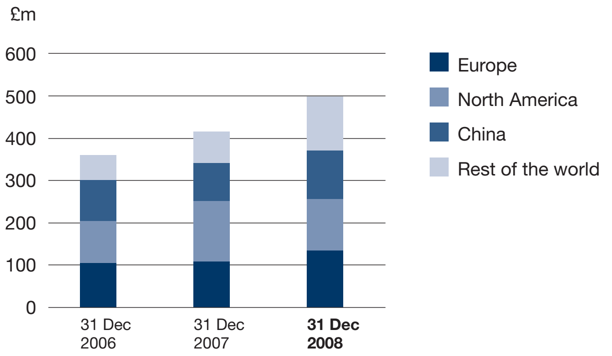
Products and segmentation

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

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

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

HOWDEN ORDER BOOK



As at 31 December 2008, Howden's order book stood at £499 million (2007: £417million), an increase of 19.7 per cent and a year-end record. Orders booked in the year were £659 million, an increase of 21.5 per cent over 2007.

As at 31 December 2008, outstanding orders from customers in Europe, North America and China amounted to £134.2 million, £122.3 million and £114.3 million respectively. The order book to the rest of the world amounted to £128.6 million.

The order book at 31 December 2008 included orders worth £389 million for delivery in 2009 and £110 million for delivery in 2010 or beyond.

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

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

Industry overview

Demand

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

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

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

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

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

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

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

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

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

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

ACQUISITION OF AEOLUS

In August 2008, Howden completed the acquisition of Aeolus Industria e Comercio Ltda, a leading Brazilian designer and manufacturer of industrial fans, with strong positions in the pulp and paper, cement and ethanol markets. The acquisition has enhanced Howden's position in Brazil and provided Howden with its first manufacturing facility in the South American region.

The integration of Aeolus has proceeded well and the business has continued to perform strongly under Howden's ownership.

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

Competitive environment

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

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

Howden supply chain

Manufacturing

Howden has principal manufacturing centres in each of its major markets of Europe, China and North America and other manufacturing facilities exist to serve the local markets in South Africa and South America (through the recent acquisition of Aeolus). Equipment is generally produced in the same region as the customer is located, although Howden does export product between regions, for example from its manufacturing facilities in Europe and in China to North America.

Howden makes extensive use of a global network of sub-contractors to manufacture non-performance critical components. In 2008, the number of man-hours subcontracted 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. Howden's engineering resources include 300 graduate engineers at its locations in China, which has considerably increased Howden's engineering capabilities in this location. In the summer of 2008 Howden opened 'The Howden Academy' in Glasgow which gives new engineers an effective introduction into Howden's products, applications and practices and is delivered in partnership with Glasgow Caledonian University. So far around 100 engineers from 14 different countries have graduated.

Intellectual property

Technology and the Howden brand are key parts of Howden's supply chain. Howden continues to invest in research and product development in order to maintain its position of technology leadership in its principal product areas. Howden's brand is recognised worldwide and is seen as representing engineering excellence, customer service, global reach, technology leadership and quality.

Regional overview of performance

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

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

HOWDEN: REVENUE BY DESTINATION

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

Regional markets

North America

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

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

GLOBAL SUPPLY CHAIN

Howden's supply chain is a key component in maintaining and improving its competitive strength globally. The supply chain comprises Howden's own factories, which have increasingly specialised in the manufacture of performance critical components, and a network of sub-contractors, predominantly situated in low cost areas such as Eastern Europe, Thailand and China.

Howden's growth in recent years has been built on flexible supply chains and relatively low levels of fixed cost, part of this has been achieved through the increasing use of sub-contractors. Howden works very closely with its sub-contractors to ensure that their standards and working practices meet those required by Howden's own manufacturing facilities.

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

Europe

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

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

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

China

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

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

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

South America

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

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

Rest of the world

Africa

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

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

Other

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

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

Associated undertakings

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

Trading results for the year

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

Exceptional items

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

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

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

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

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

Earnings per share

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

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

Net financing (charge)/credit

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

Taxation

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

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

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

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

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

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

Acquisitions

Charter made three acquisitions during the year, details of which are set out in note 29. The impact of acquisitions on the 2008 results was to increase ESAB's revenue and operating profit by £10.4 million and £1.9 million respectively and to increase Howden's revenue and operating profit by £4.4 million and £0.5 million respectively. In 2008, the annual revenue of the businesses acquired was £27.8 million.

Impairment review of tangible assets – ESAB China

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

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

Currency

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

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

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

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

	At 31 December 2008	Average rate for 2008	At 31 December 2007	Average rate for 2007
Rates of exchange to £1				
US dollar	**1.44**	**1.85**	1.99	2.00
Euro	**1.03**	**1.26**	1.36	1.46
Chinese renminbi	**9.81**	**12.90**	14.54	15.22
Brazilian real	**3.35**	**3.34**	3.54	3.89
Czech koruna	**27.77**	**31.64**	36.20	40.43
Polish zloty	**4.26**	**4.42**	4.90	5.51

Balance sheet

The following table shows a summary of the balance sheet:

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

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

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

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

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

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

Retirement benefit obligations

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

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

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

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

A breakdown of the charge to operating profit of £2.2 million (2007: £1.6 million credit) in respect of defined benefit pension schemes and overseas medical schemes is set out below. In addition, £7.4 million (2007: £6.9 million) was charged against operating profit in respect of defined contribution pension schemes.

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

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

Provisions

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

Cash flow

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

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

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

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

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

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

Cash and borrowings

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

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

Going concern

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

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

At 31 December 2008, the Group had £233.1 million of uncommitted bonding facilities, of which £72.5 million were provided by its principal bankers. Bonds and guarantees totalling £167.7 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 reviewed the cash flow forecasts based on the Group's budget for 2009, and operating plans, and have taken into consideration the net cash position at 31 December 2008, the availability of committed facilities, the covenants attaching to those facilities and the sensitivities inherent in the cash flow forecasts. In particular, the Directors have considered carefully the principal risks to which the Group is exposed, including those summarised below.

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

Contingent liabilities

Details of contingent liabilities are set out in note 27.

Significant accounting policies

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

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

Risks and uncertainties

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

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

Economic recession

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

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

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

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

Financing

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

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

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

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

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

Actions of competitors

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

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

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

Foreign exchange: transaction risk

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

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

In relation to Howden, exposure is principally in relation to the US dollar and pegged currencies such as the Chinese 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.

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

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

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

Litigation

Charter, ESAB and Howden are subject to litigation in the ordinary course of their business; further details are contained in note 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 the second half of 2008 in particular, the values of equities have seen sharp falls. The liabilities of each scheme are subject to movements in variables such as long-term interest rates and changes in life expectancy. The net liability which appears on Charter's balance sheet relating to overseas schemes is also subject to movements in exchange rates; the depreciation of sterling against the US dollar and against European currencies in general contributed to the increase in the net liability which took place during 2008 and may reoccur in the future.

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

Raw material prices

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

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

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

Internal controls

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

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

BRITISH SAFETY COUNCIL AWARD

Tom Conde, Health and Safety Manager for Howden UK's Construction and Maintenance Division, receives a Sword of Honour from Brian Nimick, Chief Executive of the British Safety Council ('BSC'). The Sword of Honour is recognised as the most prestigious international health and safety accolade that BSC awards companies and is designed to encourage and reward organisations that work to best practice.

Inaugurated in 1979, every year only 40 swords are awarded worldwide by an independent awards panel. Receipt of the Sword is recognition that Howden UK is considered to be amongst the best global companies in terms of employee health and safety.

Approach and policies

The Board considers social, environmental and ethical matters in the context of the overall business environment and the management of them within the overall corporate governance and risk management framework (see page 47).

Charter is committed to understanding and responsibly managing significant risks to the environment and the communities in which it has a presence in those instances where it has operational control or significant influence. In such instances, the aim is for continuous improvement, driven by appropriate policies, management systems, operational performance measurement, internal reporting and assurance activities.

The Company also sees opportunities to contribute to international environmental programmes through application of its technology solutions, particularly in the areas of air pollution control and renewable energy. Howden has supplied a significant proportion of the world's installed base of air pre-heaters fitted to coal-fired utility boilers, reducing the fuel consumption of each boiler so fitted by about 10 per cent, which equates to an estimated reduction in CO_2 emissions of more than 100 million tonnes per year. ESAB is a leading supplier of cutting and welding solutions to firms engaged in the construction of wind towers.

In 2008, Charter commissioned an external study to identify the potential for strengthening management of Corporate Social Responsibility ('CSR') across its worldwide operations. In light of this project the key policy areas that provide the framework for the management of CSR, which are Environment, Health and Safety, Employment and the Code of Conduct, are currently being updated. An early initiative will be to provide improved CSR content on the Company's website, (www.charter.ie), where copies of the policies will be available in due course.

CSR governance

The core CSR policies which apply to all Charter businesses worldwide are communicated via an overall policies and procedures manual provided to the operational heads of all Charter businesses, who have responsibility for providing adequate resources to implement the policies. Operational accountability for CSR performance, in particular for ensuring policy implementation, also lies with the operational head of each unit.

CSR is considered to be an important driver of long-term sustainable business success and is being integrated within the overall risk management practices of Charter. Risks and issues relating to CSR are updated by subsidiary companies as part of their regular reviews. Progress on mitigating actions is monitored regularly. The Head of Risk Management has an overall coordinating role in areas of CSR to improve the sharing of best practice, collection of data and consistency of reporting. He is also responsible for ensuring that sections of the policies and procedures manual relating to risk management and business continuity planning are updated.

The Board and the senior management receive a monthly performance report on health and safety and environmental matters. Additionally, a formal review of major risks by the senior management (on a quarterly basis) and by the Board (every six months) takes account of ongoing and emerging CSR related risks.

Environment, Health and Safety ('EHS')

Management approach

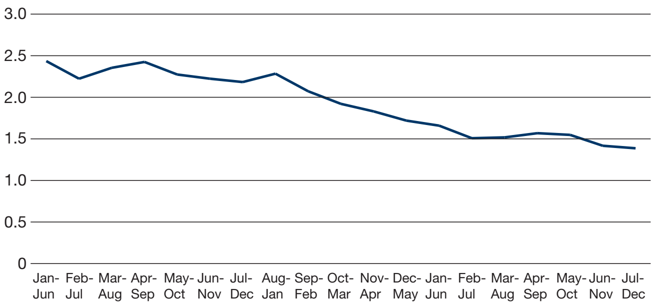
The responsibility for EHS issues follows the general management organisation structure. This means that local line management at each Charter business has primary responsibility for:

- compliance with local regulatory requirements;
- following Charter policies and procedures;
- implementing standards issued by ESAB or Howden;
- assessing and managing operational EHS risks; and
- implementing management systems and driving continuous improvement.

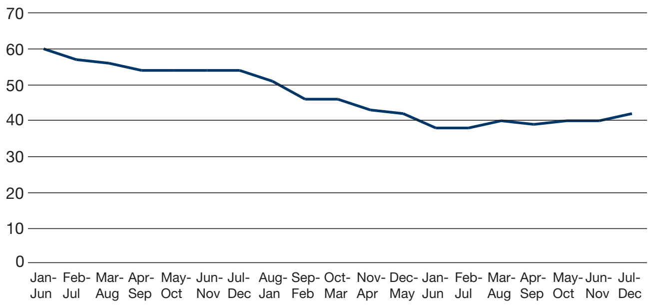
In 2008, a new EHS policy was developed for adoption in early 2009, under which safety performance became a factor taken into account in evaluating the performance of senior managers.

The Board and the senior management receive a monthly summary of EHS performance worldwide, which highlights lost time injuries and days away from work, and also reports the number of near misses, progress during the month on key activities and plans for the next quarter. This enables issues most relevant to the business to be identified and resources to be focused on any key areas identified.

LOST TIME INJURY FREQUENCY RATE – 6-MONTH ROLLING AVERAGE



LOST DAYS SEVERITY RATE – 6-MONTH ROLLING AVERAGE



Resources

EHS management resources were strengthened further in 2008 with additional central resources and the ongoing reinforcement of operational capabilities as required through additional recruits and skills training.

EHS conferences were run in each business with representatives taking part from all sites. ESAB held an EHS conference in India, attended by 44 EHS personnel from nineteen countries and Howden ran a two-day event in Edinburgh attended by 15 EHS personnel from nine countries.

EHS management systems

Charter requires that all of its operating sites use EHS management systems to implement policies and drive performance improvement. Newly acquired businesses are required to put in place an EHS management system as soon as possible as part of the integration process.

Certification of EHS management systems is a priority as it provides a high level of assurance that the systems being implemented are of an appropriate standard. Significant progress has been made in achieving this objective in recent years. ESAB gained worldwide certification by the end of 2007, which in 2008 was successfully extended to include ESAB India and other sites acquired in 2007. An objective for 2009 is to extend the certification to include the Romar automation business, which was acquired during 2008.

Howden has continued to make progress in 2008 with the certification of management systems at various of its manufacturing locations, including certification to OHSAS 18001 at seven sites and to ISO 14001 at six sites during the year. One site passed its pre-certification OHSAS 18001 audit in December 2008 and will receive its certificate in March 2009. This leaves three manufacturing sites, including the recent acquisition of Aeolus in Brazil, to be certified to OHSAS 18001. Certification to SCC (Safety Checklist for Contractors) is in place at Hengelo in Netherlands and Coswig in Germany. In addition to ESAB group certification audits, trained internal personnel undertake internal audits of ESAB sites to ensure compliance with policies and that remedial actions are taken to correct any audit findings. 24 audits were completed in 2008, representing 57 per cent of all ESAB operating units. In Howden, certified sites are independently reviewed as part of the re-certification process.

EHS regulatory issues

During 2008, there were no reported regulatory actions, fines or penalties.

Pre-registration under REACH (EU Regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals) was completed by 30 November 2008. Pre-registration allows Charter to benefit from phased-in deadlines for final registration of qualifying substances starting in December 2010. Charter has been preparing to participate in Substance Information Exchange Forums (‘SIEFs’) as required. So far no major impact on any of the businesses has been identified.

The Company is currently evaluating the implications, if any, of the UK Government’s new legally binding climate change and energy saving scheme called the Carbon Reduction Commitment.

Safety performance

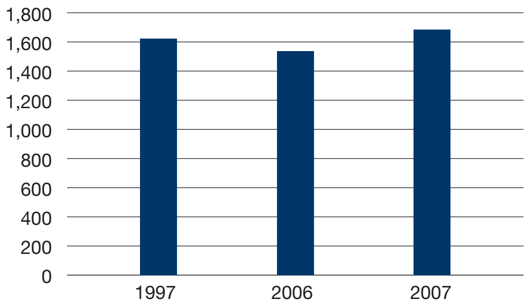
It is pleasing to record that no fatalities occurred in 2008 (including on-site contractors).

In 2008, in order to improve the comparability of data, the Charter safety performance indicators were adjusted to exclude restricted duty injuries and restricted days, making them more comparable with those of other companies. The indicators now reflect any injury that results in days away from work and the total number of days away (‘LDSR’), capped at 180 days per injury as per OSHA reporting requirements.

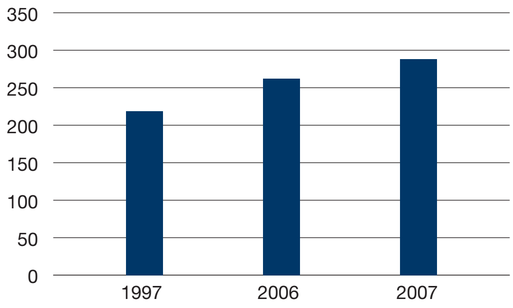
Charter’s target for safety is zero lost time injuries. Progress towards this is monitored by tracking the lost time frequency rate, expressed as the number of lost time injuries per 200,000 hours worked (‘LTIFR’). In 2008, LTIFR was 1.53, around a third less than 2007. The number of days away from work per 200,000 hours worked was reduced by 30 per cent from 57 in 2007 to 40 in 2008. These numbers include ESAB India and the other businesses acquired in 2007. The total number of hours worked in 2008 was 26 million compared to 20 million in 2007.

In 2008, the total number of first aid injuries and near misses reported was recorded. A first aid injury is any minor injury that does not require medical care other than by a trained first aider. A total of over 3,200 such incidents were recorded in 2008. Correcting unsafe conditions before they result in serious injuries is an important part of the management system and so the target is to increase the reporting of near misses and unsafe conditions by at least 20 per cent in 2009.

TOTAL ENERGY IN GJ ('000)



TOTAL GREENHOUSE GASES IN CO_2 EQUIVALENTS IN METRIC TONNES ('000)



Environmental performance

In selecting its performance indicators for environmental impact, Charter has taken into account government guidelines and the worldwide concerns over climate change and water scarcity. As a result, Charter has selected as performance indicators the reduction of direct and indirect energy usage, water consumption and waste transferred to landfill. Focusing on these performance indicators is also expected to drive efficiency gains and cost savings and will be integrated with the introduction of Lean Manufacturing processes.

The graphs on pages 34 and 35 show totals of energy consumption, greenhouse gas emissions, water consumption and total waste to landfill for 1997, 2006 and 2007 for all ESAB production sites. These totals do not include acquisitions made during 2007 but have not been adjusted for changes in the business as a result of new sites constructed, disposals, site closures or production line transfers. More detailed information will be available on the website shortly, including ESAB data for 2008 after it has been validated.

During the period 2006 to 2007, ESAB's revenue increased by 17.2 per cent with production capacity in consumables growing by almost 15 per cent. With such growth it is not surprising that all the KPIs show an increase, but most are less than the increase in revenue and production. Energy usage increased by 9.5 per cent whilst the rate of increase in greenhouse gases was higher at 10.2 per cent, reflecting the new consumables site in China where a high proportion of electricity is generated from coal.

Waste to landfill increased by 14.5 per cent. There was a good performance in ESAB's water consumption with the total reducing by 4.1 per cent. Howden performance data for 2007 and 2008 is being collected and will be reported on the website after consolidation.

The following additional targets have been set for reducing the energy intensity of Charter's businesses, as measured in March 2010 compared to March 2009:

- 10 per cent reduction in energy consumed per tonne of welding consumables manufactured by ESAB;
- 5 per cent reduction in energy consumed per unit of sales from other ESAB manufacturing sites; and
- 5 per cent reduction in energy consumed per production hour at Howden manufacturing sites.

Employment

Human resource management

Retaining key employees and recruiting and training new employees with requisite skills is vital to the continuing success of Charter's businesses. In 2009, key goals for human resource management will be managing and developing existing talent worldwide, succession planning and more consistent and rigorous performance appraisal systems, which will include increased emphasis on CSR objectives.

Employee numbers

During 2008, the average number of employees increased from 11,240 to 13,279. As at 31 December 2008, the total number of employees was 13,364, compared with 12,180 at 31 December 2007. During the year, employees were recruited for two new ESAB factories in China. As a consequence of a fall in demand for ESAB products in the fourth quarter of 2008, reductions in manned capacity were implemented throughout ESAB's business which is expected to result in 940 employees leaving by 31 March 2009, of whom 635 had left by 31 December 2008.

Equal opportunities

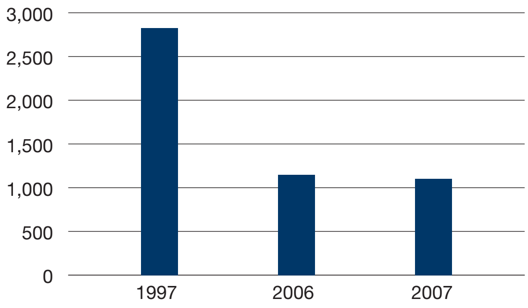
Charter recognises and values diversity in the workforce and all recruitment, selection and promotion is on the basis of individuals' qualifications, skills, experience and merit. No reports have been received of any breaches of anti-discrimination laws in all relevant jurisdictions concerning matters of gender, ethnic origin, age, religion, sexual orientation, or disability.

Training and development of employees

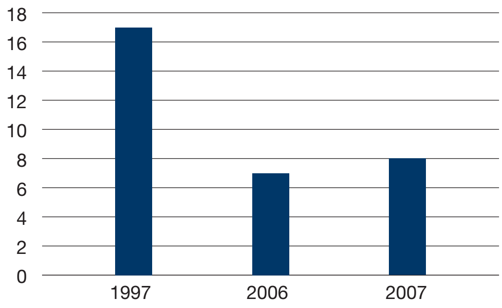
Charter businesses invest in employees' skills and capabilities through a variety of programmes, including training and succession planning. There is continuing investment in developing skills as shown by the ongoing investment in Lean Manufacturing training across both ESAB and Howden. In 2008, seventeen training sessions were completed, with 214 participants from 21 countries.

ESAB has continued with its Henley Leadership programme and during 2008 a further nine individuals completed the programme. In 2009 ESAB will begin to identify its Leadership Talent, utilising its present performance review systems and additional testing. This population will be eligible to attend the Senior Leadership programmes being run in 2009.

TOTAL WATER USED IN METRIC TONNES ('000)



TOTAL WASTE TO LANDFILL IN METRIC TONNES ('000)



In 2008 a global e-learning pilot was launched by ESAB for 200 individuals across Europe, Asia and the Middle East. The SkillPort web engine from SkillSoft was selected and the pilot ran from September 2008 to January 2009. Within this period over 240 hours of e-learning was logged on the system. ESAB is looking at continuing its use of SkillPort in 2009.

Howden has an ongoing requirement for additional engineers with the required level of expertise in its products and industries to assist it in achieving its worldwide growth aspirations. To respond to this, in 2008, Howden set up the Howden Academy, an in-house training school for engineers new to the company intended to deliver focused training on products and applications. Two three-week courses were held in 2008, with 97 participants from 13 countries. The courses included a module on EHS and Howden intends to introduce more CSR content in 2009.

