Howden Group Limited

(formerly Greycoat Engineering Company Limited)

Annual report

for the 15 months ended 31 March 2000

Registered Number 472621



Howden Group Limited

Annual report
for the 15 months ended 31 March 2000

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Howden Group Limited

Directors and Advisors for the 15 months ended 31 March 2000

Directors
A G Maclachlan
N W R Smith
J Brown
N E Robson
J C Moodie (Resigned 31 December 1999)

Secretary
A G Maclachlan

Auditors
PricewaterhouseCoopers
Kintyre House
209 West George Street
Glasgow
G2 2LW

Registered Office
59 St Aldates
Oxford
OX1 1ST

Howden Group Limited

Director's report for the 15 months ended 31 March 2000

The Directors present their report and the audited financial statements of the Company for the 15 months ended 31 March 2000.

Results and dividends
The results for the period are set out in the profit and loss account on page 5. The Directors recommend that no dividend be paid.

Business review
The Company operated as a holding company whose subsidiary company activities are the design, manufacture and marketing of air and gas handling equipment. On 26 April 1999 the Company changed its name from Greycoat Engineering Company Limited to Howden Group Limited. On 26 April 1999 the Company acquired the activities and some of the assets and liabilities of Specialised Engineering Holdings UK Limited in exchange for shares. The value of the assets and liabilities acquired was £74,842,994 in exchange for the issue of £100 of ordinary share capital.

Directors and their interests
The Directors of the Company and the beneficial interests in the ultimate parent company, Charter plc, at 31 March 2000 of the Directors (denoted by an asterisk) who are not also Directors of Charter plc are shown below.

	Ordinary Stock Units of 2 pence each	
	31 March 2000	31 December 1998
Mr A G Maclachlan *	7,767	7,767
Mr N W R Smith	-	-
Mr J Brown *	-	-
Mr N E Robson	-	-
Mr J C Moodie * (Resigned 31 December 1999)	-	8,151

No contract subsisted during or at the end of the financial period in which a Director of the Company is or was materially interested.

The Directors retiring by rotation are A G Maclachlan and N E Robson who, being eligible, offer themselves for re-election.

Year 2000
The Company experienced little disruption or malfunctions since the turn of the year arising from its own computer systems or equipment with embedded date-reliant computer chips.

The lack of disruption from the Company's own systems and equipment is attributed to: (i) the analysis of risks carried out to determine the impact of the year 2000 problem on our activities; and (ii) the consequential modifications to, or replacement of, hardware and software suspected of harbouring the faulty date-reliant software or computer chips.

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

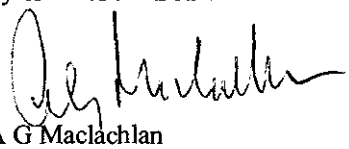
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



A G Maclachlan
Secretary
Renfrew
29 September 2000

Auditors' report to the members of Howden Group Limited

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report including, as described on page 2, and for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 United Kingdom 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 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 March 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Glasgow
29 September 2000

Howden Group Limited

Profit and loss account for the 15 months ended 31 March 2000

	Note	15 months ended 31 March 2000	Year ended 31 December 1998
		£	£
Operating loss on ordinary activities before interest	1	**(946,415)**	-
Interest	2	**(6,545,821)**	(402,330)
Loss on ordinary activities before taxation		**(7,492,236)**	(402,330)
Tax on loss on ordinary activities	3	**2,994,310**	125,000
Retained loss for the period	10	**(4,497,926)**	(277,330)

All amounts relate to the continuing operations of the Company.

There is no difference between the loss on ordinary activities before taxation and retained loss for the period stated above and their historical cost equivalents.

