CHARTER

Contents

01 Financial highlights
02 Chairman’s statement
05 Business review – ESAB
07 Business review – Howden
09 Financial review
11 Consolidated income statement
12 Consolidated balance sheet
13 Consolidated cash flow statement
14 Consolidated statement of changes in equity
15 Notes
20 Independent review report to Charter plc

Cautionary statement
Certain sections of this report contain forward looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries in which the Company and its subsidiaries and associates operate. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated.

Charter plc

Interim accounts for the six months ended 30 June 2006

		Six months to 30.6.06 £m	Six months to 30.6.05 £m	
Revenue		**624.7**	495.9	**+26%**
Operating profit		**70.3**	41.2	**+71%**
Profit before tax		**68.9**	44.4	**+55%**
Profit after tax		**59.2**	33.0	**+79%**
Profit attributable to equity shareholders		**56.2**	27.7	**+103%**
Net cash/(debt) at period end		**36.2**	(45.9)	
		pence	pence	
Earnings per share	Adjusted[1]	**32.5**	16.1	**+102%**
	Basic	**34.0**	18.1	**+88%**

[1] before exceptional tax credit of £5.3 million in 2006 and gains or losses on retranslation of intercompany loan balances

"I am pleased to announce excellent results for the six months ended 30 June 2006 with adjusted earnings per share of 32.5 pence, an increase of 102 per cent over the comparable period in 2005.

In the period, ESAB, the welding, cutting and automation business, and Howden, the air and gas handling business, achieved strong growth in sales and operating profits compared with the first half of 2005. The continuing improvement in operating margins in ESAB and Howden reflect increased levels of activity, ongoing strength in their key markets and the progress made in improving operational efficiencies.

Given the strong market conditions which are currently being experienced, ESAB and Howden are well placed to achieve growth in the second half of the year over the comparable period in 2005 and the Board now expects that the full year's results will be ahead of its previous expectations."

David Gawler, Chairman
12 September 2006

Chairman's statement

Dear Shareholder

I am pleased to announce excellent results for the six months ended 30 June 2006 with adjusted earnings per share of 32.5 pence, an increase of 102 per cent over the comparable period in 2005.

In the period, ESAB, the welding, cutting and automation business, and Howden, the air and gas handling business, achieved strong growth in sales and operating profits compared with the first half of 2005. The continuing improvement in operating margins in ESAB and Howden reflect increased levels of activity, ongoing strength in their key markets and the progress made in improving operational efficiencies.

In the six months ended 30 June 2006, sales were £624.7 million (2005: £495.9 million), a 26 per cent increase. Operating profit was £70.3 million (2005: £41.2 million), an increase of 71 per cent, including profit on the sale of a property in Howden of £4.8 million. There were no exceptional items charged or credited to operating profit in the first half of 2006, or in the corresponding period last year.

The profit before tax for the period was £68.9 million (2005: £44.4 million), an increase of 55 per cent. The tax on profit on ordinary activities (before taxation on losses or gains on retranslation of intercompany loans and the exceptional tax credit) was £14.7 million (2005: £10.8 million) and there was an exceptional tax credit of £5.3 million (2005: nil). After minority interests of £3.0 million (2005: £5.3 million), the profit attributable to equity shareholders for the period was £56.2 million (2005: £27.7 million), an increase of 103 per cent.

Basic earnings per share were 34.0 pence (2005: 18.1 pence), an increase of 88 per cent. Adjusted earnings per share (before losses or gains on retranslation of intercompany loan balances and the exceptional tax credit) were 32.5 pence (2005: 16.1 pence), an increase of 102 per cent.

Summary of interim results

	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Year ended 31.12.05 £m
Revenue	**624.7**	495.9	1,065.7
Adjusted operating profit[1]	**70.3**	41.2	97.5
Exceptional items	**–**	–	4.2
Operating profit	**70.3**	41.2	101.7
Net financing charge before retranslation of intercompany loan balances	**(1.5)**	(3.5)	(6.3)
(Losses)/gains on retranslation of intercompany loan balances	**(2.6)**	4.8	3.6
Net financing (charge)/credit	**(4.1)**	1.3	(2.7)
Share of post tax profits of associates	**2.7**	1.9	4.5
Profit before tax	**68.9**	44.4	103.5
Tax on profit on ordinary activities (before taxation on (losses)/gains on intercompany loans and exceptional tax credit)	**(14.7)**	(10.8)	(19.5)
Taxation on (losses)/gains on intercompany loan balances	**(0.3)**	(0.6)	(0.5)
Exceptional tax credit	**5.3**	–	–
Taxation	**(9.7)**	(11.4)	(20.0)
Profit after tax	**59.2**	33.0	83.5
Attributable to: Equity shareholders	**56.2**	27.7	74.0
Minority interests	**3.0**	5.3	9.5
	59.2	33.0	83.5
Net cash/(debt) at period end	**36.2**	(45.9)	(6.5)
Equity shareholders' funds at period end	**189.1**	55.8	135.1
Earnings per share: Basic	**34.0 p**	18.1 p	46.9 p
Adjusted[2]	**32.5 p**	16.1 p	43.0 p

1 before exceptional items
2 before exceptional items and gains or losses on retranslation of intercompany loan balances

Business results

	Six months to 30.6.06 £m		Six months to 30.6.05 £m	Year ended 31.12.05 £m
Welding, cutting and automation	**414.8**	**+19%**	347.7	720.1
Air and gas handling	**209.9**	**+42%**	147.8	345.1
Food equipment	**–**		0.4	0.5
Revenue	**624.7**	**+26%**	495.9	1,065.7
Welding, cutting and automation	**48.9**	**+34%**	36.6	74.4
Air and gas handling (excluding profit on sale of a property)	**21.3**	**+109%**	10.2	33.5
Air and gas handling – profit on sale of a property	**4.8**		–	–
Food equipment	**–**		(1.1)	(1.0)
Central operations	**(4.7)**		(4.5)	(9.4)
Adjusted operating profit[1]	**70.3**	**+71%**	41.2	97.5
Welding, cutting and automation	**2.1**		1.7	3.4
Air and gas handling	**0.6**		0.2	1.1
Share of post tax profits of associates	**2.7**		1.9	4.5
Operating margins[1]				
Welding, cutting and automation	**11.8%**		10.5%	10.3%
Air and gas handling (excluding profit on sale of a property)	**10.1%**		6.9%	9.7%

1 before exceptional items (see note 3 of the Interim Report)

In the six months to 30 June 2006, the welding, cutting and automation business (‘ESAB’) continued to produce excellent results, with a strong performance in its core markets of Europe and North America and in emerging markets in Europe and elsewhere. Sales were £414.8 million (2005: £347.7 million), an increase of 19 per cent, and operating profit was £48.9 million (2005: £36.6 million), an increase of 34 per cent. Of particular note was the continued improvement in operating margins to 11.8 per cent, as compared with 10.5 per cent in the first half of 2005. The share of post tax profits of associates was £2.1 million (2005: £1.7 million).

The air and gas handling business (‘Howden’) made significant further progress during the period, with sales growing to £209.9 million (2005: £147.8 million), an increase of 42 per cent, reflecting strong sales growth in most key markets and particularly in sales of new equipment to China. Operating profit was £21.3 million (2005: £10.2 million), an increase of 109 per cent, excluding the profit on sale of a property of £4.8 million. On the same basis, operating margin improved to 10.1 per cent from 6.9 per cent. Howden’s orders in hand at 30 June 2006 were £360 million, 18 per cent ahead of the order book of £304 million at 31 December 2005. The share of post tax profits of associates was £0.6 million (2005: £0.2 million).

