

Registered number 1687590

ESAB HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003



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ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2003

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DIRECTORS AND ADVISORS

DIRECTORS

D Gawler (Non-Executive Chairman)
J Templeman (Chief Financial Officer)
J M Long (appointed 15 September 2003)
M Tiismann (appointed 18 March 2004)
M Hannah (appointed 16 September 2004)

P G Dodd (resigned 15 September 2003)
J M Patey (resigned 15 September 2003)
R Gustafsson (resigned 1 January 2003)
D J A Gibson (resigned 14 July 2004)

SECRETARY

D A Ives (appointed 14 July 2004)

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

50 Curzon Street
London W1J 7UW

DIRECTORS' REPORT

The directors present their report and audited accounts of ESAB Holdings Limited for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company acts solely as a holding company for various subsidiaries within the ESAB Group. The Company 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 2004.

The financial statements have been prepared on a going concern basis. The financial position at the year end was considered satisfactory.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £18,415,000 (2002 – profit of £7,289,000).

The directors do not recommend the payment of a dividend (2002 - £Nil). The retained loss 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 201p 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 2003 (2002 - none). None of the directors had a material interest in any contract of significance to which the Company was a party during the year (2002 - none).

EMPLOYEE INVOLVEMENT

Company policy requires that employees be kept up to date with the future of the Company through a wide range of internal communications and that employees' comments and ideas be taken into account when developing the business. The Company recognises the role of trade unions and union representatives in orderly staff consultation and there is regular communication.

EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PERSONS

Company policy is to find the best qualified person for each job and to make sure that training and promotion possibilities are open to all employees, regardless of sex, sexual orientation, disability, race, colour, religion, age, marital status, nationality or ethnic origin.

Applications for employment from disabled people are given full and fair consideration and such employees are reviewed when suitable opportunities arise. If an employee becomes disabled, arrangements are made, wherever possible, to continue employment and training.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Company has a variety of payment terms with its suppliers. Payment terms are agreed at the commencement of business with each supplier and it is the policy of the Company that payment is made in accordance with those terms. The number of creditor days in relation to trade creditors outstanding at the period end was 35.

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 2003.

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.

AUDITORS

The Company has passed elective resolutions so that there is no requirement either to hold annual general meetings or to reappoint the auditors, PricewaterhouseCoopers LLP.

On behalf of the board



D A Ives
Secretary
28 October 2004

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2003

	<i>Notes</i>	<i>2003</i> <i>£000</i>	<i>2002</i> <i>£000</i>
TURNOVER		1,164	229
Administrative expenses	2	(13,101)	(4,165)
Income from investments		1,163	-
OPERATING LOSS FROM CONTINUING OPERATIONS	3	(10,774)	(3,936)
Profit on sale of fixed asset investments		-	9,127
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		(10,774)	5,191
INTEREST RECEIVABLE		37	1,327
INTEREST PAYABLE		(7,459)	(15)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(18,196)	6,503
Tax on (loss)/profit on ordinary activities	6	(219)	786
RETAINED (LOSS)/ PROFIT FOR THE FINANCIAL YEAR	15	(18,415)	7,289

The Company has no recognised gains and losses other than the profits and losses 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 loss for the year stated above, and their historical cost equivalent.

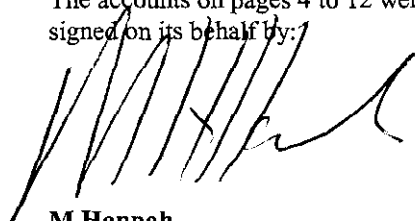
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>2003</i> <i>£000</i>	<i>2002</i> <i>£000</i>
(Loss)/profit for the financial year	(18,415)	7,289
Shareholders' funds as at beginning of financial year	117,603	110,314
SHAREHOLDERS' FUNDS AS AT END OF FINANCIAL YEAR	99,188	117,603