Employee relations and communications

ESAB is continuously seeking to improve communications with its employees. During 2008, ESAB continued with 'Let's Talk' and 'The Wire', and introduced monthly employee briefings which focus on updating senior management on current issues facing the business for dissemination down throughout the organisation.

Howden continues to produce the 'Team Brief' every two months and a group newsletter every six months. Works councils and other consultative bodies are also used to provide information to employees. In the UK, all Howden employees had the opportunity to participate in a workplace organisation assessment. Actions have been put in place to address key areas of concern highlighted by the assessment.

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 CSR aspects related to such issues as mineral extraction, manufacturing, employment, the environment and business ethics.

ESAB has a Code of Ethics for purchasing and, in relation to certain criteria not covered by this Code, has in place a self-assessment procedure through which some 1,500 suppliers have been surveyed since 1997. A list of banned and hazardous substances has also been circulated and is monitored regularly. Auditing and other tools for managing supply chain CSR risks and obtaining assurance are being reviewed for possible future use.

Howden does not yet have a formal programme for surveying or auditing its suppliers against environmental or social criteria; however, this is being reviewed and an approach will be formalised in 2009.

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 is followed and that all supporting policies and procedures are complied with. As part of the Code of Conduct, Charter operates a whistleblowing policy. During 2008, nine disclosures were made, all of which were thoroughly investigated. No substance to the allegations was found in four of the cases. In another four either final warnings were given or employees were dismissed. One case is still under investigation but no evidence of wrongdoing by Charter employees has so far been identified.

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 reputations as a good employer and 'corporate citizen'. Examples will be published on the website.

Charter International plc became the ultimate holding company of Charter plc (now Charter Limited) by means of a Scheme of Arrangement that was approved by the High Court of England and Wales on 22 October 2008. As part of this transaction the Board of Directors of Charter plc were appointed to the Board of the Company.

LARS EMILSON
Chairman (67) 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 and East Capital Explorer AB.

MICHAEL FOSTER
Chief Executive (56) 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.

ROBERT CARELESS
Finance Director (55) 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.

JAMES DEELEY
Legal Director (45) D

Appointed as Legal Director of Charter International plc on 27 August 2008, having been Legal Director and Company Secretary 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.

THE HON. JAMES BRUCE
Senior Independent Non-Executive Director (60) 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 November 2001. He is a chartered accountant and was formerly an investment banker with Robert Fleming and Jardine Fleming. Mr Bruce is also a Non-Executive Director of Cadogan Group Limited.

JOHN BILES
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 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 International plc and Hermes Fund Managers Limited.

GREY DENHAM
Independent Non-Executive Director (60) 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 currently Company Secretary and Group Director Legal and Compliance of GKN plc in addition to being a Director of GKN Holdings plc and GKN (United Kingdom) plc. He is also president of GKN America Corp, Chairman of the GKN plc board sub-committee on governance and risk and a Non-Executive Director of the charity Young Enterprise UK. He is a qualified barrister.

JOHN NEILL CBE
Non-Executive Director (61)

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.

ANDREW OSBORNE
Independent Non-Executive Director (42) 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 Corporate Development Director of Geoffrey Osborne Limited.

KEY TO COMMITTEE MEMBERSHIP:
A – Audit Committee, R – Remuneration Committee, N – Nominations Committee, D – Disclosure Committee

JON TEMPLEMAN
Chief Executive of ESAB Global
(ESAB's worldwide operations) (46)

Joined Charter plc's head office in 2001 and later that year became Chief Financial Officer of ESAB Global prior to his appointment as Chief Executive Officer of ESAB Global in 2003. He was formerly a director at PricewaterhouseCoopers LLP in London and has a degree in Modern History from Oxford University.

BOB CLELAND
Chief Executive of Howden Global
(Howden's worldwide operations) (62)

Chief Operating Officer of Howden Global since 1998 and appointed 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.

The Directors present their report, together with the audited financial statements for the year ended 31 December 2008.

Scheme of Arrangement

On 22 October 2008, Charter International plc, a public company limited by shares, incorporated in Jersey and tax resident in the Republic of Ireland (the 'Company'), became the ultimate holding company of Charter plc (the former holding company of the Charter Group), pursuant to a Scheme of Arrangement under Sections 895 to 899 of the United Kingdom Companies Act 2006 that was approved by the High Court of Justice in England and Wales and the shareholders of Charter plc (the 'Scheme').

Pursuant to the Scheme, ordinary shares, having a nominal value of £0.02 each, of Charter plc ('Charter plc Ordinary Shares') were exchanged for ordinary shares, having a nominal value of £0.02 each, of the Company ('Charter Ordinary Shares'), on a one-for-one basis. Upon the Scheme of Arrangement becoming effective, Charter plc re-registered as a private limited company and is now a wholly-owned subsidiary of the Company. The Charter Ordinary Shares carry substantially the same rights as the Charter plc Ordinary Shares carried prior to the Scheme. Further information on the terms of the Scheme is set out in the Prospectus published by the Company on 8 September 2008, which can be viewed on the Company's website at www.charter.ie.

Charter was incorporated on 14 March 2008. Prior to 22 October 2008, being the effective date of the Scheme, the Company had not commenced trading or made any profits or trading losses.

Activities and review of operations

A review of the activities and operations of the Company 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 10 to 35. These are incorporated by reference into and form part of this report.

Business and Financial Review

The Business and Financial Review is a review of the development, and the operational and financial performance, of the business during the year ended 31 December 2008 and contains a description of the principal risks and uncertainties facing the business.

Profits

The profit for the year ended 31 December 2008 was £158.7 million (2007: £144.8 million).

Dividends

The Directors intend to declare a final dividend for the year ended 31 December 2008 of 14 pence per ordinary share (2007: 12 pence per ordinary share). An interim dividend of 7 pence per ordinary share was paid in respect of the six months ended 30 June 2008 (2007: nil). The Directors intend to declare the final dividend immediately prior to the Annual General Meeting of the Company (the 'AGM') on 29 April 2009, which will be paid on 5 May 2009 to those shareholders on the register at the close of business on 14 April 2009.

Directors

The names and brief biographical details of the Directors and Key Management of the Company appear on pages 36 to 38.

Messrs Careless and Deeley were appointed to the Board of the Company on 16 July 2008, with the remaining Directors being appointed on 27 August 2008. The Non-Executive Directors resigned as Directors of Charter plc on 22 October 2008 when the Scheme became effective. As the AGM will be the Company's first Annual General Meeting, all Directors will be retiring by rotation in accordance with the Company's Articles of Association and each being eligible will offer himself for re-appointment at the AGM.

Further details regarding the Company's procedures for the appointment of Directors can be found on pages 45 – Nominations Committee, 45 – Board Balance and Independence and 46 – 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 Global, Howden Global and Anderson Group Inc. respectively. John Neill, a Non-Executive Director of the Company, is currently Group Chief Executive of the Unipart Group of Companies. The total charges paid to Unipart Logistics during the year amounted to £2.7 million (2007: £2.4 million). The amount payable to Unipart Logistics as at 31 December 2008 was £0.6 million (2007: £15,399).

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

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

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 49 to 55.

Settlement with City Index
On 7 February 2006, the Company announced that it had settled its legal proceedings against City Index in respect of losses incurred as a consequence of certain unauthorised payments having been made by a former employee. The Board is aware that, following the settlement with the Company, City Index sought to continue to pursue claims for contribution against certain current and former Directors of the Company and against the Company's Auditors. A motion for summary judgment is to be considered by the House of Lords on 13 May 2009.

Corporate governance
A review of the Company's application of the principles and provisions of the Combined Code can be found on pages 44 to 47.

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 (among other things) 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 first Annual General Meeting will take place at 2 p.m. on 29 April 2009 at Fitzwilliam Hall, Fitzwilliam Place, Dublin 2, 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.

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 Social Responsibility Report on pages 32 to 35 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, ethnic origin, religion or sexual orientation. 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 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 £121,000 (2007: £90,000) to charities of which £13,000 (2007: £8,581) was to charities in the United Kingdom. Within the United Kingdom, donations were made in the year to support charities working in education (£nil (2007: £500)), medical research/support (£10,350 (2007: £4,806)) and community support (£2,650 2007: £3,275). There were no political donations made during the year (2007: £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 £13.2 million (2007: £9.2 million) for the year of which £8.8 million (2007: £6.3 million) has been charged to the income statement for the year and £4.4 million (2007: £2.9 million) has been capitalised as intangible assets.

Share capital structure
Share capital
As at 26 February 2009, the Company had 166,751,581 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 they think 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

Following the Scheme, the Board passed a resolution approving the Income Access Share arrangements ('IAS'). These arrangements 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 income access 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 Sections 2 and 3 of Part 4 (Taxation) of the Prospectus which was issued by the Company on 8 September 2008 (the 'Prospectus'). Please note that references in the Prospectus to 'New Charter' are references to Charter International plc and references to 'New Charter Ordinary Shareholders' are references to Shareholders of Charter International plc. A copy of the Prospectus is available on the Company's website at: www.charter.ie.

Section 2.3 of Part 4 of the Prospectus deals with the Irish tax treatment of dividends received. With effect from 1 January 2009, the Irish Government has introduced an income levy of between 1%-3%. Irish resident or ordinarily resident shareholders of the Company will be subject to the income levy on dividends paid on the Company's shares and on dividends paid under the IAS.

Section 3.2 of Part 4 of the Prospectus refers to proposals to extend the availability (subject to certain conditions) of tax credits in respect of dividends from non-UK resident companies to UK resident individuals owning 10 per cent or more of the issued shares of such companies. The UK Government has recently announced that these measures are to take effect from 6 April 2009.

Please note that neither the statements made above nor the statements contained in the Prospectus constitute tax advice. If you are in any doubt as to your tax position you should consult your own professional adviser.

The profit for the year ended 31 December 2008 was £158.7 million (2007: £144.8 million). The Directors intend to declare a final dividend for this year of 14 pence per ordinary share (2007: 12 pence per ordinary share). An interim dividend of 7 pence per ordinary share was paid in respect of the six months ended 30 June 2008 (2007: nil). The intention is for the dividend to be paid on 5 May 2009 to those shareholders on the register at the close of business on 14 April 2009.

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).

Amendment of Articles of Association

Unless expressly specified to the contrary in the Articles of Association of the Company, the Company's Articles of Association may be amended by a special resolution of the Company's shareholders.

Appointment and replacement of Directors

Shareholders may, by special resolution, set out regulations or provisions according to 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 Annual General Meeting 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 Annual General Meeting of the Company, any Director who has been appointed by the Board since the last Annual General Meeting, or who held office at the time of the two preceding Annual General Meetings 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 Annual General Meeting, 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 resolve 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

In connection with the Scheme, resolutions were passed on 27 August 2008 to allot relevant securities up to a nominal amount of £1,111,327.61, as required by the Company's Articles (other than those relevant securities allotted for the purposes of the Scheme and its associated arrangements up to an aggregate nominal amount of £3,680,881.12). That authority will apply until the conclusion of the AGM. At the AGM shareholders will be asked to grant a further authority to allot relevant securities (i) up to a nominal amount of £1,111,677, and (ii) comprising equity securities up to a nominal amount of £2,223,354 (after deducting from such limit any relevant securities allotted 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 Annual General Meeting (or, if earlier, until 30 June 2010).

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 £166,751.

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 16,675,158 ordinary shares and sets the minimum and maximum prices which may be paid.

Major shareholders

As at 26 February 2009, 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
08/07/08*	JP Morgan Chase & Co	Indirect	8,362,250	5.02
13/08/08*	Legal & General Group plc	Direct	6,936,296	4.16
16/01/09	Standard Life	Direct	7,243,353	4.344
	Investments Ltd	Indirect	2,785,085	1.670
		Total	10,028,438	6.014
20/01/09	Lloyds Bank	Direct	1,786,424	1.071
	Group plc	Indirect	6,580,806	3.946
		Total	8,367,230	5.017
03/02/09	Jupiter Asset Management Ltd	Indirect	16,647,082	9.983

**Notifications received by Charter plc prior to the effective date of the Scheme.*

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 provided to two subsidiaries of the Company of £40 million and US$ 20 million respectively.

Similar provisions are contained in smaller credit facilities that Charter Central Finance Limited has entered into with Skandinaviska Enskilda Banken AB, Bank of China (UK) Limited 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 49 to 55.

Rights under the employee share schemes

Under the rules of Charter International Long-Term Incentive Plan and the Charter International Deferred Share Bonus Plan eligible employees are entitled to acquire shares in the Company. As at 26 February 2009, Appleby Trust (Jersey) Limited as trustee of the Charter Employee Trust holds 0.018 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 social responsibility ('CSR')

The Company's report on CSR, including its approach to health and safety, social, environmental and other related environmental issues, can be found on pages 32 to 35 of the Business and Financial Review.

Statement of disclosure of information to Auditors

So far as the Directors 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.

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

James R Deeley
Director
26 February 2009

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 dated June 2006 (the 'Combined Code') on a continuous basis. This report, in addition to the Remuneration Report on pages 49 to 55 and the Audit Committee report on page 48, 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 2008 to 22 October 2008 (being the effective date of the Scheme), Charter plc, and, in respect of the period from 22 October 2008 to 31 December 2008, 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 CSR. 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 nine scheduled meetings for 2009. Three meetings of the Board of the Company have been held since the implementation of the Scheme. Prior to this date, Charter plc held nine meetings during the year.

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 Nominations, Audit and Remuneration Committees (including those of Charter plc prior to 22 October 2008) 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, 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	11/11	n/a	2/2	7/8
Michael Foster	11/11	n/a	2/2	n/a
Robert Careless	11/11	n/a	n/a	n/a
James Deeley	11/11	n/a	n/a	n/a
John Biles	10/11	4/4	2/2	8/8
The Hon. James Bruce	9/11	4/4	2/2	7/8
Grey Denham	10/11	4/4	2/2	8/8
John Neill	10/11	n/a	n/a	n/a
Andrew Osborne	10/11	4/4	2/2	8/8

The powers and authorities retained by the Board include:

- the approval of annual and interim 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
- 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, The Hon. James Bruce, Grey Denham and Andrew Osborne. All members were appointed to the Committee on 27 August 2008, having previously been members of the Nominations Committee of Charter plc prior to the Scheme. 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.

The Board of Charter plc reviewed plans for orderly management succession in relation to both Board and senior management appointments at its annual strategy conference in September 2008. 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: The Hon. James Bruce (Chairman), John Biles, Grey Denham, Lars Emilson and Andrew Osborne, all of whom are considered independent Non-Executive Directors pursuant to the Code.

Role and activities: A detailed explanation of the role and activities of the Committee can be found in the Remuneration report on pages 49 to 55.

(iv) Disclosure Committee

Composition: The Committee comprises the three Executive Directors. All members were appointed to the Committee on 27 August 2008 having previously been members of the Disclosure Committee of Charter plc prior to the Scheme.

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 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 48.

(c) North American operations

Following an internal reorganisation in February 2009, the operations of ESAB and Howden in North America are now managed by the boards of The ESAB Group, Inc. and Howden Buffalo, Inc. respectively. At the same time, Neil Schemm ceased to be a key manager of the business but continues to fulfil an important role as General Counsel to the operations of ESAB and Howden in North America.

(d) Chairman and Chief Executive

Lars Emilson is Chairman and Michael Foster is Chief Executive of the Company. Mr Emilson was appointed Chairman of the Company on 27 August 2008 having previously been Chairman of Charter plc since 1 November 2007, and Mr Foster was appointed Chief Executive on 27 August 2008 having previously been Chief Executive of Charter plc since 1 July 2006. 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 are 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 of the formal setting of the Board meetings.

(e) 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 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.

(f) 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 Non-Executive 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.

(g) Performance evaluation
Evaluation of the Board and its principal committees is conducted by gathering feedback from the relevant members of the Board and committees on a questionnaire prepared internally, the results of which are collated and presented to the Board by the Chairman. In addition, the Chairman holds a number of meetings with individual Directors to consider their comments and general impression of the performance of the Board and the Committees. The Chairman is responsible for conducting the performance evaluation of the Chief Executive. The Non-Executive Directors, led by the Senior Independent Director, are responsible for evaluating the performance of the Chairman and in doing so take account of the views of the Executive Directors. The Chief Executive conducts individual evaluations of the Executive Directors against a number of pre-agreed performance objectives.

The results of the questionnaires and the individual meetings were summarised in a paper submitted to the Board by the Chairman on 9 December 2008. This considered the areas that the Directors identified for improvement and set out the manner in which these were to be addressed going forward. The Board was unanimous in its agreement with the Chairman's assessment that the Board, its committees and individuals continued to be effective.

(h) Re-appointment
Under Article 93 of the Articles of Association of the Company, at every Annual General Meeting any Director who has been appointed by the Board since the last Annual General Meeting, or who held office at the time of the two preceding Annual General Meetings 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. As the AGM will be the Company's first Annual General Meeting, all Directors will retire and offer themselves for re-appointment at this meeting.

3 Accountability and Audit
(a) Financial reporting
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 pages 56 and 57, 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 that 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 identification 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 44, 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;
- 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 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.

(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 2008 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 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.

Composition

The Committee presently comprises John Biles (Chairman), the Hon. James Bruce, Grey Denham and Andrew Osborne, all of whom are considered independent Non-Executive Directors pursuant to the Combined Code. Their biographical details are set out on page 37. There were no changes to the membership of the Audit Committee of Charter plc between 1 January and 22 October 2008 or to that of the Committee since 22 October 2008 when the Scheme became effective. 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 the Hon. James Bruce, John Biles and Andrew Osborne all have recent and relevant financial experience, as required by the Combined Code.

Role of the committee

The primary role of the Committee, which reports its findings to the Board, 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 Interim Financial Reports;
- 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 services of 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. 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 2008

Meetings and attendance

The Committee met on four occasions in 2008, three as the Audit Committee of Charter plc prior to the Scheme becoming effective and once as the Audit Committee of the Company. 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 page 44. The Chairman, Chief Executive, Finance Director, 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. 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 external and internal Auditors prior to Committee meetings.

Financial reporting

During 2008 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. 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.

External Auditors

The Committee is responsible for the development, implementation and monitoring of the Company's policies on external audit. The Committee has reviewed those services provided by the external Auditors throughout the year in accordance with the Company's policy on the provision of non-audit services by the external Auditors. This policy notes that such services are likely to fall within the following types: (a) financial statements and external reports, (b) acquisitions, (c) disposals, (d) taxation and (e) 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 Auditor were £5.8 million of which £3.0 million related to the audits of the parent company, consolidated accounts and subsidiary undertakings. Non-audit fees of £2.8 million included £1.6 million in relation to services rendered for the Scheme of Arrangement. The remaining non-audit fees of £1.2 million represent 21 per cent of the total fees paid to the external Auditor. In accordance with its remit, the Committee reviewed and adopted the external Auditors' plans for the audit of the Company's 2008 financial statements. In approving the terms of engagement for the audit, the Committee considered the proposed audit fee and associated expenses. The Committee performed a review of the effectiveness of the Company's external Auditors, and has recommended to the Board that PricewaterhouseCoopers LLP 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 25 February 2009, and has received written confirmation from the external Auditors to this effect.

Internal audit and monitoring of 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. The review of the effectiveness of the internal audit function was based primarily on guidelines issued by the Institute of Internal Auditors. 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 44 to 47.

Whistleblowing

The Company's whistleblowing policy was monitored by the Committee at its meetings following the Scheme and by the Audit Committee of Charter plc prior to this date. Issues raised through the Company's whistleblowing procedures during the year were considered and any follow-up actions taken as and when required.

On behalf of the Committee

John Biles
Chairman of the Audit Committee
26 February 2009

The Directors present the Remuneration report for the year ended 31 December 2008. The report describes how the Company has applied the principles of the Combined Code with regard to remuneration. Sections 3(iv-viii) and 3(b) and the notes to the Remuneration report on pages 53 to 55 are subject to audit.

1 The Remuneration Committee

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

The members of the Committee are the Hon. James Bruce (Chairman), Lars Emilson, John Biles, Grey Denham and Andrew Osborne. There were no changes to the membership of the Committee of Charter plc between 1 January 2008 and 22 October 2008 or to that of the Company since 22 October 2008 when the Scheme became effective. All members of the Committee are deemed independent in accordance with the Combined Code. Details of the number of meetings held by the Committee since 22 October 2008, as well as attendance details, can be found in the table contained in the Corporate Governance Report on page 44. 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. The Committee had access to the advice of the Chief Executive and the Company Secretary (neither of whom participated in any discussion directly relating to their own remuneration) and a number of external advisers in conducting its duties. The Committee consulted the following: Hewitt Associates, who provided the Company with actuarial advice in relation to pensions and Hewitt New Bridge Street Consultants ('HNBS', part of Hewitt Associates), who were appointed to advise the Committee and provided independent advice regarding Executive Directors' remuneration and long-term incentive arrangements (but no further services to the Company).

2 Remuneration policy

The policy for Executive Directors and Key Management is designed to enable the Company to attract, motivate and retain individuals by ensuring that their total reward is competitive and linked to both individual and business performance. Consistent with this policy, the remuneration of the Executive Directors is intended to be competitive and comprise both fixed and performance-related elements. Performance-related elements are designed to form a significant part of potential remuneration. Executive Directors' remuneration is reviewed each year to ensure that it is supportive of both the Company's business objectives and the creation of shareholder value. It is the intention 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. The remuneration packages for other Key Management are designed to operate on a basis similar to that of the Executive Directors.

