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CHARTER plc
Interim accounts for the six months ended 30 June 2008

Financial highlights

		Six months to 30.6.08 £m	Six months to 30.6.07 £m	
Revenue		**899.8**	691.5	+30%
Operating profit		**107.4**	85.4	+26%
Profit before tax		**104.6**	92.1	+14%
Adjusted profit before tax [1]		**109.6**	88.9	+23%
Profit after tax		**84.5**	75.4	+12%
		Pence	Pence	
Earnings per share	Basic	47.9	43.3	+11%
	Adjusted [1]	51.0	41.6	+23%

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

- Strong growth in revenue and profits
- ESAB revenue up 33 per cent and Howden up 25 per cent (22 per cent and 19 per cent respectively at constant exchange rates)
- Key international markets of energy and infrastructure remain strong
- Strong market positions in developed markets of Europe and North America as well as in growth markets, particularly BRIC countries, supported performance
- Howden record order book at end of June 2008 of £530.5 million
- Adjusted earnings per share up 23 per cent
- Interim dividend of 7 pence per share declared
- Balance sheet continues to strengthen, with equity shareholders' funds in excess of £500 million and net cash of £36.0 million
- As separately announced, revisions to group structure planned with new UK listed holding company, headquartered in Dublin

Michael Foster, Chief Executive, commented:

"The performance in the first half of 2008 has been excellent, as ESAB and Howden have made the most of strong trading conditions in growth economies and the energy and infrastructure markets, whilst meeting the challenges of input cost increases and growing inflation.

ESAB has benefited from the operational improvements made over the last five years and additional capacity in both welding consumables and equipment. Cost increases have been recovered in the market. The acquisitions made during 2007 and 2008 are being integrated into the business and are producing the expected benefits. Howden continues to benefit from its established position in the power industry, from its increased focus on the petrochemical sector, and from a growing aftermarket business.

With a strong balance sheet and the trading performance to date, the Board continues to view the prospects for 2008 with confidence."

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Internet users will be able to view this announcement, together with other information about Charter plc on the company's website ***www.charterplc.com***

Summary of interim results

		Six months to 30.6.08 £m	Six months to 30.6.07 £m	Year ended 31.12.07 £m
Revenue		**899.8**	691.5	1,451.1
Adjusted operating profit[1]		**108.1**	85.5	173.8
Amortisation and impairment of acquired intangibles and goodwill		**(0.7)**	(0.1)	(0.5)
Operating profit		**107.4**	85.4	173.3
Net financing income before retranslation of intercompany loan balances		**0.2**	1.0	4.1
Net (losses)/gains on retranslation of intercompany loan balances		**(4.3)**	3.3	(2.5)
Net financing (charge)/credit		**(4.1)**	4.3	1.6
Share of post tax profits of associates		**1.3**	2.4	3.2
Profit before tax		**104.6**	92.1	178.1
Profit before tax		**104.6**	92.1	178.1
Add/(deduct) adjustments				
Amortisation and impairment of acquired intangibles and goodwill		**0.7**	0.1	0.5
Net losses/(gains) on retranslation of intercompany loan balances		**4.3**	(3.3)	2.5
Adjusted profit before tax		**109.6**	88.9	181.1
Tax on profit on ordinary activities (before taxation on (losses)/gains on intercompany loans)		**(19.7)**	(16.4)	(32.7)
Taxation on (losses)/gains on intercompany loan balances		**(0.4)**	(0.3)	(0.6)
Taxation		**(20.1)**	(16.7)	(33.3)
Profit after tax		**84.5**	75.4	144.8
Attributable to:	Equity shareholders	**79.9**	72.2	137.8
	Minority interests	**4.6**	3.2	7.0
		84.5	**75.4**	**144.8**
		Pence	Pence	Pence
Earnings per share	Basic	**47.9**	43.3	82.7
	Adjusted[2]	**51.0**	41.6	84.7
Dividend per share		**7.0**	-	12.0

1 *before amortisation and impairment of acquired intangibles and goodwill*

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

CHIEF EXECUTIVE'S STATEMENT

At the halfway point of the year, it is encouraging that the positive trends in both of Charter's businesses, ESAB and Howden, continue. Overall, markets remain robust with strong global demand continuing in certain key end-user sectors. This and the operational measures taken by both businesses have led to significant increases in revenue and operating profit, which also benefited from favourable movements in exchange rates.

We continue to be confident on the outlook for both ESAB and Howden for the remainder of 2008.

Business results

Charter delivered another set of excellent results for the first half of 2008, building on the performance reported in earlier years with sales increasing by 30.1 per cent to £899.8 million and adjusted profit before tax increasing by 23.3 per cent to £109.6 million.

Our principal measure of the value that we are creating for shareholders is adjusted earnings per share, which increased by 22.6 per cent to 51.0 pence per share.

Summary of results and outlook

	Six months to 30.6.08 £m	Six months to 30.6.07 £m	Year ended 31.12.07 £m
ESAB	**615.4**	464.3	970.8
Howden	**284.4**	227.2	480.3
Charter consolidated revenue	**899.8**	691.5	1,451.1
ESAB	**83.4**	63.5	126.6
Howden	**31.6**	27.7	57.6
Central operations	**(7.6)**	(5.8)	(10.9)
Charter consolidated operating profit	**107.4**	85.4	173.3
Operating margins			
ESAB	**13.6%**	13.7%	13.0%
Howden	**11.1%**	12.2%	12.0%
Charter	**11.9%**	12.3%	11.9%
Adjusted earnings per share	**51.0p**	41.6p	84.7p
Cash flow from operations	**£38.7m**	£48.5m	£149.1m

ESAB

ESAB's results for the period reflected continued strong growth in sales to customers in the energy and infrastructure construction industries and in emerging markets, with a generally robust performance elsewhere. Input price inflation and currency volatility were particular features of the period. ESAB was generally successful in passing on increases in the prices of steel and other commodities to customers in the form of higher selling prices.

ESAB has continued to strengthen operationally, including through the addition of new welding consumables and equipment capacity, and the continued improvement in the cutting and automation business. The acquisitions during 2007 have been successfully integrated and are generating the anticipated benefits, in particular enhancing ESAB's position in the important Indian, Balkan and Argentine markets.

ESAB generated revenues of £615.4 million (2007: £464.3 million), an increase of 32.5 per cent. Volume growth and increased selling prices (reflecting higher input costs, especially steel) were partly offset by changes in the geographic and product mix of sales towards emerging markets and welding wires. Acquisitions during 2007 and 2008 accounted for 6.9 per cent of the increase in sales, principally the increased shareholding in ESAB India (which became a subsidiary in September 2007).

Operating profit increased by 31.3 per cent to £83.4 million (2007: £63.5 million). The operating margin of 13.6 per cent was well ahead of the margins of 13.0 per cent achieved in 2007 as a whole and of the 12.5 per cent achieved in the second half of 2007.

The margin benefited from a much improved performance in the cutting and automation business. In the welding business, margins have been maintained as economies of scale and operational efficiency improvements have balanced the growth of the business in emerging markets and the change in the sales mix towards wire products.

The translation impact of changing exchange rates, in particular the strength of European currencies against Sterling, increased reported sales by 10.1 per cent and operating profit by 16.8 per cent. There were opposite, but smaller, transactional impacts on both sales and operating profit.

The growth in the cutting and automation order book to a record level at 30 June 2008 further underlines improvements that are taking place in this business and also the confidence of end-users in activity levels in the future.

ESAB had record months for sales in June and July, and its capacity utilisation remains high. The largest end-user segments for welding products are energy and infrastructure construction in both of which activity is expected to continue at high levels. ESAB has broadly half of its business in the emerging markets of the world, with market leading positions in Brazil, Russia, India and the Middle East, where demand has continued to grow strongly. We also expect to see resilient trading by ESAB's businesses in Europe and North America.

Our positive outlook is supported by the International Iron and Steel Institute ("IISI") which continues to expect the volume of steel consumption to grow by 6 to 7 per cent in 2008 and 2009 driven by the BRIC economies on which ESAB increasingly focuses. We expect ESAB's broad geographic coverage and spread between developed and emerging economies to successfully mitigate any localised softness in demand.

We continue to expect commodity price and currency volatility, at least for the time being, and will seek to pass through increases in steel and other commodity prices so as to protect our results, as we were able to do successfully in the first half of the year.

Overall, and taking seasonal factors into account, we continue to expect ESAB's operating margin for the year as a whole to be in line with the margin achieved in 2007.

Howden

Howden's results for the period showed strong organic growth in both revenue and operating profit.

In addition to strength in the coal-fired electricity generating industry, Howden's increased focus on its compressor business has allowed it to benefit from the strong conditions in the oil and gas industry, which are expected to continue.

For the six months ended 30 June 2008, revenue was £284.4 million (2007: £227.2 million), an increase of 25.2 per cent. Of this, 6.2 per cent was due to foreign exchange translation, principally the appreciation of European and Chinese currencies against Sterling. Operating profit was £31.6 million (2007: £27.7 million), an increase of 14.1 per cent, of which 7.6 per cent was due to foreign exchange translation.

Revenue growth was strong across both new equipment (up 24.7 per cent) and aftermarket (up 26.7 per cent) reflecting high levels of expenditure in the energy sector, particularly coal-fired electricity generation, and the oil and gas industries which together are estimated to account for over three-quarters of Howden's sales. A particular feature of the results was the strength of the compressor businesses reflecting strong demand from the oil and gas industries and in particular high levels of investment in new refineries. There was also increased focus on the attractive aftermarket business both in China and elsewhere.