The adjusted effective tax rate for the period on profit before losses or gains on retranslation of intercompany loans, exceptional items and the share of post tax profits of associates was 21.4 per cent (compared with a rate of 21.4 per cent in 2005 as a whole).

Balance sheet and cash flow

During the period, equity shareholders’ funds increased by £54.0 million to £189.1 million, principally reflecting the profit attributable to equity shareholders generated during the period.

As at 30 June 2006, the net cash position was £36.2 million (31 December 2005: net debt of £6.5 million), an improvement of £42.7 million.

On 25 August 2006, the Company retired the US$120 million loan notes. The ability of the Company to prepay these notes ahead of their scheduled repayment in 2007 and 2009 reflects the increased strength of the Company’s financial position and improvements in cash generation and will result in an annual interest saving. The costs of the early repayment, being the make-whole amount payable to the note holders of £2 million, will be reflected in the financing charge for the second half of the year.

Dividends

The Board has decided not to declare a dividend for the six months ended 30 June 2006.

Contingent liabilities

As disclosed in the Company's 2005 Annual Report and Accounts, the ESAB Group Inc. ('ESAB Inc'), an indirect subsidiary of the Company, in common with other companies in the welding products industry, has been named as a defendant in a number of lawsuits in State and Federal courts in the United States alleging personal injuries from exposure to manganese in the fumes of welding consumables, some of which are due to be tried this year. Whilst litigation is notoriously uncertain, on the advice of ESAB Inc's counsel in the United States, the Directors believe that ESAB Inc has meritorious defences to these claims, most of which should be covered in whole or in part by insurance, and ESAB Inc is defending these claims vigorously.

Arrangements with Unipart

John Neill, a non-executive director of Charter, is also group chief executive of the Unipart Group. During the period, ESAB entered into an arms length consulting agreement with Unipart Logistics Limited ('Unipart Logistics'), a member of the Unipart Group, under which Unipart Logistics has agreed to supply lean manufacturing consultancy services to ESAB.

Board of Directors

On 1 July 2006, Michael Foster, who was appointed Commercial Director on 1 January 2005, succeeded me as Chief Executive whilst I continue in the role of Chairman.

On 10 July 2006, James Deeley was appointed to the Board of the Company as Legal Director and Company Secretary.

Prospects

In the period, ESAB and Howden achieved strong growth in sales and operating profits compared with the first half of 2005. The continuing improvement in operating margins in ESAB and Howden reflect increased levels of activity, ongoing strength in their key markets and the progress made in improving operational efficiencies.

The exceptional tax credit of £5.3 million arising from the recognition of deferred tax assets in the period represents half of the exceptional tax credit currently expected for the full year.

The Board continues to see growth opportunities for both businesses and expects there will be an increase in the amount of investment made in the second half in order to take advantage of these.

Given the strong market conditions which are currently being experienced, ESAB and Howden are well placed to achieve growth in the second half of the year over the comparable period in 2005 and the Board now expects that the full year's results will be ahead of its previous expectations.

David Gawler
Chairman
12 September 2006

ESAB

Summary of results

	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Year ended 31.12.05 £m
Welding	**352.6**	295.8	607.8
Cutting and automation	**62.2**	51.9	112.3
Revenue	**414.8**	347.7	720.1
Welding	**43.4**	31.3	65.5
Cutting and automation	**5.5**	5.3	8.9
Operating profit	**48.9**	36.6	74.4
Share of post tax profits of associates	**2.1**	1.7	3.4
Operating margin	**11.8%**	10.5%	10.3%

Overview of performance

ESAB recorded an excellent performance for the first half of 2006 with sales of £414.8 million, an increase of 19 per cent compared to the first half of 2005, reflecting the overall strength of the demand for ESAB products. Volumes of welding consumables were up strongly, reflecting growing demand from the shipbuilding and oil and gas industries in particular. Currency movements accounted for approximately 5 per cent of the growth recorded.

Sales growth was underpinned by strong performances in ESAB's core markets in Europe and North America, with faster growth occurring in Asia and South America.

Operating profit for the period was £48.9 million (2005: £36.6 million), an increase of 34 per cent. Operating margins improved to 11.8 per cent as compared with 10.5 per cent in the first half of 2005, reflecting efficiency gains and the benefits of ESAB's welding consumables manufacturing facilities operating at higher utilisation levels which more than offset increases in raw material, energy and other related costs.

In respect of the cutting and automation business, sales grew by 19.8 per cent to £62.2 million with an operating margin of 8.8 per cent compared with 7.9 per cent for the whole of 2005.

Industries and segmentation

One of the factors indicating demand for welding products is the worldwide consumption of steel and, to a lesser but growing extent, of other metals.

The International Iron and Steel Institute expects demand for finished steel products to show growth in all regions of the world in 2006 as a whole, with total demand expected to reach 1,087 million tonnes, an increase over 2005 of 7 per cent. The increase in global demand has been driven by growth in manufacturing output and investment in capital goods and infrastructure, particularly in China and the world's emerging economies.

Amongst significant end-users of welding, cutting and automation products, the shipbuilding industry continues to operate at record capacity utilisation levels, driven by increasing levels of global trade and the move to tankers with double-bottomed hulls. In the energy sector, high energy prices are accelerating the development of offshore oil and gas fields, resulting in increased demand for large diameter steel pipes. Other industries which are significant users of welding, cutting and automation products have generally been buoyant.

Regional markets

ESAB: revenue by destination

	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Year ended 31.12.05 £m
Europe	**197.1**	171.0	345.4
North America	**110.0**	96.0	197.1
South America	**51.7**	41.2	90.3
China	**8.8**	4.8	14.9
Rest of world	**47.2**	34.7	72.4
Total	**414.8**	347.7	720.1

Europe

Europe remains ESAB's most important region, accounting for 47.5 per cent of its total sales in the period. Strong demand for ESAB's products resulted in significant volume-led sales growth and increases in margins and operating profit.

Sales grew by 15 per cent against the comparable period for 2005, reflecting particularly demand from the shipbuilding, energy, pipeline and automotive industries. Increased sales volumes and greater factory efficiency contributed significantly to the increase in operating profits and margins.

A particular feature of the results was the sales growth achieved in European emerging markets, with Russia, the former CIS States and Turkey all showing substantial increases.

In Western Europe, sales growth occurred in most areas. The most pronounced growth was in the Nordic region, Germany and France, however, UK sales were flat. In Central Europe, sales grew strongly in the Czech Republic and Poland. A new marketing initiative led to increased sales of standard equipment in Germany and Poland.

North America

ESAB Inc which has a leading presence in North America, recorded sales of £110.0 million, an increase of 15 per cent, reflecting higher demand from end users in most sectors. Volumes of consumables, particularly for use in applications involving the welding of aluminium, showed general increases over 2005 and sales of certain equipment, including plasma cutting, performed well.

ESAB Inc experienced a strong performance throughout the North American business, with sales ahead of last year notwithstanding a strike over working practices at the Hanover, Pennsylvania facility which started in late March 2006 and which disrupted production. Whilst this facility continued to operate throughout the period and weekly production levels have now recovered, they remain somewhat below pre-strike levels.

South America

During the first half of the year, sales grew by 25 per cent, principally as a result of an appreciation of the Brazilian Real against Sterling, but also due to underlying growth in local currency terms. Operating profit also increased compared with last year.