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

3 Remuneration

(a) 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 2009 and a pay increase of 3 per cent was awarded. These increases were made taking into account the Executive Directors' relative benchmark positioning and were consistent with the average increase across the rest of the Company.

(ii) Bonus

The maximum bonus potential of the Executive Directors is 100 per cent of salary. For the achievement of target performance in 2008, a bonus of 50 per cent of salary and in 2009 40 per cent of salary may be earned.

In 2008, actual bonus payouts were assessed depending 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 Company financial performance. For the year ended 31 December 2008, 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 targets 1 and 2, 50 per cent of the maximum bonus on each part would be payable for meeting budget, the maximum bonus would only become payable for performance that was substantially in excess of budget and no bonus would be payable for performance that was substantially below 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 overall financial performance of the Company and its performance relative to the market. No bonuses payable to Executive Directors are pensionable.

Following a review of the Executive Directors' performance during the year ended 31 December 2008, the Committee determined that the budgeted EPS target had been exceeded but that the cash flow target had not been achieved. Accordingly, no bonus payment was made in respect of the cash flow target. Details of the bonuses paid to the Executive Directors in respect of the year ended 31 December 2008 are set out on page 53.

In respect of the year ending 31 December 2009, bonuses payable to the Executive Directors will be measured against the same performance objectives as those used in determining the 2008 bonus entitlements, save that, in respect of the EPS target, 40 per cent of the maximum bonus for that part would be payable for meeting budget, the maximum bonus would only become payable for performance that was substantially in excess of budget and no bonus would be payable for performance that was marginally below budget.

From 2009, the Committee has agreed that performance under the EPS element of the bonus will be measured on a constant currency basis. To date, performance had been measured using actual rates of exchange. However, the Committee believes that the revised approach will be 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 (i.e. up to 25 per cent of salary) 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. As a result no awards were made in respect of the year under review and there is no intention to make any awards under this plan in the future.

The options have 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. Both conditions were met in full, and so the option became exercisable on 13 March 2008.

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

The CI LTIP was approved by the shareholders of the Company on 27 August 2008 and by the shareholders of Charter plc at a general meeting on 1 October 2008 and is substantially the same as the Charter 2005 Long-Term Incentive Plan ('2005 LTIP') adopted by Charter plc prior to the Scheme becoming effective.

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.

An individual may not receive awards in any financial year over shares having a market value in excess of 100 per cent of their annual 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. The current grant policy for Executive Directors is to grant annual awards of 100 per cent of salary.

Vesting is based on the Company's total shareholder return 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.

(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

Since its listing on 22 October 2008 to 31 December 2008, 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 2008	166,751,581
All schemes (10% in any rolling 10-year period)	5,188,220
Remaining headroom	11,486,938
Discretionary schemes (5% in any rolling 10-year period)	5,188,220
Remaining headroom	3,149,359

The Committee has the flexibility to satisfy awards pursuant to the CI LTIP and the 2005 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 benefit is one-thirtieth of base salary, and Messrs Careless and Deeley's benefits 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 additional 25 per cent of non-pensionable salary to the extent that their base salaries exceed this cap. These payments are included in their emoluments shown on page 53. Mr Deeley has elected that, from this amount, 9 per cent of his base salary in excess of the cap is paid by the Company to the Company's defined contribution stakeholder pension scheme. Details of pension entitlements can be found in the table on page 53.

(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 from 27 August 2008 to 31 December 2008 are set out below. The normal retirement age of all the Executive Directors is 65.

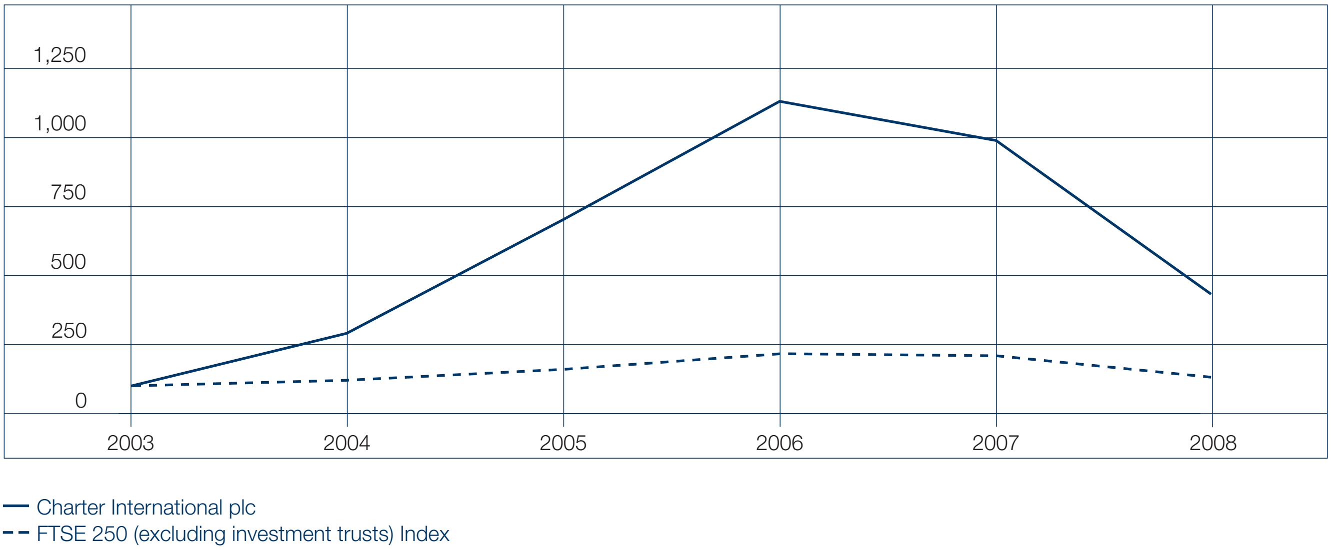
The Executive Directors entered into new service agreements with Charter Central Services Limited ('CCSL') on 27 August 2008 which became effective on the effective date of the Scheme, being 22 October 2008 (the 'Service Agreements' and each a 'Service Agreement'). The Service Agreements are terminable 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 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.

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 agreed between the Company and all of the Non-Executive Directors (including the Chairman).

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, being the effective date of the Scheme. Each such 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 2008, of £100 invested in Charter plc on 31 December 2003 and re-invested in Charter International plc on the 22 October 2008 as compared with £100 invested in the FTSE 250 (excluding investment trusts) index on the same date.



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.

(b) Non-Executive Directors

The Board has delegated authority to the Standing Committee to determine the fees payable to the Chairman and the Non-Executive Directors. Non-Executive Directors are not eligible to participate in any of the Company's bonus, pension or share incentive schemes. They have standard letters of appointment that comply with the recommendations of the Combined Code. Non-Executive appointment letters are available for inspection at the Company's registered office and will be made available at the AGM.

Name	Effective date of appointment letter	Notice period	Term	Unexpired term
Lars Emilson	22 October 2008	1 month (Company) 1 month (Director)	3 years	32 months
John Biles	22 October 2008	1 month (Company) 1 month (Director)	3 years	32 months
The Hon. James Bruce	22 October 2008	1 month (Company) 1 month (Director)	3 years	32 months
Grey Denham	22 October 2008	1 month (Company) 1 month (Director)	3 years	32 months
John Neill	22 October 2008	1 month (Company) 1 month (Director)	3 years	32 months
Andrew Osborne	22 October 2008	1 month (Company) 1 month (Director)	3 years	32 months

With effect from 1 November 2008, the fees payable to the Non-Executive Directors were increased by 5 per cent from £55,000 to £57,750 per annum and the fees payable to the chairmen of the Audit and Remuneration Committees were increased by a further £6,000 and £4,000 per annum respectively. The increases in the fees payable to the chairmen of the Audit and Remuneration Committees reflect their additional duties as chairmen of those committees. This represents the first change to the fees payable to the Non-Executive Directors for three years and takes account of the disruption caused to the Directors as a result of attending all Board and committee meetings in Ireland. The policy is to review Non-Executive Directors' fees on an annual basis.

(c) External appointments

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

4 Transition arrangements following the Scheme

Prior to the Scheme becoming effective on 22 October 2008, the Executive Directors held a number of awards under share incentive arrangements operated by Charter plc. These included awards under the 2005 LTIP, the DBP and a one-off option awarded to Michael Foster. Details of these can be found in the table on page 55. Upon the Scheme becoming effective, in accordance with the rules of the 2005 LTIP and the DBP, all outstanding awards under these plans were automatically exchanged for equivalent awards over ordinary shares in the Company. As the options under the MF Plan would have lapsed if not exercised by the effective date of the Scheme, at that time Mr Foster exchanged his option for an equivalent option over ordinary shares in the Company. None of these awards vested as a result of the Scheme. The replacement awards have the same vesting periods, number of shares and other terms as the original awards, and any existing performance targets and/or conditions will continue to apply as described above.

Notes to Remuneration Report

(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 2008. These include emoluments earned prior to the Scheme of Arrangement becoming effective on 22 October 2008 (the 'Scheme Effective Date') from Charter plc (now Charter Limited) and its subsidiaries.

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 2008 £'000**	Total 2007 £'000
Executive Directors								
Michael Foster	489	11	263	88	17	98	966	955
Robert Careless	274	11	139	46	14	45	529	581
James Deeley	239	11	141	47	17	36	491	457
Executive Directors' total	**1,002**	**33**	**543**	**181**	**48**	**179**	**1,986**	1,993
Non-Executive Directors								
Lars Emilson		200	–	–	–	–	**200**	40
John Biles		56	–	–	–	–	**56**	55
The Hon. James Bruce		56	–	–	–	–	**56**	55
Grey Denham		55	–	–	–	–	**55**	55
John Neill		55	–	–	–	–	**55**	55
Andrew Osborne		55	–	–	–	–	**55**	55
Non-Executive Directors' total		**477**					**477**	**315**
Total	**1,002**	**510**	**543**	**181**	**48**	**179**	**2,463**	2,308

(1) With effect from the Scheme Effective Date, 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 £55,000 in respect of their duties as Directors of Charter International plc. At the same time the salaries received by them from Charter Central Services Limited 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 before and after the Scheme Effective Date.

(2) With effect from 1 November 2008, the fees payable to all Directors in respect of their duties as Directors of Charter International plc were increased by 5 per cent from £55,000 to £57,750 per annum and the fees payable to the Chairmen of the Audit and Remuneration Committees were increased by a further £6,000 and £4,000 per annum respectively. The increases in the fees payable to the Chairmen of the Audit and Remuneration Committees reflect their additional duties as Chairmen of those committees. These represent the first increases in the fees payable to Non-Executive Directors for three years and take into account the disruption caused to the Directors as a result of attending all Board and Committee meetings in Ireland. This increase had no impact on the aggregate remuneration of the Executive Directors since the salaries received by them from Charter Central Services Limited were reduced by an amount equal to the increase.

(3) With effect from the annual review on 1 January 2009, the remuneration of the Executive Directors was increased by 3 per cent such that the current base salary and fees of the Executive Directors are as follows:

Directors	Salary £'000	Fees £'000	Total £'000
Michael Foster	457	58	515
Robert Careless	236	58	294
James Deeley	200	58	258

(4) Two Executive Directors (2007:2) have waived their fees from a subsidiary undertaking. Fees waived by these Directors during the year amounted to £1,200 (2007: £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)	14,100	14,900	5,700
Increase in accrued pension during year excluding inflation	3,100	1,900	2,200
Increase in accrued pension during year including inflation	3,500	2,300	2,300
Transfer value of benefits accrued during the year excluding inflation	51,300	29,800	16,700
Transfer value of benefits accrued during the year including inflation	58,100	37,700	17,600
Transfer value accrued at end of year	232,300	238,700	42,600
Transfer value at start of year	193,300	225,500	29,300
Increase in transfer value over year	39,000	13,200	13,300

(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 2008 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 2008 were as follows:

Directors	Total as at 31.12.2008	Total as at 31.12.2007
Executive Directors		
Michael Foster(1)	42,266	23,266
Robert Careless	35,895	5,000
James Deeley	2,000	1,000
Non-Executive Directors		
Lars Emilson	10,000	3,000
John Biles	8,461	3,000
The Hon. James Bruce	–	–
Grey Denham	1,000	1,000
John Neill	87,278	57,834
Andrew Osborne	–	–
Total	**186,900**	**94,100**

(1) 41,266 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 2009 and the date of this Remuneration Report.

(ii) Share options and incentives

Awards under Charter International plc Incentive Plans

From the Scheme Effective Date, all awards over shares in Charter plc under the Deferred Bonus Plan and the 2005 Long-Term Executive Plan were exchanged for identical awards over shares in Charter International plc and are listed in the table below.

	Grant date	Number at 1 January 2008	Granted in year	Exercised in year	Lapsed in year	Number at 31 December 2008	Exercise price	Earliest exercise date	Expiry date	Value at 31 December 2008(1)
Michael Foster										
MF Plan	22.03.05	149,089	–	–	–	149,089	217.99p	March 08	12.03.09	166,995
LTIP	24.03.06	46,378	–	–	–	46,378	Nil	24.03.09	–	153,047
LTIP	22.03.07	46,673	–	–	–	46,673	Nil	22.03.10	–	154,020
LTIP	25.03.08[2]	–	64,800	–	–	64,800	Nil	25.03.11	–	213,840
DBP	25.03.08[3]	–	13,824	–	–	13,824	Nil	25.03.11	–	45,619
DBP	23.05.08[4]	–	184	–	–	184	Nil	25.03.11	–	607
Total		242,140	78,808			320,948				734,128
Robert Careless										
LTIP	06.10.05	52,439	–	52,439[5]	–	–	Nil	–	–	
LTIP	24.03.06	30,691	–	–	–	30,691	Nil	24.03.09	–	101,280
LTIP	22.03.07	29,170	–	–	–	29,170	Nil	22.03.10	–	96,261
LTIP	25.03.08[2]	–	36,936	–	–	36,936	Nil	25.03.11	–	121,889
DBP	25.03.08[3]	–	8,493	–	–	8,493	Nil	25.03.11	–	28,027
DBP	23.05.08[4]	–	113	–	–	113	Nil	25.03.11	–	373
Total		112,300	45,542	52,439		105,403				347,830
James Deeley										
LTIP	10.07.06	19,257	–	–	–	19,257	Nil	10.07.09	–	63,548
LTIP	22.03.07	23,336	–	–	–	23,336	Nil	22.03.10	–	77,009
LTIP	25.03.08[2]	–	32,400	–	–	32,400	Nil	25.03.11	–	106,920
DBP	25.03.08[3]	–	6,912	–	–	6,912	Nil	25.03.11	–	22,810
DBP	23.05.08[4]	–	92	–	–	92	Nil	25.03.11	–	303
Total		42,593	39,404			81,997				270,590

(1) Value of options under the MF Plan at 31 December 2008 shows the differences between the market price of the shares at 31 December 2008 and the exercise price of the options, multiplied by the number of options. 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 2008. The assumption is that the maximum number of options/awards vested in accordance with the performance conditions described on page 50. 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 25 March 2008 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 20 March 2008 of 771.6 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 2007. The awards were calculated by reference to the average share price of the Company over the five dealing days ending on 20 March 2008, being 771.6p.

(4) Awards represent the reinvestment of the final dividend for the year ended 31 December 2007 using a share price of 899p to calculate the number of shares subject to the award.

(5) On 9 October 2008 this award vested in full following satisfaction of the performance conditions. 21,544 shares were sold to meet tax and NI liabilities at a price of 546p. The remaining 30,895 shares were retained by Robert Careless.

(6) The price of an ordinary share on 25 March 2008 was 801 pence. During the year, the range of share prices was 227.5 pence to 1053 pence, with the price on 31 December 2008 being 330 pence.

(7) The performance conditions applying to any of the above awards are as described on page 50.

(8) The accrued cost of Directors' LTIP awards outstanding at 31 December 2008, calculated in accordance with IFRS2 'share-based payment' was £1.3m (2007: £0.7m).

By order of the Board

The Hon. James Bruce
Chairman of the Remuneration Committee
26 February 2009

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

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 2008 and the consolidated income statement, statement of recognised 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 Auditor considers 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 2006 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 Operating 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 2008, 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
27 February 2009

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.

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 2008 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 Auditor considers 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 Operating 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 2008, 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
27 February 2009

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.

For the year ended 31 December 2008

Note		2008 £m	2007 £m
	Continuing operations		
2 & 3	**Revenue**	**1,887.0**	1,451.1
	Cost of sales	**(1,353.2)**	(1,014.5)
	Gross profit	**533.8**	436.6
	Selling and distribution costs	**(182.7)**	(138.7)
	Administrative expenses	**(150.1)**	(124.6)
2 & 4	**Operating profit**	**201.0**	173.3
	Analysed as:		
	Operating profit before exceptional items, amortisation and impairment of acquired intangibles and goodwill	**211.2**	173.8
	Exceptional items – restructuring	**(6.2)**	–
	– change in holding company	**(2.1)**	–
9	Amortisation and impairment of acquired intangibles and goodwill	**(1.9)**	(0.5)
		201.0	173.3
6	Net financing (charge)/credit – retirement benefit obligations	**(0.7)**	2.3
6	Other financing charge before losses on retranslation of intercompany loan balances	**(6.8)**	(4.3)
6	Other financing income before gains on retranslation of intercompany loan balances	**5.6**	6.1
6	Net losses on retranslation of intercompany loan balances	**(4.6)**	(2.5)
6	Net financing (charge)/credit	**(6.5)**	1.6
2 & 12	Share of post tax profits of associates	**3.2**	3.2
	Profit before tax	**197.7**	178.1
	Taxation charge on underlying profits	**(38.5)**	(32.8)
	Taxation on exceptional items	**1.5**	–
	Taxation on amortisation and impairment of acquired intangibles and goodwill	**0.4**	0.1
	Taxation on net losses on retranslation of intercompany loan balances	**(2.4)**	(0.6)
7	Taxation charge	**(39.0)**	(33.3)
	Profit for the year	**158.7**	144.8
	Attributable to:		
	– Equity shareholders	**150.2**	137.8
	– Minority interests	**8.5**	7.0
		158.7	144.8
9	***Earnings per share***		
	Basic	***90.1p***	*82.7p*
	Diluted	***90.0p***	*82.5p*

At 31 December 2008

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

The financial statements on pages 58 to 98 were approved by the Board of Directors on 26 February 2009 and signed on its behalf by:
J R Deeley – Director

For the year ended 31 December 2008

Note		2008 £m	2007 £m
	Cash flow from operating activities		
28	Cash generated from operations	**159.5**	149.1
	Interest received	**4.5**	4.4
	Interest paid	**(6.5)**	(4.1)
	Taxation paid	**(49.7)**	(35.9)
	Net cash flow from operating activities	**107.8**	113.5
	Cash flow from investing activities		
29	Purchase of subsidiary undertakings, net of cash acquired	**(39.4)**	(26.2)
	Disposal of associated undertaking	**–**	2.4
	Expenditure on development costs	**(4.4)**	(2.9)
	Purchase of property, plant and equipment and computer software	**(66.5)**	(47.7)
	Sale of property, plant and equipment and computer software	**1.7**	3.3
	Dividends received from associated undertakings	**1.6**	1.2
	Net cash flow from investing activities	**(107.0)**	(69.9)
	Cash flow from financing activities		
	Increase in short-term borrowings (other than those repayable on demand)	**3.8**	3.0
	Decrease in short-term borrowings (other than those repayable on demand)	**(2.4)**	(1.0)
	Increase in long-term borrowings	**13.2**	0.5
	Decrease in long-term borrowings	**(9.0)**	(4.5)
	Repayment of capital element of finance leases	**(0.8)**	(0.6)
	Cash inflow/(outflow) from debt and lease financing	**4.8**	(2.6)
	Decrease/(increase) in cash on deposit	**0.8**	(0.1)
	Dividends paid to equity shareholders of the Company	**(31.7)**	–
	Dividends paid to minority interests	**(4.3)**	(3.1)
	Share issue costs	**(1.6)**	–
	Purchase of treasury shares	**(0.2)**	–
	Net cash flow from financing activities	**(32.2)**	(5.8)
	Currency variations on cash, cash equivalents and bank overdrafts	**3.0**	4.1
	Net movement in cash, cash equivalents and bank overdrafts	**(28.4)**	41.9
	Cash, cash equivalents and bank overdrafts at beginning of the year	**89.8**	47.9
15	**Cash, cash equivalents and bank overdrafts at end of the year**	**61.4**	89.8

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

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

For the year ended 31 December 2008

Note		2008 £m	2007 £m
22 & 24	Exchange translation	**124.6**	26.6
22 & 24	Actuarial (losses)/gains on retirement benefit obligations	**(54.0)**	10.9
22	Actuarial gains on retirement benefit obligations – associates	**–**	0.4
22	Tax on actuarial losses/(gains) on retirement benefit obligations	**8.1**	0.6
22	Tax on actuarial gains on retirement benefit obligations – associates	**–**	(0.1)
22	Share-based payments – attributable tax	**(0.2)**	0.1
22	Change in fair value of outstanding cash flow hedges	**(9.1)**	(1.6)
22	Net transfer to income statement – hedges	**(2.4)**	0.5
22	Net investment hedges	**(27.3)**	(0.1)
22	Net deferred income tax movement for the year – hedges	**2.8**	0.5
22	Share of fair value adjustments on transfer of associates to subsidiaries	**–**	5.6
	Net income recognised directly in equity	**42.5**	43.4
22 & 24	Profit for the year	**158.7**	144.8
	Total recognised income for the year	**201.2**	188.2
	Attributable to:		
22	– Equity shareholders of the Company	**184.5**	179.8
24	– Minority interests	**16.7**	8.4
		201.2	188.2

For the year ended 31 December 2008

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 26 February 2009.

