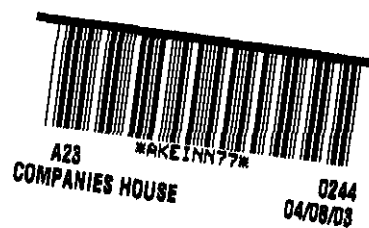


REGISTERED NUMBER 831757

CHARTER CONSOLIDATED P.L.C.

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2002



CHARTER CONSOLIDATED P.L.C.

REPORT OF THE DIRECTORS

FOR THE YEAR TO 31 DECEMBER 2002

Business and financial position

The Company carried on its normal business as an investment holding company during the year no change is planned in its activities in the year to 31 December 2003.

The results for the year are shown in the profit and loss account on page 2. Dividends paid in the year amounted to £Nil (2001:£Nil).

The financial position at the year end was considered satisfactory.

The financial statements have been prepared on a going concern basis. A fundamental uncertainty exists over the financing arrangements of the ultimate parent company, Charter plc. For this reason the same fundamental uncertainty exists over this company. Details are given in note 1(a).

Directors

The directors who held office during the year are given below:

D M Eilbeck

A R Yapp

M J Glasscock (resigned 21 December 2002)

J L Avery (appointed 20 December 2002)

The interests of Mr Eilbeck to be disclosed under the Companies Act 1985 in the shares of Charter plc are shown in the report of that company for the year ended 31 December 2002.

Charter plc - ordinary shares of 2p each

	31 December 2002		1 January 2002	
	Shares	Options	Shares	Options
A R Yapp	2,543	17,565	2,543	17,565
J L Avery	-	-	-	-

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 5 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. The company has passed elective resolutions so that there is no requirement either to hold annual general meetings or to appoint auditors.

By order of the board

A. R. Yapp

A R Yapp
Company Secretary

Registered Office

7 Hobart Place
London, SW1W 0HH
16 July 2003

CHARTER CONSOLIDATED P.L.C.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 £000	2001 £000
CONTINUING OPERATIONS			
Administration costs	2	(1,032)	(1,396)
Exchange differences (net)		<u>3,385</u>	<u>(657)</u>
Operating profit / (loss)		2,353	(2,053)
Losses on disposal of investments in subsidiary undertakings		(68,247)	-
Loans from fellow subsidiary undertakings waived		<u>-</u>	<u>979</u>
Operating loss		(65,894)	(1,074)
Net interest payable	3	<u>(393)</u>	<u>(481)</u>
Loss on ordinary activities before taxation		(66,287)	(1,555)
Tax on loss on ordinary activities	4	<u>(586)</u>	<u>532</u>
Retained loss for the financial year	9	<u>(66,873)</u>	<u>(1,023)</u>

The notes on pages 6 to 11 form part of these financial statements.

CHARTER CONSOLIDATED P.L.C.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2002

	2002	2001
	£000	£000
Loss for the financial year	(66,873)	(1,023)
Currency translation differences on foreign currency investments and related loans	(8,144)	1,759
Total recognised gains and losses for the year	<u>(75,017)</u>	<u>736</u>

CHARTER CONSOLIDATED P.L.C.

BALANCE SHEET AS AT 31 DECEMBER 2002

	Note	2002 £000	2001 £000
FIXED ASSETS			
Investment in subsidiary undertakings	5	<u>410,520</u>	<u>499,272</u>
CURRENT ASSETS			
DEBTORS: amounts falling due within one year			
Other debtors		4	9
Amounts due from subsidiary undertakings	6	565,244	556,244
Cash at bank		<u>301</u>	<u>298</u>
		<u>565,549</u>	<u>556,551</u>
CREDITORS: amounts falling due within one year			
Amounts due to subsidiary undertakings	6	(707,487)	(712,557)
Corporation tax payable		(7,300)	(6,958)
Other creditors		<u>(633)</u>	<u>(642)</u>
		<u>(715,420)</u>	<u>(720,157)</u>
NET CURRENT LIABILITIES		<u>(149,871)</u>	<u>(163,606)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>260,649</u>	<u>335,666</u>
CAPITAL AND RESERVES			
Called up share capital	7	2,122	2,122
Share premium account	9	3,713	3,713
Capital reserve	9	76,663	76,663
Revaluation reserve	9	4,176	4,176
Profit and loss account	9	<u>173,273</u>	<u>248,290</u>
Shareholders' funds - equity interests		259,947	334,964
Shareholders' funds - Non-equity interests	8	<u>702</u>	<u>702</u>
Total shareholders' funds		<u>260,649</u>	<u>335,666</u>