The appreciation of the Brazilian Real against the US Dollar and other key currencies reduced the international competitiveness of the Brazilian economy and led to a general softening of demand and price erosion in certain product areas. During the period, ESAB increased production of certain items at its Argentinean facilities which saw improved results as a consequence.

Despite economic factors, certain market sectors remained relatively strong; these included sugar and alcohol and the Brazilian automotive industry. However, shipyards, the offshore energy industry and agricultural equipment were relatively weaker.

Production capacity for welding wire is being further increased in Argentina with new equipment set to be commissioned in Spring 2007.

China

Further progress has been made in developing ESAB's presence in China which is seen as a key growth market for its products. In the period, sales in China increased to £8.8 million (2005: £4.8 million).

Most importantly, the new consumables factory in Zhangjiagang, Jiangsu province, was officially opened on schedule in July and production of solid wire and flux cored wire has now commenced. This factory is ESAB's first consumables manufacturing facility in China and as such represents a significant increase in ESAB's presence in the country.

The cutting and automation business has continued to make progress, including the signing of a major contract to supply narrow gap submerged arc welding equipment.

In the second half of the year, revenue will start to reflect the opening of the new factory at Zhangjiagang. Additional flux cored wire capacity is due to be commissioned at the Zhangjiagang facility before the end of the year. Further expansion of ESAB's capacity to manufacture welding consumables is being planned to meet the continuing growth in the Chinese manufacturing and construction industries and global demand.

Rest of the world

Asia Pacific (excluding China)

Sales and operating profit were significantly ahead, reflecting strong growth in the volume of welding consumables sold to the shipbuilding and oil and gas sectors, particularly in Singapore and Malaysia.

Middle East

ESAB's business in the Middle East, based in Dubai, has continued to expand, led principally by strong activity in UAE and Qatar, reflecting the strength of the energy and construction sectors in those areas.

Associated undertakings

ESAB India Limited (38 per cent, India) and ESAB SeAH Corporation, Korea (50 per cent, Korea)

The share of post tax profits of associates was £2.1 million (2005: £1.7 million).

The new equipment assembly factory being built by ESAB India in Chennai remains on course to be fully operational in 2007.

Business development

To support longer-term growth, ESAB is developing its presence in certain key markets, in particular China, Central and Eastern Europe, South America and South East Asia, where it sees excellent prospects for the full range of its welding, cutting and automation products. Specific projects are in progress or have been recently commissioned in Central Europe, China and South America which will significantly increase ESAB's total capacity for the manufacture of welding consumables. In other developing markets, such as the former CIS countries, ESAB's presence is being enhanced through the opening of new sales offices and distribution centres.

In more mature markets, such as Western Europe and North America, demand is strong and factories are operating at high levels of capacity utilisation. To meet this demand, the capacity of existing facilities has been raised through the introduction of additional shifts, increased manning levels and through targeted investment. Lead indicators remain positive, with, for example, the order book of North European shipyards being full for several years ahead.

A key element in ESAB's growth plans is the continuous development of new products. A number of new welding consumable products have recently entered the customer testing phase, including new submerged arc welding fluxes for high speed welding, new cored wires for maintenance of cast rollers in the steel industry and new cored wires and specialised electrodes for the off-shore and shipyard markets. The successful range of AristoRod solid wires is also being further expanded. The range of cutting and automation equipment is being enhanced.

ESAB is constantly seeking to increase cost effectiveness and lean manufacturing is seen as an important tool in this regard. During the period under review, ESAB entered into a consulting agreement with Unipart Logistics in the creation and roll out of a full lean programme.

Howden

Summary of results

	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Year ended 31.12.05 £m
Revenue	**209.9**	147.8	345.1
Order book	**360**	267	304
Operating profit – excluding profit on a property sale	**21.3**	10.2	33.5
Operating profit – including profit on a property sale	**26.1**	10.2	33.5
Share of post tax profits of associates	**0.6**	0.2	1.1
Operating margin – excluding profit on a property sale	**10.1%**	6.9%	9.7%

Overview of performance

The first half of 2006 saw a continuation of the strong performance reported in 2005, with Howden achieving sales of £209.9 million (2005: £147.8 million), an increase of 42 per cent.

Operating profit for the period, before taking into account a profit of £4.8 million on the sale of a property, was £21.3 million (2005: £10.2 million), an increase of 109 per cent. On the same basis, the operating margin improved to 10.1 per cent (2005: 6.9 per cent).

These results reflect strong demand for Howden products, in particular from the electricity supply industry, and also from the oil and gas and mining sectors. As in 2005, China was the single largest market for Howden, with demand being met by Howden Hua and by other Howden businesses selling product into China.

In relation to the aftermarket, margins and profit improved due to new business replacing existing lower margin business.

As at 30 June 2006, the order book stood at £360 million, compared with £304 million at 31 December 2005 and £267 million at 30 June 2005. New orders in the period were £266 million, some 13 per cent ahead of the value of orders won in each of the first and second halves of 2005. As at 30 June 2006, customers in North America and Europe together accounted for just over one-half of the order book. Customers in China accounted for approximately one-third of the order book.

Industries and segmentation

A significant part of Howden's business is the supply of equipment to the electricity supply industry, in particular for use in coal-fired generating plant.

The worldwide construction of new generating capacity continues at historically high levels, with a significant proportion of the new capacity being in China. However, in certain of the more mature economies, such as Western Europe and North America, there is evidence of increasing new build, accompanied by the refurbishment and upgrading of existing plant and the return to service of previously mothballed plant. With the continued high price of natural gas and concerns over its future supply and the on-going public debate over nuclear power, coal is increasingly seen as an attractive primary energy source.

Howden also supplies equipment to the oil and gas and petrochemical industries, where demand has remained generally buoyant due to high oil and gas prices. Demand for Howden equipment from the mining sector has been strong given high commodity prices.

Regional markets

Howden: revenue by destination

	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Year ended 31.12.05 £m
China	**79.8**	38.6	97.1
Europe	**50.2**	37.4	96.7
North America	**37.7**	31.6	60.6
South America	**5.9**	3.4	8.9
Rest of world	**36.3**	36.8	81.8
Total	**209.9**	147.8	345.1

China

Sales to China increased significantly, primarily reflecting high demand from the power supply industry for new generating capacity. The high levels of demand benefited Howden Hua, Howden's 70 per cent owned subsidiary located in China, and certain other Howden businesses in Europe which supply product to the China market. Orders won during the period were similar to the level achieved in the second half of 2005.

Europe

Sales to Europe were £50.2 million (2005: £37.4 million), an increase of 34 per cent. This reflected generally strong demand across the industries served, both for new equipment and after-market services. A particular feature was the near doubling of sales achieved by Howden Ventilatoren, based in Germany, which manufactures ventilation equipment for tunnels.

North America

Sales in North America were £37.7 million (2005: £31.6 million), an increase of 19 per cent.

Most markets for new build remained strong throughout the period, particularly cement, petrochemical and those associated with power generation and coal mining. The aftermarket was relatively weak due to the deferral of power station outages in the Spring following the relatively mild winter, but is showing signs of recovery in the second half.

The growth in the order book during the period reflected the continued strength of the market for new build across a number of sectors.

South America

Sales and the order book both grew primarily due to increased demand from the iron and steel industry in Brazil.

Rest of the world

Africa

Howden Africa Holdings Limited ('HAHL'), in which Howden has a holding of some 55 per cent, achieved increased sales reflecting increased work undertaken for ESKOM, the South African state owned power utility, and a strong mining sector.