(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'). Although Charter International plc is incorporated and registered in Jersey under the Jersey Companies Law, the consolidated financial statements include disclosures sufficient to comply with those parts of the UK Companies Act 1985 and 2006 applicable to companies reporting under IFRS.

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.

New holding company

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

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

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

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

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

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

In accordance with IAS 32, the transaction costs attributable to the issue of shares as part of the Scheme of Arrangement of £1.6 million have been deducted from equity, net of any related tax benefit (note 22). The other costs of implementing the Scheme of Arrangement of £2.1 million have been charged to the income statement and classified as an exceptional item (note 5).

Use of adjusted measures

To help provide a better indication of the Group's underlying business performance adjusted earnings per share excludes:

- amortisation and impairment of acquired intangibles and goodwill;
- items which are both material and non-recurring (exceptional items); and
- foreign currency exchange differences on the retranslation of intercompany loans, which are determined by reference to movements in exchange rates. These amounts are likely to be volatile and are unrelated to underlying performance.

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.

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 instruments) at fair value.

1 Basis of preparation and accounting policies (continued)

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 2008, amounts receivable/payable under construction contracts were £71.9 million (2007: £55.7 million) and £115.7 million (2007: £82.2 million) respectively. Contract retentions held by customers at 31 December 2008 in respect of construction contracts amounted to £40.2 million (2007: £29.3 million). Warranty and product liability provisions at 31 December 2008 of £28.0 million (2007: £21.3 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 2008, the net retirement benefit obligation was £139.3 million (2007: £76.6 million).

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 2008, the carrying amount of capitalised goodwill was £89.4 million (2007: £60.1 million).

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 2008, these provisions amounted to £35.5 million (2007: £29.7 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 2008, income tax liabilities provided were £26.1 million (2007: £27.3 million) and net deferred income tax assets recognised amounted to £37.2 million (2007: £12.7 million).

Changes to accounting policies

Standards, amendments and interpretations to published standards that are mandatory for accounting periods beginning on or after 1 January 2008 and that have been adopted by the Group, but are not relevant or have an insignificant impact on the Group's financial statements:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions' provides guidance in relation to stand-alone accounts of the parent and group companies.
- IFRIC 12, 'Service concession arrangements' gives guidance on the accounting by operators for public to private service concession arrangements.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

Standards, amendments and interpretations to existing standards that have been published, that are mandatory for the Group's accounting periods from 1 January 2009, and that the Group will apply from 1 January 2009, that are not expected to have a significant impact on the Group's financial statements:

- IFRS 2 (Amendment), 'Share-based payment'. The amended standard deals with vesting conditions and cancellations.
- IFRS 8, 'Operating segments'. The standard replaces IAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.
- IAS 1 (Amendment), 'Presentation of financial statements'. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively.
- IAS 1 (Revised), 'Presentation of financial statements'. 'Non-owner changes in equity' must be presented separately from owner changes in equity and must be shown in a performance statement. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.
- IAS 19 (Amendment), 'Employee benefits'.
- IAS 23 (Amendment), 'Borrowing costs'. Borrowing costs directly attributable to a qualifying asset (one that takes a substantial period of time to get ready for use or sale) must now be included in the cost of that asset.

1 Basis of preparation and accounting policies (continued)

Changes to accounting policies (continued)

- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures'). An investment in an associate is treated as a single asset for the purposes of impairment testing.
- IAS 36 (Amendment), 'Impairment of assets'. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.
- IAS 38 (Amendment), 'Intangible assets'. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement'. The amendment to the standard is still subject to endorsement by the EU.
- IFRIC 13, 'Customer loyalty programmes'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'. IFRIC 16 clarifies the accounting treatment in respect of net investment hedging.
- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting'.

Interpretations and amendments to existing standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 that are not relevant and will not have an impact on the Group's financial statements:

- IFRS 1 (Amendment), 'First-time adoption of IFRS', and IAS 27, 'Consolidated and separate financial statements'.
- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows').
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance'.
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation'. The amended standards deal with the classification of certain financial instruments.
- IAS 27 (Amendment), 'Consolidated and separate financial statements'. This deals with the classification of investments in subsidiaries.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures').
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies'.
- IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7).
- IAS 38 (Amendment), 'Intangible assets'. This deals with methods that result in a lower rate of amortisation than the straight-line method.
- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16).
- IAS 41 (Amendment), 'Agriculture'.
- IFRIC 15, 'Agreements for construction of real estate'. The interpretation clarifies whether IAS 18, 'Revenue' or IAS 11, 'Construction contracts', should be applied to particular transactions.

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 payments classified as debt subsequently re-measured 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.
- IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption'). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.
- IAS 27 (Revised), 'Consolidated and separate financial statements'. The effects of all transactions with non-controlling interests must be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.
- IFRIC 17, 'Distributions of non-cash assets to owners'. This clarifies how an entity should measure distributions of assets, other than cash, when it pays dividends to its owners.
- 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.

(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.

1 Basis of preparation and accounting policies (continued)

(iii) Basis of consolidation (continued)
Associates 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 are accounted for by the equity method of accounting and are initially recorded at cost.

The Group's share of its associates' 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 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 are eliminated to the extent of the Group's interest in the associates.

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.

(iv) Segmental reporting
The Group's primary reporting format is business segments and its secondary format is geographical segments. A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from other business segments. Segmental assets comprise total assets excluding income tax assets. Segmental liabilities comprise total liabilities excluding income tax liabilities and borrowings other than bank overdrafts. A geographical segment is engaged in providing products within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. Revenue by geographic segment is allocated based on the country in which the customer is located. 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.

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 re-measured 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).

1 Basis of preparation and accounting policies (continued)

(vii) Financial instruments (continued)
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.

In accordance with the benchmark treatment under IFRS, borrowing costs associated with expenditure on property, plant and equipment are not capitalised. 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

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 in relation to associates. 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.

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.

1 Basis of preparation and accounting policies (continued)

(x) Impairment of assets
Assets that have an indefinite useful life, including goodwill, are not subject to amortisation and are tested annually for impairment. 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.

(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
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 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.

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 recognised income and expense. 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.

1 Basis of preparation and accounting policies (continued)

(xviii) Employee benefits (continued)
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.

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 recognised income and expense.

(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 re-measured 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 re-measured 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.

(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

Primary reporting format – business segments
The Group is organised into two principal businesses: ESAB (welding, cutting and automation) and Howden (air and gas handling). For the purposes of IAS 14, 'Segment reporting', ESAB is split into two segments: (i) welding; and (ii) cutting and automation. Inter-segmental revenue is not significant. The following is an analysis of the revenue, results, assets and liabilities for the year analysed by business segment, the Group's primary basis of segmentation.

	Welding £m	Cutting and automation £m	Welding, cutting and automation £m	Air and gas handling £m	Central operations £m	Total £m
Year ended 31 December 2008						
Total revenue	1,042.2	217.6	1,259.8	627.2	–	1,887.0
Segment result (before exceptional items)	122.7	25.9	148.6	73.1	(12.4)	209.3
Exceptional items (note 5)	(5.6)	(0.6)	(6.2)	–	(2.1)	(8.3)
Operating profit	117.1	25.3	142.4	73.1	(14.5)	201.0
Share of post tax profits of associates	3.1	–	3.1	0.1	–	3.2
	120.2	25.3	145.5	73.2	(14.5)	204.2
Net financing charge						(6.5)
Profit before tax						197.7
Tax						(39.0)
Profit for the year						158.7
Minority interests						(8.5)
Profit attributable to equity shareholders						150.2
Investments in associates	16.5	–	16.5	1.0	0.2	17.7
Other segment assets	745.0	181.4	926.4	464.9	46.1	1,437.4
Segment assets	761.5	181.4	942.9	465.9	46.3	1,455.1
Unallocated assets: Deferred income tax						69.7
Total assets						1,524.8
Segment liabilities	(304.8)	(98.9)	(403.7)	(375.3)	(53.5)	(832.5)
Unallocated liabilities: Income tax liabilities						(26.1)
: Deferred income tax liabilities						(32.5)
: Borrowings (excluding bank overdrafts)						(15.4)
Total liabilities						(906.5)
Other segment items						
Capital expenditure on property, plant, equipment and computer software	45.7	4.0	49.7	14.1	1.9	65.7
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)

2 Segment analysis (continued)

Primary reporting format – business segments (continued)

	Welding £m	Cutting and automation £m	Welding, cutting and automation £m	Air and gas handling £m	Central operations £m	Total £m
Year ended 31 December 2007						
Total revenue	813.1	157.7	970.8	480.3	–	1,451.1
Operating profit	112.5	14.1	126.6	57.6	(10.9)	173.3
Share of post tax profits of associates	3.0	–	3.0	0.2	–	3.2
	115.5	14.1	129.6	57.8	(10.9)	176.5
Net financing credit						1.6
Profit before tax						178.1
Tax						(33.3)
Profit for the year						144.8
Minority interests						(7.0)
Profit attributable to equity shareholders						137.8
Investments in associates	14.3	–	14.3	0.7	0.2	15.2
Other segment assets	535.3	87.3	622.6	309.3	90.6	1,022.5
Segment assets	549.6	87.3	636.9	310.0	90.8	1,037.7
Unallocated assets: Deferred income tax						40.1
Total assets						1,077.8
Segment liabilities	(222.5)	(48.6)	(271.1)	(257.5)	(33.6)	(562.2)
Unallocated liabilities: Income tax liabilities						(27.3)
: Deferred income tax liabilities						(27.4)
: Borrowings (excluding bank overdrafts)						(6.9)
Total liabilities						(623.8)
Other segment items						
Capital expenditure on property, plant, equipment and computer software	38.7	1.3	40.0	8.1	1.1	49.2
Depreciation	(10.4)	(0.8)	(11.2)	(3.4)	(0.1)	(14.7)
Amortisation of intangible assets	(1.6)	(0.3)	(1.9)	(0.5)	–	(2.4)

Secondary reporting format – geographical segments

The Group's operations are based in five principal geographic areas.

	Revenue		Assets		Capital expenditure	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Europe	**760.0**	615.4	**613.7**	522.4	**25.9**	17.2
North America	**420.1**	328.2	**233.6**	152.2	**15.2**	8.3
South America	**228.3**	152.6	**154.6**	100.4	**10.7**	6.8
China	**173.0**	138.8	**226.9**	128.9	**8.8**	14.0
Rest of world	**305.6**	216.1	**208.6**	118.6	**5.1**	2.9
	1,887.0	1,451.1	**1,437.4**	1,022.5	**65.7**	49.2
Investment in associates	**–**	–	**17.7**	15.2	**–**	–
Unallocated assets: Deferred income tax	**–**	–	**69.7**	40.1	**–**	–
	1,887.0	1,451.1	**1,524.8**	1,077.8	**65.7**	49.2

3 Analysis of revenue by category

	2008 £m	2007 £m
Sales of goods (including spare parts)	**1,419.6**	1,075.4
Revenue from construction contracts	**423.3**	342.4
Revenue from services	**44.1**	33.3
	1,887.0	1,451.1

4 Operating profit

	2008 £m	2007 £m
The following amounts have been charged/(credited) in arriving at operating profit:		
Staff costs (note 8)	**359.9**	281.7
Depreciation of property, plant and equipment (note 11)		
– Owned assets	**20.8**	14.2
– Finance leases	**0.1**	0.5
Impairment of property, plant and equipment (note 11)	**0.8**	–
Amortisation of intangible assets (note 10)	**5.4**	2.4
Impairment of intangible assets (note 10)	**0.3**	–
Loss/(profit) on disposal of property, plant and equipment	**0.2**	(0.3)
Operating lease rentals payable	**22.8**	12.8
Repairs and maintenance expenditure on property, plant and equipment	**20.8**	16.9
Research and development expenditure	**8.8**	6.3
Inventories recognised as expense (note 13)	**1,187.7**	940.9
Trade and other receivables impairment (note 14)	**5.9**	2.3
Amortisation of government grants	**(0.5)**	(0.5)
Restructuring costs	**5.4**	0.1
Net exchange losses	**0.1**	0.9

	Group 2008 £m	Associated pension schemes 2008 £m	Group 2007 £m	Associated pension schemes 2007 £m
Services provided by the Group'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**	**–**	0.6	–
Non-audit services				
Fees payable to the Company's Auditor and its associates for other services:				
The auditing of the Company's subsidiaries pursuant to legislation	**2.3**	**0.1**	1.6	0.1
Other services pursuant to legislation	**0.2**	**–**	0.2	–
Other services relating to taxation	**0.8**	**–**	0.7	–
Services in relation to the Scheme of Arrangement (note 1)	**1.6**	**–**	–	–
All other services	**0.2**	**–**	0.3	–
	5.8	**0.1**	3.4	0.1

Of the services in relation to the Scheme of Arrangement, £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:	2008 £m	2007 £m
Restructuring costs		
Headcount reductions	**5.4**	–
Impairment of property, plant and equipment (note 11)	**0.8**	–
	6.2	–
Change in holding company (note 1)	**2.1**	–
	8.3	–

A tax credit of £1.5 million is attributable to the exceptional items. There is no minority interest attributable to the exceptional items.

6 Net financing (charge)/credit

	2008 £m	2007 £m
Net financing (charge)/credit – retirement benefit obligations:		
Interest on schemes' liabilities	**(37.3)**	(33.5)
Expected return on schemes' assets	**36.6**	35.8
	(0.7)	2.3
Interest payable on bank borrowings	**(3.7)**	(2.1)
Interest payable on bank borrowings – fees	**(0.8)**	(0.2)
	(4.5)	(2.3)
Interest payable on other loans	**(0.8)**	(1.4)
Interest payable on finance leases	**(0.1)**	(0.1)
Loss on derivative financial instruments	**(1.0)**	–
Unwinding of discount on provisions (note 18)	**(0.4)**	(0.5)
Other financing charge before exchange losses on retranslation of intercompany loan balances	**(6.8)**	(4.3)
Interest income on bank accounts and deposits	**3.3**	5.2
Interest income on financial assets not held at fair value	**0.4**	0.3
Fair value gains on derivative financial instruments	**1.2**	–
Other	**0.7**	0.6
Other financing income before exchange gains on retranslation of intercompany loan balances	**5.6**	6.1
Net financing (charge)/credit before net exchange losses on intercompany loan balances	**(1.9)**	4.1
Net exchange losses on retranslation of intercompany loan balances	**(4.6)**	(2.5)
Net financing (charge)/credit	**(6.5)**	1.6

7 Taxation

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

	2008 £m	2007 £m
Current taxation		
United Kingdom:		
Corporation tax at 28.5 per cent (2007: 30 per cent)	**–**	1.0
Adjustments in respect of previous years	**(0.7)**	–
	(0.7)	1.0
Overseas:		
Current year	**62.4**	37.1
Adjustments in respect of previous years	**(8.7)**	2.8
	53.7	39.9
Total current tax charge	**53.0**	40.9
Deferred income taxation		
United Kingdom:		
Current year	**4.6**	0.8
Adjustments in respect of previous years	**(0.9)**	(3.4)
	3.7	(2.6)
Overseas:		
Current year	**(8.1)**	(0.7)
Adjustments in respect of previous years	**(9.6)**	(4.3)
	(17.7)	(5.0)
Total deferred income tax credit (note 19)	**(14.0)**	(7.6)
Taxation charge	**39.0**	33.3

7 Taxation (continued)

Factors affecting the tax charge for the year
The tax assessed for the year is lower (2007: lower) than the standard rate of corporation tax in the UK of 28.5 per cent (2007: 30 per cent). The differences are explained below:

	2008 £m	2007 £m
Profit on ordinary activities before tax	**197.7**	178.1
Profit multiplied by rate of corporation tax in the UK of 28.5 per cent (2007: 30 per cent)	**56.3**	53.4
Effects of:		
Adjustment to tax in respect of prior year	**(19.8)**	(4.9)
Benefit of lower foreign tax rates	**(5.2)**	(7.5)
Other taxes (primarily US state taxes)	**2.4**	3.1
Tax incentives	**(0.3)**	(0.2)
Non-deductible expenses	**8.9**	2.5
Movement on deferred income tax assets not recognised	**(5.8)**	(15.8)
Difference between book profit and chargeable gains	**(0.1)**	–
Share of associates' post tax profits not taxable	**(0.9)**	(1.0)
Non-taxable exchange losses on retranslation of intercompany loan balances	**3.5**	3.7
Taxation charge	**39.0**	33.3

8 Employees and Directors

	2008 £m	2007 £m
(i) Aggregate amounts payable		
Wages and salaries	**296.3**	229.1
Long-term incentive plan costs	**0.5**	0.8
Social security costs	**53.5**	46.5
Post-retirement costs – charge/(credit)		
Defined benefit schemes and overseas medical costs (note 20)	**2.2**	(1.6)
Defined contribution schemes	**7.4**	6.9
	359.9	281.7

	2008 Number	2007 Number
(ii) Average number of persons employed by the Group		
Welding	**8,063**	6,840
Cutting and automation	**1,309**	1,020
Welding, cutting and automation	**9,372**	7,860
Air and gas handling	**3,856**	3,334
Corporate	**51**	46
Total average headcount	**13,279**	11,240

At the year end the number of employees was 13,364 (2007: 12,180).

(iii) Directors' remuneration

Information covering Directors' remuneration, interests in shares and interests in share options is included in the Remuneration report on pages 49 to 55.

	2008 £m	2007 £m
(iv) Key management compensation		
Salaries and short-term employee benefits	**3.8**	4.0
Termination benefits	**–**	0.6
Post-retirement benefits	**0.4**	0.5
Share-based payments	**0.7**	0.7
	4.9	5.8

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

9 Earnings per share

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

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

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

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

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

10 Intangible assets

	Goodwill £m	Computer software £m	Development costs £m	Acquired intangibles £m	Total £m
Cost					
At 1 January 2008	**65.8**	**12.5**	**10.7**	**7.1**	**96.1**
Exchange adjustments	**8.5**	**2.2**	**2.8**	**1.8**	**15.3**
Additions	**–**	**3.0**	**–**	**–**	**3.0**
Acquired (note 29)	**20.8**	**–**	**–**	**12.8**	**33.6**
Disposals	**–**	**(0.4)**	**–**	**–**	**(0.4)**
Internally generated	**–**	**5.4**	**4.4**	**–**	**9.8**
At 31 December 2008	**95.1**	**22.7**	**17.9**	**21.7**	**157.4**
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	**–**	**2.0**	**1.5**	**1.9**	**5.4**
Impairment charge for the year(1)	**–**	**0.3**	**–**	**–**	**0.3**
Disposals	**–**	**(0.3)**	**–**	**–**	**(0.3)**
At 31 December 2008	**5.7**	**9.6**	**5.9**	**2.8**	**24.0**
Net book amount					
At 1 January 2008	**60.1**	**6.3**	**7.2**	**6.6**	**80.2**
At 31 December 2008	**89.4**	**13.1**	**12.0**	**18.9**	**133.4**

(1) The impairment charge of £0.3 million in 2008 relates to the air and gas handling segment.

10 Intangible assets (continued)

	Goodwill £m	Computer software £m	Development costs £m	Acquired intangibles £m	Total £m
Cost					
At 1 January 2007	45.0	7.9	7.3	1.4	61.6
Exchange adjustments	2.6	0.6	0.5	0.2	3.9
Additions	–	3.6	–	–	3.6
Acquired (note 29)	18.2	–	–	5.5	23.7
Internally generated	–	0.4	2.9	–	3.3
At 31 December 2007	65.8	12.5	10.7	7.1	96.1
Accumulated amortisation					
At 1 January 2007	5.7	4.7	2.5	–	12.9
Exchange adjustments	–	0.4	0.2	–	0.6
Charge for the year	–	1.1	0.8	0.5	2.4
At 31 December 2007	5.7	6.2	3.5	0.5	15.9
Net book amount					
At 1 January 2007	39.3	3.2	4.8	1.4	48.7
At 31 December 2007	60.1	6.3	7.2	6.6	80.2

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 carrying amounts of goodwill have been allocated as follows:

	2008 £m	2007 £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)	**19.4**	17.5
ESAB India (single CGU)	**15.3**	13.7
ESAB Atas (single CGU)	**1.3**	1.0
Electrodi AD (single CGU)	**1.2**	0.9
Romar (several CGUs)	**19.0**	–
	73.3	50.2
Air and gas handling		
Howden South Africa (several CGUs)	**2.6**	2.6
Howden Compressors (several CGUs)	**8.1**	7.3
Howden Aeolus (single CGU)	**5.4**	–
	89.4	60.1

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.

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.

10 Intangible assets (continued)

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

	Growth rates		Discount rates	
	2008 %	2007 %	2008 %	2007 %
ESAB South America	**1.1 to 3.6**	4.0	**13.9 to 14.8**	11.1 to 14.8
ESAB India	**7.1**	7.0	**12.3**	10.4
Romar	**6.3**	–	**9.5**	–
Other cash-generating units	**up to 4.0**	up to 5.6	**5.7 to 10.5**	6.3 to 16.7

Other intangible assets have finite lives, over which the assets are amortised. The amortisation periods are set out in the accounting policies on page 66.

Development costs are internally generated.

Amortisation has been included in the income statement as follows:

	Computer software		Development costs		Acquired intangibles		Total	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Cost of sales	**0.2**	0.5	**1.4**	0.7	**0.3**	0.3	**1.9**	1.5
Selling and distribution costs	**0.2**	0.1	**0.1**	0.1	**1.2**	–	**1.5**	0.2
Administrative expenses	**1.6**	0.5	**–**	–	**0.4**	0.2	**2.0**	0.7
Total	**2.0**	1.1	**1.5**	0.8	**1.9**	0.5	**5.4**	2.4

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.

