

ANNUAL REPORT
for the year ended 31 December 1998

Registered no 1687590

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DIRECTORS AND ADVISORS

DIRECTORS

P G Dodd

J M Patey

D J A Gibson

R Hoglund (appointed 11 June 1998)

A Backman (resigned 28 January 1999)

P Karlsson (resigned 11 February 1998)

R Gustafsson (appointed 28 January 1999)

SECRETARY

D J A Gibson

AUDITORS

PricewaterhouseCoopers

Harman House

1 George Street

Uxbridge

Middlesex UB8 1QQ

BANKERS

Midland Bank plc

City of London Corporate Office

PO Box 125

27-32 Poultry

London EC2P 2BX

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 1998.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £403,000 [1997 - £461,200].

No interim dividend was paid during the year. The directors do not recommend the payment of a final dividend.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company acts as holding company for various subsidiaries whose principal activities are the manufacture, distribution and sale of welding and cutting products.

Both the level of profits and the year-end financial position were satisfactory and the directors expect that the present level of profits will continue.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year ended 31 December 1998 were those listed on page 1.

No director of the company had any interest in the shares of the company, or any subsidiary, or any parent company or any fellow subsidiary, at 31 December 1998.

None of the directors had a material interest in any contract of significance to which the company was a party during the year.

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 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 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

POST BALANCE SHEET EVENTS

As part of a group reconstruction carried out by the ultimate holding company Charter plc the company's shares in Nederman Ltd were sold to Charter plc on the 27th April 1999 for £2,600,000.

DIRECTORS' REPORT (cont.)

AUDITORS

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the next annual general meeting.

On behalf of the board



D.J.A Gibson
Director and Secretary

17 September 1999

**REPORT OF THE AUDITORS
to the members of ESAB Holdings Limited**

We have audited the accounts on pages 5 to 11 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities for directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 2 the accounts. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, and our profession's ethical guidance.

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. 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.

Basis of 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers
Chartered Accountants &
Registered Auditors
London**

17 September 1999

**PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1998**

	<i>Notes</i>	<i>1998 £000</i>	<i>1997 £000</i>
INCOME FROM INVESTMENTS		201	197
Administrative expenses:			
Impairment loss	2	(791)	-
Operating (loss)/profit	3	(590)	197
		-----	-----
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		(590)	197
		-----	-----
INTEREST			
Received	5	1,439	385
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		849	582
Tax on profit on ordinary activities	6	(446)	(121)
		-----	-----
PROFIT AFTER TAXATION		403	461
		-----	-----
DIVIDENDS			
Paid	7	-	-
		-----	-----
PROFIT FOR THE FINANCIAL YEAR		403	461
		=====	=====

The above results all arise from continuing activities.

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.

RECONCILIATION OF SHAREHOLDERS' FUNDS

	<i>1998 £000</i>	<i>1997 £000</i>
Total recognised gains and losses	403	461
	-----	-----
Total movements during the year	403	461
Shareholders' funds as at 1 January 1998	105,478	105,017
	-----	-----
Shareholders' funds as at 31 December 1998	105,881	105,478
	=====	=====

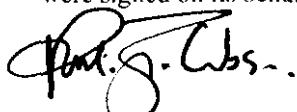
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalent.

ESAB Holdings Limited

BALANCE SHEET at 31 December 1998

	Notes	1998 £000	1997 £000
FIXED ASSETS			
Investments	8	73,228	74,019
		-----	-----
CURRENT ASSETS			
Debtors - falling due after more than one year	9	74,622	68,637
CREDITORS: amounts falling due within one year	10	(41,969)	(37,178)
		-----	-----
NET CURRENT ASSETS		32,653	31,459
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		105,881	105,478
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	11	39,139	39,139
Share premium account	12	63,532	63,532
Profit and loss account	12	2,010	1,607
Capital redemption reserve	12	1,200	1,200
Equity Shareholders' Funds		102,909	102,506
Non-equity Shareholders' Funds		2,972	2,972
		-----	-----
SHAREHOLDERS' FUNDS		105,881	105,478
		=====	=====

The accounts on pages 5 to 11 were approved by the board of directors on 17 September 1999 and were signed on its behalf by:



D J A Gibson
Director and Secretary

17 September 1999

**NOTES TO THE ACCOUNTS
at 31 December 1998**

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention.

The accounts are prepared in accordance with applicable accounting standards.

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 amount written off.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences to the extent that they are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

Cash flow statement

The company has taken advantage of the exemption available in the Financial Reporting Standard No. 1 (revised) 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 cash flow statement.

Related party transactions

The company 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. The company is a wholly owned subsidiary undertaking of Charter plc.

Basis of preparation of accounts

Consolidated financial statements incorporating Esab Holdings Limited and its subsidiaries are prepared by Charter plc and therefore consolidated financial statements of the company have not been prepared.

2. IMPAIRMENT LOSS

The exceptional charge to administrative expenses represents an impairment in the carrying amount of the company's investment in Nederman Limited.

3. OPERATING (LOSS)/PROFIT

The auditors' remuneration is borne and paid for by Esab Group (UK) Limited. The company has no employees.