In May, HAHL announced a proposed internal reorganisation including a cash payment to shareholders of ZAR 2.41 per share. This was paid in July 2006 of which Howden's share amounted to ZAR 87.7 million (equivalent to £6.9 million).

Asia Pacific (excluding China)

Sales to Australia benefited from buoyant conditions in the mining sector.

Various longer-term opportunities are being explored in India and other markets in the region.

Associated undertakings
The share of post tax profits of associates (principally Howden Compressors Limited, of which Howden holds 49 per cent) was £0.6 million (2005: £0.2 million).

Business development
Howden continues to see significant opportunities by entering new markets and increasing its presence in existing markets.

In China, Howden is taking steps to expand the range of products it supplies to the energy, petrochemical, mining and other industries. The rate of growth of electricity generating capacity in China is likely to slow to the rate of growth of GDP from the exceptional levels seen in recent years, but it is still anticipated that some 200 giga-watts of capacity will be added before the end of the decade. There are also opportunities for Howden from the further development of its aftermarket business.

Local representative offices are in the process of being opened to increase Howden's presence in India and Russia where there are considered to be significant future sales opportunities, particularly from the anticipated growth of demand for power.

Howden's traditional markets in Europe and North America accounted for the majority of the increase in its order book during the first half of 2006. Howden is well placed to benefit from the development of new coal-fired power generating capacity.

In support of these anticipated business developments, Howden intends to make certain specific additions to its manufacturing capacity particularly in China, and will continue to increase its use of sub-contractors for the manufacture of non-critical components.

Financial review

In the six months ended 30 June 2006, sales were £624.7 million (2005: £495.9 million), a 26 per cent increase over the corresponding period in 2005. The profit before tax for the period was £68.9 million (2005: £44.4 million), an increase of 55 per cent, and the profit attributable to equity shareholders for the period was £56.2 million (2005: £27.7 million), an increase of 103 per cent.

The basic earnings per share increased by 88 per cent to 34.0 pence (2005: 18.1 pence). Adjusted earnings per share, before the net loss on retranslation of intercompany loan balances and the exceptional tax credit, increased by 102 per cent to 32.5 pence (2005: 16.1 pence).

Cash flow and borrowings

	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Year ended 31.12.05 £m
Operating profit	**70.3**	41.2	101.7
Depreciation and amortisation	**7.6**	7.6	15.5
Share-based payments	**0.5**	0.3	0.8
Profit on sale of property, plant and equipment	**(5.3)**	(0.4)	(0.8)
Working capital movements	**(28.7)**	(23.9)	(21.9)
Provisions and net retirement benefit obligations	**11.7**	(4.2)	(4.9)
Recovery of unauthorised payments – credit recognised in period	**–**	–	(4.2)
– amount recovered in period	**4.4**	5.0	4.9
Restructuring – amount paid in period	**(1.6)**	(4.2)	(6.6)
Cash generated from operations	**58.9**	21.4	84.5
Capital expenditure	**(11.3)**	(6.7)	(20.0)
Capitalised development costs	**(1.1)**	(0.8)	(2.2)
Acquisitions	**(5.8)**	(0.5)	(1.9)
	(18.2)	(8.0)	(24.1)
Disposals	**–**	0.4	0.4
Sale of property, plant and equipment	**11.3**	1.7	3.3
Dividends from associates	**3.4**	2.3	3.0
Financing costs (net)	**(1.4)**	(4.4)	(6.0)
Dividends paid to minority interests	**(0.7)**	(1.0)	(2.8)
Tax paid	**(11.9)**	(8.7)	(14.9)
Share issues (net of expenses)	**0.3**	19.1	20.2
	1.0	9.4	3.2
Net cash flow	**41.7**	22.8	63.6
New finance leases	**(0.3)**	–	(0.2)
Movement in interest payable accrual	**0.3**	0.4	0.3
Foreign exchange adjustments	**1.0**	(1.2)	(2.3)
	1.0	(0.8)	(2.2)
Reduction in net debt/increase in net cash	**42.7**	22.0	61.4
Opening net (debt)	**(6.5)**	(66.3)	(66.3)
Adjustment in respect of adoption of IAS 39	**–**	(1.6)	(1.6)
Closing net cash/(debt)	**36.2**	(45.9)	(6.5)

During the first six months of the year the opening net debt of £6.5 million has been transformed into a net cash position of £36.2 million, an improvement of £42.7 million.

The cash inflow generated from operations for the period was £58.9 million (2005: £21.4 million). Capital expenditure was £11.3 million (2005: £6.7 million) against the charge in respect of depreciation and amortisation of £7.6 million (2005: £7.6 million). Net proceeds from the sale of property, plant and equipment amounted to £11.3 million (2005: £1.7 million). Cash spent in the period on deferred consideration in respect of acquisitions was £5.8 million (2005: £0.5 million).

As at 30 June 2006, gross borrowings were £83.1 million and cash balances were £119.3 million. During the period under review, a special dividend was paid by ESAB India and HAHL announced an internal reorganisation, a component of which was a distribution to shareholders which was paid in July 2006, the Company's share of which was £6.9 million.

On 6 March 2006, the Company replaced its two year £50 million credit facility, which was due to expire in March 2007, with a new five year facility provided by HSBC, which expires on 31 March 2011.

Net financing charges (before the net losses or gains on retranslation of intercompany loans) were £1.5 million, compared with £3.5 million incurred in the corresponding period in 2005, a reduction of £2.0 million.

Balance sheet

During the period, equity shareholders' funds increased by £54.0 million to £189.1 million, principally reflecting the profit attributable to equity shareholders generated during the period.

Taxation

The tax on profit on ordinary activities (before taxation on losses or gains on retranslation of intercompany loans) was £14.7 million (2005: £10.8 million). The adjusted effective tax rate for the period on profit (before losses or gains on retranslation of intercompany loans, exceptional items and the share of post tax profits of associates) was 21.4 per cent, compared with a rate of 21.4 per cent in 2005 as a whole.

There was an exceptional tax credit of £5.3 million arising from the recognition of deferred tax assets, primarily in North America, being half the total exceptional tax credit expected for the year as a whole.

Retirement benefits

At 31 December 2005, the Group's balance sheet reflected net provisions of £103.0 million (31 December 2004: £113.3 million) in respect of funded and unfunded pension liabilities and an additional net provision of £24.1 million (31 December 2004: £21.5 million) for estimated future overseas medical costs. As permitted under IAS 19, the cumulative actuarial gains and losses arising subsequent to 1 January 2004 which fall within a 'corridor', calculated by reference to the greater of 10 per cent of plan assets or liabilities, are not recognised on the balance sheet. At 31 December 2005, the amount of the net actuarial losses not recognised was £24.0 million in respect of funded and unfunded pension liabilities and £2.3 million in respect of the Group's liability for estimated future overseas medical costs.

The valuation of the Group's retirement benefit obligations has been reviewed at 30 June 2006. Since 31 December 2005 the reduction in the present value of funded and unfunded obligations, arising from higher yields on government gilts, exceeded the reduction in the fair value of plan assets to the extent that, as at 30 June 2006, the unrecognised net actuarial losses had been substantially eliminated.