11 Property, plant and equipment

	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 £0.8 million in 2008 relates to exceptional restructuring costs in the welding segment (note 5).

11 Property, plant and equipment (continued)

(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 have been based on growth rates of 8 per cent per annum and have been discounted at a rate of 11 per cent per annum. Selling prices and direct costs are based on past experience and expectations of future changes in the market.

	Land and buildings £m	Plant and machinery £m	Vehicles and office equipment £m	Total £m
Cost				
At 1 January 2007	66.0	147.9	32.6	246.5
Exchange adjustments	5.5	9.7	1.6	16.8
Additions	12.3	29.1	3.8	45.2
Disposals	(0.1)	(3.1)	(8.1)	(11.3)
Reclassifications	–	(8.4)	–	(8.4)
Acquisitions (note 29)	20.3	5.8	0.1	26.2
At 31 December 2007	104.0	181.0	30.0	315.0
Accumulated depreciation				
At 1 January 2007	10.4	93.6	25.9	129.9
Exchange adjustments	0.6	5.1	1.3	7.0
Charge for the year	2.5	9.6	2.6	14.7
Reclassifications	–	(8.4)	–	(8.4)
Disposals	0.3	(3.4)	(7.8)	(10.9)
At 31 December 2007	13.8	96.5	22.0	132.3
Net book amount				
At 1 January 2007	55.6	54.3	6.7	116.6
At 31 December 2007	90.2	84.5	8.0	182.7
Net book amount includes the following in respect of assets held under finance leases				
At 1 January 2007	0.4	–	0.5	0.9
At 31 December 2007	0.2	–	0.5	0.7

12 Investments in associates

	2008 £m	2007 £m
At 1 January	**15.2**	19.6
Exchange adjustments	**0.9**	0.2
Transfer to investment in subsidiary (note 29)	**–**	(4.5)
Disposals	**–**	(2.4)
Share of net profits retained	**1.6**	2.0
Share of reserve movement – actuarial gains	**–**	0.4
– attributable tax	**–**	(0.1)
At 31 December	**17.7**	15.2

There is no goodwill included in the share of net assets of associates in either 2008 or 2007.

The Group's share of the net assets of associated undertakings comprises:

	2008 £m	2007 £m
Non-current assets	**8.4**	7.8
Current assets	**19.4**	14.1
Current liabilities	**(9.5)**	(6.1)
Non-current liabilities	**(0.6)**	(0.6)
Share of net assets	**17.7**	15.2

12 Investment in associates (continued)

The Group's share of revenue, profit and dividends of associated undertakings is as follows:

	2008 £m	2007 £m
Revenue	**38.8**	42.7
Operating profit	**4.1**	4.5
Interest	**0.2**	0.2
Profit before tax	**4.3**	4.7
Tax	**(1.1)**	(1.5)
Share of post tax profits	**3.2**	3.2
Dividends received from associated undertakings	**(1.6)**	(1.2)
	1.6	2.0

The Group's share of capital commitments and operating lease commitments of associated undertakings were £nil (2007: £nil) and £nil (2007: £nil) respectively.

There are currently no restrictions in place that might impact the Group's associated undertakings' ability to remit funds.

13 Inventories

	2008 £m	2007 £m
Raw materials, components and consumables	**106.6**	60.5
Work in progress	**36.7**	26.0
Finished goods	**148.7**	91.0
	292.0	177.5
Inventories carried at net realisable value	**17.3**	13.0
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 £1,187.7 million (2007: £940.9 million). £5.0 million (2007: £2.9 million) was recognised as an expense in the year for the write-down of inventories to net realisable value. £0.7 million (2007: £1.2 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

	2008 £m	2007 £m
Trade receivables – net	**428.7**	312.6
Other receivables – net (including statutory assets of £7.0 million (2007: £5.6 million))	**60.4**	42.8
	489.1	355.4
Amounts receivable under construction contracts	**71.9**	55.7
Prepayments	**42.7**	17.6
	603.7	428.7
Less non-current portion:		
Trade receivables – net	**17.2**	10.1
Other receivables – net	**9.9**	6.6
Prepayments	**3.4**	–
	30.5	16.7
Current portion	**573.2**	412.0

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:

	2008 £m	2007 £m
Trade receivables – net	**17.2**	10.1
Other receivables – net	**9.9**	6.6
Prepayments	**3.4**	–
	30.5	16.7

14 Trade and other receivables (continued)

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

	2008 %	2007 %
Trade receivables – net	**3.5**	6.3
Other receivables – net	**2.8**	3.1

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

	2008 £m	2007 £m
Cost of sales	**2.1**	0.7
Selling and distribution costs	**2.6**	0.8
Administrative expenses	**1.2**	0.8
Total	**5.9**	2.3

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

£40.2 million (2007: £29.3 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:

	2008 £m	2007 £m
At 1 January	**12.5**	10.8
Exchange adjustments	**4.7**	0.4
Income statement charge	**5.9**	2.3
Written off as uncollectable	**(1.5)**	(1.0)
Acquisitions	**0.3**	–
At 31 December	**21.9**	12.5

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:

	2008		2007	
	Impaired £m	Not impaired £m	Impaired £m	Not impaired £m
Past due not more than three months	**6.2**	**74.6**	4.2	54.1
Past due more than three months and not more than six months	**5.7**	**14.2**	1.1	9.9
Past due more than six months	**18.0**	**8.7**	6.2	6.3
	29.9	**97.5**	11.5	70.3

15 Cash and cash equivalents

	2008 £m	2007 £m
Cash at bank and on hand	**76.1**	58.7
Short-term bank deposits	**13.8**	54.5
Bank deposits with original maturity of more than three months and balances held as cash collateral	**5.8**	5.3
Cash in the balance sheet	**95.7**	118.5
Less: Bank deposits with original maturity of more than three months and balances held as cash collateral	**(5.8)**	(5.3)
: Bank overdrafts (note 16)	**(28.5)**	(23.4)
Cash, cash equivalents and bank overdrafts in the statement of cash flows	**61.4**	89.8

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 3.2 per cent (2007: 4.0 per cent). These deposits have an average maturity of 33 days (2007: 12 days).

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

Cash in the balance sheet of £95.7 million (2007: £118.5 million) includes balances of £4.1 million (2007: £3.3 million) held as cash collateral in connection with certain local trading practices or banking facilities. At 31 December 2008 cash at bank and in hand is distributed over a large number of banks located in the countries where the Group operates.

Of the other cash deposits a large proportion is held in the UK with a limited number of banks with Fitch long-term credit ratings of AA minus or better. The credit status of institutions where cash is held is kept under review with credit limits being set and monitored accordingly.

16 Borrowings

	2008 £m	2007 £m
Non-current		
Bank loans – secured	**3.8**	1.4
Bank loans – unsecured	**2.3**	–
Other loans – unsecured	**0.4**	0.4
Finance lease obligations	**0.2**	0.3
	6.7	2.1
Current		
Other bank loans – secured	**–**	0.9
Other bank loans – unsecured	**8.2**	2.3
Bank overdrafts – secured	**1.0**	–
Bank overdrafts – unsecured	**27.5**	23.4
Other loans – unsecured	**–**	1.0
Finance lease obligations	**0.5**	0.6
	37.2	28.2
Total borrowings	**43.9**	30.3

Secured bank loans at 31 December 2008 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.

Secured bank overdrafts at 31 December 2008 of £1.0 million (2007: £nil) principally relate to an overdraft secured on receivables.

The interest rate risk profile of the Group's borrowings as at 31 December 2008 was:

	Total		Floating rate borrowings		Fixed rate borrowings		Fixed rate analysis: Weighted average interest rate		Fixed rate analysis: Weighted average period for which rate is fixed	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 %	2007 %	2008 Years	2007 Years
Currencies										
Euro	**5.1**	2.7	**5.1**	2.7	**–**	–	**–**	–	**–**	–
US dollar	**1.0**	3.5	**1.0**	3.1	**–**	0.4	**–**	11.5	**–**	0.3
Chinese renminbi	**8.2**	2.3	**8.2**	2.3	**–**	–	**–**	–	**–**	–
South African rand	**3.9**	1.5	**3.9**	1.5	**–**	–	**–**	–	**–**	–
Other	**5.1**	1.4	**5.1**	1.4	**–**	–	**–**	–	**–**	–
Total currency	**23.3**	11.4	**23.3**	11.0	**–**	0.4				
Sterling	**20.6**	18.9	**20.6**	18.9	**–**	–	**–**	–	**–**	–
Total	**43.9**	30.3	**43.9**	29.9	**–**	0.4				

The effective interest rate on total borrowings was 5.9 per cent (2007: 6.3 per cent).

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

	Bank loans 2007 £m	Finance leases 2007 £m	Other loans 2007 £m	Total 2007 £m
Between one and two years	–	0.2	–	0.2
Between two and five years	–	0.1	0.4	0.5
Over five years	1.4	–	–	1.4
	1.4	0.3	0.4	2.1

16 Borrowings (continued)

The minimum lease payments under finance leases are as follows:

	2008 £m	2007 £m
Within one year	**0.5**	0.6
In the second to fifth years inclusive	**0.2**	0.3
	0.7	0.9
Less: Future finance charges	**–**	–
Present value of lease obligations	**0.7**	0.9

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2008 £m	2007 £m
Sterling	**20.6**	18.9
US dollar	**1.0**	3.5
Euro	**5.1**	2.7
Chinese renminbi	**8.2**	2.3
South African rand	**3.9**	1.5
Other	**5.1**	1.4
	43.9	30.3

The Group has the following undrawn committed borrowing facilities:

	2008 £m	2007 £m
Expiring beyond one year	**145.0**	75.0

17 Trade and other payables

	2008 £m	2007 £m
Trade payables	**204.1**	155.2
Construction contracts	**115.7**	82.2
Other payables[(i)]	**82.5**	41.9
Other taxation and social security	**22.4**	18.4
Government grants	**2.6**	2.5
Accruals	**92.6**	71.5
	519.9	371.7
Less non-current portion:		
Construction contracts	**2.6**	–
Other payables	**2.1**	0.2
Government grants	**2.0**	2.0
Accruals	**1.0**	0.4
	7.7	2.6
Current portion	**512.2**	369.1

(i) Other payables includes deferred consideration payable of £16.4 million (2007: £0.5 million) of which £2.1 million (2007: £nil) is non-current.

(ii) 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

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

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

	2008 £m	2007 £m
Current	**48.2**	33.5
Non-current	**26.7**	22.1
	74.9	55.6

18 Provisions for other liabilities (continued)

(i) Disposal and restructuring costs include £6.1 million (2007: £0.6 million) in respect of employee severance costs, of which £6.1 million (2007: £0.5 million) is in the welding, cutting and automation business and £nil (2007: £0.1 million) is in the air and gas handling business, and £nil (2007: £0.3 million) in respect of property costs in the welding, cutting and automation business. This is expected to result in cash expenditure in the next one to two years. The effect of discounting these provisions is not material.

(ii) Warranty and product liability provisions relate to continuing businesses and are expected to be utilised over a period of one to two years dependent on the warranty period provided but will also be replaced by comparable amounts as they are utilised. The effect of discounting these provisions is not material.

(iii) Provisions have been made for the probable exposure arising from legal and environmental claims and disputes, both existing and threatened, in some cases arising from warranties given on disposal of businesses. Provisions have been made representing the best estimate of the outcome of the claims including costs before taking account of insurance recoveries. Where the outcome of a claim is uncertain the legal costs of defence have been provided for to the extent that they are reliably measurable. Where appropriate, insurance recoveries are recognised in 'receivables'. At 31 December 2008, these receivables amounted to £10.0 million (2007: £6.7 million). If the effect of discounting is material, provisions are determined by discounting the expected value of future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Due to their nature, it is not possible to predict precisely when these provisions will be utilised though most are expected to be utilised over the short to medium term with utilisation in the next year expected to be in the region of £13 million (2007: £11 million) before taking account of insurance recoveries.

(iv) Other provisions include various amounts which are not individually material. Due to their nature it is not possible to predict precisely when these provisions will be utilised but utilisation in the next year is expected to be in the region of £1 million to £2 million (31 December 2007: £1 million to £2 million).

19 Deferred income tax

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

	2008 £m	2007 £m
At 1 January	**12.7**	10.0
Exchange adjustments	**11.0**	(0.4)
Income statement credit	**14.0**	7.6
Reclassification to income tax liabilities	**(10.4)**	(1.1)
Acquisitions	**(0.8)**	(4.6)
Taken to equity – attributable to hedging reserve	**2.8**	0.5
– attributable to share-based payments	**(0.2)**	0.1
– attributable to actuarial gains/(losses) on retirement benefit obligations	**8.1**	0.6
At 31 December	**37.2**	12.7

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 £14.8 million (2007: £31.6 million) in respect of taxable losses of £59.2 million (2007: £112.8 million) that can be carried forward against taxable profits. Tax losses of £7.8 million (2007: £71.0 million) have no expiry date and £51.4 million (2007: £41.8 million) in respect of the US Group and Esab China expire as follows:

Date of expiry	**2008 £m**
31 December 2010	**0.9**
31 December 2011	**6.0**
31 December 2012	**3.8**
31 December 2013	**15.2**
31 December 2014	**0.5**
31 December 2023	**18.9**
31 December 2024	**6.1**
	51.4

In addition the Group has an unrecognised deferred income tax asset in respect of its provision for post-retirement benefits under IAS 19 of £16.7 million (2007: £11.6 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 (2007: £1.3 million) is provided in respect of the tax that would be payable on the remittance of the retained earnings of associates.

19 Deferred income tax (continued)

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 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 losses 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	**(1.1)**	**(0.7)**	**–**	**(0.8)**	**(2.6)**
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	**(0.8)**	**–**	**–**	**–**	**(0.8)**
At 31 December 2008	**(12.3)**	**(4.1)**	**(9.6)**	**(6.5)**	**(32.5)**
Deferred income tax liabilities to be settled within twelve months					**(0.9)**
Deferred income tax liabilities to be settled after more than twelve months					**(31.6)**
					(32.5)

Net deferred income tax assets

At 31 December 2008	**37.2**
At 31 December 2007	**12.7**

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 2007	8.0	24.6	0.6	1.4	34.6
Exchange adjustments	0.1	0.6	(0.1)	(0.1)	0.5
Income statement credit/(charge)	9.8	(12.4)	2.5	4.2	4.1
Reclassification to income tax liabilities	–	(1.1)	–	–	(1.1)
Taken to equity – attributable to share-based payments	–	–	–	0.1	0.1
– attributable to actuarial gains on retirement benefit obligations	–	–	1.9	–	1.9
At 31 December 2007	17.9	11.7	4.9	5.6	40.1
Deferred income tax asset to be recovered within twelve months					13.5
Deferred income tax asset to be recovered after more than twelve months					26.6
					40.1

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 2007	(5.4)	(7.0)	(7.1)	(5.1)	(24.6)
Exchange adjustments	(0.3)	(0.2)	–	(0.4)	(0.9)
Income statement credit/(charge)	0.7	3.5	–	(0.7)	3.5
Taken to equity – attributable to hedging reserve	–	–	–	0.5	0.5
– attributable to actuarial gains on retirement benefit obligations	–	–	(1.3)	–	(1.3)
Acquisitions	(4.6)	–	–	–	(4.6)
At 31 December 2007	(9.6)	(3.7)	(8.4)	(5.7)	(27.4)

Deferred income tax liabilities to be settled within twelve months	(1.2)
Deferred income tax liabilities to be settled after more than twelve months	(26.2)
	(27.4)

Net deferred income tax assets

At 31 December 2007	12.7
At 31 December 2006	10.0

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:

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

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

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

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 2008 resulting from changes to key assumptions is set out below:

	Estimated increase in liability	
	2008 £m	2007 £m
Discount rate – 0.25 per cent decrease	**20**	21
Mortality – one year increase in life expectancy after retirement	**17**	18

20 Retirement benefit obligations (continued)

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 (2007: £0.1 million) and the liability by £2.1 million (2007: £1.6 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 (2007: £0.1 million) and the liability by £2.0 million (2007: £1.5 million).

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

	2008					2007				
	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	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	**(58.1)**	**(2.9)**	**(61.0)**	**(15.6)**	**(76.6)**	(86.4)	(3.1)	(89.5)	(19.3)	(108.8)
Exchange adjustments	**(18.2)**	**0.2**	**(18.0)**	**(6.0)**	**(24.0)**	(2.0)	(0.1)	(2.1)	0.3	(1.8)
Income statement (charge)/credit – operating profit	**(1.7)**	**(0.1)**	**(1.8)**	**(0.4)**	**(2.2)**	(1.9)	–	(1.9)	3.5	1.6
– financing (charge)/credit	**0.3**	**–**	**0.3**	**(1.0)**	**(0.7)**	3.3	–	3.3	(1.0)	2.3
Taken to equity – actuarial (losses)/gains	**(56.9)**	**2.5**	**(54.4)**	**0.4**	**(54.0)**	10.5	0.3	10.8	0.1	10.9
Contributions paid	**17.1**	**–**	**17.1**	**1.1**	**18.2**	18.7	–	18.7	0.8	19.5
Acquisitions	**–**	**–**	**–**	**–**	**–**	(0.3)	–	(0.3)	–	(0.3)
At 31 December	**(117.5)**	**(0.3)**	**(117.8)**	**(21.5)**	**(139.3)**	(58.1)	(2.9)	(61.0)	(15.6)	(76.6)

Included in the balance sheet as follows:	2008 Total £m	2007 Total £m
Non-current assets	**35.1**	30.9
Non-current liabilities	**(174.4)**	(107.5)
	(139.3)	(76.6)

Pension benefits – defined benefit schemes

The amounts recognised in the income statement are as follows:

	2008			2007		
	UK schemes £m	Overseas schemes £m	Total £m	UK schemes £m	Overseas schemes £m	Total £m
Current service cost	**(0.6)**	**(1.1)**	**(1.7)**	(0.9)	(1.0)	(1.9)
Interest cost	**(26.7)**	**(9.6)**	**(36.3)**	(24.6)	(7.9)	(32.5)
Expected return on plan assets	**28.7**	**7.9**	**36.6**	28.9	6.9	35.8
Past service cost	**–**	**(0.1)**	**(0.1)**	(0.1)	(0.5)	(0.6)
Gains on settlement and curtailment	**–**	**–**	**–**	0.6	–	0.6
Total	**1.4**	**(2.9)**	**(1.5)**	3.9	(2.5)	1.4
Included in the income statement as follows:						
Cost of sales	**(0.3)**	**(0.2)**	**(0.5)**	(0.2)	(0.1)	(0.3)
Selling and distribution costs	**–**	**(0.3)**	**(0.3)**	–	(0.5)	(0.5)
Administrative expenses	**(0.3)**	**(0.7)**	**(1.0)**	(0.2)	(0.9)	(1.1)
Financing (charge)/credit	**2.0**	**(1.7)**	**0.3**	4.3	(1.0)	3.3
Total	**1.4**	**(2.9)**	**(1.5)**	3.9	(2.5)	1.4

20 Retirement benefit obligations (continued)

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

	2008			2007		
	UK schemes £m	**Overseas schemes £m**	**Total £m**	UK schemes £m	Overseas schemes £m	Total £m
Actual (loss)/return on plan assets	**(44.7)**	**(12.0)**	**(56.7)**	13.4	7.2	20.6
Expected return on plan assets	**(28.7)**	**(7.9)**	**(36.6)**	(28.9)	(6.9)	(35.8)
Experience adjustments arising on plan assets	**(73.4)**	**(19.9)**	**(93.3)**	(15.5)	0.3	(15.2)
Experience adjustments arising on plan liabilities	**2.6**	**(2.0)**	**0.6**	1.4	(0.8)	0.6
Changes in assumptions underlying present value of plan liabilities	**44.3**	**(8.5)**	**35.8**	23.3	1.8	25.1
Total actuarial (losses)/gains	**(26.5)**	**(30.4)**	**(56.9)**	9.2	1.3	10.5
Changes in amount of surplus not recoverable	**–**	**2.5**	**2.5**	–	0.3	0.3
Total	**(26.5)**	**(27.9)**	**(54.4)**	9.2	1.6	10.8

The amounts recognised in the balance sheet are as follows:

	2008			2007		
	UK schemes £m	**Overseas schemes £m**	**Total £m**	UK schemes £m	Overseas schemes £m	Total £m
Present value of funded obligations	**(424.6)**	**(160.3)**	**(584.9)**	(470.2)	(117.9)	(588.1)
Fair value of plan assets	**399.5**	**118.1**	**517.6**	459.4	106.2	565.6
	(25.1)	**(42.2)**	**(67.3)**	(10.8)	(11.7)	(22.5)
Present value of unfunded obligations	**–**	**(50.2)**	**(50.2)**	–	(35.6)	(35.6)
Unrecognised past service costs	**–**	**0.2**	**0.2**	–	0.2	0.2
Surplus not recoverable	**–**	**(0.5)**	**(0.5)**	–	(3.1)	(3.1)
Net liability recognised in the balance sheet	**(25.1)**	**(92.7)**	**(117.8)**	(10.8)	(50.2)	(61.0)
Included in the balance sheet as follows:						
Non-current assets	**34.4**	**0.7**	**35.1**	30.0	0.9	30.9
Non-current liabilities	**(59.5)**	**(93.4)**	**(152.9)**	(40.8)	(51.1)	(91.9)
	(25.1)	**(92.7)**	**(117.8)**	(10.8)	(50.2)	(61.0)

The contribution expected to be paid by the Group during 2009 to UK schemes is £10.8 million and to overseas schemes is £7.9 million.