Sales to customers in China were markedly ahead of those in the second half of 2007 and, as at 30 June 2008, outstanding orders to Chinese customers were £134.7 million compared with £90.3 million at 31 December 2007, an increase of nearly 50 per cent. Howden's Chinese design and manufacturing facilities have also been busy in meeting export orders, particularly for customers in North America.

As at 30 June 2008, Howden's order book amounted to £531 million, a record, compared with £417 million at 31 December 2007. This represents an increase of £114 million over the period (of which £26 million was due to exchange movements). As the industry adapts to higher levels of activity, lead times are being extended. The order book now gives good visibility for the next 18 months of trading.

As anticipated, Howden's operating margin for the period was 11.1 per cent compared to 12.2 per cent for the same period last year. Gross margins were generally maintained, but investment in additional sales offices and engineering resources to support future growth led to a reduction in the operating margin.

The outlook for Howden for the remainder of the year benefits from strong end-user markets, especially power and oil and gas, in which levels of investment are expected to remain high worldwide. Overall demand for new equipment for the power industry remains strong in Europe and North America, with demand being driven by environmental requirements and the need to replace ageing infrastructure, and also in emerging economies, which are generally structurally short of generating capacity. We see sales in China trending upwards based on the strong increase in the order book during the first half of the year and following the successful introduction of additional Howden products to the market. We also see continued growth in Chinese aftermarket sales.

We therefore expect Howden's results for the year as a whole to reflect continuing strong sales momentum. Against a background of continuing investment in additional resources in anticipation of future growth, we expect Howden's full year operating margin to be maintained at a similar level to that achieved in the first half.

Howden is expected to end the year with a strong order book that is well balanced across its principal markets.

Acquisitions

On 25 April, ESAB completed the acquisition of the business 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. Romar has its corporate headquarters and a factory in Singapore, with further factories in China. This acquisition is a continuation of ESAB's stated strategy to increase its technology base and improve market position through selected acquisitions.

Initial consideration for the transaction was S$65 million (equivalent to £24 million at the mid-market rate of exchange on 15 May 2008) in cash. Additional consideration is payable to the extent that average EBIT for the 3 years to 31 December 2010 exceeds S$9.0 million.

The acquisition of Romar increases ESAB's presence in mid-market automation equipment, which is expected to become an increasingly important market segment given the 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.

Romar's founder, chairman and its former owner, is remaining with the company following its acquisition by ESAB.

On 17 July 2008, ESAB agreed to acquire the factory, plant and certain other assets of Linkweld, located near Milan, Italy, for a consideration of €4 million. These assets will provide ESAB with additional capacity for the manufacture of MAG wire spools in Europe. Production is expected to recommence during September 2008 and reach full capacity in 2009. This will support the development of the solid wire market in Europe and allow more Chinese production to be available for China and South East Asia.

On 22 August 2008, Howden acquired Aeolus Industra e Comercio Ltda, a leading Brazilian designer and manufacturer of industrial fans, with a strong presence in the pulp and paper, cement and ethanol markets. The acquisition will enhance Howden's position in Brazil and provides Howden with a manufacturing facility in the South American region. Initial consideration was 38.5 million Reais (equivalent to £12.8 million). Additional consideration, up to a maximum of 11.5 million Reais (£3.8 million), is potentially payable based on the company's 2008 profit.

Balance sheet and cash flow

During the period, equity shareholders' funds increased by £77.3 million to £503.7 million, reflecting the profit attributable to equity shareholders generated during the period of £79.9 million and the exchange translation gain of £28.2 million, less dividends paid to equity shareholders of £20.0 million and other items of £10.8 million, primarily actuarial losses on retirement benefit obligations.

During the period cash flow from operations was £38.7 million. The increased levels of working capital in both ESAB and Howden reflect the significantly higher levels of revenue, and, as in previous years, ESAB has built up its inventories of finished goods ahead of the northern hemisphere holiday season. ESAB has also raised its stocks of raw materials as a safeguard against interruptions in the supply of steel, which has been in shortage in some markets. We expect the rate of cash conversion to increase in the second half.

Charter's net cash position also reflected its continuing programme of capital expenditure, the acquisition of Romar, dividends paid to equity shareholders and payments of tax. Capital expenditure is expected to continue at broadly this level in the second half of the year.

Business positioning

We believe that developments within both ESAB and Howden over the past five years will enable both businesses to generate continuing robust growth over the medium term.

ESAB has consolidated its position as the world's leading manufacturer of welding consumables and one of only two full service worldwide welding and cutting companies. Its strong brand values of quality, reliability, technical leadership and commitment to customer service have underpinned the high levels of recent growth. Its focus on serving and following the customer has enabled it to maintain margins and increasingly penetrate emerging markets such as Central/Eastern Europe and Asia. As a result, we believe that ESAB has been gaining market share and ESAB's sales are enjoying a better balance between developed and emerging markets. Its key end user segments of energy and infrastructure construction continue to enjoy favourable long term dynamics.

ESAB has also successfully developed its manufacturing footprint with consumables capacity increasing by some 55 per cent since 2004 through a programme of new plant investment, in particular in Central Europe, China, and Brazil. Together with closures of plant in high cost locations, this has enabled the scale of the business to be significantly increased, whilst reducing unit costs and maintaining high levels of utilisation.

Howden is the established world leader in the design, manufacture and servicing of heavy duty air and gas handling equipment. Howden has a balanced presence across North America, Europe and Asia, and is well placed to benefit from the worldwide need for new or replacement power generating plant, which is efficient and environmentally friendly. Across the world the International Energy Agency expects approaching 60 gigawatts of net new coal-fired generating capacity to be added each year for the next 25 years. Significant replacement of life-expired capacity will also be required. Howden also has a successful niche position in the compressor industry, which will benefit from high levels of investment in the oil and gas industries.

The growing aftermarket activity will be supported by the high levels of new equipment sales of recent years that are expected to be increasingly reflected in aftermarket revenues in the future.

Howden's business model has been developed to emphasise the added value customer benefits of its technical capabilities, while the much increased use of out-sourcing of manufacturing has introduced additional flexibility in responding to changing patterns of demand.

Charter's financial strength will allow ESAB and Howden to grow and to continue to invest in new capacity and business improvements, even if economic and financial conditions remain volatile. Charter has an active acquisition strategy to grow its businesses in terms of markets and product enhancements across both its businesses.

The ambitious targets, which we have set ourselves, envisage both ESAB and Howden progressively growing sales and operating profit through using their market leading positions to increase their share of the growing international markets which they serve. We see the key elements of achieving this growth to be the businesses' technology, brand strength and customer service, with growth being achieved in both developed and developing markets. We are continuing investment in new capacity and operational efficiency, together with selective and value adding acquisitions where suitable opportunities arise. Our overriding objective remains to grow shareholder value through increasing adjusted earnings per share, and we believe that we have positioned our businesses so as to achieve this through the cycle.

New UK listed holding company

We are also separately announcing today proposals to create a new holding Company of the Charter group which is to be called Charter International plc and which will be registered in Jersey with its head office and tax residence in the Republic of Ireland.

Dividend

The Board has declared an interim dividend in respect of 2008 of 7 pence per share. The dividend will be paid on 10 October 2008 to holders of ordinary shares registered on 12 September 2008.

Concluding comments

The performance in the first half of 2008 has been excellent, as ESAB and Howden have made the most of strong trading conditions in growth economies and the energy and infrastructure markets, whilst meeting the challenges of input cost increases and growing inflation.

ESAB has benefited from the operational improvements made over the last five years and additional capacity in both welding consumables and equipment. Cost increases have been recovered in the market. The acquisitions made during 2007 and 2008 are being integrated into the business and are producing the expected benefits. Howden continues to benefit from its established position in the power industry, from its increased focus on the petrochemical sector, and from a growing aftermarket business.

With a strong balance sheet and the trading performance to date, the Board continues to view the prospects for 2008 with confidence.

Michael Foster

Chief Executive
28 August 2008

Business review

ESAB

Summary of results

	Six months to 30.6.08 £m	Growth %	Six months to 30.6.07 £m	Year ended 31.12.07 £m
Welding	**521.4**	+31.4%	396.9	813.1
Cutting and automation	**94.0**	+39.5%	67.4	157.7
Revenue	**615.4**	+32.5%[1]	464.3	970.8
Welding	**72.3**	+20.1%	60.2	112.5
Cutting and automation	**11.1**	+236.4%	3.3	14.1
Operating profit	**83.4**	+31.3%[2]	63.5	126.6
Operating margin				
Welding	**13.9%**		15.2%	13.8%
Cutting and automation	**11.8%**		4.9%	8.9%
Overall	**13.6%**		13.7%	13.0%
Order book – cutting and automation	**75.2**		58.3	52.7
Share of post tax profits of associates	**1.3**		2.3	3.0

[1] of which 10.1 per cent was due to foreign exchange translation gains. At constant exchange rates the increase in sales would have been 22.4 per cent.

[2] of which 16.8 per cent was due to foreign exchange translation gains. At constant exchange rates the increase in operating profit would have been 14.5 per cent.

Regional markets

ESAB's revenue grew in both developed and emerging markets and across all regions with continued strength in demand from the energy, infrastructure construction and shipbuilding industries.

ESAB: revenue by destination	**Six months to 30.6.08 £m**	Six months to 30.6.07 £m	Increase %	Increase at constant exchange rates %
Europe	**296.3**	233.2	+27.1%	+12.7%
North America	**116.0**	107.9	+7.5%	+6.0%
South America	**94.8**	62.0	+52.9%	+38.2%
China	**15.0**	9.9	+51.5%	+46.5%
Rest of world	**93.3**	51.3	+81.9%	+77.2%
Total	**615.4**	464.3	+32.5%	+22.4%

Europe

Europe continues to remain ESAB's most important region, accounting for 48.1 per cent of its total revenue in the period.