Provisions

During the period under review, the amount provided was £23.6 million, whilst £7.9 million of provisions were utilised and £1.3 million were released. Provisions principally comprise amounts in respect of the probable exposure arising from legal and environmental claims, disputes and associated costs, warranty and product liability, and disposals and restructuring. As at 30 June 2006, total provisions were £53.4 million, compared to £40.7 million as at 31 December 2005. Where appropriate, insurance recoveries are recognised in receivables; as at 30 June 2006, these receivables amounted to £9.0 million, compared with £1.7 million as at 31 December 2005.

Post balance sheet events

On 3 July 2006, the Company announced that 1,120,579 ordinary shares of 2 pence each in the Company had been issued to the Chairman, David Gawler, and subsequently sold on his behalf at a price of 802 pence each, representing a total value of £8,987,043.

These shares represented the settlement of the award that Mr Gawler was entitled to receive under an incentive plan that had been approved by Shareholders. The amount of the award was calculated in accordance with a formula based upon the Company's share price. According to the terms of the incentive plan, the Company had the option to settle the award in cash or the issue or transfer of shares in the Company or any of its subsidiaries, or a combination of all or any of these. The Company chose to settle the award by an issue of new ordinary shares in the Company.

On 25 August 2006, the Company retired the US$120 million loan notes. The ability of the Company to prepay these notes ahead of their scheduled repayment in 2007 and 2009 reflects the increased strength of the Company's financial position and improvements in cash generation and will result in an annual interest saving. The costs of the early repayment, being the make-whole amount payable to the note holders of £2 million, will be reflected in the financing charge for the second half of the year.

Consolidated income statement

Six months ended 30 June 2006 (unaudited)

Note		Six months ended 30.6.06 £m	Six months ended 30.6.05 £m	Year ended 31.12.05 £m
	Continuing operations			
2	**Revenue**	**624.7**	495.9	1,065.7
	Cost of sales	**(431.1)**	(348.0)	(747.1)
	Gross profit	**193.6**	147.9	318.6
	Selling and distribution costs	**(65.2)**	(58.9)	(121.2)
	Administrative expenses	**(58.1)**	(47.8)	(95.7)
2	**Operating profit**	**70.3**	41.2	101.7
	Analysed as:			
	Operating profit before exceptional items	**70.3**	41.2	97.5
3	Exceptional items	**–**	–	4.2
		70.3	41.2	101.7
4	Financing charge before losses on intercompany loan balances	**(4.2)**	(5.2)	(9.9)
4	Financing income before gains on intercompany loan balances	**2.7**	1.7	3.6
4	(Losses)/gains on retranslation of intercompany loan balances	**(2.6)**	4.8	3.6
4	Net financing (charge)/credit	**(4.1)**	1.3	(2.7)
2	Share of post tax profits of associates	**2.7**	1.9	4.5
	Profit before tax	**68.9**	44.4	103.5
5	Tax on profit on ordinary activities	**(9.7)**	(11.4)	(20.0)
	Profit for the period	**59.2**	33.0	83.5
	Attributable to:			
	– Equity shareholders	**56.2**	27.7	74.0
	– Minority interests	**3.0**	5.3	9.5
		59.2	33.0	83.5
6	***Earnings per share***			
	Basic	***34.0 p***	*18.1 p*	*46.9 p*
	Diluted	***33.6 p***	*17.9 p*	*46.3 p*

Consolidated balance sheet

Six months ended 30 June 2006 (unaudited)

Note		30.6.06 £m	30.6.05 £m	31.12.05 £m
	Non-current assets			
	Intangible assets	**40.5**	22.7	40.2
	Property, plant and equipment	**108.8**	108.4	110.5
	Investments in associates	**22.9**	22.0	24.7
7	Retirement benefit assets	**5.3**	3.4	4.1
	Deferred income tax assets	**20.6**	10.0	17.1
	Trade and other receivables	**18.2**	0.4	11.8
	Derivative financial instruments	**0.3**	–	–
		216.6	166.9	208.4
	Current assets			
	Inventory	**127.8**	116.6	119.5
	Assets held for sale	**2.7**	–	5.3
	Trade and other receivables	**309.3**	251.0	292.9
	Derivative financial instruments	**2.0**	1.8	2.1
	Cash and cash equivalents	**119.3**	37.2	75.7
		561.1	406.6	495.5
	Total assets	**777.7**	573.5	703.9
	Current liabilities			
	Borrowings	**(16.4)**	(13.5)	(10.4)
	Trade and other payables	**(274.1)**	(213.6)	(261.8)
	Derivative financial instruments	**(0.6)**	(1.9)	(3.0)
	Income tax liabilities	**(21.3)**	(12.2)	(17.6)
10	Provisions	**(27.7)**	(13.6)	(25.6)
		(340.1)	(254.8)	(318.4)
	Non-current liabilities			
	Borrowings	**(66.7)**	(69.6)	(71.8)
	Deferred income tax liabilities	**(12.8)**	(10.6)	(14.6)
7	Retirement benefit obligations	**(125.7)**	(130.6)	(131.2)
10	Provisions	**(25.7)**	(21.6)	(15.1)
	Derivative financial instruments	**(0.1)**	–	(0.2)
	Other payables	**(3.3)**	(4.0)	(4.0)
		(234.3)	(236.4)	(236.9)
	Total liabilities	**(574.4)**	(491.2)	(555.3)
	Net assets	**203.3**	82.3	148.6
	Equity			
11	Share capital	**3.3**	3.2	3.3
11	Share premium	**69.7**	68.3	69.4
	Merger reserve	**21.1**	–	21.1
	Retained earnings	**84.8**	(18.7)	28.1
	Other reserves	**10.2**	3.0	13.2
	Total equity shareholders' funds	**189.1**	55.8	135.1
	Minority interests	**14.2**	26.5	13.5
	Total equity	**203.3**	82.3	148.6

Consolidated cash flow statement

Six months ended 30 June 2006 (unaudited)

Note		Six months ended 30.6.06 £m	Six months ended 30.6.05 £m	Year ended 31.12.05 £m
	Cash flow from operating activities			
9	Cash generated from operations	**58.9**	21.4	84.5
	Interest received	**2.6**	1.7	3.6
	Interest paid	**(4.0)**	(6.1)	(9.6)
	Taxation paid	**(11.9)**	(8.7)	(14.9)
	Net cash flow from operating activities	**45.6**	8.3	63.6
	Cash flow from investing activities			
	Purchase of subsidiary undertakings	**(5.8)**	(0.5)	(1.9)
	Proceeds from sale of associated undertakings	**–**	0.4	0.4
	Expenditure on development costs	**(1.1)**	(0.8)	(2.2)
	Purchase of property, plant and equipment and computer software	**(11.3)**	(6.7)	(20.0)
	Sale of property, plant and equipment	**11.3**	1.7	3.3
	Dividends received from associated undertakings	**3.4**	2.3	3.0
	Net cash flow from investing activities	**(3.5)**	(3.6)	(17.4)
	Cash flow from financing activities			
	Decrease in short-term borrowings (other than those repayable on demand)	**–**	(36.4)	(41.0)
	Decrease in long-term borrowings	**(2.2)**	–	–
	Increase in long-term borrowings	**–**	3.4	5.6
	Repayment of capital element of finance leases	**(0.4)**	(0.3)	(0.9)
	Cash outflow from debt and lease financing	**(2.6)**	(33.3)	(36.3)
	(Increase)/decrease in cash on deposit	**(0.4)**	0.3	0.8
	Dividends paid to minority interests	**(0.7)**	(1.0)	(2.8)
	Issue of ordinary share capital (net of expenses)	**0.3**	19.1	20.2
	Net cash flow from financing activities	**(3.4)**	(14.9)	(18.1)
	Currency variations on cash and cash equivalents	**(1.5)**	(0.1)	(1.1)
	Net movement in cash and cash equivalents	**37.2**	(10.3)	27.0
	Cash and cash equivalents at 1 January	**62.2**	35.2	35.2
8	**Cash and cash equivalents at end of period**	**99.4**	24.9	62.2