BALANCE SHEET
at 31 December 2003

	<i>Notes</i>	<i>2003</i> <i>£000</i>	<i>2002</i> <i>£000</i>
FIXED ASSETS			
Tangible assets	7	323	44
Investments	8	250,784	250,684
		<u>251,107</u>	<u>250,728</u>
CURRENT ASSETS			
Debtors - amounts falling due within one year	9	38,289	38,858
Debtors - amounts falling due after more than one year	9	1,397	-
Cash at bank		160	-
		<u>39,846</u>	<u>38,858</u>
CREDITORS: amounts falling due within one year	10	<u>(55,826)</u>	<u>(58,255)</u>
NET CURRENT LIABILITIES		<u>(15,980)</u>	<u>(19,397)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		235,127	231,331
CREDITORS: amounts falling due after more than one year	11	(135,392)	(112,678)
PROVISIONS FOR LIABILITIES & CHARGES	12	<u>(547)</u>	<u>(1,050)</u>
NET ASSETS		<u>99,188</u>	<u>117,603</u>
CAPITAL AND RESERVES			
Called up share capital	14	39,139	39,139
Share premium account	15	63,532	63,532
Capital redemption reserve	15	1,200	1,200
Profit and loss account	15	(4,683)	13,732
ANALYSIS OF SHAREHOLDERS' FUNDS			
Equity shareholders' funds		<u>96,216</u>	<u>114,631</u>
Non-equity shareholders' funds		<u>2,972</u>	<u>2,972</u>
SHAREHOLDERS' FUNDS		<u>99,188</u>	<u>117,603</u>

The accounts on pages 4 to 12 were approved by the board of directors on 28 October 2004 and were signed on its behalf by:



M Hannah
Director

NOTES TO THE ACCOUNTS
at 31 December 2003

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared in accordance with the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. The accounting policies have been consistently applied throughout the period.

Basis of preparation of accounts

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 of companies. 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 undertaking, Charter plc.

Foreign currencies

Monetary assets and liabilities denominated in overseas currencies are translated at the rate of exchange ruling on the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. All translation differences are taken to the profit and loss account.

Fixed asset investments

Fixed asset investments are included at a cost less provision for any impairment in value.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Deferred taxation

Deferred taxation is provided on the incremental liability approach in respect of timing differences giving rise to an asset or liability. Deferred taxation assets are recognised to the extent it is regarded as more likely than not that they will be recovered. Deferred taxation assets and liabilities are not discounted.

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 EXPENSES

	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Administration costs include:		
Costs related to restructuring of group	2,469	1,884

NOTES TO THE ACCOUNTS
at 31 December 2003

3. OPERATING LOSS FROM CONTINUING OPERATIONS

	2003	2002
	£000	£000
This is stated after charging:		
Auditor's remuneration – audit services	(32)	(31)
Operating lease rentals – buildings	(299)	(96)
– other	(35)	(35)
Tangible fixed assets – depreciation	(53)	-

4. DIRECTORS' REMUNERATION

Salaries and other remuneration

	2003	2002
	£000	£000
Salaries and benefits – aggregate emoluments	457	63
Company contribution to a defined benefits pension scheme	33	-
Company contribution to a money purchase pension scheme	-	3
Compensation for loss of office	-	850

Amounts are accruing to 3 (2002: none) directors under a defined benefits scheme.

Highest paid director

Total emoluments and amounts (excluding shares) receivable under long-term incentive schemes	310	63
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Defined benefit pension accrued pension at the end of year	3	-
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The remuneration of the non-executive Chairman, D.Gawler, is disclosed in the accounts of the ultimate parent company, Charter plc.

5. EMPLOYEE INFORMATION

The average monthly number of persons (including executive directors) employed by the Company during the year was:

Administration	44	14
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6. TAX ON LOSS/PROFIT ON ORDINARY ACTIVITIES

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

	2003	2002
	£000	£000
Based on the taxable loss/profit for the year:		
Corporation tax on ordinary activities at 30%	(219)	786
	<u>(219)</u>	<u>786</u>

Factors affecting the tax charge for the year.

The tax charge for the year is lower (2002: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below.

NOTES TO THE ACCOUNTS
at 31 December 2003

6. TAX ON LOSS/PROFIT ON ORDINARY ACTIVITIES (Continued)

	<i>2003</i> <i>£000</i>	<i>2002</i> <i>£000</i>
(Loss)/profit on ordinary activities before tax	(18,196)	6,503
(Loss)/profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	5,459	(1,951)
Non taxable proceeds on sale of shares of £9.1m	-	2,737
Movement on deferred tax not recognised	(5,459)	-
Adjustments to tax charge in respect of previous periods	(219)	-
	<u> </u>	<u> </u>
Current tax (charge)/credit for the year	<u>(219)</u>	<u>786</u>

7. TANGIBLE ASSETS

Fixed assets are written off evenly over their expected useful lives
 Depreciation is provided as follows:

Plant, Furniture & Fittings	20 to 30% per annum
Cost:	<i>£000</i>
At 31 December 2002	44
Additions	332
	<u> </u>
At 31 December 2003	376
	<u> </u>
Depreciation:	
At 31 December 2002	-
Charge to profit and loss account	53
	<u> </u>
At 31 December 2003	53
	<u> </u>
Net Book Value:	
At 31 December 2003	323
	<u> </u>
At 31 December 2002	44
	<u> </u>

