

REGISTERED NUMBER 831757

CHARTER CONSOLIDATED P.L.C.

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2003



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CHARTER CONSOLIDATED P.L.C.

REPORT OF THE DIRECTORS FOR THE YEAR TO 31 DECEMBER 2003

Business and financial position

The results for the year are shown in the profit and loss account on page 2. The company carried on its normal business as an investment holding company during the year, no change is planned its activities in the year to 31 December 2004. The financial position at the year end was considered satisfactory.

Results and dividends

The profit for the year, after taxation, amounted to £1,554,000 (2002: loss of £65,701,000). No dividends were paid or proposed during the year (2002:£nil). The retained profit for the year has been transferred to reserves

Directors

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

D M Eilbeck (resigned 22 April 2004)
A R Yapp
J L Avery
R A Careless (appointed 22 April 2004)

DM Eilbeck was also a director of the ultimate holding company, Charter plc, and his interests in shares of group companies are disclosed in the Annual Report and Accounts of that company. The interests to be disclosed under the Companies Act 1985 are as follows:

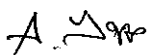
Charter plc - ordinary shares of 2p each

	31 December 2003		1 January 2003	
	Shares	Options	Shares	Options
A R Yapp	2,543	17,565	2,543	17,565
J L Avery	-	-	-	-

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the board



A R Yapp
Company Secretary

Registered Office
52 Grosvenor Gardens
London, SW1W 0AU
30 April 2004

CHARTER CONSOLIDATED P.L.C.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

		2003	2002
	Note	£000	£000
CONTINUING OPERATIONS			
Administration costs	2	(694)	(1,032)
Exchange differences (net)		<u>3,228</u>	<u>3,385</u>
OPERATING PROFIT		2,534	2,353
Losses on disposal of investments in subsidiary undertakings		<u>-</u>	<u>(68,247)</u>
<i>Profit / (loss) on ordinary activities before interest</i>		<i>2,534</i>	<i>(65,894)</i>
Net interest payable	3	<u>(312)</u>	<u>(393)</u>
<i>Profit / (loss) on ordinary activities before taxation</i>		<i>2,222</i>	<i>(66,287)</i>
Tax on profit / (loss) on ordinary activities	4	<u>(668)</u>	<u>586</u>
Retained profit / (loss) for the financial year	10	<u><u>1,554</u></u>	<u><u>(65,701)</u></u>

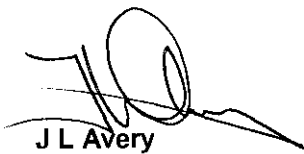
The notes on pages 5 to 9 form part of these financial statements.

CHARTER CONSOLIDATED P.L.C.

BALANCE SHEET AS AT 31 DECEMBER 2003

		2003	2002
	Note	£000	£000
FIXED ASSETS			
Investment in subsidiary undertakings	5	<u>398,701</u>	<u>410,520</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	6	607,190	565,248
Cash at bank		<u>308</u>	<u>301</u>
		607,498	565,549
Creditors: amounts falling due within one year	7	<u>(751,954)</u>	<u>(715,420)</u>
NET CURRENT LIABILITIES		<u>(144,456)</u>	<u>(149,871)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>254,245</u>	<u>260,649</u>
CAPITAL AND RESERVES			
Called up share capital	8	2,122	2,122
Share premium account	10	3,713	3,713
Capital reserve	10	76,663	76,663
Revaluation reserve	10	4,176	4,176
Profit and loss account	10	<u>166,869</u>	<u>173,273</u>
Shareholders' funds - equity interests		253,543	259,947
Shareholders' funds - non-equity interests	9	<u>702</u>	<u>702</u>
Total shareholders' funds		<u>254,245</u>	<u>260,649</u>

The financial statements on pages 2 to 9 were approved by the board on 30 April 2004 and were signed on its behalf by:


J L Avery
 Director

CHARTER CONSOLIDATED P.L.C.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2003**

	2003	2002
	£000	£000
Profit / (loss) for the financial year	1,554	(65,701)
Currency translation differences on foreign currency investments and related loans	<u>(7,958)</u>	<u>(8,144)</u>
Total recognised losses for the year	<u><u>(6,404)</u></u>	<u><u>(73,845)</u></u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2003**

	2003	2002
	£000	£000
Profit / (loss) for the financial year	1,554	(65,701)
Other recognised gains / (losses) relating to the year	<u>(7,958)</u>	<u>(8,144)</u>
Net deduction from shareholders' funds	(6,404)	(73,845)
Opening shareholders' funds	<u>261,821</u>	<u>335,666</u>
Closing shareholders' funds	<u><u>255,417</u></u>	<u><u>261,821</u></u>

CHARTER CONSOLIDATED P.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

1 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.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

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.