ESAB's welding sales to customers in Western and Northern Europe continued to broadly match sales to customers in Central, Eastern and Southern Europe.

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.

Within the Western and Northern European markets, there was generally strong growth with some notable performances from Germany, France and the Nordic regions, where sales grew by 39 per cent, 24 per cent and 27 per cent respectively (including currency exchange benefits). Sales to customers in Central, Eastern and Southern Europe grew strongly, with particularly strong performances in Russia (up 42 per cent) and Central Europe (up 30 per cent).

The cutting and automation business also produced a solid increase in revenue and profits compared to 2007. The order book is now the equivalent of six months sales, an all time high for the business.

In July 2008, ESAB acquired certain assets of Linkweld, located near Milan, which will provide additional capacity for the manufacture of solid welding wires.

North America

Sales in North America were £116.0 million, an increase of 7.5 per cent.

Most industries which are significant users of ESAB welding products, such as energy and naval shipbuilding, remained strong despite the well reported general economic conditions in the region. There was also a strong performance from the cutting and automation business.

South America

During the first half of the year, sales grew by 52.9 per cent; principally as a result of strong volume growth and price increases and also due to favourable currency movements. The volume growth reflected the strength of the key market of Brazil where there was strong demand from the energy, construction, shipbuilding and agricultural equipment sectors.

China

Further progress has been made in developing ESAB's presence in China, including the equipment factory at Zhangjiagang having commenced production. During the period, volumes of consumables produced in China increased by over 100 per cent. Sales to customers in China rose to £15.0 million (2007: £9.9 million), an increase of 51.5 per cent and increased volumes were exported to customers in Europe and elsewhere. The cutting business had another good performance driven by the shipbuilding sector.

China continues to be seen as a key growth market for ESAB's products. The new consumables plant in Weihai remains on schedule to commence production before the end of the year.

Rest of the world

India

ESAB India, which became a subsidiary in September 2007, continues to perform well, with revenue and profits, both up 28% in local currency terms, reflecting continued buoyant demand for both welding consumables and equipment.

Asia Pacific (excluding China and India)

Sales were significantly ahead, reflecting growth in the volume of welding consumables sold to the energy and shipbuilding industries in the principal markets of Singapore and Malaysia.

On 25 April 2008, ESAB's presence in the region was enhanced by its acquisition of Romar, based in Singapore with manufacturing operations in China.

Middle East

Sales in the region have continued to grow principally due to continued high levels of investment in the energy industry. During the period the business won the largest ever single consumables order in the history of ESAB for an LNG project in Qatar.

Associated undertakings

ESAB's share of the post tax profits of associates was £1.3 million (2007: £2.3 million). The decrease is due to ESAB India having been accounted for as an associate until September 2007, from which time it was accounted for as a subsidiary. ESAB's only remaining associated undertaking is ESAB SeAH Corporation, situated in South Korea, of which ESAB owns 50 per cent.

Howden

Summary of results

	Six months to 30.6.08 £m	Growth %	Six months to 30.6.07 £m	Year ended 31.12.07 £m
New equipment	**215.1**	+24.7%	172.5	358.8
Aftermarket	**69.3**	+26.7%	54.7	121.5
Revenue	**284.4**	+25.2%[1]	227.2	480.3
Order book	**531**		425	417
Operating profit	**31.6**	+14.1%[2]	27.7	57.6
Operating margin	**11.1%**		12.2%	12.0%
Share of post tax profits of associates	**-**		0.1	0.2

[1] of which 6.2 per cent was due to foreign exchange translation. At constant exchange rates the increase in sales would have been 19.0 per cent.

[2] of which 7.6 per cent was due to foreign exchange translation. At constant exchange rates the increase in operating profit would have been 6.5 per cent.

Order book

As at 30 June 2008, the order book stood at £530.5 million (31 December 2007: £416.7 million), an increase of 27.3 per cent, of which currency movements accounted for 6.1 per cent. New orders in the period were £372.6 million, some 28.0 per cent ahead of the value of orders won in the first half of 2007. Particular features of the order intake during the period were increases in orders for compressors and from Chinese customers.

As at 30 June 2008, outstanding orders from customers in North America amounted to £146.4 million (31 December 2007: £143.3 million), representing a 2.2 per cent increase; Europe £142.2 million (31 December 2007: £107.9 million), representing a 31.8 per cent increase; China £134.7 million (31 December 2007: £90.3 million), representing a 49.2 per cent increase; and the rest of the world £107.2 million (31 December 2007: £75.2 million), representing a 42.6 per cent increase.

Regional markets

Sales remain broadly evenly spread across Europe, North America, China and the rest of the world (principally South Africa, Australia, South America and the rest of Asia).

Howden: revenue by destination	**Six months to 30.6.08 £m**	Six months to 30.6.07 £m	Increase %	Increase at constant exchange rates %
North America	**83.1**	50.2	+65.5%	+62.0%
Europe	**78.7**	66.6	+18.2%	+9.5%
China	**59.3**	58.7	+1.0%	-7.0%
South America	**9.9**	6.8	+45.6%	+29.4%
Rest of world	**53.4**	44.9	+18.9%	+17.4%
Total	**284.4**	227.2	+25.2%	+19.0%

North America

Sales to North America were £83.1 million (2007: £50.2 million), an increase of 65.5 per cent, which was primarily attributable to the continued retrofitting of emission control equipment to coal-fired power stations.

Europe

Sales to Europe were £78.7 million (2007: £66.6 million), an increase of 18.2 per cent, reflecting continued strong demand for Howden products from the power industry and other sectors, and for after-market services. Howden also saw strong demand for its products sold into tunnels and mining applications.

Howden continues to develop its position in Russia and is optimistic about the longer term prospects for this market. During the period, Howden won its first order for a large air heater in Russia.

China

Sales to China were £59.3 million, a small increase over the same period in 2007, but up 7.0 per cent compared to the second half of 2007. Overall, sales are now seen as having stabilised and are now poised to resume growth, as evidenced by the strong increase in the order book. Product expansion in China has been undertaken, with a new compressor and turbo-compressor facility in Weihai, which opened towards the end of 2007. The compressor orders won from the oil and gas sector have been significantly higher than expected. The Chinese aftermarket business has continued to develop and is ahead of plan. Overall the aftermarket remains an opportunity for growth.

As well as meeting domestic orders, Howden's manufacturing facilities in China have remained busy with orders for customers in North America.

South America

Sales to South America increased by 45.6 per cent during the period due to continued strong demand from the iron and steel industry and oil and gas sectors, in particular in Brazil. Since 30 June Howden has enhanced its position in Brazil through the acquisition of Aeolus.

Rest of the world

Africa

Howden Africa Holdings Limited, in which Howden has a holding of some 55 per cent, increased sales of new equipment and aftermarket products and services to the power sector and also the mining sectors.

Other

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

Howden's presence in India continues to develop with the appointment of new sales and engineering personnel in the region, with compressor orders won during the period. Howden believes that the power sector has significant future potential for their fans.

Financial review

Trading results for the year

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

Earnings per share

Basic earnings per share were 47.9 pence (2007: 43.3 pence). Adjusted earnings per share, which is considered to provide a better indication of underlying business performance, increased by 22.6 per cent to 51.0 pence (2007: 41.6 pence) and were derived from basic earnings per share as set out below:

	Per share		Total earnings	
	Six months to 30.6.08 pence	Six months to 30.6.07 pence	**Six months to 30.6.08 £m**	Six months to 30.6.07 £m
Basic earnings	**47.9**	43.3	**79.9**	72.2
Items not relating to underlying business performance:				
Amortisation and impairment of acquired intangibles and goodwill	**0.2**	0.1	**0.4**	0.1
Losses/(gains) on retranslation of intercompany loan balances	**2.7**	(2.0)	**4.3**	(3.3)
Taxation on retranslation of intercompany loan balances	**0.2**	0.2	**0.4**	0.3
Adjusted earnings attributable to equity shareholders	**51.0**	41.6	**85.0**	69.3

Net financing credit/(charge)

The net financing credit, before retranslation of intercompany loan balances, of £0.2 million (2007: £1.0 million) comprised net interest income of £0.5 million less a net charge from retirement benefit obligations of £0.3 million.

Taxation

The tax on profit on ordinary activities (before taxation on losses or gains on retranslation of intercompany loans) was £19.7 million (2007: £16.4 million). The adjusted effective tax rate for the period on profit (before losses or gains on retranslation of intercompany loans and the share of post tax profits of associates) was 18.4 per cent, being the rate expected for the year as a whole, compared with a rate of 19.0 per cent for the first half of 2007 and a rate of 18.4 per cent for 2007 as a whole.

Acquisitions

During the period, Charter acquired Romar, details of which are set out in note 13 to the interim financial information. The impact of this acquisition on the 2008 half year results was to increase ESAB's sales by £1.2 million.