8. INVESTMENTS

The Company's investments are made up as follows:

	<i>Subsidiary</i> <i>undertakings</i> <i>£000</i>	<i>Total</i> <i>£000</i>
Cost:		
1 January 2003	250,684	250,684
Acquisitions	100	100
	<u> </u>	<u> </u>
31 December 2003	250,784	250,784
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
at 31 December 2003

8. INVESTMENTS (Continued)

	<i>Subsidiary undertakings £000</i>	<i>Total £000</i>
Net book value:		
1 January 2003	250,684	250,684
31 December 2003	250,784	250,784

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%
ESAB Limited	England & Wales	Ordinary shares	100%
Other Dormant Companies	England & Wales	Ordinary Shares	100%

* Property management Company

The Company retains legal title to 5,743,200 fully paid equity shares constituting 37.31% of the total paid up equity share capital of ESAB India Limited pending completion of the sale and transfer of these shares to Cecil Holdings Limited which is also a wholly owned subsidiary of Charter plc, being the Company's ultimate holding company.

On 31 December 2003, the Company acquired the entire issued share capital of ESAB Limited, a company incorporated in England & Wales, 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 ESAB Limited represents 100,000 ordinary shares of £1.

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.

NOTES TO THE ACCOUNTS
at 31 December 2003

9. DEBTORS

	2003	2002
	£000	£000
Amounts falling due within one year:		
Amount due from parent undertakings	35,855	35,855
Amount due from subsidiary undertakings	1,420	2,454
Amount due from associate undertakings	35	-
Corporation tax	567	267
Other debtors	412	282
	<u>38,289</u>	<u>38,858</u>

Amounts falling due after more than one year:

Amount due from associate undertakings	1,397	-
	<u>1,397</u>	<u>-</u>

The amount due from associate undertakings, is due from ESAB India Limited

Amounts due from both parent and subsidiary undertakings are unsecured, interest free and have no fixed date of repayment.

10. CREDITORS

	2003	2002
	£000	£000
Amounts falling due within one year:		
Bank overdraft	-	2,714
Trade creditors	675	70
Amount due to parent undertakings	18,426	18,635
Amounts due to subsidiary undertakings	36,362	36,590
Other taxes and social security costs	86	49
Accruals and deferred income	260	182
Other creditors	17	15
	<u>55,826</u>	<u>58,255</u>

11. CREDITORS

	2003	2002
	£000	£000
Amounts falling due after more than one year:		
Amount due to parent undertakings	135,392	112,678
	<u>135,392</u>	<u>112,678</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).

12. PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring	Total
	£000	£000
At 1 January 2003	1,050	1,050
Utilised	(781)	(781)
Provided	396	396
Released	(118)	(118)
	<u>547</u>	<u>547</u>
At 31 December 2003	547	547

NOTES TO THE ACCOUNTS
at 31 December 2003

13. COMMITMENTS

The Company has annual commitments under operating leases expiring as follow:

	<i>Land & Buildings</i>	<i>Other</i>	<i>Land & Buildings</i>	<i>Other</i>
	<i>2003</i>	<i>2003</i>	<i>2002</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Within one year	-	-	96	-
Two to five years	299	35	-	35
After five years	-	-	-	-

14. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>£</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.

15. RESERVES

	<i>Share Premium Account</i>	<i>Capital redemption reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2003	63,532	1,200	13,732	78,464
Retained loss for the year	-	-	(18,415)	(18,415)
At 31 December 2003	<u>63,532</u>	<u>1,200</u>	<u>(4,683)</u>	<u>60,049</u>

16. PENSION ARRANGEMENTS

The Company participates in the ESAB Group UK Ltd Pension and Life Assurance Scheme, which is a multi-employer scheme. It is not possible to identify the share of the underlying assets and liabilities in the scheme relating to individual participating employers. As such, in accordance with FRS 17, the Company will account for its liability to the Fund as if it were a defined contribution scheme. Thus no disclosure of the balance sheet position will be made and the charge to profit and loss under FRS 17 in future years will represent the actual contributions paid by the company.

NOTES TO THE ACCOUNTS
at 31 December 2003

17. 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.

18. ULTIMATE PARENT UNDERTAKING

The Company's shares are held by Weldcure Ltd, its parent company at 31 December 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: 52 Grosvenor Gardens, London SW1W 0AU.

Independent auditors' report to the members of ESAB Holdings Limited

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

28 October 2004