The financial statements on pages 2 to 11 were approved by the board of directors on 16 July 2003 and were signed on its behalf by:



D M Eilbeck
Director

CHARTER CONSOLIDATED P.L.C.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2002

	2002	2001
	£000	£000
Loss for the financial year	(66,873)	(1,023)
Other recognised (losses) and gains relating to the year	(8,144)	1,759
Net (deduction from) / addition to shareholders' funds	(75,017)	736
Opening shareholders' funds	335,666	334,930
Closing shareholders' funds	260,649	335,666

CHARTER CONSOLIDATED P.L.C.

NOTES TO THE FINANCIAL STATEMENTS

1 (a) Fundamental uncertainty in respect of the application of the going concern basis

In the year to 31 December 2002, the Charter group ("the group"), of which the Company is a part, met its day-to-day working capital requirements through a £127 million syndicated revolving credit facility. In addition, the group has in issue US private placement loan notes totalling £128.2 million (\$206.3 million) and, as at 31 December 2002, the group's net debt stood at £194.0 million (2001: £214.1 million).

Charter plc is discussing with its lending banks the renewal of its syndicated revolving credit facility which is due to expire on 31 July 2003. At present some £91 million of the facility is drawn, leaving a balance of £36 million undrawn and available. Whilst the terms of the renewal have yet to be agreed with the banks, the group will need to reduce its debt significantly during the course of the next twelve months and plans to do this through planned asset disposals. The directors of Charter plc believe that disposals can be made both within a timeframe and at prices that will prove to be acceptable and ensure that the group is able to meet its obligations on an ongoing basis.

The group has been informed by the agent bank that the outstanding issues should be capable of being satisfactorily resolved prior to expiry of the current facilities, but after receipt of an accountant's report commissioned by the banks. There can be no guarantee that the renewal negotiations will be satisfactorily concluded. However, in the light of the information currently available to them, the directors of Charter plc believe that the banks will continue to provide support on terms acceptable to the group. On this basis, the directors of the Company consider it appropriate to prepare the accounts on a going concern basis. Should the banks not support the group in this respect, adjustments would be necessary to record additional liabilities and to write down assets to their recoverable amount. Furthermore, additional provisions might need to be made in the Company's balance sheet and the balance sheets of other companies in the group in respect of liabilities which are currently contingent. It is not practicable to quantify these possible adjustments.

Certain holders of the group's US private placement loan notes have informed Charter plc that they consider that a default has arisen under the loan notes as a result of the accounting irregularities which were announced by Charter plc on 27 January 2003 at one of the Air and Gas Handling units in North America. The view of the directors of Charter plc, based on their knowledge of the situation and on advice by Charter plc's legal advisers, is that no default has occurred and the note holders have been advised accordingly. Of the total loan notes of \$206.3 million, \$72.3 million are due for scheduled repayment in March 2004 and the directors of Charter plc envisage that the terms of the renewal of the group's banking facility will take account of the need to repay those notes in 2004. In the event that Charter plc's and its advisers' views are proven to be incorrect and the note holders elect to accelerate the notes, then the full amount of notes outstanding would become repayable immediately.

CHARTER CONSOLIDATED P.L.C.

NOTES TO THE FINANCIAL STATEMENTS

1 (b) Accounting policies

The financial statements are prepared on the going concern basis in accordance with the Companies Act 1985 and applicable accounting standards.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

(a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of foreign currency investments.