Currency

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

	Six months to 30.06.08	Underlying movement at constant exchange rates	2007 translated at 2008 exchange rates	Currency fluctuations	Six months to 30.06.07
	£m	£m	£m	£m	£m
Sales					
ESAB	**615.4**	104.0	511.4	47.1	464.3
Howden	**284.4**	43.1	241.3	14.1	227.2
Total	**899.8**	147.1	752.7	61.2	691.5
Operating profit					
ESAB	**83.4**	9.2	74.2	10.7	63.5
Howden	**31.6**	1.8	29.8	2.1	27.7
Central operations	**(7.6)**	(1.8)	(5.8)	-	(5.8)
Total	**107.4**	9.2	98.2	12.8	85.4

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 period-end rates. The most significant rates for the group were as follows:

Rates of exchange to £1	**At 30 June 2008**	**Average rate for period**	At 30 June 2007	Average rate for period
US Dollar	**1.99**	**1.99**	2.01	1.98
Euro	**1.26**	**1.30**	1.49	1.48
Chinese Renminbi	**13.64**	**14.02**	15.27	15.23
Brazilian Real	**3.17**	**3.37**	3.86	4.03
Czech Koruna	**30.2**	**32.84**	42.69	41.71
Polish Zloty	**4.23**	**4.52**	5.59	5.69

Balance sheet

During the period, total equity shareholders' funds increased by £77.3 million to £503.7 million. The principal components of this increase were the profit for the period attributable to Charter shareholders of £79.9 million and net foreign exchange translation exchange gains of £28.2 million less the dividend paid to Charter shareholders of £20.0 million and other items of £10.8 million, principally actuarial losses on retirement benefit obligations.

As at 30 June 2008, the total equity attributable to minority interests was £30.8 million. The increase compared with 30 June 2007 was largely attributable to the 44 per cent minority interest in ESAB India, which became a subsidiary in September 2007. The other minority interests that are significant are the 30 per cent interest in Howden Hua Engineering Co Limited and the 45 per cent interest in Howden Africa Holdings Limited.

Cash flow

During the period, the net cash reduced by £52.2 million to £36.0 million at 30 June 2008. Cash flows during the period are summarised below.

	Six months to 30.06.08 £m	Six months to 30.06.07 £m	Year ended 31.12.07 £m
Operating profit	**107.4**	85.4	173.3
Depreciation and amortisation	**11.1**	7.6	16.6
Charge for share based incentives	**0.4**	0.3	0.5
Loss/(profit) on sale of property, plant and equipment	**0.2**	(0.3)	(0.3)
Increase in inventories	**(47.7)**	(25.1)	(30.5)
Increase in receivables	**(114.6)**	(72.9)	(62.4)
Increase in payables	**92.2**	61.0	70.0
Movement in working capital	**(70.1)**	(37.0)	(22.9)
Movement in provisions	**(2.0)**	1.0	3.0
Movement in net retirement benefit obligations	**(8.3)**	(8.5)	(21.1)
Cash flow from operations	**38.7**	48.5	149.1
Capital expenditure and capitalised development costs	**(30.4)**	(17.0)	(50.6)
Acquisitions	**(21.9)**	(0.5)	(26.2)
	(52.3)	(17.5)	(76.8)
Disposals	**0.5**	5.5	5.7
	(51.8)	(12.0)	(71.1)
Dividends from associates	**1.6**	0.4	1.2
Dividend paid to Charter shareholders	**(20.0)**	-	-
Net financing income	**0.4**	0.2	0.3
Dividends paid to minority interests	**(0.9)**	(1.2)	(3.1)
Purchase of own shares	**(0.2)**	-	-
Tax paid	**(23.9)**	(18.8)	(35.9)
Net cash flow	**(56.1)**	17.1	40.5
New finance leases	**(0.4)**	(0.1)	(0.1)
Movement in interest payable accrual	**(0.1)**	(0.1)	0.1
Foreign exchange adjustments	**4.4**	-	4.6
(Reduction)/increase in net cash	**(52.2)**	16.9	45.1
Opening net cash	**88.2**	43.1	43.1
Closing net cash	**36.0**	60.0	88.2

Cash flow from operations generated £38.7 million (2007: £48.5 million).

During the period, increases in inventories and receivables absorbed £47.7 million and £114.6 million respectively, primarily reflecting increased sales, particularly in emerging markets, and also seasonal build of inventories in ESAB ahead of the Northern hemisphere holiday season. These increases were offset by an increase in payables of £92.2 million.
The amount spent on acquisitions, net of cash acquired, of £21.9 million (2007: £0.5 million) related to the acquisition of Romar. Capital expenditure and capitalised development costs were £30.4 million (2007: £17.0 million), compared with depreciation and amortisation of £11.1 million (2007: £7.6 million). As in previous periods, capital expenditure was considerably greater in ESAB than in Howden.

Cash and borrowings

As at 30 June 2008, cash balances were £80.0 million (31 December 2007: £118.5 million), of which approximately half was held in the UK, with the balance held overseas for local working capital purposes or pending dividend payments. Of the cash held overseas, £4.4 million (31 December 2007: £3.3 million) is retained as cash collateral in connection with certain local trading practices or banking facilities.

As at 30 June 2008, gross borrowings were £44.0 million (31 December 2007: £30.3 million).

Retirement benefit obligations

In the period under review, net retirement benefit obligations increased by £10.6 million, comprising actuarial losses of £15.7 million, exchange losses of £2.9 million and the charge to the income statement of £1.2 million less contributions paid of £9.2 million. The actuarial losses in the period arose from a reduction in the value of plan assets partially offset by a reduction in the present value of funded and unfunded obligations, principally arising from higher bond yields. As at 30 June 2008, net retirement benefit obligations represented 17.3 per cent of equity shareholders' funds (compared with 18.0 per cent as at 31 December 2007).

Provisions

At 30 June 2008, total provisions were £56.5 million (2007: £51.9 million) compared with £55.6 million at 31 December 2007. Provisions principally comprise amounts in respect of legal and environmental claims, disputes and associated costs together with warranty and product liabilities.

Contingent liabilities

Details of contingent liabilities are set out in note 14 to the interim financial information.

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 unchanged from those identified in the 2007 report and accounts.

Cautionary statement

Certain sections of this 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 in which the Company and its subsidiaries operate. It is believed that the expectations reflected in these statements 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.

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2008 (unaudited)

Note		**Six months ended 30.6.08 £m**	Six months ended 30.6.07 £m	Year ended 31.12.07 £m
	Continuing operations			
3	**Revenue**	**899.8**	691.5	1,451.1
	Cost of sales	**(632.9)**	(478.6)	(1,014.5)
	Gross profit	**266.9**	212.9	436.6
	Selling and distribution costs	**(87.2)**	(67.7)	(138.7)
	Administrative expenses	**(72.3)**	(59.8)	(124.6)
3	**Operating profit**	**107.4**	85.4	173.3
	Analysed as:			
	Operating profit before amortisation and impairment of acquired intangibles and goodwill	**108.1**	85.5	173.8
6	Amortisation and impairment of acquired intangibles and goodwill	**(0.7)**	(0.1)	(0.5)
		107.4	85.4	173.3
4	Net financing (charge)/credit - retirement benefit obligations	**(0.3)**	1.2	2.3
4	Other financing charge before losses on retranslation of intercompany loan balances	**(2.8)**	(2.0)	(4.3)
4	Other financing income before gains on retranslation of intercompany loan balances	**3.3**	1.8	6.1
4	Net (losses)/gains on retranslation of intercompany loan balances	**(4.3)**	3.3	(2.5)
4	Net financing (charge)/credit	**(4.1)**	4.3	1.6
3	Share of post tax profits of associates	**1.3**	2.4	3.2
	Profit before tax	**104.6**	92.1	178.1
	Tax charge before taxation on net (losses)/gains on retranslation of intercompany loans	**(19.7)**	(16.4)	(32.7)
	Taxation on net (losses)/gains on retranslation of intercompany loan balances	**(0.4)**	(0.3)	(0.6)
5	Taxation charge	**(20.1)**	(16.7)	(33.3)
	Profit for the period	**84.5**	75.4	144.8
	Attributable to:			
	- Equity shareholders	**79.9**	72.2	137.8
	- Minority interests	**4.6**	3.2	7.0
		84.5	75.4	144.8
6	***Earnings per share***			
	Basic	***47.9 p***	*43.3 p*	*82.7 p*
	Diluted	***47.8 p***	*43.2 p*	*82.5 p*

CONDENSED CONSOLIDATED BALANCE SHEET

Six months ended 30 June 2008 (unaudited)

Note		30.6.08 £m	30.6.07 £m	31.12.07 £m
	Non-current assets			
7	Intangible assets	**111.0**	51.5	80.2
7	Property, plant and equipment	**211.1**	122.9	182.7
	Investments in associates	**13.5**	19.2	15.2
8	Retirement benefit assets	**24.2**	30.2	30.9
	Deferred income tax assets	**36.9**	31.7	40.1
	Trade and other receivables	**20.6**	17.6	16.7
	Derivative financial instruments	**0.4**	0.3	0.2
		417.7	273.4	366.0
	Current assets			
	Inventories	**239.5**	156.0	177.5
	Trade and other receivables	**559.7**	395.4	412.0
	Derivative financial instruments	**4.7**	2.7	3.8
9	Cash and cash equivalents	**80.0**	82.1	118.5
		883.9	636.2	711.8
	Total assets	**1,301.6**	909.6	1,077.8
	Current liabilities			
	Borrowings	**(31.1)**	(16.6)	(28.2)
	Trade and other payables	**(492.0)**	(332.7)	(369.1)
	Derivative financial instruments	**(2.3)**	(0.4)	(3.5)
	Income tax liabilities	**(20.7)**	(22.3)	(27.3)
11	Provisions for other liabilities	**(34.3)**	(32.0)	(33.5)
		(580.4)	(404.0)	(461.6)
	Non-current liabilities			
	Borrowings	**(12.9)**	(5.5)	(2.1)
	Deferred income tax liabilities	**(27.0)**	(22.0)	(27.4)
8	Retirement benefit obligations	**(111.4)**	(95.3)	(107.5)
11	Provisions for other liabilities	**(22.2)**	(19.9)	(22.1)
	Derivative financial instruments	**(0.2)**	(0.1)	(0.5)
	Other payables	**(13.0)**	(2.7)	(2.6)
		(186.7)	(145.5)	(162.2)
	Total liabilities	**(767.1)**	(549.5)	(623.8)
	Net assets	**534.5**	360.1	454.0
	Equity			
12	Ordinary share capital	**3.3**	3.3	3.3
12	Share premium	**71.4**	71.4	71.4
12	Merger reserve	**21.1**	21.1	21.1
12	Retained earnings	**344.1**	249.3	296.7
12	Other reserves	**63.8**	2.6	33.9
	Total equity shareholders' funds	**503.7**	347.7	426.4
12	Minority interests	**30.8**	12.4	27.6
12	**Total equity**	**534.5**	360.1	454.0