Reconciliation of net cash flow to movement in net debt

	Six months ended 30.6.06 £m	Six months ended 30.6.05 £m	Year ended 31.12.05 £m
Net movement in cash and cash equivalents	**37.2**	(10.3)	27.0
Cash outflow from debt and lease financing	**2.6**	33.3	36.3
Increase/(decrease) in cash on deposit	**0.4**	(0.3)	(0.8)
Change in net debt resulting from cash flows	**40.2**	22.7	62.5
New finance leases	**(0.3)**	–	(0.2)
Movement in interest payable accrual	**0.3**	0.4	0.3
Currency variations on borrowings and cash deposits	**2.5**	(1.1)	(1.2)
Movement in net debt in the period	**42.7**	22.0	61.4
Opening net debt	**(6.5)**	(66.3)	(66.3)
Adjustment in respect of adoption of IAS 39 as at 1 January 2005	**–**	(1.6)	(1.6)
Closing net cash/(net debt)	**36.2**	(45.9)	(6.5)
Gross borrowings	**(83.1)**	(83.1)	(82.2)
Cash at bank and in hand (including cash on deposit)	**119.3**	37.2	75.7
Closing net cash/(net debt)	**36.2**	(45.9)	(6.5)

Consolidated statement of changes in equity

Six months ended 30 June 2006 (unaudited)

	Attributable to equity shareholders of Charter plc						
	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Other reserves £m	Minority interests £m	Total equity £m
At 31 December 2004	3.0	49.4	–	(46.7)	5.8	22.2	33.7
Adjustment in respect of adoption of IAS 39	–	–	–	–	0.6	–	0.6
At 1 January 2005	3.0	49.4	–	(46.7)	6.4	22.2	34.3
Exchange translation	–	–	–	–	(1.9)	0.1	(1.8)
Profit for the financial period	–	–	–	27.7	–	5.3	33.0
Charge for share-based payments	–	–	–	0.3	–	–	0.3
Change in fair value of outstanding cash flow hedges	–	–	–	–	(1.9)	–	(1.9)
Net transfer from income statement	–	–	–	–	(0.1)	–	(0.1)
Net deferred tax movement for the period	–	–	–	–	0.5	–	0.5
Issue of share capital (net of expenses)	0.2	18.9	–	–	–	–	19.1
Dividends paid to minority interests	–	–	–	–	–	(1.1)	(1.1)
At 30 June 2005	3.2	68.3	–	(18.7)	3.0	26.5	82.3
At 31 December 2004	3.0	49.4	–	(46.7)	5.8	22.2	33.7
Adjustment in respect of adoption of IAS 39	–	–	–	–	0.6	–	0.6
At 1 January 2005	3.0	49.4	–	(46.7)	6.4	22.2	34.3
Exchange translation	–	–	–	–	8.8	0.6	9.4
Profit for the financial period	–	–	–	74.0	–	9.5	83.5
Charge for share-based payments	–	–	–	0.8	–	–	0.8
Change in fair value of outstanding cash flow hedges	–	–	–	–	(3.4)	–	(3.4)
Net transfer from income statement	–	–	–	–	0.7	–	0.7
Net deferred tax movement for the year	–	–	–	–	0.7	–	0.7
Issue of share capital (net of expenses)	0.3	20.0	21.1	–	–	–	41.4
Dividends paid to minority interests	–	–	–	–	–	(3.0)	(3.0)
Purchase of minority interests	–	–	–	–	–	(15.8)	(15.8)
At 31 December 2005	3.3	69.4	21.1	28.1	13.2	13.5	148.6
At 1 January 2006	**3.3**	**69.4**	**21.1**	**28.1**	**13.2**	**13.5**	**148.6**
Exchange translation	**–**	**–**	**–**	**–**	**(5.1)**	**(1.6)**	**(6.7)**
Profit for the financial period	**–**	**–**	**–**	**56.2**	**–**	**3.0**	**59.2**
Charge for share-based payments	**–**	**–**	**–**	**0.5**	**–**	**–**	**0.5**
Change in fair value of outstanding cash flow hedges	**–**	**–**	**–**	**–**	**4.3**	**–**	**4.3**
Net transfer from income statement	**–**	**–**	**–**	**–**	**(1.4)**	**–**	**(1.4)**
Net deferred tax movement for the period	**–**	**–**	**–**	**–**	**(0.8)**	**–**	**(0.8)**
Issue of share capital (net of expenses)	**–**	**0.3**	**–**	**–**	**–**	**–**	**0.3**
Dividends paid to minority interests	**–**	**–**	**–**	**–**	**–**	**(0.7)**	**(0.7)**
At 30 June 2006	**3.3**	**69.7**	**21.1**	**84.8**	**10.2**	**14.2**	**203.3**

Notes

1 Basis of preparation

From 1 January 2005, the Group has prepared its annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and implemented in the UK. The unaudited interim consolidated financial statements of Charter plc for the six months ended 30 June 2006 comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. They have been prepared on a basis consistent with the IFRS accounting policies as set out in the Annual Report and Accounts for the year ended 31 December 2005 and in accordance with the Listing Rules of the Financial Services Authority. Charter plc has chosen not to adopt IAS 34, 'Interim financial statements', in preparing its 2006 interim statements and, therefore, this interim financial information is not in compliance with IFRS.

These interim financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value.

The Interim Report does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The consolidated income statement and consolidated cash flow statement for the year ended 31 December 2005 and the consolidated balance sheet at 31 December 2005 herein do not constitute statutory accounts as defined by section 240 of the Companies Act 1985. They are extracted from the full statutory accounts for the year ended 31 December 2005 which have been audited and filed with the Registrar of Companies. The report of the auditors on those accounts is unqualified and does not contain a statement under either section 237(2) or section 237(3) of the Companies Act 1985 concerning accounting records or failure to obtain necessary information and explanations.

Use of adjusted measures

To help provide a better indication of the Group's underlying business performance, items which are both material and non-recurring are presented as exceptional items and excluded from adjusted earnings per share.

Adjusted earnings per share also excludes foreign currency exchange differences on the retranslation of intercompany loans, which are determined by reference to movements in exchange rates. These amounts are likely to be volatile and are unrelated to underlying performance.

2 Segment analysis

The Group is organised into two principal businesses, ESAB (welding, cutting and automation) and Howden (air and gas handling). For the purposes of IAS 14 'Segment Reporting', ESAB is split into two segments: (i) welding; and (ii) cutting and automation. Inter segmental revenue is not significant.

The following is an analysis of the revenue and results for the period, analysed by business segment, the Group's primary basis of segmentation.

