

Registered number 1687590

ESAB HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2002



ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2002

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DIRECTORS AND ADVISORS

DIRECTORS

P G Dodd
J M Patey
D J A Gibson
H Van Schyock (appointed 30.7.02, resigned 13.9.02)
R Gustafsson (resigned 01.01.03)
J Templeman (appointed 30.7.02)
D Gawler (appointed 13.9.02)

SECRETARY

D J A Gibson

AUDITORS

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

BANKERS

HSBC plc
City of London Corporate Office
PO Box 125
8 Canada Square
London E14 5XL

SOLICITORS

Gisby Harrison
Goffs Oak House
Goffs Lane
Cheshunt
Herts EN7 7HG

REGISTERED OFFICE

Hertford Road
Waltham Cross
Herts EN8 7RP

DIRECTORS' REPORT

The directors present their report and audited accounts of ESAB Holdings Limited for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company had previously acted solely as holding company for various subsidiaries within the ESAB Group. From September 2002, the nature of the company's business has been extended, such that it now provides management, administrative and technical services for companies within the ESAB Group. No change is planned in its activities for the year to 31 December 2003.

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).*

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £7,289,000 (2001 - £1,422,000).

The directors do not recommend the payment of a dividend (2001 - £Nil). The retained profit for the year has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors of the company are listed on page 1.

The interests of Mr D Gawler in the shares of the ultimate parent company, Charter plc, are disclosed in those accounts. Mr D Gawler had no interest in the shares of the company or other group companies. Prior to his appointment as a director of the company, Mr J Templeman was granted share options in the ultimate parent company under the Charter Plc Unapproved Share Option Scheme. Options were granted at the current market price and are exercisable between three and ten years after the grant. 40,816 options were granted to Mr Templeman at an options exercise price of 200.9p per share, exercisable between 20th May 2005 and 19th May 2012.

No other directors of the company had any interest in the shares of the company, the ultimate parent or any other group company as at 31 December 2002 (2001: none). None of the directors had a material interest in any contract of significance to which the company was a party during the year (2001 - none).

DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for that period. The directors are required to prepare financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2002.

The directors are responsible for keeping proper accounting records and for safeguarding the assets of the company and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT (Continued)

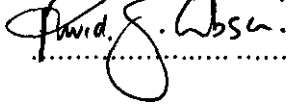
AUDITORS

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) on 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 reappoint auditors.

On behalf of the board

D J A Gibson

Director and Secretary



.....21ST July 2003

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2002

	Notes	2002 £000	2001 £000
TURNOVER		229	-
Administrative expenses	2	(4,165)	-
Income from investments		-	211
OPERATING PROFIT/CONTINUING OPERATIONS	3	(3,936)	211
NON OPERATING EXCEPTIONAL ITEMS			
Profit on sale of fixed asset investments		9,127	-
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		5,191	211
INTEREST RECEIVABLE		1,327	1,730
INTEREST PAYABLE		(15)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,503	1,941
Tax on profit on ordinary activities	5	786	(519)
RETAINED PROFIT FOR THE FINANCIAL YEAR	12	7,289	1,422

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalent.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £000	2001 £000
Profit for the financial year	7,289	1,422
Shareholders' funds as at 1 January 2001	110,314	108,892
SHAREHOLDERS' FUNDS AS AT 31 December 2002	117,603	110,314

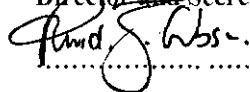
BALANCE SHEET
at 31 December 2002

	Notes	2002 £000	2001 £000
FIXED ASSETS			
Tangible assets		44	-
Investments	6	250,684	70,629
		<u>250,728</u>	<u>70,629</u>
CURRENT ASSETS			
Debtors - amounts falling due within one year	7	38,858	-
Debtors - amounts falling due after more than one year	7	-	85,944
		<u>38,858</u>	<u>85,944</u>
CREDITORS: amounts falling due within one year	8	(58,255)	(46,259)
NET CURRENT (LIABILITIES)/ASSETS		<u>(19,397)</u>	<u>39,685</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		231,331	110,314
CREDITORS: amounts falling due after more than one year	9	(112,678)	-
PROVISIONS FOR LIABILITIES & CHARGES	10	(1,050)	-
NET ASSETS		<u>117,603</u>	<u>110,314</u>
CAPITAL AND RESERVES			
Called up share capital	11	39,139	39,139
Share premium account	12	63,532	63,532
Capital redemption reserve	12	1,200	1,200
Profit and loss account	12	13,732	6,443
ANALYSIS OF SHAREHOLDERS' FUNDS			
Equity shareholders' funds		114,631	107,342
Non-equity shareholders' funds		2,972	2,972
SHAREHOLDERS' FUNDS		<u>117,603</u>	<u>110,314</u>

The accounts on pages 4 to 12 were approved by the board of directors on 21ST July 2003 and were signed on its behalf by:

D J A Gibson

Director and Secretary



21ST July 2003

NOTES TO THE ACCOUNTS at 31 December 2002

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 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 the group believe that the banks will continue to provide support on terms acceptable to the group. On this basis, the directors 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 group's and Company's balance sheets 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 the 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 directors' view, based on their knowledge of the situation and on advice by the 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 the 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.