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2008 (unaudited)

Note		**Six months ended 30.6.08 £m**	Six months ended 30.6.07 £m	Year ended 31.12.07 £m
	Cash flow from operating activities			
10	Cash generated from operations	**38.7**	48.5	149.1
	Interest received	**2.2**	1.8	4.4
	Interest paid	**(1.8)**	(1.6)	(4.1)
	Taxation paid	**(23.9)**	(18.8)	(35.9)
	Net cash flow from operating activities	**15.2**	29.9	113.5
	Cash flow from investing activities			
13	Purchase of subsidiary undertakings, net of cash acquired	**(21.9)**	(0.5)	(26.2)
	Disposal of associated undertaking	**-**	2.4	2.4
	Expenditure on development costs	**(1.8)**	(1.3)	(2.9)
	Purchase of property, plant and equipment and computer software	**(28.6)**	(15.7)	(47.7)
	Sale of property, plant and equipment and computer software	**0.5**	3.1	3.3
	Dividends received from associated undertakings	**1.6**	0.4	1.2
	Net cash flow from investing activities	**(50.2)**	(11.6)	(69.9)
	Cash flow from financing activities			
	Increase in short-term borrowings (other than those repayable on demand)	**2.8**	-	3.0
	Decrease in short-term borrowings (other than those repayable on demand)	**(0.4)**	(0.6)	(1.0)
	Increase in long-term borrowings	**10.8**	0.4	0.5
	Decrease in long-term borrowings	**-**	(2.3)	(4.5)
	Repayment of capital element of finance leases	**(0.5)**	(0.5)	(0.6)
	Cash inflow/(outflow) from debt and lease financing	**12.7**	(3.0)	(2.6)
	Increase in cash on deposit	**(1.2)**	(1.5)	(0.1)
	Dividends paid to equity shareholders of the Company	**(20.0)**	-	-
	Dividends paid to minority interests	**(0.9)**	(1.2)	(3.1)
	Purchase of treasury shares	**(0.2)**	-	-
	Net cash flow from financing activities	**(9.6)**	(5.7)	(5.8)
	Currency variations on cash, cash equivalents and bank overdrafts	**4.4**	(0.1)	4.1
	Net movement in cash, cash equivalents and bank overdrafts	**(40.2)**	12.5	41.9
	Cash, cash equivalents and bank overdrafts at beginning of the period	**89.8**	47.9	47.9
9	**Cash, cash equivalents and bank overdrafts at end of period**	**49.6**	60.4	89.8

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	Six months ended 30.6.08 £m	Six months ended 30.6.07 £m	Year ended 31.12.07 £m
Net movement in cash, cash equivalents and bank overdrafts	**(40.2)**	12.5	41.9
Cash (outflow)/inflow from debt and lease financing	**(12.7)**	3.0	2.6
Increase in cash on deposit	**1.2**	1.5	0.1
Change in net cash resulting from cash flows	**(51.7)**	17.0	44.6
New finance leases	**(0.4)**	(0.1)	(0.1)
Movement in interest accrual	**(0.1)**	(0.1)	0.1
Currency variations on borrowings and cash deposits	**-**	0.1	0.5
Movement in net cash in the period	**(52.2)**	16.9	45.1
Opening net cash	**88.2**	43.1	43.1
Closing net cash	**36.0**	60.0	88.2
Gross borrowings	**(44.0)**	(22.1)	(30.3)
Cash at bank and in hand (including cash on deposit)	**80.0**	82.1	118.5
Closing net cash	**36.0**	60.0	88.2

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

Six months ended 30 June 2008 (unaudited)

Note		**Six months ended 30.6.08 £m**	Six months ended 30.6.07 £m	Year ended 31.12.07 £m
12	Exchange translation	**27.8**	(1.6)	26.6
12	Actuarial (losses)/gains on retirement benefit obligations	**(15.7)**	32.7	10.9
12	Actuarial gains on retirement benefit obligations - associates	**-**	-	0.4
12	Tax on actuarial losses/(gains) on retirement benefit obligations	**2.8**	(2.5)	0.6
12	Tax on actuarial gains on retirement benefit obligations - associates	**-**	-	(0.1)
12	Share-based payments - attributable tax	**0.1**	0.1	0.1
12	Change in fair value of outstanding cash flow hedges	**2.4**	0.1	(1.6)
12	Net transfer to income statement - hedges	**(0.2)**	(0.1)	0.5
12	Net investment hedges	**0.1**	0.4	(0.1)
12	Net deferred income tax movement for the period - hedges	**(0.6)**	-	0.5
12	Share of fair value adjustment on transfer of associates to subsidiaries	**-**	-	5.6
12	**Net income recognised directly in equity**	**16.7**	29.1	43.4
12	Profit for the period	**84.5**	75.4	144.8
12	**Total recognised income for the period**	**101.2**	104.5	188.2
	Attributable to:			
12	- Equity shareholders of the Company	**97.1**	101.3	179.8
12	- Minority interests	**4.1**	3.2	8.4
		101.2	104.5	188.2

NOTES

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with IFRSs as adopted by the European Union.

This condensed consolidated interim financial information does not constitute statutory accounts as defined by section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2007 were approved by the Board of directors on 12 March 2008 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 237 of the Companies Act 1985.

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

2 Accounting policies

The accounting policies applied are consistent with those adopted and disclosed in the annual financial statements for the year ended 31 December 2007 with the exception of the adoption of IFRIC 11, 'IFRS 2 – Group and treasury share transactions'. IFRIC11 has not had any impact on the recognition of share-based payments by the Group. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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

In preparing these interim financial statements the significant accounting estimates and judgements were the same as those that applied to the financial statements as at, and for the year ended, 31 December 2007.

Subject to endorsement by the European Union, IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' will be adopted by the Group with effect from 1 January 2008. 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. This interpretation is not expected to have any significant impact on the Group's financial statements.

3 Segment analysis

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

Seasonality of operations

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

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

	Welding	Cutting and automation	Welding, cutting and automation	Air and gas handling	Central operations	Total
	£m	£m	£m	£m	£m	£m
Six months ended 30 June 2008						
Total revenue	**521.4**	**94.0**	**615.4**	**284.4**	**-**	**899.8**
Operating profit	**72.3**	**11.1**	**83.4**	**31.6**	**(7.6)**	**107.4**
Share of post tax profits of associates	**1.3**	**-**	**1.3**	**-**	**-**	**1.3**
	73.6	**11.1**	**84.7**	**31.6**	**(7.6)**	**108.7**
Net financing charge						**(4.1)**
Profit before tax						**104.6**
Tax						**(20.1)**
Profit for the period						**84.5**
Minority interests						**(4.6)**
Profit attributable to equity shareholders						**79.9**

NOTES (CONTINUED)

3 Segment analysis (continued)

	Welding £m	Cutting and automation £m	Welding, cutting and automation £m	Air and gas handling £m	Central operations £m	Total £m
Six months ended 30 June 2007						
Total revenue	396.9	67.4	464.3	227.2	-	691.5
Operating profit	60.2	3.3	63.5	27.7	(5.8)	85.4
Share of post tax profits of associates	2.3	-	2.3	0.1	-	2.4
	62.5	3.3	65.8	27.8	(5.8)	87.8
Net financing credit						4.3
Profit before tax						92.1
Tax						(16.7)
Profit for the period						75.4
Minority interests						(3.2)
Profit attributable to equity shareholders						72.2

	Welding £m	Cutting and automation £m	Welding, cutting and automation £m	Air and gas handling £m	Central operations £m	Total £m
Year ended 31 December 2007						
Total revenue	813.1	157.7	970.8	480.3	-	1,451.1
Operating profit	112.5	14.1	126.6	57.6	(10.9)	173.3
Share of post tax profits of associates	3.0	-	3.0	0.2	-	3.2
	115.5	14.1	129.6	57.8	(10.9)	176.5
Net financing credit						1.6
Profit before tax						178.1
Tax						(33.3)
Profit for the year						144.8
Minority interests						(7.0)
Profit attributable to equity shareholders						137.8