	Welding £m	Cutting and automation £m	Welding, cutting and automation £m	Air and gas handling £m	Food equipment £m	Central operations £m	Total £m
Six months ended 30 June 2006							
Total revenue	**352.6**	**62.2**	**414.8**	**209.9**	**–**	**–**	**624.7**
Segment result (before profit on sale of a property)	**43.4**	**5.5**	**48.9**	**21.3**	**–**	**(4.7)**	**65.5**
Profit on sale of a property	**–**	**–**	**–**	**4.8**	**–**	**–**	**4.8**
Operating profit	**43.4**	**5.5**	**48.9**	**26.1**	**–**	**(4.7)**	**70.3**
Share of post tax profits of associates	**2.1**	**–**	**2.1**	**0.6**	**–**	**–**	**2.7**
	45.5	**5.5**	**51.0**	**26.7**	**–**	**(4.7)**	**73.0**
Net financing charge							**(4.1)**
Profit before tax							**68.9**
Tax							**(9.7)**
Profit for the period							**59.2**
Minority interests							**(3.0)**
Profit attributable to equity shareholders							**56.2**

	Welding £m	Cutting and automation £m	Welding, cutting and automation £m	Air and gas handling £m	Food equipment £m	Central operations £m	Total £m
Six months ended 30 June 2005							
Total revenue	295.8	51.9	347.7	147.8	0.4	–	495.9
Segment result (before profit on sale of a property)	31.3	5.3	36.6	10.2	(1.1)	(4.5)	41.2
Profit on sale of a property	–	–	–	–	–	–	–
Operating profit	31.3	5.3	36.6	10.2	(1.1)	(4.5)	41.2
Share of post tax profits of associates	1.7	–	1.7	0.2	–	–	1.9
	33.0	5.3	38.3	10.4	(1.1)	(4.5)	43.1
Net financing credit							1.3
Profit before tax							44.4
Tax							(11.4)
Profit for the period							33.0
Minority interests							(5.3)
Profit attributable to equity shareholders							27.7

2 Segment analysis (continued)

	Welding £m	Cutting and automation £m	Welding, cutting and automation £m	Air and gas handling £m	Food equipment £m	Central operations £m	Total £m
Year ended 31 December 2005							
Total revenue	607.8	112.3	720.1	345.1	0.5	–	1,065.7
Segment result (before sale of a property and exceptional items)	65.5	8.9	74.4	33.5	(1.0)	(9.4)	97.5
Profit on sale of a property	–	–	–	–	–	–	–
Exceptional items (note 3)	–	–	–	–	–	4.2	4.2
Operating profit	65.5	8.9	74.4	33.5	(1.0)	(5.2)	101.7
Share of post tax profits of associates	3.4	–	3.4	1.1	–	–	4.5
	68.9	8.9	77.8	34.6	(1.0)	(5.2)	106.2
Net financing charge							(2.7)
Profit before tax							103.5
Tax							(20.0)
Profit for the year							83.5
Minority interests							(9.5)
Profit attributable to equity shareholders							74.0

3 Exceptional items

To help provide a better indication of the Group's underlying business performance, items which are both material and non-recurring are presented as exceptional items.

In the six months ended 30 June 2006, there was an exceptional credit to the tax charge of £5.3 million. The estimated effective tax rate for the year ending 31 December 2006, which has been used as the basis for determining the tax charge for the six months ended 30 June 2006, has been reduced to take into account the expected full year recognition of a deferred tax asset totalling £10.6 million in respect of certain unrecognised tax losses that arose in prior years that will be utilised in future periods. As a consequence of this, the tax charge for the six months ended 30 June 2006 has been reduced by £5.3 million, being half of the anticipated full year impact.

In the year ended 31 December 2005, there was exceptional income of £4.2 million, arising from the settlement of an action brought against City Index in respect of losses incurred as a consequence of certain unauthorised payments having been made by a former employee. The proceeds of the settlement, earlier recoveries from the Company's insurers and realisations of a former employee's assets have resulted in a full recovery except for a £200,000 insurance policy deductible.

4 Net financing (charge)/credit

	Six months ended 30.6.06 £m	Six months ended 30.6.05 £m	Year ended 31.12.05 £m
Interest payable on bank borrowings	**(1.0)**	(1.6)	(2.1)
Interest payable on other loans	**(2.8)**	(3.0)	(6.7)
Interest payable on finance leases	**(0.1)**	(0.1)	(0.2)
Fees	**(0.2)**	(0.3)	(0.5)
Unwinding of discount on provisions	**(0.1)**	(0.2)	(0.4)
Finance charge before exchange losses on retranslation of intercompany loan balances	**(4.2)**	(5.2)	(9.9)
Interest income on bank accounts and deposits	**2.5**	1.7	2.9
Other	**0.2**	–	0.7
Finance income before exchange gains on retranslation of intercompany loan balances	**2.7**	1.7	3.6
Net financing charge before foreign exchange (losses)/gains on intercompany loan balances	**(1.5)**	(3.5)	(6.3)
Foreign exchange (losses)/gains on retranslation of intercompany loan balances	**(2.6)**	4.8	3.6
Net financing (charge)/credit	**(4.1)**	1.3	(2.7)

5 Tax on profit on ordinary activities

	Six months ended 30.6.06 £m	Six months ended 30.6.05 £m	Year ended 31.12.05 £m
United Kingdom	**–**	–	–
Overseas	**14.7**	10.8	19.5
Before taxation on exceptional items, gains/(losses) on intercompany loan balances and exceptional tax	**14.7**	10.8	19.5
Taxation on gains/(losses) on retranslation of intercompany loan balances	**0.3**	0.6	0.5
Exceptional tax (note 3)	**(5.3)**	–	–
Tax on profit on ordinary activities	**9.7**	11.4	20.0

The share of associates' profit included in the income statement includes a share of associates' tax charge of £1.4 million (2005 half year: £0.9 million; 2005 full year: £1.5 million).

6 Earnings per share

Basic headline earnings per share is calculated on an average of 165,328,418 shares (2005 half year: 153,160,951 shares; 2005 full year: 157,739,159 shares).

Fully diluted earnings per share adjusts the average number of shares in the basic calculation for 1,714,086 shares (2005 half year: 1,915,136 shares; 2005 full year: 2,208,746 shares) being dilutive potential ordinary shares deriving from share options granted to employees and contingently issuable shares under the Group's long-term incentive plans.

To help provide a better indication of the Group's underlying business performance, exceptional items and foreign currency gains and losses on intercompany loans (including attributable tax) are excluded from the calculations of adjusted earnings per share as set out in the following table. It should be noted that the term 'adjusted' is not defined under IFRS and may not therefore be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, IFRS measures of profit.

	Six months ended 30.6.06 pence	Six months ended 30.6.05 pence	Year ended 31.12.05 pence	Six months ended 30.6.06 £m	Six months ended 30.6.05 £m	Year ended 31.12.05 £m
Basic earnings per share						
Earnings attributable to equity shareholders	**34.0**	18.1	46.9	**56.2**	27.7	74.0
Items not relating to underlying business performance						
Exceptional items (note 3)	**(3.2)**	–	(2.7)	**(5.3)**	–	(4.2)
Losses/(gains) on retranslation of intercompany loan balances	**1.5**	(3.2)	(2.3)	**2.6**	(4.8)	(3.6)
Taxation on retranslation of intercompany loan balances	**0.2**	0.4	0.3	**0.3**	0.6	0.5
Minority share of retranslation of intercompany loan balances	**–**	0.8	0.8	**–**	1.2	1.2
Adjusted earnings attributable to equity shareholders	**32.5**	16.1	43.0	**53.8**	24.7	67.9
Diluted earnings per share						
Earnings attributable to equity shareholders	**33.6**	17.9	46.3	**56.2**	27.7	74.0
Items not relating to underlying business performance						
Exceptional items (note 3)	**(3.2)**	–	(2.6)	**(5.3)**	–	(4.2)
Losses/(gains) on retranslation of intercompany loan balances	**1.6**	(3.2)	(2.3)	**2.6**	(4.8)	(3.6)
Taxation on retranslation of intercompany loan balances	**0.2**	0.4	0.3	**0.3**	0.6	0.5
Minority share of retranslation of intercompany loan balances	**–**	0.8	0.8	**–**	1.2	1.2
Adjusted earnings attributable to equity shareholders	**32.2**	15.9	42.5	**53.8**	24.7	67.9

7 Retirement benefit obligations

The valuation of United Kingdom and overseas defined benefit pension schemes and the liability for United States post retirement medical costs are assessed annually by professionally qualified independent actuaries using the projected unit credit method.