The contribution paid in 2008 by the Group was £17.1 million (2007: £18.7 million).

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

	2008			2007		
	UK schemes £m	**Overseas schemes £m**	**Total £m**	UK schemes £m	Overseas schemes £m	Total £m
At 1 January	**(470.2)**	**(153.5)**	**(623.7)**	(494.1)	(149.8)	(643.9)
Exchange adjustments	**–**	**(45.5)**	**(45.5)**	–	(2.7)	(2.7)
Current service cost	**(0.6)**	**(1.1)**	**(1.7)**	(0.9)	(1.0)	(1.9)
Interest cost	**(26.7)**	**(9.6)**	**(36.3)**	(24.6)	(7.9)	(32.5)
Contributions by plan participants	**(0.1)**	**(0.1)**	**(0.2)**	(0.2)	(0.1)	(0.3)
Net actuarial gains	**46.9**	**(10.5)**	**36.4**	24.7	1.0	25.7
Benefits and expenses paid	**26.1**	**9.8**	**35.9**	24.6	8.8	33.4
Past service cost	**–**	**–**	**–**	(0.1)	(0.5)	(0.6)
Curtailment gains	**–**	**–**	**–**	0.6	–	0.6
Settlements	**–**	**–**	**–**	–	0.5	0.5
Acquisitions	**–**	**–**	**–**	(0.2)	(1.8)	(2.0)
At 31 December	**(424.6)**	**(210.5)**	**(635.1)**	(470.2)	(153.5)	(623.7)

20 Retirement benefit obligations (continued)

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

	2008			2007		
	UK schemes £m	Overseas schemes £m	Total £m	UK schemes £m	Overseas schemes £m	Total £m
At 1 January	**459.4**	**106.2**	**565.6**	459.5	98.0	557.5
Exchange adjustments	**–**	**27.3**	**27.3**	–	0.7	0.7
Expected return on plan assets	**28.7**	**7.9**	**36.6**	28.9	6.9	35.8
Net actuarial (losses)/gains	**(73.4)**	**(19.9)**	**(93.3)**	(15.5)	0.3	(15.2)
Contributions by employer	**10.8**	**6.3**	**17.1**	10.9	7.8	18.7
Contributions by plan participants	**0.1**	**0.1**	**0.2**	0.2	0.1	0.3
Benefits and expenses paid	**(26.1)**	**(9.8)**	**(35.9)**	(24.6)	(8.8)	(33.4)
Settlements	**–**	**–**	**–**	–	(0.5)	(0.5)
Acquisitions	**–**	**–**	**–**	–	1.7	1.7
At 31 December	**399.5**	**118.1**	**517.6**	459.4	106.2	565.6

The fair value of assets in the plans was:

	2008			2007		
	UK schemes £m	Overseas schemes £m	Total £m	UK schemes £m	Overseas schemes £m	Total £m
Equities	**160.1**	**54.9**	**215.0**	202.6	50.8	253.4
Bonds	**223.8**	**46.3**	**270.1**	220.0	40.9	260.9
Property	**5.6**	**–**	**5.6**	6.2	–	6.2
Other	**10.0**	**16.9**	**26.9**	30.6	14.5	45.1
Total	**399.5**	**118.1**	**517.6**	459.4	106.2	565.6

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 recognised income and expense since 1 January 2004 is a loss of £41.4 million (2007: gain of £13.0 million).

History of experience gains and losses

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

Post-employment medical benefits (United States)
The amounts recognised in the income statement were as follows:

	2008 £m	2007 £m
Current service cost	**(0.2)**	(0.2)
Interest cost	**(1.0)**	(1.0)
Past service credit	**–**	3.7
Net losses on settlement and curtailment	**(0.2)**	–
Total	**(1.4)**	2.5

20 Retirement benefit obligations (continued)

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

	2008 £m	2007 £m
Experience adjustments arising on plan liabilities	**0.5**	–
Changes in assumptions underlying present value of plan liabilities	**(0.1)**	0.1
Total	**0.4**	0.1

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

	2008 £m	2007 £m
Present value of unfunded obligations	**(21.5)**	(15.6)

The contribution expected to be paid by the Group during 2009 is £1.2 million.

The contribution paid by the Group in 2008 was £1.1 million (2007: £0.8 million).

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

	2008 £m	2007 £m
At 1 January	**(15.6)**	(19.3)
Exchange adjustments	**(6.0)**	0.3
Current service cost	**(0.2)**	(0.2)
Interest cost	**(1.0)**	(1.0)
Contributions by plan participants	**–**	–
Actuarial gains	**0.4**	0.1
Benefits and expenses paid by employer	**1.1**	0.8
Past service credit	**–**	3.7
Termination benefits	**(0.2)**	–
At 31 December	**(21.5)**	(15.6)

History of experience gains and losses

	2008 £m	2007 £m	2006 £m	2005 £m
Present value of obligations	**(21.5)**	(15.6)	(19.3)	(26.4)
Experience adjustments arising on plan liabilities:				
Gain – £m	**0.5**	–	0.5	0.2
Percentage of plan liabilities	**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 recognised income and expense since 1 January 2004 is £0.6 million (2007: £1.0 million).

21 Financial instruments and risk management

(i) Financial risk management

The international profile of Charter's operations expose 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.

21 Financial instruments and risk management (continued)

(i) Financial risk management (continued)

(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. As noted below the Group has 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.

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.

(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 £70 million to £145 million, which have maturity dates in 2011 and 2013. 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

	2008				2007			
	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	**1.8**	**0.7**	**–**	**2.5**	3.6	0.4	–	4.0
Trade and other receivables (excluding construction contracts, prepayments and statutory assets)	**–**	**–**	**482.1**	**482.1**	–	–	349.8	349.8
Cash	**–**	**–**	**95.7**	**95.7**	–	–	118.5	118.5
	1.8	**0.7**	**577.8**	**580.3**	3.6	0.4	468.3	472.3

	2008				2007			
	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	**–**	**–**	**43.9**	**43.9**	–	–	30.3	30.3
Derivative financial instruments	**33.8**	**1.0**	**–**	**34.8**	3.5	0.5	–	4.0
Trade and other payables (note 17)								
Trade payables	**–**	**–**	**204.1**	**204.1**	–	–	155.2	155.2
Other payables (excluding deferred consideration payable)	**–**	**–**	**66.1**	**66.1**	–	–	41.4	41.4
Accruals	**–**	**–**	**92.6**	**92.6**	–	–	71.5	71.5
	33.8	**1.0**	**406.7**	**441.5**	3.5	0.5	298.4	302.4

21 Financial instruments and risk management (continued)

(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 £0.6 million (2007: £0.9 million).

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 £0.4 million (2007: £0.3 million).

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

	2008 £m	2007 £m
Non-current trade and other receivables	**26.5**	16.3
Current trade and other receivables	**452.6**	333.1
Non-current other payables	**(1.0)**	(0.4)
Current trade and other payables	**(354.8)**	(262.1)
	123.3	86.9

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 2008 were as follows:

	Net foreign currency monetary assets/(liabilities)									
	Sterling		Euro		US dollar		Other		Total	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Functional currency of Group operation										
Sterling	**–**	–	**(24.1)**	23.0	**(55.7)**	(13.2)	**0.6**	7.7	**(79.2)**	17.5
Euro	**–**	–	**–**	–	**–**	0.5	**–**	(0.1)	**–**	0.4
US dollar	**–**	–	**–**	–	**–**	–	**0.1**	0.3	**0.1**	0.3
Other	**–**	0.3	**(9.7)**	(4.6)	**14.6**	3.0	**1.0**	0.9	**5.9**	(0.4)
Total	**–**	0.3	**(33.8)**	18.4	**(41.1)**	(9.7)	**1.7**	8.8	**(73.2)**	17.8

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 £2.6 million (2007: £1.4 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 £3.4 million (2007: £2.5 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 2008 and 2007 except for accruals of £1.0 million (2007: £0.4 million) which are payable between 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:

	2008			2007		
	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	**37.2**	**0.2**	**37.4**	28.2	0.2	28.4
Between one and two years	**2.5**	**0.5**	**3.0**	0.2	–	0.2
Between two and five years	**1.9**	**1.2**	**3.1**	0.5	0.2	0.7
Over five years	**2.3**	**2.1**	**4.4**	1.4	1.0	2.4
	43.9	**4.0**	**47.9**	30.3	1.4	31.7

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	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Forward foreign currency contracts	**1.8**	3.6	**(14.5)**	(3.5)
Less non-current portion	**(0.1)**	(0.2)	**(2.8)**	(0.5)
Current portion	**1.7**	3.4	**(11.7)**	(3.0)

At 31 December 2008, the Group has outstanding foreign currency contracts designated as cash flow hedges having a net principal amount of £150.9 million (2007: £136.4 million). The majority of hedge contracts (approximately 89 per cent, 2007: 88 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:

	2008			2007		
	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	**(122.3)**	**(22.6)**	**(6.0)**	(121.8)	(18.6)	–
Inflow	**112.9**	**20.5**	**5.8**	122.7	18.4	–
	(9.4)	**(2.1)**	**(0.2)**	0.9	(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:

	2008 £m	2007 £m
Losses already recognised in the year	**(3.2)**	(0.8)
(Losses)/gains expected to be recognised in the next year	**(6.9)**	1.2
Losses expected to be recognised in subsequent years	**(2.6)**	(0.3)
	(12.7)	0.1

(b) Net investment hedges

	Current liabilities	
	2008 £m	2007 £m
Forward foreign currency contracts	**(19.3)**	–

Hedge of net investment in foreign operations

Forward foreign exchange contracts totalling US$95.0 million and €55.0 million (2007: US$43.0 million and €nil) were designated as hedges of the Group's net investments in foreign operations at 31 December 2008. There was no ineffectiveness in respect of net investment hedges in 2008 or 2007.

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

	Current assets		Current liabilities	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Embedded derivatives within contracts	**0.7**	0.4	**(0.3)**	(0.5)
Other contracts not designated as hedges	**–**	–	**(0.7)**	–
	0.7	0.4	**(1.0)**	(0.5)

Interest rate swaps

There were no outstanding interest rate swap contracts at 31 December 2008 or at 31 December 2007.

21 Financial instruments and risk management (continued)

(vii) Fair values of financial liabilities

	Book value		Fair value	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Primary financial instruments held or issued to finance the Group's operations:				
Short-term borrowings and current portion of long-term borrowings	**(37.2)**	(28.2)	**(37.2)**	(28.2)
Long-term borrowings	**(6.7)**	(2.1)	**(6.7)**	(2.1)

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 reserves

	Share capital[i] £m	Share premium £m	Merger reserve £m	Other reserves: Translation reserve £m	Other reserves: Hedging reserve £m	Other reserves: Surplus on revaluation £m	Retained earnings £m	Total £m
At 1 January 2007 – as previously reported	3.3	71.4	21.1	1.9	1.3	0.7	146.4	246.1
Capital reorganisation								
– cancellation of Charter plc shares (note 1)	(3.3)	(71.6)	(21.1)	–	–	95.8	0.2	–
– new holding company (note 1)	3.3	646.6	–	–	–	(649.9)	–	–
At 1 January 2007 – after capital reorganisation	3.3	646.4	–	1.9	1.3	(553.4)	146.6	246.1
Exchange translation	–	–	–	25.1	–	–	–	25.1
Actuarial gains on retirement benefit obligations	–	–	–	–	–	–	11.0	11.0
Actuarial gains on retirement benefit obligations – associates	–	–	–	–	–	–	0.4	0.4
Tax on actuarial gains on retirement benefit obligations	–	–	–	–	–	–	0.6	0.6
Tax on actuarial gains on retirement benefit obligations – associates	–	–	–	–	–	–	(0.1)	(0.1)
Share-based payments – attributable tax	–	–	–	–	–	–	0.1	0.1
Change in fair value of outstanding cash flow hedges	–	–	–	–	(1.6)	–	–	(1.6)
Net transfer to income statement – hedges	–	–	–	–	0.5	–	–	0.5
Net investment hedges	–	–	–	–	(0.1)	–	–	(0.1)
Net deferred income tax movement for the year – hedges	–	–	–	–	0.5	–	–	0.5
Share of fair value adjustments on transfer of associates to subsidiaries	–	–	–	–	–	5.6	–	5.6
Net income recognised directly in equity	–	–	–	25.1	(0.7)	5.6	12.0	42.0
Profit for the year	–	–	–	–	–	–	137.8	137.8
Total recognised income for the year	–	–	–	25.1	(0.7)	5.6	149.8	179.8
Issue of share capital	–	–	–	–	–	–	–	–
Share-based payments – charge for year	–	–	–	–	–	–	0.5	0.5
At 31 December 2007 – after capital reorganisation	3.3	646.4	–	27.0	0.6	(547.8)	296.9	426.4

22 Share capital and reserves (continued)

	Share capital[i] £m	Share premium £m	Merger reserve £m	Other reserves: Translation reserve £m	Other reserves: Hedging reserve £m	Other reserves: Surplus on revaluation £m	Retained earnings £m	Total £m
At 1 January 2008 – after capital reorganisation	**3.3**	**646.4**	**–**	**27.0**	**0.6**	**(547.8)**	**296.9**	**426.4**
Exchange translation	–	–	–	116.3	–	–	–	116.3
Actuarial losses on retirement benefit obligations	–	–	–	–	–	–	(53.9)	(53.9)
Tax on actuarial losses on retirement benefit obligations	–	–	–	–	–	–	8.1	8.1
Share-based payments – attributable tax	–	–	–	–	–	–	(0.2)	(0.2)
Change in fair value of outstanding cash flow hedges	–	–	–	–	(9.1)	–	–	(9.1)
Net transfer to income statement – hedges	–	–	–	–	(2.4)	–	–	(2.4)
Net investment hedges	–	–	–	(27.3)	–	–	–	(27.3)
Net deferred income tax movement for the year – hedges	–	–	–	–	2.8	–	–	2.8
Net income recognised directly in equity	–	–	–	89.0	(8.7)	–	(46.0)	34.3
Profit for the year	–	–	–	–	–	–	150.2	150.2
Total recognised income for the year	–	–	–	89.0	(8.7)	–	104.2	184.5
Capital reorganisation – share issue costs (note 1)	–	–	–	–	–	–	(1.6)	(1.6)
– reduction in capital (note 1)	–	(646.6)	–	–	–	–	646.6	–
Purchase of treasury shares	–	–	–	–	–	–	(0.2)	(0.2)
Share-based payments – charge for year	–	–	–	–	–	–	0.9	0.9
– shares issued	–	0.2	–	–	–	–	(0.2)	–
Dividends paid	–	–	–	–	–	–	(31.7)	(31.7)
At 31 December 2008	3.3	–	–	116.0	(8.1)	(547.8)	1,014.9	578.3

(i) **Called-up share capital**

	2008 Number of ordinary shares of 2 pence each	**2008 £**	2007 Number of ordinary shares of 2 pence each	2007 £
Authorised:	**230,000,000**	**4,600,000**	230,000,000	4,600,000
Issued:				
Fully paid shares	**166,751,581**	**3,335,032**	166,699,142	3,333,983

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

At 31 December 2008, 2 (2007: 3) participants held options over a total of 215,502 (2007: 228,506) ordinary shares of the Company. These options were granted under various employee share option schemes and are exercisable during various periods up to 29 March 2011 at prices ranging from 139.9 pence to 218.0 pence. Included in the above at 31 December 2007, under the terms of the Equity Partnership Plan approved by shareholders in 1997, are deferred rights to acquire shares. This plan has not operated since 2001. At 31 December 2007, 1 participant held rights over 13,004 shares. These rights expired on 30 March 2008.

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 49 to 55.

The cost of the purchase of 29,618 Charter plc 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. At 31 December 2008 the Charter Employee Trust held 29,618 ordinary shares in Charter International plc with a market value of £0.1 million. The dividends receivable on these shares have been waived.

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 49 to 55.

2007 and 2008 awards
The awards granted under the Charter 2005 Long-Term Incentive Plan ('LTIP') were valued using the Stochastic ('Monte Carlo') model as follows:

	Grant date		
	22 March 2007	25 March 2008	21 November 2008
Number of shares	125,506	172,512	12,479
Fair value – £	684,008	854,900	10,576
– pence per share	545.0	495.6	84.8
Expected volatility %	31.8	35.4	55.8
Risk-free interest rate %	5.3	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.

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 Minority interests – equity interests

	2008 £m	2007 £m
At 1 January	**27.6**	10.3
Exchange translation	**8.3**	1.5
Share of actuarial losses on retirement benefit obligations	**(0.1)**	(0.1)
Share of profit for the year	**8.5**	7.0
Acquisitions (note 29)	**–**	12.0
Dividends payable	**(4.3)**	(3.1)
At 31 December	**40.0**	27.6

25 Operating lease commitments – minimum lease payments

	2008		2007	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Commitments under non-cancellable operating leases amounts payable:				
Within one year	**10.1**	**4.4**	9.5	3.3
Between two and five years	**23.0**	**5.2**	21.5	3.6
After five years	**13.1**	**–**	13.8	–
	46.2	**9.6**	44.8	6.9

26 Capital commitments

	2008 £m	2007 £m
Committed capital expenditure not provided in the financial statements	**18.3**	13.8

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 2008 were negligible. The litigation is reviewed each year and, based on that review and legal advice, the Directors believe that the aggregate of any such liability is unlikely to have a material effect on Charter's financial position. In these circumstances, the Directors have concluded that it is not appropriate to make provision for any liability in respect of such actions.

27 Contingent liabilities (continued)

(ii) Air and gas handling
Howden Buffalo Inc., an indirect subsidiary of Charter, has been named as a defendant in a number of asbestos-related actions in the United States. On the advice of counsel, Howden Buffalo is vigorously defending all the cases that have been filed against it. Over the past few years, Howden Buffalo has sought and received dismissals in 10,722 cases and has, on the advice of counsel, settled 372 cases. These cases were all settled for nuisance value amounts, much less than the cost of defending the cases at trial. Howden Buffalo has received legal advice indicating that it should be able to continue to defend successfully the actions that are brought. At this time, it is not practical to estimate the amount of any potential damages or to provide details of the current stage of proceedings in particular cases, as the majority of cases do not specify the amount of damages sought and the cases are at varying stages in the litigation process. However, legal fees associated with the defence of these claims and the cost of the settlements have been covered by applicable insurance. The Directors believe, based on legal advice, that the majority of asbestos-related lawsuits against Howden Buffalo, including those resulting from the historical operations of a predecessor of Howden Buffalo known as Buffalo Forge Company, will continue to be covered, in substantial part, by applicable insurance. The situation is reviewed regularly and based on the most recent review and legal advice obtained by Howden Buffalo, the Directors believe that the aggregate of any potential liability is unlikely to have a material effect on Charter's financial position.

(iii) Welding
The ESAB Group Inc. ('EGI'), an indirect subsidiary of Charter, has been named as a defendant in a number of lawsuits in state and federal courts in the United States alleging personal injuries from exposure to manganese in the fumes of welding consumables. Other current and former manufacturers of welding consumables have also been named as defendants as well as various other defendants such as distributors, trade associations and others. The claimants seek compensatory and, in some cases, punitive damages for unspecified amounts. A multi-district litigation proceeding has been established to consolidate and co-ordinate pre-trial proceedings in the federal court cases.

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

Date of verdict	Court	Nature of verdict	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	Plaintiff	1	20.5	–	4	Yes
March 2008	Federal	Plaintiff	1	0.72	1.7(i)	3	Yes
March 2008	State	Defendants	4	–	–	5	No
November 2008	State	Plaintiff	1	1.855	–	2	Yes
November 2008	Federal	Defendants	1	–	–	3	No
February 2009	State	Defendants	1	–	–	3	No

(i) EGI's share is US$0.75 million.

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

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

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

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

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

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

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

28 Cash generated from operations

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

29 Acquisitions

Current 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 three 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 worldwide 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.

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

	Romar			Other acquisitions			Total
	Carrying amount before fair value adjustment £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)	–	–	–	(0.8)
Net assets	7.6	3.2	10.8	3.8	9.1	12.9	23.7
Goodwill – on acquisition			14.7			6.1	20.8
			25.5			19.0	44.5
Satisfied by:							
Net cash consideration paid (including costs)			26.4			15.1	41.5
Consideration and costs to be paid in subsequent years			–			2.6	2.6
Exchange adjustments			(0.9)			1.3	0.4
			25.5			19.0	44.5

Intangible assets acquired principally represent customer relationships and brands.

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

29 Acquisitions (continued)

Cash consideration paid

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

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

Prior year acquisitions

(i) ESAB India Limited

On 5 September 2007, a further 18.3 per cent of the issued share capital of ESAB India Limited was acquired for a cash consideration of £17.9 million. Following the acquisition the total holding of 55.6 per cent has been fully consolidated as a subsidiary. Prior to 5 September 2007, the 37.3 per cent holding was consolidated as an associate.

The revenue and profit after tax of ESAB India for the year ended 31 December 2007 were £41.0 million and £5.8 million respectively of which £26.7 million and £3.9 million respectively were for the period prior to acquisition.

The value attributed to the assets acquired represents the Directors' current estimate of the fair value of the net assets acquired. In accordance with IFRS 3, the values attributable to the acquisition of ESAB India Limited may be revised as further information becomes available.

(ii) Other acquisitions

(a) In July 2007, the business of ATAS Anlagentechnik und Anwendungssoftware GmbH ('ATAS'), a software control business located in Germany, was acquired for cash of £2.0 million.

(b) In July 2007, the welding business of Air Liquide Argentina was acquired for cash of £4.2 million.

(c) In July 2007, the 50 per cent minority shareholding of Bateman Howden South Africa (Proprietary) Limited not owned by the Group was acquired for a cash consideration of £1.9 million.