4 Net financing (charge)/credit

	Six months ended 30.6.08 £m	Six months ended 30.6.07 £m	Year ended 31.12.07 £m
Net financing (charge)/credit - retirement benefit obligations:			
Interest on schemes' liabilities	**(18.4)**	(16.7)	(33.5)
Expected return on schemes' assets	**18.1**	17.9	35.8
	(0.3)	1.2	2.3
Interest payable on bank borrowings	**(1.9)**	(1.3)	(2.1)
Interest payable on bank borrowings - fees	**(0.1)**	-	(0.2)
	(2.0)	(1.3)	(2.3)
Interest payable on other loans	**(0.6)**	(0.3)	(1.4)
Interest payable on finance leases	**-**	(0.1)	(0.1)
Unwinding of discount on provisions (note 11)	**(0.2)**	(0.3)	(0.5)
Other financing charge before exchange losses on retranslation of intercompany loan balances	**(2.8)**	(2.0)	(4.3)
Interest income on bank accounts and deposits	**2.9**	1.4	5.2
Interest income on financial assets not held at fair value	**0.1**	0.1	0.3
Other	**0.3**	0.3	0.6
Other financing income before exchange gains on retranslation of intercompany loan balances	**3.3**	1.8	6.1
Net financing credit before exchange gains/(losses) on intercompany loan balances	**0.2**	1.0	4.1
Net exchange (losses)/gains on retranslation of intercompany loan balances	**(4.3)**	3.3	(2.5)
Net financing (charge)/credit	**(4.1)**	4.3	1.6

NOTES (CONTINUED)

5 Tax on profit on ordinary activities

	Six months ended 30.6.08 £m	Six months ended 30.6.07 £m	Year ended 31.12.07 £m
United Kingdom - credit	**-**	(1.4)	(1.6)
Overseas - charge	**19.7**	17.8	34.3
Tax charge before taxation on net (losses)/gains on retranslation of intercompany loan balances[i]	**19.7**	16.4	32.7
Taxation on net (losses)/gains on retranslation of intercompany loan balances	**0.4**	0.3	0.6
Taxation charge	**20.1**	16.7	33.3

(i) The tax charge includes a credit of £0.2 million (2007 half year: £nil; 2007 full year: £0.1 million) attributable to the amortisation and impairment of acquired intangibles and goodwill.

(ii) The share of associated undertakings' profit included in the income statement includes a share of associates' tax charge of £0.5 million (2007 half year: £1.0 million; 2007 full year: £1.5 million).

(iii) The tax charge for the six months ended 30 June 2008 is based on the Directors' best estimate of the weighted average annual tax rate expected for the full financial year. The adjusted effective tax rate for the period is calculated as follows:

	Six months ended 30.6.08 £m	Six months ended 30.6.07 £m	Year ended 31.12.07 £m
Profit before tax	**104.6**	92.1	178.1
Add/(deduct) adjustments			
Amortisation of acquired intangibles and goodwill	**0.7**	0.1	0.5
Net losses/(gains) on retranslation of intercompany loan balances	**4.3**	(3.3)	2.5
Share of post tax profits of associates	**(1.3)**	(2.4)	(3.2)
	108.3	86.5	177.9
Tax charge before taxation on adjustments above	**19.9**	16.4	32.8
Adjusted effective tax rate	**18.4%**	19.0%	18.4%

6 Earnings per share

Basic headline earnings per share is calculated on an average of 166,686,748 shares (2007 half year: 166,688,855 shares; 2007 full year: 166,693,787 shares).
For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of 589,049 (2007 half year: 446,404; 2007 full year: 458,103) dilutive potential ordinary shares. The Group has two classes of dilutive potential ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year and the potentially issuable shares under the Group's long-term incentive plans.

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

	Per share			Total earnings		
	Six months ended 30.6.08 pence	Six months ended 30.6.07 pence	Year ended 31.12.07 pence	**Six months ended 30.6.08 £m**	Six months ended 30.6.07 £m	Year ended 31.12.07 £m
Basic earnings per share						
Profit attributable to equity shareholders of the Company	**47.9**	43.3	82.7	**79.9**	72.2	137.8
Items not relating to underlying business performance						
Amortisation and impairment of acquired intangibles and goodwill[i]	**0.2**	0.1	0.2	**0.4**	0.1	0.3
Losses/(gains) on retranslation of intercompany loan balances	**2.7**	(2.0)	1.4	**4.3**	(3.3)	2.5
Taxation on retranslation of intercompany loan balances	**0.2**	0.2	0.4	**0.4**	0.3	0.6
Adjusted basic earnings attributable to equity shareholders of the Company	**51.0**	41.6	84.7	**85.0**	69.3	141.2
Fully diluted earnings per share						
Profit attributable to equity shareholders of the Company	**47.8**	43.2	82.5	**79.9**	72.2	137.8
Items not relating to underlying business performance						
Amortisation and impairment of acquired intangibles and goodwill[i]	**0.2**	0.1	0.2	**0.4**	0.1	0.3
Losses/(gains) on retranslation of intercompany loan balances	**2.6**	(2.0)	1.4	**4.3**	(3.3)	2.5
Taxation on retranslation of intercompany loan balances	**0.2**	0.2	0.4	**0.4**	0.3	0.6
Adjusted diluted earnings attributable to equity shareholders of the Company	**50.8**	41.5	84.5	**85.0**	69.3	141.2

(i) The amortisation and impairment of acquired intangibles and goodwill of £0.4 million (2007 half year: £0.1 million; 2007 full year: £0.3 million) is after deducting £0.2 million (2007 half year: £nil; 2007 full year: £0.1 million) of attributable tax and £0.1 million (2007 half year: £nil; 2007 full year: £0.1 million) attributable to minority interests.

NOTES (CONTINUED)

7 Property, plant and equipment and intangible assets

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

	Property, plant and equipment			Intangible assets		
	Six months ended 30.6.08	Six months ended 30.6.07	Year ended 31.12.07	**Six months ended 30.6.08**	Six months ended 30.6.07	Year ended 31.12.07
	£m	£m	£m	**£m**	£m	£m
Opening net book amount	**182.7**	116.6	116.6	**80.2**	48.7	48.7
Exchange adjustments	**10.5**	(0.7)	9.8	**1.2**	0.7	3.3
Additions	**25.9**	14.0	45.2	**1.4**	1.5	3.6
Acquisitions (note 13)	**2.1**	-	26.2	**26.3**	0.2	23.7
Internally generated	**-**	-	-	**4.0**	1.3	3.3
Disposals	**(0.8)**	(0.1)	(0.4)	**-**	-	-
Depreciation and amortisation	**(9.3)**	(6.9)	(14.7)	**(2.1)**	(0.9)	(2.4)
Closing net book amount	**211.1**	122.9	182.7	**111.0**	51.5	80.2
Committed capital expenditure not provided for	**15.6**	14.4	13.8			

8 Retirement benefit obligations

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

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

	Six months ended 30.6.08	Six months ended 30.6.07	Year ended 31.12.07
	£m	£m	£m
Opening balance	**(76.6)**	(108.8)	(108.8)
Exchange adjustments	**(2.9)**	1.5	(1.8)
Income statement (charge)/credit - operating profit	**(0.9)**	(1.4)	1.6
- financing (charge)/credit	**(0.3)**	1.2	2.3
Taken to equity - actuarial (losses)/gains	**(15.7)**	32.7	10.9
Contributions paid	**9.2**	9.9	19.5
Acquisitions	**-**	(0.2)	(0.3)
Closing balance	**(87.2)**	(65.1)	(76.6)
Included in the balance sheet as follows:			
Non-current assets	**24.2**	30.2	30.9
Non-current liabilities	**(111.4)**	(95.3)	(107.5)
	(87.2)	(65.1)	(76.6)

8 Retirement benefit obligations (continued)

(ii) The position at 30 June 2008 and 31 December 2007 is set out below:

	30 June 2008				
	UK pension schemes £m	**Overseas pension schemes £m**	**Total pension schemes £m**	**Overseas medical costs liability £m**	**Total £m**
Present value of funded obligations	**(447.3)**	**(115.2)**	**(562.5)**	**-**	**(562.5)**
Fair value of plan assets	**429.0**	**99.6**	**528.6**	**-**	**528.6**
	(18.3)	**(15.6)**	**(33.9)**	**-**	**(33.9)**
Present value of unfunded obligations	**-**	**(36.8)**	**(36.8)**	**(14.7)**	**(51.5)**
Unrecognised past service costs	**-**	**0.2**	**0.2**	**-**	**0.2**
Surplus not recoverable	**-**	**(2.0)**	**(2.0)**	**-**	**(2.0)**
Net liability recognised in the balance sheet	**(18.3)**	**(54.2)**	**(72.5)**	**(14.7)**	**(87.2)**

	31 December 2007				
	UK pension schemes £m	Overseas pension schemes £m	Total pension schemes £m	Overseas medical costs liability £m	Total £m
Present value of funded obligations	(470.2)	(117.9)	(588.1)	-	(588.1)
Fair value of plan assets	459.4	106.2	565.6	-	565.6
	(10.8)	(11.7)	(22.5)	-	(22.5)
Present value of unfunded obligations	-	(35.6)	(35.6)	(15.6)	(51.2)
Unrecognised past service costs	-	0.2	0.2	-	0.2
Surplus not recoverable	-	(3.1)	(3.1)	-	(3.1)
Net liability recognised in the balance sheet	(10.8)	(50.2)	(61.0)	(15.6)	(76.6)

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

	30 June 2008		31 December 2007	
	UK	**Overseas**	UK	Overseas
Discount rate	**6.70%**	**6.40%**	5.80%	6.00%
Inflation rate	**4.10%**	**2.60%**	3.40%	2.60%
Expected return on plan assets - equities	**8.00%**	**9.00%**	8.00%	9.00%
- bonds	**4.80%**	**5.60%**	4.80%	5.60%
- property	**7.50%**		7.50%	
- other	**5.75%**	**6.10%**	5.75%	6.10%
- total	**6.30%**	**7.25%**	6.30%	7.25%
Future salary increases	**5.10%**	**4.00%**	4.40%	4.00%
Future pension increases	**4.00%**	**2.25%**	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 26 years (31 December 2007: 26 years) after retirement if they are male and for a further 29 years (31 December 2007: 29 years) after retirement if they are female. A retired member currently aged 60 is assumed to live on average for a further 25 years (31 December 2007: 25 years) if they are male and for a further 28 years (31 December 2007: 28 years) if they are female.