(b) Related party transactions

The Company has taken advantage of the exemption in FRS8 from disclosing related party transactions with members of the Charter plc group.

(c) Deferred Taxation

On 7 December 2000 the Accounting Standards Board issued FRS 19, Deferred tax. FRS 19 is applicable to the year ended 31 December 2002 and has been adopted in this financial year. In accordance with FRS 19 deferred taxation is provided on the incremental liability approach in respect of timing differences giving rise to a liability. Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. No changes to prior year numbers were necessary as a result of adopting FRS 19. The standard has had no effect on the current year figures.

(d) Cash flow

The Company is a wholly owned subsidiary of Charter plc and the cash flows of the Company are included in the consolidated group cash flow statement. Consequently the Company is exempt, under the terms of FRS1 (Revised), from publishing a cash flow statement.

(e) Fixed asset investments

Fixed asset investments, including associated undertakings, are included at cost or revalued amount less provision for any permanent loss in value.

(f) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the balance sheet date. Exchange gains or losses are included in profit on ordinary activities.

Differences arising from the retranslation of investments in subsidiaries and of currency borrowings used to finance or hedge such investments are taken to reserves and are reported in the statement of total recognised gains and losses.

2 Administration costs

(a) The Company's directors are employed and remunerated by a subsidiary undertaking and they receive no emoluments in respect of their services to this company.

(b) Charter Central Services Limited makes a charge to the Company for management and other services.

(c) The Company has no employees.

(d) Auditors' remuneration is borne by a subsidiary undertaking.

CHARTER CONSOLIDATED P.L.C.

NOTES TO THE FINANCIAL STATEMENTS

	2002 £000	2001 £000
3 Net interest payable		
Group interest payable	(395)	(483)
Bank interest receivable	<u>2</u>	<u>2</u>
	<u>(393)</u>	<u>(481)</u>
4 Tax on loss on ordinary activities		
The tax (charge)/credit comprises:-		
U.K. Corporation tax @ 30% (2001:30%)	<u>(586)</u>	<u>298</u>
	(586)	298
Adjustment in respect of prior periods		
- corporation tax		234
	<u>(586)</u>	<u>532</u>

Factors affecting the tax charge for the year

The tax charge for the year is higher than the standard rate of corporation tax in the UK (30%).
The differences are explained below:

	2002 £000	2001 £000
Loss on ordinary activities before taxation	<u>(66,287)</u>	<u>(1,555)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(19,886)	(467)
Effects of:		
Non-taxable loss on disposal	20,474	-
Non-taxable income	<u>(2)</u>	<u>(65)</u>
Current tax charge/(credit) for the year	<u>586</u>	<u>(532)</u>

The company has an unrecognised deferred tax asset of £34,010,000 arising from allowable tax losses.
The asset will be recoverable when the company realises sufficient future relevant taxable profits.

CHARTER CONSOLIDATED P.L.C.

NOTES TO THE FINANCIAL STATEMENTS

5 Investments in subsidiary undertakings	2002 £'000	2001 £'000
At cost		
Opening balance	511,672	509,063
Disposals	(76,676)	-
Exchange adjustment	(12,076)	2,609
Closing balance	422,920	511,672
Provisions	(12,400)	(12,400)
	<u>410,520</u>	<u>499,272</u>

In accordance with Section 228 of the Companies Act 1985 group accounts are not prepared.

During the year an affiliated company took on foreign exchange positions to offset the company's exposure to exchange movements on its fixed asset investments. To enable this offset to operate effectively the company has established matching foreign exchange borrowings with its affiliate.

The following are the principal operating subsidiary undertakings of the company, which are wholly owned.

Company	Country of incorporation or registration	Nature of business
The Esab Group Inc	USA	Welding consumables and equipment.
Howden Buffalo Inc	USA	Industrial and utility fans.