Deferred Taxation

In accordance with FRS19 deferred taxation is provided on the incremental liability basis 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.

Cash flow statement

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.

Fixed asset investments

Fixed asset investments, including associated undertakings, are denominated in local currency and included at cost less provision for any diminution in value.

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

Directors emoluments and employees

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. The company has no employees.

Management charge

Charter Central Services Limited makes a charge to the company for management and other services.

Auditors

Auditors' remuneration is borne by a subsidiary undertaking.

CHARTER CONSOLIDATED P.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

3 Net interest payable

	2003	2002
	£000	£000
Group interest payable	(314)	(395)
Bank interest receivable	<u>2</u>	<u>2</u>
	<u>(312)</u>	<u>(393)</u>

4 Tax on profit / (loss) on ordinary activities

The tax charge comprises:-

U.K. Corporation tax @ 30% (2002: 30%).

	<u>(668)</u>	<u>(586)</u>
	<u>(668)</u>	<u>(586)</u>

The tax charge is higher than expected, the differences are explained below:

Profit / (loss) on ordinary activities before taxation	<u>2,222</u>	<u>(66,287)</u>
Tax (charge) / credit on ordinary activities at 30% (2002: 30%)	(667)	19,886
Non-taxable loss on disposal	-	(20,474)
Non-taxable income	<u>(1)</u>	<u>2</u>
Adjustment in respect of prior period		
Current tax charge for the year	<u>(668)</u>	<u>(586)</u>

The company has an unrecognised deferred tax asset of £34,010,000 arising from allowable capital 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 FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

5 Investments in subsidiary undertakings

	2003	2002
	£000	£000
Opening balance at cost	422,920	511,672
Exchange adjustment	(11,819)	(12,076)
Disposals	<u>-</u>	<u>(76,676)</u>
Closing balance at cost	411,101	422,920
Provision for loss in value as at 1 January and 31 December	<u>(12,400)</u>	<u>(12,400)</u>
Net book value	<u><u>398,701</u></u>	<u><u>410,520</u></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 FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

	2003	2002
	£000	£000
6 Debtors: amounts falling due within one year		
Other debtors	4	4
Amounts due from subsidiary undertakings		
-interest free with no fixed repayment terms	<u>607,186</u>	<u>565,244</u>
	<u>607,190</u>	<u>565,248</u>
7 Creditors: amounts falling due within one year		
Other creditors	633	633
Amounts due to subsidiary undertakings		
-interest free with no fixed repayment terms	729,298	693,349
Amounts due to subsidiary undertakings		
-interest bearing with no fixed repayment terms	14,054	14,138
Taxation	<u>7,969</u>	<u>7,300</u>
	<u>751,954</u>	<u>715,420</u>
8 Share capital		
Authorised		
135,000,000 Ordinary shares of 2p each	<u>£2,700,000</u>	<u>£2,700,000</u>
Issued, called up and fully paid		
106,088,200 Ordinary shares of 2p each	<u>£2,121,764</u>	<u>£2,121,764</u>
9 Non-equity shareholders' funds		
Authorised		
135,000,000 Preferred shares of US\$ 0.01 each	<u>US\$1,350,000</u>	<u>US\$1,350,000</u>
Issued, called up and fully paid		
106,088,200 Preferred shares of US\$ 0.01 each	<u>£701,874</u>	<u>£701,874</u>

CHARTER CONSOLIDATED P.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

10 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	173,273	257,825
Foreign exchange	-	-	-	(7,958)	(7,958)
Retained profit for the year	-	-	-	1,554	1,554
Closing balance	3,713	76,663	4,176	166,869	251,421

11 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.

12 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, 52 Grosvenor Gardens, London SW1W 0AU, 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

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

30 April 2004