The overseas schemes are principally in the United States. The mortality assumptions for the United States schemes have been derived from the RP-2000 table with allowance for future mortality improvements. Based on the rates used, a member currently aged 45 who retires at age 60 will live on average for a further 24 years (31 December 2007: 24 years) after retirement if they are male and for a further 26 years (31 December 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 (31 December 2007: 23 years) if they are male and for a further 25 years (31 December 2007: 25 years) if they are female. Mortality assumptions for schemes in Sweden and Germany have been derived from the FFFS 2007 tables and the Heubeck 2005 G tables respectively.

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

	Six months ended 30.6.08 £m	Six months ended 30.6.07 £m	Year ended 31.12.07 £m
Defined benefit schemes and overseas medical costs			
Current service cost	**(0.9)**	(1.2)	(2.1)
Past service (cost)/credit	**-**	(0.2)	3.1
Gains on settlement and curtailment	**-**	-	0.6
Defined benefit schemes and overseas medical costs	**(0.9)**	(1.4)	1.6
Defined contribution schemes	**(3.6)**	(2.8)	(6.9)
	(4.5)	(4.2)	(5.3)

9 Cash and cash equivalents

	Six months ended 30.6.08 £m	Six months ended 30.6.07 £m	Year ended 31.12.07 £m
Cash at bank and on hand	**59.2**	34.5	58.7
Short-term bank deposits	**14.0**	41.2	54.5
Bank deposits with original maturity of more than three months and balances held as cash collateral	**6.8**	6.4	5.3
Cash and cash equivalents in the balance sheet	**80.0**	82.1	118.5
Less: Bank deposits with original maturity of more than three months and balances held as cash collateral	**(6.8)**	(6.4)	(5.3)
: Bank overdrafts	**(23.6)**	(15.3)	(23.4)
Cash, cash equivalents and bank overdrafts in the statement of cash flows	**49.6**	60.4	89.8

For the purposes of the cash flow statement, cash, cash equivalents and bank overdrafts includes bank overdrafts repayable on demand and excludes bank deposits with an agreed maturity of more than three months.
Cash and cash equivalents in the balance sheet includes balances of £4.4 million (2007 half year: £4.2 million; 2007 full year: £3.3 million) held as cash collateral in connection with certain local trading practices or banking facilities.

10 Cash generated from operations

	Six months ended 30.6.08 £m	Six months ended 30.6.07 £m	Year ended 31.12.07 £m
Operating profit	**107.4**	85.4	173.3
Depreciation	**9.3**	6.9	14.7
Amortisation of intangible assets	**2.1**	0.9	2.4
Amortisation of government grants	**(0.3)**	(0.2)	(0.5)
Charge for share-based payments	**0.4**	0.3	0.5
Loss/(profit) on sale of property, plant and equipment	**0.2**	(0.3)	(0.3)
Increase in inventories	**(47.7)**	(25.1)	(30.5)
Increase in receivables	**(114.6)**	(72.9)	(62.4)
Increase in payables	**92.2**	61.0	70.0
Movements in provisions	**(2.0)**	1.0	3.0
Movements in net retirement benefit obligations	**(8.3)**	(8.5)	(21.1)
	38.7	48.5	149.1

11 Provisions for other liabilities

	Disposal and restructuring £m	Warranty and product liability £m	Legal and environ-mental £m	Other £m	Total £m
At 1 January 2008	**1.0**	**21.3**	**29.7**	**3.6**	**55.6**
Exchange adjustments	**-**	**1.1**	**0.1**	**0.4**	**1.6**
Acquisitions	**-**	**1.2**	**-**	**-**	**1.2**
Amounts provided	**-**	**6.5**	**2.4**	**1.6**	**10.5**
Amounts released	**(0.1)**	**(2.2)**	**(0.3)**	**-**	**(2.6)**
Utilised in the period	**(0.1)**	**(4.7)**	**(4.5)**	**(0.7)**	**(10.0)**
Unwinding of discount	**-**	**-**	**0.2**	**-**	**0.2**
At 30 June 2008	**0.8**	**23.2**	**27.6**	**4.9**	**56.5**

	Six months ended 30.6.08 £m	Year ended 31.12.07 £m
Analysed as:		
Current	**34.3**	33.5
Non-current	**22.2**	22.1
	56.5	55.6

(i) Disposal and restructuring costs include £0.5 million (31 December 2007: £0.6 million) in respect of employee severance costs, of which £0.5 million (31 December 2007: £0.5 million) is in the welding, cutting and automation business and £nil (31 December 2007: £0.1 million) is in the air and gas handling business, and £0.2 million (31 December 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 remaining provisions in this category are also expected to be utilised over the next one to two years. The effect of discounting these provisions is not material.

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

(iii) Provision has been made for the probable exposure arising from legal and environmental claims and disputes, both existing and threatened, in some cases arising from warranties given on disposal of businesses. Provisions have been made representing the best estimate of the outcome of the claims including costs before taking account of insurance recoveries. Where the outcome of a claim is uncertain the legal costs of defence have been provided for to the extent that they are reliably measurable. Where appropriate, insurance recoveries are recognised in 'receivables'. At 30 June 2008, these receivables amounted to £6.5 million (31 December 2007: £6.7 million). If the effect of discounting is material, provisions are determined by discounting the expected value of future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Due to their nature, it is not possible to predict precisely when these provisions will be utilised though most are expected to be utilised over the short to medium term with utilisation in the next year expected to be in the region of £10 million (31 December 2007: £11 million) before taking account of insurance recoveries.

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

NOTES (CONTINUED)

12 Movements in equity

	Attributable to equity shareholders of Charter plc						
	Share capital	Share premium	Merger reserve	Retained earnings	Other reserves	Minority interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 1 January 2007	3.3	71.4	21.1	146.4	3.9	10.3	256.4
Exchange translation	-	-	-	-	(1.7)	0.1	(1.6)
Actuarial gains on retirement benefit obligations	-	-	-	32.8	-	(0.1)	32.7
Tax on actuarial gains on retirement benefit obligations	-	-	-	(2.5)	-	-	(2.5)
Share-based payments - attributable tax	-	-	-	0.1	-	-	0.1
Change in fair value of outstanding cash flow hedges	-	-	-	-	0.1	-	0.1
Net transfer to income statement - hedges	-	-	-	-	(0.1)	-	(0.1)
Net investment hedges	-	-	-	-	0.4	-	0.4
Net income recognised directly in equity	-	-	-	30.4	(1.3)	-	29.1
Profit for the period	-	-	-	72.2	-	3.2	75.4
Total recognised income for the period	-	-	-	102.6	(1.3)	3.2	104.5
Share-based payments - charge for period	-	-	-	0.3	-	-	0.3
Dividends paid to minority interests	-	-	-	-	-	(1.1)	(1.1)
At 30 June 2007	3.3	71.4	21.1	249.3	2.6	12.4	360.1
At 1 January 2007	3.3	71.4	21.1	146.4	3.9	10.3	256.4
Exchange translation	-	-	-	-	25.1	1.5	26.6
Actuarial gains on retirement benefit obligations	-	-	-	11.0	-	(0.1)	10.9
Actuarial gains on retirement benefit obligations - associates	-	-	-	0.4	-	-	0.4
Tax on actuarial gains on retirement benefit obligations	-	-	-	0.6	-	-	0.6
Tax on actuarial gains on retirement benefit obligations - associates	-	-	-	(0.1)	-	-	(0.1)
Share-based payments - attributable tax	-	-	-	0.1	-	-	0.1
Change in fair value of outstanding cash flow hedges	-	-	-	-	(1.6)	-	(1.6)
Net transfer to income statement - hedges	-	-	-	-	0.5	-	0.5
Net investment hedges	-	-	-	-	(0.1)	-	(0.1)
Net deferred income tax movement for the year - hedges	-	-	-	-	0.5	-	0.5
Share of fair value adjustment on transfer of associates to subsidiaries	-	-	-	-	5.6	-	5.6
Net income recognised directly in equity	-	-	-	12.0	30.0	1.4	43.4
Profit for the year	-	-	-	137.8	-	7.0	144.8
Total recognised income for the year	-	-	-	149.8	30.0	8.4	188.2
Share-based payments - charge for year	-	-	-	0.5	-	-	0.5
Minority interests arising on acquisitions	-	-	-	-	-	12.0	12.0
Dividends paid to minority interests	-	-	-	-	-	(3.1)	(3.1)
At 31 December 2007	3.3	71.4	21.1	296.7	33.9	27.6	454.0
At 1 January 2008	**3.3**	**71.4**	**21.1**	**296.7**	**33.9**	**27.6**	**454.0**
Exchange translation	**-**	**-**	**-**	**-**	**28.2**	**(0.4)**	**27.8**
Actuarial losses on retirement benefit obligations	**-**	**-**	**-**	**(15.6)**	**-**	**(0.1)**	**(15.7)**
Tax on actuarial losses on retirement benefit obligations	-	-	-	**2.8**	-	-	**2.8**
Share-based payments - attributable tax	**-**	**-**	**-**	**0.1**	**-**	**-**	**0.1**
Change in fair value of outstanding cash flow hedges	**-**	**-**	**-**	**-**	**2.4**	**-**	**2.4**
Net transfer to income statement - hedges	**-**	**-**	**-**	**-**	**(0.2)**	**-**	**(0.2)**
Net investment hedges	**-**	**-**	**-**	**-**	**0.1**	**-**	**0.1**
Net deferred income tax movement for the period - hedges	**-**	**-**	**-**	**-**	**(0.6)**	**-**	**(0.6)**
Net income recognised directly in equity	**-**	**-**	**-**	**(12.7)**	**29.9**	**(0.5)**	**16.7**
Profit for the period	**-**	**-**	**-**	**79.9**	**-**	**4.6**	**84.5**
Total recognised income for the period	**-**	**-**	**-**	**67.2**	**29.9**	**4.1**	**101.2**
Purchase of treasury shares	**-**	**-**	**-**	**(0.2)**	**-**	**-**	**(0.2)**
Share-based payments - charge for period	**-**	**-**	**-**	**0.4**	**-**	**-**	**0.4**
Dividends paid	**-**	**-**	**-**	**(20.0)**	**-**	**(0.9)**	**(20.9)**
At 30 June 2008	**3.3**	**71.4**	**21.1**	**344.1**	**63.8**	**30.8**	**534.5**