(d) In October 2007, the Group acquired 95.11 per cent of Electrodi AD for cash of £5.3 million.

The revenue and profit after tax of ATAS, Air Liquide Argentina and Electrodi AD combined for the year ended 31 December 2007 were £6.9 million and £2.6 million respectively of which £4.5 million and £1.3 million respectively were for the period prior to acquisition.

The value attributed to the assets acquired represents the Directors' current estimate of the fair value of the net assets acquired. In accordance with IFRS 3, the values attributable to the acquisition of ATAS, Air Liquide Argentina and Electrodi AD may be revised as further information becomes available.

The assets and liabilities acquired were as follows:

	ESAB India			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	–	2.9	2.9	–	2.6	2.6	5.5
Property, plant and equipment	7.4	16.2	23.6	2.6	–	2.6	26.2
Investments in associates transferred to subsidiaries	(4.5)	(5.6)	(10.1)	–	–	–	(10.1)
Deferred income tax assets	0.1	(0.1)	–	–	–	–	–
Inventories	3.9	–	3.9	2.7	–	2.7	6.6
Trade and other receivables	2.5	0.1	2.6	1.0	–	1.0	3.6
Cash and cash equivalents	4.7	–	4.7	0.8	–	0.8	5.5
Trade and other payables	(5.9)	–	(5.9)	(0.1)	(0.1)	(0.2)	(6.1)
Income tax liabilities	(1.1)	–	(1.1)	–	–	–	(1.1)
Provisions	–	–	–	–	(0.1)	(0.1)	(0.1)
Deferred income tax liabilities	–	(4.1)	(4.1)	(0.1)	(0.4)	(0.5)	(4.6)
Retirement benefit assets/(obligations)	0.4	–	0.4	(0.2)	(0.5)	(0.7)	(0.3)
Minority interest	(5.3)	(6.7)	(12.0)	–	–	–	(12.0)
Net assets	2.2	2.7	4.9	6.7	1.5	8.2	13.1
Goodwill – on acquisition			13.0			5.2	18.2
			17.9			13.4	31.3
Satisfied by:							
Net cash consideration paid (including costs and excluding cash acquired)			18.0			12.7	30.7
Consideration and costs to be paid in subsequent years (net)			–			0.5	0.5
Exchange adjustments			(0.1)			0.2	0.1
			17.9			13.4	31.3

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. 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	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Associates	**3.4**	3.3	**6.8**	6.3	**0.8**	0.7	**0.9**	0.6

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

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

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

31 Dividends

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

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

Following the Scheme of Arrangement (note 1), Income Access Share arrangements have been put in place to enable shareholders in the Company to elect to receive their dividends from a UK source (the 'IAS election'). All elections remain in force indefinitely unless revoked. Unless shareholders make an IAS election, dividends will be received from an Irish source and will be taxed accordingly.

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

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 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
North America			
The ESAB Group Inc.(iii)	USA	100	Welding consumables and equipment
South America			
ESAB Industria e Comercio Ltda(iv)	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
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	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	Industrial and utility fans and heat exchangers
Howden France	France	100	Industrial fans
Howden BC Compressors	France	100	Compressors
Howden Netherlands BV	Netherlands	100	Industrial fans
Howden Turbowerke GmbH	Germany	100	Industrial fans
Howden Ventilatoren GmbH	Germany	100	Industrial and utility fans
Howden Denmark A/S	Denmark	100	Industrial and utility 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	Industrial and utility 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 and utility fans
Asia Pacific			
Howden Hua Engineering Co Limited	China	70	Industrial and utility fans, heat exchangers, compressors and blowers
Howden Australia Pty Limited	Australia	100	Industrial and utility fans and heat exchangers
South Africa			
Howden Africa Holdings Limited	South Africa	55	Industrial and utility fans, heat exchangers, gas cleaning equipment, pumps and cooling systems
Associated undertaking			
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) ESAB SA Industria e Comercio was re-registered as a Limitada on 15 September 2008 and is now called ESAB Industria e Comercio Ltda.
(v) The associated undertaking has only one class of capital.

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
CONSOLIDATED INCOME STATEMENT					
Revenue – continuing operations[ii]	**1,887.0**	1,451.1	1,257.9	1,065.7	870.4
Operating profit – continuing operations	**201.0**	173.3	144.6	101.7	51.9
Operating profit before exceptional items and amortisation and impairment of acquired intangibles and goodwill	**211.2**	173.8	144.6	97.5	54.9
Exceptional items	**(8.3)**	–	–	4.2	(3.0)
Amortisation and impairment of acquired intangibles and goodwill	**(1.9)**	(0.5)	–	–	–
	201.0	173.3	144.6	101.7	51.9
Net financing (charge)/credit[iii]	**(6.5)**	1.6	(4.4)	(2.7)	(14.5)
Share of post tax profits of associates	**3.2**	3.2	5.8	4.5	3.6
Profit before tax	**197.7**	178.1	146.0	103.5	41.0
Taxation charge[iv]	**(39.0)**	(33.3)	(16.9)	(20.0)	(4.4)
Profit for the year	**158.7**	144.8	129.1	83.5	36.6
Attributable to:					
– Equity shareholders	**150.2**	137.8	123.4	74.0	29.8
– Minority interests	**8.5**	7.0	5.7	9.5	6.8
	158.7	144.8	129.1	83.5	36.6
CONSOLIDATED BALANCE SHEET					
Intangible assets	**133.4**	80.2	48.7	40.2	21.7
Property, plant and equipment	**275.0**	182.7	116.6	110.5	111.3
Investments in associates	**17.7**	15.2	19.6	24.7	22.1
Deferred income tax assets	**69.7**	40.1	34.6	17.1	12.2
Other non-current assets	**65.7**	47.8	38.9	15.9	3.0
Non-current assets	**561.5**	366.0	258.4	208.4	170.3
Inventories	**292.0**	177.5	132.0	119.5	102.7
Trade and other receivables[v]	**575.6**	415.8	328.9	300.3	237.4
Trade, other payables and income tax liabilities	**(570.3)**	(399.9)	(296.9)	(282.4)	(215.1)
Total assets less current liabilities (excluding net cash/(debt) & provisions)	**858.8**	559.4	422.4	345.8	295.3
Long-term liabilities and provisions					
Deferred income tax liabilities	**(32.5)**	(27.4)	(24.6)	(14.6)	(12.8)
Retirement benefit obligations	**(174.4)**	(107.5)	(130.5)	(131.2)	(137.4)
Provisions	**(74.9)**	(55.6)	(50.9)	(40.7)	(40.2)
Other long-term liabilities	**(10.5)**	(3.1)	(3.1)	(4.2)	(4.9)
	(292.3)	(193.6)	(209.1)	(190.7)	(195.3)
	566.5	365.8	213.3	155.1	100.0
Financed by:					
Equity shareholders' funds	**578.3**	426.4	246.1	135.1	11.5
Minority interests	**40.0**	27.6	10.3	13.5	22.2
	618.3	454.0	256.4	148.6	33.7
Bank borrowings	**42.8**	28.0	16.6	8.4	41.3
US dollar loan notes	**–**	–	–	70.7	66.7
Other indebtedness (including finance leases)	**1.1**	2.3	2.6	3.1	3.4
Gross debt	**43.9**	30.3	19.2	82.2	111.4
Cash	**(95.7)**	(118.5)	(62.3)	(75.7)	(45.1)
Net (cash)/debt	**(51.8)**	(88.2)	(43.1)	6.5	66.3
	566.5	365.8	213.3	155.1	100.0
Basic earnings per share (expressed in pence per share)					
Adjusted[i]	***99.2***	*84.7*	*68.1*	*43.0*	*19.8*
Headline	***90.1***	*82.7*	*74.4*	*46.9*	*20.9*

(i) 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.

(ii) The Group adopted IFRS with a transition date of 1 January 2004. The 2004 results have been restated in accordance with IFRS with the exception of IAS 32 and 39 which are only effective for periods beginning after 1 January 2005. The 2006 results have been restated to reflect the change in accounting policy to recognise actuarial gains and losses arising on employee benefits in full.

(iii) Net financing (charge)/credit includes retranslation gains on intercompany loans of £0.2 million and £3.6 million in 2006 and 2005 respectively and losses of £4.6 million, £2.5 million and £3.0 million in 2008, 2007 and 2004 respectively.

(iv) Tax on profit on ordinary activities in 2006 and 2004 includes exceptional credits of £10.5 million and £6.6 million respectively.

(v) Trade and other receivables includes assets held for sale and derivative financial instruments.

For the period 14 March to 31 December 2008

Note		Period 14 March to 31 December 2008 £m
3	Administrative expenses	**(2.4)**
	Loss before taxation	**(2.4)**
4	Taxation	**–**
	Loss for the financial period	**(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 2008

Note		2008 £m
	Fixed assets	
5	Investment in subsidiary undertakings	**649.9**
	Current assets	
	Debtors – prepayments	**0.1**
6	Creditors: amounts falling due within one year	**(4.0)**
	Net current liabilities	**(3.9)**
	Net assets	**646.0**
	Capital and reserves	
7	Called-up share capital	**3.3**
8	Profit and loss account	**642.7**
	Shareholders' funds – equity interests	**646.0**

Approved by the Board of Directors on 26 February 2009 and signed on its behalf by:

J R Deeley – Director

For the year ended 31 December 2008

1 Basis of preparation
Charter International plc (the ‘Company’) was incorporated on 14 March 2008 under the Companies (Jersey) Law 1991 as a private limited company with the name MdFJ 2036906 Limited. The Company changed its name to Charter International plc, and changed its status from a private to a public company, on 29 August 2008.

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

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

As a result of the Scheme of Arrangement, the then Charter plc is now a wholly owned subsidiary of Charter International plc and Charter plc re-registered as a private limited company. The Scheme of Arrangement did not involve any cash payment for the Charter Ordinary Shares.

The transaction costs attributable to the issue of the Charter International plc Ordinary Shares as part of the Scheme of Arrangement of £1.6 million have been deducted from equity, net of any related tax benefit (note 8). The other costs in relation to the Scheme of Arrangement of £1.1 million have been charged to the profit and loss account and classified as an exceptional item (note 3).

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 26 February 2009. The Company’s financial statements cover the period from incorporation on 14 March 2008 to 31 December 2008. They 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.

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 re-measured 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.

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:

	Period 14 March to 31 December 2008 £m
(i) Staff costs	
Directors' fees (see (iv) below)	**0.1**
Long-term incentive plan costs	**0.1**
	0.2

The average number of employees during the period was 4.

(ii) Scheme of Arrangement costs (note 1)	**1.1**
(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	
Fees payable to Company's Auditor for the audit of the consolidated financial statements	**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**
	2.0

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.

(iv) Directors' emoluments

Salaries and benefits	**0.1**
Long-term incentive plans	**0.1**
	0.2
Highest paid director	
Total amount of emoluments	**0.1**

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

Three directors are able to participate in various long-term incentive plans, brief details of which are set out below:

A director is entitled to participate in the MF Long-Term Incentive Plan. Under this plan in 2005 he was awarded a conditional award of shares in the then Charter plc, the vesting of which was based on the then Charter plc's average real earnings per share growth and total shareholder return performance. The vested option became exercisable on 13 March 2008.

During 2008 three directors were entitled to participate in the Charter Long-Term Incentive Plan. Under this plan the Directors received a conditional award of shares in the then Charter plc, the vesting of which will be based on the then Charter plc's total shareholder return performance over a three-year period beginning on the date of the grant of the award.

Three directors are subject to the Deferred Bonus Plan where one-quarter of any bonus will be paid in shares acquired in the market and compulsorily deferred for three years. If the Director leaves voluntarily or for cause during this deferral period, the award will normally lapse. These shares are held in trust prior to their release on vesting following the expiration of the three-year deferral period.

4 Taxation

(i) Tax charge for the period

There was no tax charge for the period. The applicable rate of corporation tax in Ireland is 12.5 per cent. The differences are explained below:

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

(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.

(iii) Tax effect of exceptional items

No tax is attributable to the exceptional items.

5 Investment in subsidiary undertakings

(i) Shares in subsidiary undertakings

	2008 £m
At 14 March 2008	**–**
Additions	**649.9**
Disposals	**(649.9)**
At 31 December 2008	**–**

(ii) Long-term loan to subsidiary undertaking

	2008 £m
At 14 March 2008	**–**
Additions	**649.9**
At 31 December 2008	**649.9**

During the 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, 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 in consideration for £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 99.

6 Creditors – amounts falling due within one year

	2008 £m
Amounts due to subsidiary undertaking	**3.9**
Other creditors	**0.1**
	4.0

7 Called-up share capital

	2008 £
On incorporation on 14 March 2008	2
Issued	3,335,032
Cancelled	(2)
At 31 December 2008	3,335,032

	2008 Number of ordinary shares of 2 pence each	2008 £
Authorised:	230,000,000	4,600,000
Issued:		
Fully paid shares	166,751,581	3,335,032

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 subdivided into 50 ordinary shares of 2 pence each, these shares were cancelled on 6 November 2008; and

(b) the 9,998 unissued ordinary shares of £1 each in the Company were subdivided 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 described in note 1 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 2008, two participants held options over a total of 215,502 ordinary shares of the Company. These options were granted under various employee share option schemes established by the then Charter plc and transferred to the Company pursuant to the Scheme of Arrangement. The options are exercisable during various periods up to 29 March 2011 at prices ranging from 139.9 pence to 218.0 pence.

8 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

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 re-characterised as a distributable reserve.

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

8 Reserves (continued)

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

	Period 14 March to 31 December 2008 £m
Loss for the financial period	(2.4)
Total recognised gains and losses	(2.4)
Shares issued	649.9
Share issue costs	(1.6)
Share-based payments	0.1
Net increase in shareholders' funds	646.0
Opening shareholders' funds	–
Closing shareholders' funds	646.0

9 Share-based payments

On 22 October 2008, pursuant to the Scheme of Arrangement described in note 1, awards of contingent rights to the allotment of 609,507 ordinary shares of the then Charter plc granted under the MF Plan, the Charter 2005 Long-Term Incentive Plan ('LTIP') and the Deferred Bonus Plan 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 period under the Charter 2005 Long-Term Incentive Plan ('LTIP') were valued using the Stochastic ('Monte Carlo') model as follows:

	Grant date 21 November 2008
Number of shares	12,479
Fair value – £	10,576
– pence per share	84.8
Expected volatility %	55.8
Risk-free interest rate %	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.

Participants are entitled to a dividend equivalent at the end of the vesting period 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 49 to 55.

10 Guarantees

	2008 £m
Subsidiary company borrowings	5.9

11 Commitments – operating lease

The Company has commitments of £0.1 million in respect of the lease of land and buildings expiring in 2009.

12 Dividends

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

Following the Scheme of Arrangement (note 1) Income Access Share arrangements have been put in place to enable shareholders in the Company to elect to receive their dividends from a UK source (the 'IAS election'). All elections remain in force indefinitely unless revoked. Unless shareholders make an IAS election, dividends will be received from an Irish source and will be taxed accordingly.

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

Financial calendar

Financial year-end	31 December 2008
Preliminary results announced	27 February 2009
Annual Report published	Mid April 2009
Record date for final dividend	14 April 2009
AGM	29 April 2009
Payment date of final dividend	5 May 2009
Preliminary announcement of Interim Results for the six months	30 July 2009
Financial year end	31 December 2009

Dividends
The Directors will be recommending a final dividend of 14 pence per share. Dividends will be paid on 5 May 2009 to shareholders on the register on 14 April 2009.

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 Service PLC at the address given below or can be downloaded from Computershare's website at www-uk.computershare.com.

The 'Payments of dividends' section on page 41 gives details of the IAS and the taxation arrangements in place.

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 (Channel Islands) Limited at:
PO Box 83
Ordnance House
31 Pier Road
St Helier
Jersey JE4 8PW
Telephone: 0870 889 3281
Email: info@computershareci.com

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

Electronic communication
At the AGM 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-uk.computershare.com or by writing to Computershare Investor Services PLC at PO Box 82, The Pavilions, Bridgewater Road, Bristol BS99 6ZY. 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 2008

Range	Total holders	Units	% of Issued Capital
1-1,000	4,194	1,306,627	0.78
1,001-5,000	875	1,871,076	1.12
5,001-10,000	114	839,130	0.50
10,001-100,000	287	10,994,384	6.59
100,001-250,000	79	12,171,820	7.30
250,001-500,000	33	11,496,789	6.90
500,001-1,000,000	36	24,885,496	14.93
1,000,001 plus	34	103,186,259	61.88
Total	5,652	166,751,581	100.00

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.

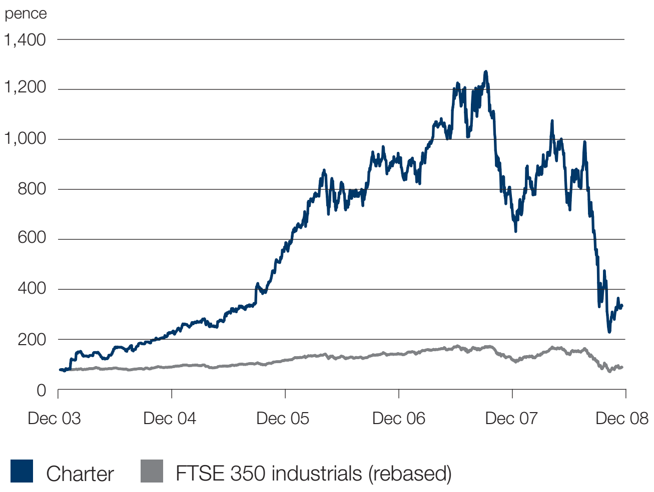
For details, please contact:

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 the five-year period to 31 December 2008



Corporate Information

Registered office
22 Grenville Street
St Helier
Jersey
JE4 8PX

Registered in Jersey
Company no: 100249

www.charter.ie

Head Office
Fitzwilliam Hall
Fitzwilliam Place
Dublin 2
Ireland

Auditors
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Stockbroker
RBS Hoare Govett
250 Bishopsgate
London
EC2M 4AA

JP Morgan Cazenove Limited
20 Moorgate
London
EC2R 6DA

Registrars
Computershare Investor Services (Channel Islands) Limited
PO Box 83
Ordanance 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

Designed and produced by Merchant.
Type origination by cont3xt ltd. Printed by MPG Impressions.

Charter International plc
Fitzwilliam Hall
Fitzwilliam Place
Dublin 2
Ireland
Telephone + 353 1 669 4655
Facsimile + 353 1 669 4657

www.charter.ie

CHARTER

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.
If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant, or other professional adviser authorised under the Financial Services and Markets Act 2000, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

If you have sold or otherwise transferred all of your Charter International plc ordinary shares, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Charter International plc

(incorporated and registered in Jersey with number 100249 and having its head office at Fitzwilliam Hall, Fitzwilliam Place, Dublin 2, Ireland)

ANNUAL GENERAL MEETING 2009

THE ARRANGEMENTS AT THE MEETING

Date and Time
This first Annual General Meeting ('**AGM**') of Charter International plc (the '**Company**') will be held at 2pm on Wednesday 29 April 2009.

Venue
The AGM is to be held at Fitzwilliam Hall, Fitzwilliam Place, Dublin 2, Ireland. Access to the meeting is via the main entrance of Fitzwilliam Hall.

When you arrive
When you arrive at the meeting, please go to the Registration Desk to register your attendance. Please bring your attendance card with you to the meeting. This will help us to admit you into the meeting as quickly as possible.

Assistance for shareholders with disabilities
We have made arrangements to help shareholders with disabilities.

Services at the venue
Tea and coffee will be served before the meeting starts from 1:45pm.

The Company's Registrar and the Company's staff will be available to answer any questions you may have concerning your shareholding.

Asking questions at the meeting
We welcome shareholder questions at the meeting. The Chairman of the meeting will invite you to ask any questions before the formal resolutions are put to the meeting. You may hand in a written question, if you would prefer, at the Registration Desk.

The voting results will be published on our website and will be released to the London Stock Exchange.

CHARTER

Charter International plc
(Registered in Jersey with number 100249)

Registered Office:
22 Grenville Street, St Helier, Jersey JE4 8PX

Head Office:
Fitzwilliam Hall, Fitzwilliam Place, Dublin 2, Ireland

Chairman's letter

To the Ordinary Shareholders of Charter International plc shares, holders of share warrants to bearer and for information only, option holders under the Unapproved Executive Share Option Scheme

Dear Shareholder,

I am pleased to write to you with details of the first Annual General Meeting ('**AGM**') of Charter International plc (the '**Company**'). As you know, on 22 October 2008, the Company, a public company limited by shares incorporated in Jersey and tax resident in the Republic of Ireland, became the ultimate holding company of Charter plc (the former holding company of the Charter Group), pursuant to a Scheme of Arrangement (the '**Scheme**'). Upon the Scheme becoming effective, Charter plc re-registered as a private limited company and is now a wholly-owned subsidiary of the Company.

Annual General Meeting

The AGM of the Company will be held on Wednesday 29 April 2009 at 2pm at Fitzwilliam Hall, Fitzwilliam Place, Dublin 2, Ireland and the formal notice of the AGM (the '**Notice**') can be found on pages 4 to 5 of this document. Explanatory notes on all the business to be considered at this year's AGM can be found on pages 6 to 7 of this document.