NOTES TO THE ACCOUNTS at 31 December 2002

1(b). ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

Basis of preparation of accounts

The company's parent has indicated that, subject to note 1(a) it will provide sufficient funds for the company to meet its obligations for the foreseeable future. Accordingly, these accounts have been prepared on a going concern basis. These accounts contain information about ESAB Holdings Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its wholly owned subsidiary undertakings are included by full consolidation in the financial statements of its ultimate parent, Charter plc.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Differences on exchange arising from the retranslation of the opening net investment in associated companies are taken to reserves and are reported in the statement of total recognised gains and losses. All other differences are taken to the profit and loss account.

Fixed asset investment

Investments held as fixed assets are stated at cost less amounts written off.

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.

Cash flow statement

The company has taken advantage of the exemption available in the Financial Reporting Standard No. 1 (revised 1996) and has not prepared a cash flow statement. It is a wholly owned subsidiary undertaking of Charter plc, registered in England and Wales, which prepares a consolidated cash flow statement.

Related party transactions

The company is a wholly owned subsidiary undertaking of Charter plc and accordingly has taken advantage of the exemption available in the Financial Reporting Standard No. 8 not to disclose related party transactions which are eliminated on consolidation.

2. ADMINISTRATION COSTS

	2002	2001
	£000	£000
Administration costs include:		
Costs related to restructuring of group	1,884	-

NOTES TO THE ACCOUNTS
at 31 December 2002

3. OPERATING PROFIT

	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
This is stated after charging:		
Auditor's remuneration	(31)	-
Operating lease rentals – land and buildings	(96)	-

4. DIRECTORS' REMUNERATION

Salaries and other remuneration

	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
Salaries and benefits – aggregate emoluments	63	-
Company contribution to money purchase pension scheme	3	-
Compensation for loss of office	850	-

Amounts are accruing to 1 (2001: none) director under a money purchase scheme being the Company's unapproved pension scheme.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation credit / (charge) is made up as follows:

	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
Based on the taxable profit for the year:		
Corporation tax on ordinary activities at 30%	786	(519)
	<u>786</u>	<u>(519)</u>

Factors affecting the tax charge for the year.

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

	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
Profit on ordinary activities before tax	6,503	1,941
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30%	(1,951)	(582)
Non taxable proceeds on sale of shares of £9.1m	2,737	-
Foreign tax	-	90
Gross up of overseas dividends for underlying tax	-	(27)
Current tax credit/(charge) for the year	<u>786</u>	<u>(519)</u>

NOTES TO THE ACCOUNTS
at 31 December 2002

6. INVESTMENTS

The company's investments are made up as follows:

	<i>Subsidiary undertakings</i>	<i>Associated undertaking</i>	<i>Other investments in group companies</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:				
1 January 2002	10,715	3,042	58,562	72,319
Add: acquisitions	244,398	-	-	244,398
Less: disposals	(4,429)	(3,042)	(58,562)	(66,033)
	-----	-----	-----	-----
31 December 2002	250,684	-	-	250,684
	-----	-----	-----	-----
Provision:				
1 January 2002	513	1,177	-	1,690
Less: disposals	(513)	(1,177)	-	(1,690)
	-----	-----	-----	-----
31 December 2002	-	-	-	-
	-----	-----	-----	-----
Net book value:				
1 January 2002	10,202	1,865	58,562	70,629
	=====	=====	=====	=====
31 December 2002	250,684	-	-	250,684
	=====	=====	=====	=====

Details of the company's investments are as follows:

<i>Name of company</i>	<i>Country of incorporation and operation</i>	<i>Nature of holding</i>	<i>Proportion held</i>
Subsidiary undertakings:			
Exelvia Netherlands BV	Netherlands	Ordinary shares	100%
Esta Properties (UK) Limited*	England & Wales	Ordinary shares	100%
Other Dormant Companies	England & Wales	Ordinary Shares	100%
Details of the Company's investments disposed of in the year:			
Subsidiary undertakings:			
ESAB Group (UK) Limited	England & Wales	Ordinary shares	100%
Esab Group (Ireland) Limited	Ireland	Ordinary shares	100%
Associated undertaking:			
Esab India Limited	India	Ordinary Shares	37.3%
Investment in other group companies:			
Hobart Overseas Holdings Ltd	England & Wales	Ordinary Shares	11%

* Property management company

NOTES TO THE ACCOUNTS
at 31 December 2002

6. INVESTMENTS (Continued)

On 10 December 2002, the Company acquired the entire issued share capital of Exelvia Netherlands BV, a fellow subsidiary company incorporated in The Netherlands and whose business is acting as an investment holding company. A full list of subsidiary undertakings will be annexed to the annual return filed with the register of companies.

The investment in Exelvia Netherlands BV represents 411 ordinary shares of EUR43 each.

In the opinion of the directors, the value of the Company's investments in subsidiary undertakings are not less than the amount at which they are included in the balance sheet.

7. DEBTORS

	<i>2002</i> <i>£000</i>	<i>2001</i> <i>£000</i>
Amounts falling due within one year:		
Amount due from parent undertakings	35,855	-
Amount due from subsidiary undertakings	2,454	-
Corporation Tax	267	-
Other debtors	282	-
	-----	-----
	38,858	-
Amounts falling due after more than one year:		
Amount due from parent undertakings	-	75,125
Amount due from subsidiary undertakings	-	10,819
	-----	-----
	38,858	85,944
	=====	=====

Amounts due from both parent and subsidiary undertakings are interest free and have no fixed repayment terms.

8. CREDITORS: amounts falling due within one year

	<i>2002</i> <i>£000</i>	<i>2001</i> <i>£000</i>
Bank overdraft	2,714	-
Trade creditors	70	-
Amount due to parent undertakings	18,635	-
Amounts due to subsidiary undertakings	36,590	45,203
Corporation tax	-	1,056
Other taxes and social security costs	49	-
Accruals and deferred income	182	-
Other creditors	15	-
	-----	-----
	58,255	46,259
	=====	=====

Amounts due to both parent and subsidiary undertakings within one year are interest free and have no fixed repayment terms.

NOTES TO THE ACCOUNTS
at 31 December 2002

9. CREDITORS: amounts falling due after more than one year

	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
Amount due to parent undertakings	112,678	-
	<u>112,678</u>	<u>-</u>

Amounts due to parent undertakings falling due after more than one year represent the drawn down element of a revolving credit facility charged at a commercial rate and repayable on maturity (5 years).

10. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Restructuring</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>
At 1 January 2002	-	-
Charged to profit and loss account	1,050	1,050
At 31 December 2002	<u>1,050</u>	<u>1,050</u>

11. SHARE CAPITAL

	<i>2002</i>	<i>Authorised</i>	<i>Allotted, called up</i>	<i>and fully paid</i>
	<i>£</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
		<i>£</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	36,166,710	36,166,710	36,166,710	36,166,710
Redeemable shares of £1 each	4,172,500	4,172,500	2,972,500	2,972,500
Total share capital	<u>40,339,210</u>	<u>40,339,210</u>	<u>39,139,210</u>	<u>39,139,210</u>

At the company's option, the redeemable shares may be redeemed at par at any time. The redeemable shares rank equally with the ordinary shares in respect of dividend, redemption and voting rights.

NOTES TO THE ACCOUNTS
at 31 December 2002

12. RESERVES

	<i>Share Premium Account £000</i>	<i>Capital redemption reserve £000</i>	<i>Profit and loss account £000</i>
At 1 January 2002	63,532	1,200	6,443
Retained profit for the year	-	-	7,289
	-----	-----	-----
At 31 December 2002	63,532	1,200	13,732
	=====	=====	=====

13. CONTINGENT LIABILITIES

The company is jointly and severally liable under a group VAT registration for which it is the nominated company. The company has also given an unlimited guarantee in respect of bank facilities granted to the ultimate parent company and various group companies.

14. ULTIMATE PARENT UNDERTAKING

The company's shares are held by Charter Overseas Holdings Limited, its legal owner at 31 December 2001. However, on 10 December 2002, the beneficial interest in the company's ordinary share capital was transferred to Weldcure Limited and the company regards Weldcure Limited as its controlling party from that date. Legal title in the share capital is expected to be transferred to the beneficial owner in 2003.

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

Independent auditors' report to the members of ESAB Holdings Limited

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 profit 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

21 July 2003