The cost of the purchase of 29,618 Charter plc shares by the Charter Employee Trust has been deducted from retained earnings. The consideration paid was £0.2m. At 30 June 2008 the Charter Employee Trust held 29,618 ordinary shares with a market value of £0.3m.

NOTES (CONTINUED)

13 Acquisitions

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. Initial consideration for the transaction was S$65 million in cash. Additional consideration is payable to the extent that average EBIT for the 3 years to 31 December 2010 exceeds S$9.0 million. The acquisition of Romar increases ESAB's presence in mid-market automation equipment which is expected to become an increasingly important market segment given the world-wide shortage of skilled welding operatives. Synergy opportunities are expected to arise, including through the cross-selling of product to ESAB's and Romar's customer lists.

The 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.

The revenue and profit after tax of Romar for the six months ended 30 June 2008 was £6.9 million and £0.2 million respectively of which £5.7 million and £0.4 million respectively was for the period prior to acquisition.

The value attributed to the assets acquired represents the Directors' current estimate of the fair value of the net assets acquired. In accordance with IFRS 3, the values attributable to the acquisition of Romar are provisional and may be revised as further information becomes available. During the six months ended 30 June 2008, no adjustments have been made to the estimated fair value of the net assets acquired in 2007.

The assets and liabilities acquired were as follows:

	Carrying amount before fair value adjustment £m	**Fair value adjustment £m**	**Fair value £m**
Intangible assets	**-**	**9.9**	**9.9**
Property, plant and equipment	**1.6**	**0.5**	**2.1**
Inventories	**1.9**	**1.2**	**3.1**
Trade and other receivables	**4.0**	**(0.1)**	**3.9**
Cash and cash equivalents	**2.1**	**-**	**2.1**
Trade and other payables	**(1.5)**	**-**	**(1.5)**
Income tax liabilities	**(0.1)**	**-**	**(0.1)**
Provisions	**(1.1)**	**(0.1)**	**(1.2)**
Deferred income tax liabilities	**-**	**(1.3)**	**(1.3)**
Net assets	**6.9**	**10.1**	**17.0**
Goodwill – on acquisition			**16.4**
			33.4
Satisfied by:			
Net cash consideration paid (including costs and excluding cash acquired)			**24.0**
Consideration and costs to be paid in subsequent periods (net)			**8.6**
Exchange adjustments			**0.8**
			33.4

Cash consideration paid

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

	Six months ended 30.6.08 £m	Six months ended 30.6.07 £m	Year ended 31.12.07 £m
Current period acquisitions – consideration paid (including costs)	**24.0**	-	30.7
Current period acquisitions – cash acquired	**(2.1)**	-	(5.5)
Prior period acquisitions	**-**	0.5	1.0
Net cash outflow	**21.9**	0.5	26.2

NOTES (CONTINUED)

14 Contingent liabilities

(i) Central operations

Since about 1985, Charter, its principal subsidiary Charter Consolidated PLC, and certain of their wholly owned subsidiaries have been named as defendants in asbestos-related actions in the United States. These lawsuits have alleged that the Charter defendants were liable for the acts of Cape PLC, a former partly owned subsidiary of Charter. Between 1985 and 1987, the issue was tried in several matters, each of which was resolved in Charter's favour either at trial or on appeal. In subsequent years, Charter and its subsidiaries have continued to be named in asbestos-related lawsuits. Charter has contested these actions and, in most cases, has obtained dismissals. Charter has settled some of the cases brought in Mississippi. Currently, the only pending cases against Charter in which Charter has 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 Charter and its 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 Charter or any of its wholly owned subsidiaries. The defence costs and other expenses charged against Charter's operating profits in 2008 were negligible. The litigation is reviewed each year and, based on that review and legal advice, the Directors believe that the aggregate of any such liability is unlikely to have a material effect on Charter's financial position. In these circumstances, the Directors have concluded that it is not appropriate to make provision for any liability in respect of such actions.

(ii) Air and gas handling

Howden Buffalo Inc., an indirect subsidiary of Charter, has been named as a defendant in a number of asbestos-related actions in the United States. On the advice of counsel, Howden Buffalo is vigorously defending all the cases that have been filed against it. Over the past few years, Howden Buffalo has sought and received dismissals in 10,469 cases and has, on the advice of counsel, settled 351 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. Last year, the federal court denied a motion to certify a class action of welders who were seeking medical monitoring relief on behalf of all welders in eight states who were exposed to welding fumes. In addition, EGI and four other welding companies were defendants in a federal court trial involving a single claimant, which was decided in December 2007. The jury returned a verdict of US$20.5 million against the five defendants, including EGI. Post-trial motions seeking to overturn this verdict were recently denied by the court with respect to four of the five defendants, including EGI. The four remaining welding defendants, including EGI, have appealed the verdict. The verdict, if upheld on appeal, would be shared among the four remaining defendants. In March 2008, EGI along with other welding companies were defendants in two cases tried to jury verdicts. In the first of the cases decided in March 2008, EGI and two other welding companies were defendants in a federal court trial involving a single claimant. The jury returned a verdict of US$0.72 million by way of compensatory damages (after a 40 per cent reduction to take account of the contributory negligence of the plaintiff) which, if upheld on appeal, would be shared among the defendants. In addition the jury awarded punitive damages of US$1.7 million of which EGI's share is US$0.75 million. Post-trial motions seeking to overturn this verdict have been filed and it is anticipated that an appeal will be filed if the post-trial motions are denied. 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 2008 would be covered in substantial part by insurance. In the second case tried to a jury verdict in March 2008, EGI and four other welding companies were defendants in a state court trial involving four claimants. The jury returned a verdict in favour of all of the welding defendants, including EGI, on all claims.

EGI was also a defendant in a number of state court trials. However, all of those cases were either dismissed or postponed. There are 3 manganese trials scheduled for the balance of 2008, although it is not anticipated that they will all proceed to trial as scheduled. Additional trials could also be scheduled.

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$18 million, which is reflected in EGI's balance sheet at 30 June 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. One case is listed for trial this year; however, EGI has been dismissed prior to trial in the previous cases in which it was named as a defendant. Upon the advice of counsel, the Directors believe that EGI has meritorious defences to these claims and EGI intends vigorously to defend these lawsuits, which should be covered in whole or in part by insurance. In addition, the majority of defence costs are being borne by EGI's insurers.

(iv) Other

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

NOTES (CONTINUED)

15 Dividends

A dividend of 12.0 pence per share for the year ended 31 December 2007, totalling £20.0 million, was paid on 23 May 2008.

An interim dividend of 7.0 pence per share for 2008, totalling £11.7 million, was declared by the Board on 27 August 2008. This dividend has not been included as a liability as at 30 June 2008.

16 Related party transactions

There were no significant changes in the nature and size of related party transactions for the period to those disclosed in the annual report for the year ended 31 December 2007. Key management compensation will be disclosed in the 2008 annual report.

17 Share capital

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

18 Subsequent events

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 €4 million.

On 22 August 2008, Howden acquired Aeolus Industra e Comercio Ltda ('Aeolus') from Adolpho Procopio Rossi Neto, Stella Maris de Sena Manso Rossi, Jose Tadeu de Oliveira and Antonio Salvador Soares. Initial cash consideration was 38.5 million Reais (equivalent to £12.8 million). Additional cash consideration, up to a maximum of 11.5 million Reais (£3.8 million), is potentially payable based on the company's 2008 profit. Aeolus is a leading Brazilian designer and manufacturer of industrial fans, with a strong presence in the pulp and paper, cement and ethanol markets. The acquisition will enhance Howden's position in Brazil and provides Howden with a manufacturing facility in the South American region.

19 Statement of directors' responsibilities

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

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

The Directors of Charter plc are listed in the Charter plc annual report for the year ended 31 December 2007. There have been no changes in the period.

By order of the board

M G Foster
Chief Executive

R A Careless
Finance Director

28 August 2008

Independent review report to Charter plc

Introduction

We have been engaged by the Company to review the condensed consolidated interim financial information in the interim financial report for the six months ended 30 June 2008, which comprises the income statement, balance sheet, cash flow statement, statement of recognised income and expense and related notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial information.

Directors' responsibilities

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

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

Our responsibilities

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information in the interim financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
28 August 2008

Notes:

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

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