If you would like to vote on the resolutions but are unable to attend the AGM, please complete the enclosed proxy form and return it to the processing centre of our Registrar, Computershare, as soon as possible at the following address: The Pavilions, Bridgwater Road, Bristol BS99 6ZY in the envelope provided, or alternatively, please register your proxy electronically via the Computershare website: www.eproxyappointment.com. Further details of this method of electronic proxy voting can be found in Note 11 on page 8. In any event Computershare must receive your completed proxy form by 2pm on Monday 27 April 2009. Questions on the business to be transacted at the AGM may also be submitted to the Directors prior to the AGM in the space provided on the proxy form or electronic proxy vote. Please note that all electronic addresses in this letter or the Notice are only to be used for the purpose described and should not be used for the submission of any other document or information relating to proceedings of the AGM.

Directors

As this is the first AGM of Charter International plc all the Directors must come before the shareholders for election. However, after more than seven years on the Board, James Bruce has decided not to seek election and thus will retire from the Board with effect from the conclusion of the AGM. I would like to express my gratitude and that of my colleagues on the Board for his wise counsel and support over the last seven years. During that time he has helped to steer the Company to the strong position in which it finds itself today.

I am delighted that Manfred Wennemer has today accepted our invitation to join the Board. He has wide experience of international business and until recently was Chief Executive of Continental AG, the international manufacturer of tyres and equipment for the automotive and transport industry headquartered in Hanover, Germany. Prior to this he worked for the Freudenberg Group for 14 years, latterly as Chief Executive of the Nonwovens Group. He has led a distinguished international career having lived and worked in Germany, the United States and South Africa and I believe will make a valuable contribution to the Board and the future direction of the Company.

James Deeley has been the Legal Director of Charter plc and latterly the Company for almost three years and his role has grown and evolved to the point where he is well prepared to assume the role of Commercial Director on the Board with the additional responsibilities that that role will involve.

These changes position the Company for the challenges ahead and will ensure that we have the correct skills on the Board to drive business performance going forward.

Electronic communications

Following the AGM of Charter plc in June 2007, some shareholders opted to receive all communications (including the Annual Report and Accounts and shareholder circulars) by their being published on Charter plc's website. The terms of the Scheme of Arrangement provided that mandates and instructions received by Charter plc continue to apply to the Company unless varied or revoked. Shareholders may also elect to receive such communications electronically by the submission of an email address. Should you wish to take advantage of this facility you can do this by registering online at www.investorcentre.co.uk/jersey or by writing to Computershare Investor Services (Channel Islands) Limited, 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 notice in writing to the Company's Registrar at the address above.

Action to be taken

As already mentioned, shareholders are asked to complete the enclosed proxy form and return it to the processing centre of the Company's Registrar, Computershare at The Pavilions, Bridgwater Road, Bristol BS99 6ZY by 2pm on Monday 27 April 2009 in the envelope provided or to register their proxy electronically via the Computershare website: www.eproxyappointment.com.

Dividend

The profit for the year ended 31 December 2008 was £158.7 million (2007: £144.8 million) and the Directors intend to declare a final dividend for this year of 14 pence per ordinary share (2007: 12 pence per ordinary share). The intention is for the dividend to be paid on 5 May 2009 to those shareholders on the Company's register at the close of business on 14 April 2009.

Following the Scheme, the Board passed a resolution approving the income access share arrangements ('**IAS**'). These arrangements 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 income access share 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 income access 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 paragraph headed 'Payment of dividends' on page 41 of the Company's 2008 Annual Report and Accounts and Sections 2 and 3 of Part 4 (Taxation) of the Prospectus which was issued by the Company on 8 September 2008 (the 'Prospectus'). Please note that references in the Prospectus to 'New Charter' are references to Charter International plc and references to 'New Charter Ordinary Shareholders' are references to shareholders of Charter International plc. A copy of the Prospectus is available on the Charter International plc website at: www.charter.ie.

Please note that neither the statements made above nor the statements contained in the Prospectus constitute tax advice. If you are in any doubt as to your tax position you should consult your own professional adviser.

Recommendation
The Directors consider that all of the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole. Members of the Board will be voting in favour of them in respect of their respective share interests in the Company and unanimously recommend that you do so as well.

Yours sincerely,

Lars Emilson
Chairman
26 March 2009

CHARTER

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the first Annual General Meeting ('**AGM**') of Charter International plc (the '**Company**') will be held at 2pm on Wednesday 29 April 2009 at Fitzwilliam Hall, Fitzwilliam Place, Dublin 2, Ireland. Resolutions 1 to 14 inclusive are deemed to be ordinary business of the meeting as the Company considers these to be matters that would usually be dealt with at an AGM. More than one half of the votes cast must support resolutions 1 to 14 inclusive in order for them to be passed. Resolutions 15 to 17 inclusive will be proposed as special resolutions and two-thirds or more of the votes cast must support them in order for these resolutions to be passed.

Ordinary Resolutions

1. To receive and consider the Company's Annual Accounts and Report, the Company's group consolidated accounts and the Directors' Report for the year ended 31 December 2008.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2008.
3. To elect Lars Emilson as a Director of the Company.
4. To elect John Biles as a Director of the Company.
5. To elect Robert Careless as a Director of the Company.
6. To elect James Deeley as a Director of the Company.
7. To elect Grey Denham as a Director of the Company.
8. To elect Michael Foster as a Director of the Company.
9. To elect John Neill as a Director of the Company.
10. To elect Andrew Osborne as a Director of the Company.
11. To elect Manfred Wennemer as a Director of the Company.
12. To appoint PricewaterhouseCoopers LLP as Auditors of the Company.
13. To authorise the Directors to fix the remuneration of the Auditors of the Company.
14. To generally and unconditionally authorise the Directors, pursuant to Article 10 of the Articles of Association of the Company, to exercise all powers of the Company to allot Relevant Securities (as defined in the Articles of Association of the Company):

    (a) up to an aggregate nominal amount of £1,112,671 (being 55,633,550 ordinary shares of 2 pence each in the Company), and

    (b) comprising equity securities (as defined in the Articles of Association of the Company) up to a nominal amount of £2,225,342 (being 111,267,100 ordinary shares of 2 pence each in the Company) (including within such limit any Relevant Securities issued under paragraph (a) above) in connection with an offer by way of a rights issue to:

    (i) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

    (ii) holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

    and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or laws of, any territory or any other matter,

    such authorities to expire at the conclusion of the next AGM of the Company or, if earlier, 30 June 2010, save that the Company may before such expiry make an offer or agreement which would or might require Relevant Securities to be allotted or treasury shares to be sold after such expiry, and the Directors may allot Relevant Securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. Accordingly, for the purposes of expressions defined in Article 10(G) of the Articles of Association of the Company, the amounts specified in paragraphs (a) and (b) above shall comprise the Authorised Allotment Amount and the period commencing on 29 April 2009 and ending on the conclusion of the next AGM of the Company or, if earlier, 30 June 2010 shall be the Allotment Period.

Special Resolutions

15. To increase the authorised share capital of the company from £4,600,000 (divided into 230,000,000 ordinary shares of 2 pence each) to £6,000,000 by the creation of 70,000,000 ordinary shares of 2 pence each ranking pari passu in all respects with the existing ordinary shares of 2 pence each in the capital of the Company and that, accordingly, paragraph 4 of the Memorandum of Association of the Company be deleted and replaced with the following as a new paragraph 4: 'The share capital of the Company is £6,000,000 divided into 300,000,000 ordinary shares with a par value of £0.02 each.'

16. To empower the Directors, subject to the passing of resolution 14 above, and for the purposes of Article 10 of the Articles of Association of the Company, to allot equity securities (as defined in the Articles of Association of the Company) wholly for cash pursuant to the authority conferred by resolution 14 as if Article 11 of the Articles of Association of the Company did not apply to any such allotment, provided that this power shall be limited:

    (a) to the allotment of equity securities (as defined in the Articles of Association of the Company) in connection with an offer of equity securities (but in the case of an authority granted under paragraph (b) of resolution 14 above, by way of a rights issue only) to:

    (i) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

    (ii) holders of other equity securities as required by the rights attaching to those securities or as the Directors otherwise consider necessary,

    and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or laws of, any territory or any other matter; and

    (b) in the case of the authority granted under paragraph (a) of resolution 14 above, and/or in the case of any transfer of treasury shares which is treated as an allotment of equity securities under Article 10(G)(i) of the Articles of Association of the Company, to the allotment and sale (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal amount of £166,900 (being 8,345,033 ordinary shares of 2 pence each in the Company),

    such power shall expire at the conclusion of the next AGM or, if earlier, 30 June 2010 unless previously revoked or varied by the Company in a general meeting), save that the Company may, before such expiry, make an offer or agreement which would, or might, require equity securities to be allotted or treasury shares to be sold after such expiry and the Directors may allot equity securities and sell treasury shares in pursuance of such offer or agreement as if the power conferred hereby had not expired. Accordingly, for the purposes of Article 10(G) of the Articles of Association of the Company, the amount specified in paragraph (b) above shall comprise the Non Pre-emptive Amount and the period commencing on 29 April 2009 and ending on the conclusion of the next AGM of the Company or, if earlier, 30 June 2010 shall be the Allotment Period.

17. To generally and unconditionally authorise the Company:

    (a) pursuant to Article 57 of the Companies (Jersey) Law 1991, to make market purchases of ordinary shares of the Company on such terms and in such manner as the Directors may from time to time determine, provided that:

    (i) the maximum aggregate number of ordinary shares authorised to be purchased is 16,690,067, representing 10 per cent. of the Company's issued ordinary share capital as at the date of this resolution;

    (ii) the maximum price (excluding expenses paid by the Company) which may be paid for each ordinary share is an amount equal to 105 per cent. of the average of the closing middle market prices for the ordinary shares of the Company (derived from the London Stock Exchange Daily Official List) on the five business days immediately preceding the date of purchase;

    (iii) the minimum price which may be paid is 2 pence per ordinary share; and

    (iv) the authority conferred by this resolution shall expire at the conclusion of the next AGM or, if earlier, 30 June 2010, save that the Company may before the resolution expires make a contract of purchase which will or may be executed wholly or partly thereafter, and a purchase of shares may be made in pursuance of any such contract; and

    (b) pursuant to Article 58A of the Companies (Jersey) Law 1991, to hold as treasury shares any ordinary shares purchased pursuant to the authority conferred by paragraph (a) of this resolution.

By order of the Board

John Douglas
Company Secretary
26 March 2009

Head Office:
Fitzwilliam Hall
Fitzwilliam Place
Dublin 2, Ireland

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Resolutions 1 to 14 inclusive are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 15 to17 inclusive are proposed as special resolutions. This means that for each of those resolutions to be passed, at least two-thirds of the votes cast must be in favour of the resolution.

Resolution 1: Report and Accounts
Resolution 1 invites the shareholders to receive and consider the Company's Annual Accounts for the period ended 31 December 2008. Shareholders are also invited to receive, consider and approve the Company's group consolidated accounts together with the Directors' Report thereon. Copies of these documents will be available at the meeting.

Resolution 2: Approval of Directors' Remuneration Report
Resolution 2 seeks the approval by shareholders of the Directors' Remuneration report for the financial year ended 31 December 2008. The report is set out on pages 49 to 55 of the 2008 Annual Report and Accounts of the Company.

Resolutions 3 to 11: Election of Directors
At the AGM and in accordance with the Company's Articles of Association, each Director is required to retire and, if appropriate, offer themselves for election. As this is the first AGM of the Company, all Directors will be retiring and, with the exception of the Hon. James Bruce, standing for election.

Following an evaluation of the performance of the Board, its committees and of individual Directors, the Non-Executive Directors of the Company each continue to be effective in their roles, and they continue to demonstrate appropriate commitment to their duties as Directors (including ensuring that sufficient time is available for Board and committee meetings, and other duties as required). Biographical information for the Directors can be found in the Annual Report and Accounts on pages 36 and 37.

Manfred Wennemer was appointed as a Director after the signing date of the Annual Report and Accounts and accordingly his biographical details are set out below:

Manfred Wennemer (61) has led a distinguished international career having lived and worked in Germany, The United States and South Africa. He graduated in Mathematics from the University of Munster in Germany and holds an MBA from INSEAD.

He worked for the Freudenberg Group for 14 years latterly as Chief Executive for the Nonwovens Group and went on to become Chief Executive at Benecke-Kaliko AG, a subsidiary of Continental. He joined Continental AG in 1998 and became Chief Executive three years later, a position he held until his retirement in 2008.

He is a non-executive director of Allianz AG.

Resolutions 12 to 13: Appointment of PricewaterhouseCoopers LLP as Auditors and authorisation for the Directors to fix the Auditors' remuneration
The current Auditors, PricewaterhouseCoopers LLP, have indicated that they are willing to be appointed as the Auditors of the Company for the period to the 2010 AGM of the Company and resolution 12 proposes that they are reappointed for that period.

Resolution 13 authorises the Directors to set the remuneration of the Auditors. This is delegated by the Board to the Audit Committee, which is entirely composed of independent Non-Executive Directors.

Resolution 14: Allotment of share capital
Paragraph (a) of resolution 14 authorises the Directors to allot authorised but unissued ordinary shares of the Company up to a nominal value of £1,112,671 representing approximately one-third of the of the issued share capital as at 20 March 2009, being the last practicable date prior to the publication of this Notice.

In line with recent guidance issued by the Association of British Insurers, paragraph (b) of this resolution would give the Directors authority to allot ordinary shares in connection with a rights issue in favour of ordinary shareholders up to a nominal value of £2,225,342 as reduced by the nominal amount of any shares issued under paragraph (a) of this resolution. This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital of the Company as at 20 March 2009, being the latest practicable date prior to publication of this Notice.

The authorities sought under this resolution will expire at the conclusion of the AGM of the Company to be held in 2010, or, if earlier, 30 June 2010.

This resolution is conditional upon resolution 15 being passed. This is because the Directors will be unable to exercise any authority given under paragraph (b) unless the authorised share capital of the Company is increased.

The Directors have no present intention to exercise either of the authorities sought under this resolution 14 except, under paragraph (a), to satisfy options under the Company's share incentive plans (the 'Company Plans').

Resolution 15: Increase of authorised share capital
As at 20 March 2009, the Company had 63,099,330 ordinary shares of 2 pence each in its authorised but unissued share capital. In order to provide the Directors with flexibility to issue shares in the future (subject always to the Directors' authority to allot), it is proposed that the Company's authorised share capital be increased from £4,600,000 to £6,000,000 by the creation of an additional 70,000,000 ordinary shares of 2 pence each. This represents approximately a 30 per cent. increase in the authorised share capital of the Company's ordinary shares.

Following the creation of these additional shares, the Company will have 133,099,330 authorised but unissued shares in its ordinary share capital (based on the issued share capital as at 20 March 2009).

The proposed increase of authorised share capital results in a technical alteration to the Company's Memorandum of Association, as described in the resolution.

The Directors have no present intention to use this authority except for allotments of shares pursuant to the Company Plans.

Resolution 16: Disapplication of pre-emption rights
Resolution 16 authorises the Directors to allot shares as if the normal pre-emption requirements did not apply. The Resolution grants two authorities:

(a) in respect of a broadly pre-emptive offer, it permits the Directors to deal with fractional entitlements and to provide for jurisdictions where there are legal or practical restrictions on allotting shares;

(b) for allotments which are not pre-emptive, the Directors are limited to allotting a maximum of 8,345,033 shares, representing approximately 5 per cent. of the issued share capital of the Company as at 20 March 2009, the last practicable date prior to the publication of this Notice. This corresponds with the guidance level indicated by the Association of British Insurers and the National Association of Pension Funds.

The authorities sought under this resolution will expire at the conclusion of the AGM of the Company to be held in 2010, or, if earlier, 30 June 2010.

The Directors have no present intention to use this authority or that in resolution 14, except for allotments of shares pursuant to the Company Plans, and would not seek to issue more than 7.5 per cent. of the issued share capital of the Company in any rolling three-year period without prior consultation with the investment committees of the Association of British Insurers and National Association of Pension Funds.

Resolution 17: Authority to purchase shares on the market
Resolution 17 authorises the Company to make market purchases of ordinary shares at a price not in excess of the average price for the five business days before the date of purchase. The authority is limited to a maximum of 16,690,067 shares, representing 10 per cent. of the issued share capital of the Company as at 20 March 2009, the last practicable date prior to the publication of this Notice. This corresponds with the guidance level indicated by the Association of British Insurers and the National Association of Pension Funds.

The authorities sought under this resolution will expire at the conclusion of the AGM of the Company to be held in 2010, or, if earlier, 30 June 2010.

At the present time, the Directors have no intention to use this authority except to ensure that obligations under the Company Plans can be met in an appropriate and timely way. The Directors will only exercise the authority granted under this resolution if to do so would result in an increase in earnings per share and would be, in their opinion, in the best interests of shareholders generally.

At 20 March 2009, (the last practicable date prior to the publication of this Notice) 66,413 options to subscribe for shares in the Company were outstanding, representing approximately 0.040 per cent. of the issued share capital at that date. If the full authority granted in this Resolution were exercised, they would represent approximately 0.044 per cent. of the reduced issued share capital.

This resolution also authorises the Company to hold any shares purchased pursuant to the authority referred to in sub-section (a) of this resolution in treasury.

NOTES

1. Shareholders are entitled to appoint a proxy to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this Notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Computershare Investor Services (Channel Islands) Limited, PO Box 83, Ordnance House, 31 Pier Road, St. Helier, Jersey, JE4 8PW or alternatively you can register a proxy electronically via the Computershare website: www.eproxyappointment.com.

2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand no later than 2pm on Monday 27 April 2009. In the case of a member which is a corporation, the proxy form must be executed under its seal or signed on its behalf by an officer of the corporation or an attorney for the corporation. Any power of attorney or any other authority under which the proxy form is signed (or a copy of such power or authority duly notarised or certified in accordance with the Articles of Association of the Company) must be included with the proxy form. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior). If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

3. The return of a completed proxy form, other such instrument or any CREST or electronic Proxy Instruction (as described in paragraphs 10 and 11 below) will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.

4. Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at the AGM must comply with the relevant conditions governing share warrants to bearer.

5. Any person to whom this Notice is sent who is a person nominated to enjoy information rights under Article 59 of the Company's Articles (a '**Nominated Person**') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

6. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

7. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at close of business on 27 April 2009 (or, in the event off any adjournment, 48 hours before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

8. As at 20 March 2009 (being the last business day prior to the publication of this Notice) the Company's issued share capital consisted of 166,900,670 ordinary shares, carrying one vote each with all shares having equal voting rights. Therefore, the total number of voting rights in the Company as at 20 March 2009 was 166,900,670.

9. The following documents will be available for inspection at the registered office of the Company and at the offices of the Company's solicitors, Slaughter and May, at One Bunhill Row, London EC1Y 8YY and Mourant, PO Box 87, 22 Grenville Street, St. Hellier, Jersey , JE4 8PX from the date of this Notice until the time of the AGM and at Fitzwilliam Hall, Fitzwilliam Place, Dublin 2, Ireland from 15 minutes before the AGM until it ends:

   (i) Copies of the Executive Directors' service contracts; and

   (ii) Copies of the letters of appointment of the Non-Executive Directors.

10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

    In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a '**CREST Proxy Instruction**') must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by 2pm on 27 April 2009. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

    CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

    The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Articles 34 of the Companies (Uncertificated Securities) (Jersey) Order 1999.

11. We encourage you to register the appointment of a proxy or proxies electronically by logging on to the website www.eproxyappointment.com. You will need your Control Number, PIN and Shareholder Reference Number which are printed on the proxy form or contained in the email/notification which you have been sent. Full details of the procedure are given on the website. If you wish to appoint more than one proxy please contact Computershare Investor Services (Channel Islands) Limited on 01534 825357 for assistance. Overseas callers should use +44 1534 825357. The proxy appointment and instructions must be received by Computershare no later than 2pm on 27 April 2009. Please note that any electronic communication that is found to contain a computer virus will not be accepted. The use of the internet service in connection with the AGM is governed by Computershare's conditions of use set out on the website, www.eproxyappointment.com, which may be read by logging on to that site and entering the Shareholder Reference Number, Control Number and PIN printed on the proxy form or email notification which you have been sent.

12. A shareholder which is a corporation and which wishes to be represented at the meeting by a person with authority to speak and vote (a '**corporate representative**') must appoint such a person by resolution of its directors or other governing body. A corporate representative has the same powers on behalf of the corporation he/she represents as that corporation could exercise is it was an individual member of the Company. Under Jersey law it is not possible for a body corporate to appoint more than one corporate representative.

13. In the period from 27 February 2009 to 20 March 2009, being a date not more than one month prior to the date of this Notice, Michael Foster, Robert Careless and James Deeley were granted 125,763, 71,684 and 62,881 conditional awards respectively over the Company's ordinary shares pursuant to the Charter International Long-Term Incentive Plan on 9 March 2009. In addition, Michael Foster, Robert Careless and James Deeley were made conditional awards of ordinary shares under the Company's Deferred Bonus Plan of 21,422, 11,340 and 11,474 respectively on the same date. Michael Foster exercised his award under the MF LTIP on the 9 March 2009 over 149,089 ordinary shares. To fund the exercise price, tax and N.I., he sold 109,319 shares at 400.365 pence per share and retained the balance of 39,770 shares. On the 11 March 2009, Andrew Osborne bought 1,000 shares at 424.75 pence per share. No further changes in the interests of the Directors occurred between these dates.

14. Between 27 February 2009 and 20 March 2009, being a date not more than one month prior to the date of this Notice one further notification pursuant to DTR 5 of the Disclosure and Transparency Rules of the FSA was received as set out below.

    Notification was received on the 9 March 2009 that Standard Life Investments Ltd had a direct interest in 7,183,704 shares and an indirect interest in 2,797,335 shares being 4.308% and 1.678% respectively of the issued share capital. This gave a total holding of 9,981,039 being 5.986% of the issued share capital.