**NOTES TO THE ACCOUNTS
at 31 December 1998**

4. DIRECTORS' REMUNERATION

	<i>1998</i>	<i>1997</i>
	<i>£</i>	<i>£</i>
Aggregate Emoluments	315,421	302,523

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

Highest Paid Director

Aggregate Emoluments	142,405	136,364
Defined benefit pension scheme		
Accrued pension at end of year	54,255	46,577
	=====	=====

5. INTEREST RECEIVABLE

	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>
On loans wholly receivable within five years:		
Loans to group undertakings	1,439	385
	-----	-----
	1,439	385
	=====	=====

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>
Based on the taxable profit for the year:		
United Kingdom corporation tax at 31% (1997 - 31.5%)	(537)	(212)
Overseas taxation	-	-
Double taxation relief	91	91
Tax on Franked Investment Income	-	-
	-----	-----
	446	(121)
	=====	=====

7. DIVIDENDS

	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>
Dividends on equity shares:		
Ordinary - interim paid	-	-
	=====	=====

**NOTES TO THE ACCOUNTS
at 31 December 1998**

8. INVESTMENTS

The company's investments are made up as follows:

	<i>Subsidiary undertakings £000</i>	<i>Associated undertaking £000</i>	<i>Investment in other group companies £000</i>	<i>Total £000</i>
Cost:				
At 1 January 1998	14,105	3,042	58,562	75,709
Addition	-	-	-	-
Movement	-	-	-	-
	-----	-----	-----	-----
At 31 December 1998	14,105	3,042	58,562	75,709
Less: provision				
At 1 January 1998	513	1,177	-	2,481
Movement	791	-	-	-
	-----	-----	-----	-----
At 31 December 1998	1,304	1,177	-	2,481
Net book value:				
At 1 January 1998	13,592	1,865	58,562	74,019
	-----	-----	-----	-----
At 31 December 1998	12,801	1,865	58,562	73,228
	=====	=====	=====	=====

Details of the company's investments are as follows (unless otherwise mentioned, all companies operate in the welding industry as principals):

<i>Name of company</i>	<i>Country incorporation and operation</i>	<i>Nature of holding</i>	<i>Proportion held</i>
Subsidiary undertakings:			
ESAB Group (UK) Limited	England & Wales	Ordinary shares	100%
*Murex Welding Products Limited	England & Wales	Ordinary shares	100%
*Murex Limited	England & Wales	Ordinary shares	100%
*ESAB Automation Limited	England & Wales	Ordinary shares	100%
*Hancock Cutting Machines Limited	England & Wales	Ordinary shares	100%
*Brinal Limited	England & Wales	Ordinary shares	100%
*Filarc Welding Limited	England & Wales	Ordinary shares	100%
Esab Group (Ireland) Limited	Ireland	Ordinary shares	100%
*ESAB Limited	England & Wales	Ordinary shares	100%
ESAB Pensions Limited	England & Wales	Ordinary shares	100%
Arcos Welding Products Limited	England & Wales	Ordinary shares	100%
Bilston Wire Mill Limited	England & Wales	Ordinary shares	100%

*Agency company acting on behalf of ESAB Group (UK) Limited.

**NOTES TO THE ACCOUNTS
at 31 December 1998**

8. INVESTMENTS (continued)

Nederman Limited	England & Wales	Ordinary shares	100%
Esta Properties (UK) Limited	England & Wales	Ordinary shares	100%
Associated Undertaking: Esab India Limited	India	Ordinary Shares	37.3%
Investment in other group companies: Hobart Overseas Holdings Ltd	England	Ordinary Shares	11%

9. DEBTORS

	<i>1998</i> <i>£000</i>	<i>1997</i> <i>£000</i>
Amounts falling due after more than one year:		
Amount due from subsidiary undertakings	10,161	9,841
Amount due from parent undertakings	64,461	58,796
	-----	-----
	74,622	68,637
	=====	=====

The above debtors have no fixed repayment terms. £28,606,000 of the amount due from parent undertakings bears interest at 5%

10. CREDITORS: amounts falling due within one year

	<i>1998</i> <i>£000</i>	<i>1997</i> <i>£000</i>
Amount due to subsidiary undertakings	41,523	37,057
Current corporation tax	446	121
	-----	-----
	41,969	37,178
	=====	=====

The amount due to subsidiary undertakings is not interest bearing and has no fixed repayment terms.

11. SHARE CAPITAL

	<i>1998</i> <i>No.</i>	<i>Authorised</i> <i>1997</i> <i>No.</i>	<i>allotted, called up</i> <i>and fully paid</i> <i>1998</i> <i>£</i>	<i>1997</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	40,339,210	40,339,210	39,139,210	39,139,210
	=====	=====	=====	=====

At the company's option, the redeemable shares may be redeemed at par.

**NOTES TO THE ACCOUNTS
at 31 December 1998****12. SHARE PREMIUM ACCOUNT AND RESERVES**

	<i>Share Premium Account £000</i>	<i>Capital redemption reserve £000</i>	<i>Profit and loss account £000</i>
At 1 January 1998	63,532	1,200	1,607
Retained profit for the year	-	-	403
	-----	-----	-----
	63,532	1,200	2,010
	=====	=====	=====

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 guaranteed an overdraft facility of £1,500,000 in respect of a subsidiary company, Esab Group (UK) Limited. 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 ultimate holding company and controlling party is Charter plc, a company incorporated in England and Wales. ESAB AB which is incorporated in Sweden is the immediate parent of ESAB Holdings Ltd. Copies of ESAB AB's accounts can be obtained from ESAB AB, Box 8004, Gothenburg, Sweden. Copies of Charter plc's accounts can be obtained from Charter plc, 7 Hobart Place, London SW1W 0HH.