Howden Buffalo Inc was formerly known as The Howden Fan Company Inc.
The New Philadelphia Fan Co. has been merged into Howden Buffalo Inc.

The principal country of operation is the same as the country of incorporation or registration. A full list of subsidiary undertakings will be annexed to the annual return filed with the Registrar of Companies.

CHARTER CONSOLIDATED P.L.C.

NOTES TO THE FINANCIAL STATEMENTS

6 Amounts due to/from subsidiary undertakings

£45,000,000 of amounts due from subsidiary undertakings have fixed repayment terms, the remainder have no fixed repayment terms.

Amounts due to subsidiary undertakings have no fixed repayment terms.

7 Share capital

2002

2001

Authorised

135,000,000 Ordinary shares of 2p each

£ 2,700,000

£ 2,700,000

Issued, called up and fully paid

106,088,200 Ordinary shares of 2p each
(2001 - 106,088,200)

£ 2,121,764

£ 2,121,764

8 Non-equity shareholders' funds

Authorised

135,000,000 Preferred shares of US\$ 0.01 each

US\$ 1,350,000

US\$ 1,350,000

Issued, called up and fully paid

106,088,200 Preferred shares of US\$ 0.01 each

£ 701,874

£ 701,874

9 Reserves

	Share premium account £000	Capital reserve £000	Revaluation reserve £000	Profit and loss account £000	Total £000
Opening balance	3,713	76,663	4,176	248,290	332,842
Currency translation differences on foreign currency investments and related loans	-	-	-	(8,144)	(8,144)
Retained profit for the year	-	-	-	(66,873)	(66,873)
Closing balance	<u>3,713</u>	<u>76,663</u>	<u>4,176</u>	<u>173,273</u>	<u>257,825</u>

CHARTER CONSOLIDATED P.L.C.

NOTES TO THE FINANCIAL STATEMENTS

10 Contingent liabilities

This Company, along with its ultimate holding company Charter plc, and certain fellow subsidiaries, has been named as a defendant in a number of asbestos-related actions in the United States on the basis that it is allegedly liable for the acts of a former subsidiary of Charter plc, Cape PLC. The Company contests the existence of any such liability. The issue went to trial in three cases involving the Company and certain of its subsidiaries between 1985 and 1987. In the first case, tried in Pennsylvania, after an adverse lower court decision the appeal court gave judgement in the Charter defendants' favour. In the second case, in New Jersey, judgement was also given for the Charter defendants. The third case, in South Carolina, was dismissed for lack of subject matter jurisdiction, without a decision having been rendered on the issue. During recent years, Charter and/or certain of its subsidiaries have been served in a number of cases in Mississippi, Illinois, and a few other states. Charter is seeking dismissals in these pending cases. Upon advice of counsel, Charter has settled some of the cases brought in Mississippi and Charter will continue to pursue dismissals in the remainder. The directors have received legal advice that the Company should be able to defend successfully the actions brought against it, 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 the Company. 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 the Company's financial position. In these circumstances the directors have concluded that it is not appropriate to make any provision in respect of such actions.

11 Ultimate parent company

The Company is a subsidiary of Charter plc, its immediate controlling party. The Company regards Charter plc as its ultimate parent company and for the purposes of Financial Reporting Standard 8, Related Party Disclosures, its ultimate controlling party. The parent undertaking of the largest and smallest group of undertakings for which group accounts are prepared and of which the Company is a member is Charter plc, 7 Hobart Place, London SW1W 0HH, a company incorporated in England and Wales. Copies of its group financial statements are available from its registered office in England.

CHARTER CONSOLIDATED P.L.C.
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO
FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Charter Consolidated P.L.C.

We have audited the financial statements which comprise the profit and loss account, the balance sheet the reconciliation of movements in shareholders' funds and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty - going concern

In forming our opinion we have considered the adequacy of the disclosures made in note 1(a) concerning the *fundamental uncertainty in respect of going concern*. In view of the significance of this uncertainty we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

16 July 2003