In accordance with the transitional rules in IFRS 1 all cumulative surpluses and deficits were recognised in the balance sheet on transition to IFRS as at 1 January 2004. Subsequent to that date IAS 19 allows a smoothing approach in which some of the movement in surpluses and deficits is deferred and recognised over time commencing in the following accounting period (the 'corridor approach'). Any surpluses or deficits arising as a consequence of actuarial gains and losses subsequent to 1 January 2004 are not fully recognised in the balance sheet.

The amounts included in operating profit in the income statement are analysed as follows:

	Six months ended 30.6.06 £m	Six months ended 30.6.05 £m	Year ended 31.12.05 £m
Defined benefit schemes and overseas medical costs			
Current service cost	**(2.3)**	(2.0)	(4.3)
Interest on schemes' liabilities	**(16.2)**	(16.6)	(33.2)
Expected return on schemes' assets	**16.2**	14.9	29.7
Amortisation of loss	**(0.6)**	–	–
Past service costs	**–**	–	0.5
Gains/(losses) on settlements, curtailments and other items	**(0.2)**	(0.2)	(0.3)
Defined benefit schemes and overseas medical costs	**(3.1)**	(3.9)	(7.6)
Defined contribution schemes	**(1.2)**	(1.2)	(2.6)
	(4.3)	(5.1)	(10.2)

8 Cash and cash equivalents

	Six months ended 30.6.06 £m	Six months ended 30.6.05 £m	Year ended 31.12.05 £m
Cash at bank and in hand	**33.6**	26.6	34.8
Short-term bank deposits	**80.3**	5.6	35.7
Bank deposits with original maturity of more than three months	**5.4**	5.0	5.2
Cash and cash equivalents in the balance sheet	**119.3**	37.2	75.7
Less: Bank deposits with original maturity of more than three months	**(5.4)**	(5.0)	(5.2)
Bank overdrafts	**(14.5)**	(7.3)	(8.3)
Cash and cash equivalents in the statement of cash flows	**99.4**	24.9	62.2

For the purposes of the cash flow statement, cash and cash equivalents are included net of overdrafts repayable on demand and exclude bank deposits with an original maturity of more than three months.

9 Cash generated from operations

	Six months ended 30.6.06 £m	Six months ended 30.6.05 £m	Year ended 31.12.05 £m
Operating profit	**70.3**	41.2	101.7
Depreciation	**7.0**	7.3	14.7
Amortisation of intangible assets	**0.8**	0.5	1.2
Amortisation of government grant	**(0.2)**	(0.2)	(0.4)
Charge for share-based payments	**0.5**	0.3	0.8
Profit on sale of property, plant and equipment	**(5.3)**	(0.4)	(0.8)
Working capital	**(28.7)**	(23.9)	(21.9)
Movements in provisions	**16.0**	1.2	5.9
Movements in net retirement benefit obligation	**(4.3)**	(5.4)	(10.8)
Exceptional items			
Recovery of unauthorised payments – credit recognised in period	**–**	–	(4.2)
– amount recovered in period	**4.4**	5.0	4.9
Restructuring (excluding associated undertakings) – amount paid in period	**(1.6)**	(4.2)	(6.6)
	58.9	21.4	84.5

10 Provisions

	Disposals and restructuring £m	Warranty and product liability £m	Legal and environmental £m	Other £m	Total £m
At 1 January 2006	**4.6**	**10.4**	**21.7**	**4.0**	**40.7**
Exchange adjustments	**–**	**(0.3)**	**(1.3)**	**(0.2)**	**(1.8)**
Amounts provided	**1.0**	**7.0**	**15.1**	**0.5**	**23.6**
Amounts released	**(0.3)**	**(1.0)**	**–**	**–**	**(1.3)**
Utilised in the period	**(1.8)**	**(1.9)**	**(3.6)**	**(0.6)**	**(7.9)**
Amortisation of discount	**–**	**–**	**0.1**	**–**	**0.1**
At 30 June 2006	**3.5**	**14.2**	**32.0**	**3.7**	**53.4**

	Six months ended 30.6.06 £m	Year ended 31.12.05 £m
Analysed as:		
Current	**27.7**	25.6
Non-current	**25.7**	15.1
	53.4	40.7

(i) Disposal and restructuring costs include £1.4 million (31 December 2005: £3.1 million) in respect of employee severance costs and £0.3 million (31 December 2005: £0.5 million) in respect of property costs in the welding, cutting and automation business. This is expected to result in cash expenditure in the next 12 months. The remaining provisions in this category are expected to be utilised over the next one to two years.

(ii) Warranty and product liability provisions relate to continuing businesses and are expected to be utilised over a period of one to two years dependent on the warranty period provided but will also be replaced by comparable amounts as they are utilised.

(iii) Provision has been made for the probable exposure arising from legal and environmental claims and disputes, both existing and threatened, in some cases arising from warranties given on disposal of businesses. Provisions have been made representing the best estimate of the outcome of the claims including costs before taking account of insurance recoveries. Where the outcome of a claim is uncertain the legal costs of defence have been provided for to the extent that they are reliably measurable. Where appropriate, insurance recoveries are recognised in 'receivables'. At 30 June 2006 these receivables amounted to £9.0 million. If the effect of discounting is material, provisions are determined by discounting the expected value of future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Due to their nature, it is not possible to predict precisely when these provisions will be utilised though most are expected to be utilised over the short to medium-term with utilisation in the next year expected to be in the region of £11 million.

(iv) Other provisions include various amounts which are not individually material. Due to their nature it is not possible to predict precisely when these provisions will be utilised but utilisation in the next year is expected to be in the region of £1 million to £2 million.

11 Share capital

During the period 162,530 shares were issued for cash of £0.3 million on the exercise of options.

12 Contingent liabilities

Note 26 on pages 71 and 72 of the 2005 Annual Report and Accounts provides details of the Group's contingent liabilities as at 31 December 2005. As at 30 June 2006 those contingent liabilities were not significantly different to those at the year end.

The defence costs in respect of claims alleging personal injuries from exposure to manganese in the fumes of welding consumables, net of insurance recoveries, are estimated to be of the order of US$15 million (31 December 2005: US$7 million), which is reflected in ESAB Group Inc's balance sheet at 30 June 2006. In the six months to 30 June 2006, US$8.0 million was charged against Esab Group Inc's operating profits in respect of defence costs net of insurance recoveries.

13 Approval of Interim Report

The Interim Report was approved by the Board on 11 September 2006.

Independent review report to Charter plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2006 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding Annual Accounts except where any changes, and the reasons for them, are disclosed.

This Interim Report has been prepared in accordance with the basis set out in Note 1.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

PricewaterhouseCoopers LLP
Chartered Accountants
London
11 September 2006

Notes:

(a) The maintenance and integrity of the Charter plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Interim Report since it was initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

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