Statement of total recognised gains and losses for the 15 months ended 31 March 2000

	Note	15 months ended 31 March 2000	Year ended 31 December 1998
		£	£
Loss for financial period	10	**(4,497,926)**	(277,330)
Exchange adjustments offset in reserves	10	**(1,734,036)**	-
Total recognised losses	10	**(6,231,962)**	(277,330)

Howden Group Limited

Balance sheet as at 31 March 2000

	Note	31 March 2000	31 December 1998
		£	£
Fixed Assets			
Investment	6	**207,397,252**	2
Current assets	7	**23,443,989**	125,098
Creditors – Amounts falling due within one year	8	**(160,675,169)**	(402,330)
Net current liabilities		**(137,231,180)**	(277,232)
Net assets / (liabilities)		**70,166,072**	(277,230)
Capital and reserves			
Called up share capital	9	**200**	100
Share premium account	10	**74,842,894**	-
Capital reserve	10	**1,832,270**	-
Profit and loss account	10	**(6,509,292)**	(277,330)
Total shareholders' funds / (deficit)	10	**70,166,072**	(277,230)

The financial statements on pages 5 to 13 were approved by the Board of Directors on 29 September 2000 and were signed on its behalf by:

Director

Accounting policies

These financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards.

Foreign currencies
Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the balance sheet date. Exchange gains or losses are included in profit on ordinary activities.

Differences arising from the retranslation of investments in subsidiaries and of currency borrowings used to finance or hedge such investments are taken to reserves and are reported in the statement of total recognised gains and losses.

Deferred tax
Deferred tax is provided at current corporation tax rates on all material timing differences.

Pension
The cost of providing pensions is charged against profits. Pension surpluses and deficits are allocated on a straight line basis over the expected remaining service lives of current employees. In those instances where an accounting surplus is not expected to be used in the foreseeable future, this surplus is taken to the profit and loss.

Cash flow statement and related party disclosures
The Company is a wholly owned subsidiary of Charter plc and is included in the consolidated financial statements of Charter plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash-flow statement under the terms of Financial Reporting Standard 1. The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Charter plc group or investees of the Charter plc group.

Notes to the financial statements for the 15 months ended 31 March 2000

1. Operating Loss

	15 months ended 31 March 2000	Year ended 31 December 1998
	£	£
Materials and external charges	**(2,416,620)**	-
Loss on surrender of property lease	**(1,756,375)**	-
Employment costs (note 5)	**(2,028,235)**	-
Release of pension provision	**3,536,902**	-
Management fee income	**1,763,033**	-
Auditors' remuneration	**(45,120)**	-
Operating loss	**(946,415)**	-

2. Interest

	15 months ended 31 March 2000	Year ended 31 December 1998
	£	£
Interest payable:		
Bank loans and overdrafts	**(1,631,079)**	-
Group undertakings	**(5,514,346)**	(402,330)
	(7,145,425)	(402,330)
Interest receivable:		
Bank deposits	**104,401**	-
Group undertakings	**495,203**	-
	599,604	-
	(6,545,821)	(402,330)

3. Taxation

	15 months ended 31 March 2000	Year ended 31 December 1998
	£	£
Based on the results for the period:		
Group relief	**2,994,310**	125,000

4. Directors emoluments

	15 months ended 31 March 2000	Year ended 31 December 1998
	£	£
Aggregate emoluments	**258,285**	-
Highest Paid Director		
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	**158,388**	-
Accrued pension at year end	**63,982**	-

5. Employee information

	15 months ended 31 March 2000	Year ended 31 December 1998
	£	£
Employment costs:		
Wages and salaries	**1,586,017**	-
Social security costs	**150,443**	-
Pension costs (excluding pension provision release – note 1)	**154,859**	-
Severance	**136,916**	-
	2,028,235	-

5. Employee information (continued)

	31 March 2000	31 December 1998
	Number	Number
The average number of persons including Directors employed by the Company was:		
Administration	**25**	-
	25	-

6. Investment

	31 March 2000	31 December 1998
	£	£
Shares in subsidiary & associated companies	**36,032,275**	2
Loans to subsidiary & associated companies	**171,364,977**	-
	207,397,252	2

The Directors are of the opinion that the value of the Company's investment in the subsidiary is not less than the above amount.

The Company is the owner of 100% of all the issued share capital of the following companies except where indicated.

Subsidiaries, associates and investments		**Country of incorporation**
Howden Compressors Ltd	(49%)	Scotland
James Howden & Godfrey Overseas Ltd		Scotland
Anderson Group Inc	(0.55%)	USA
Howden Sirocco Group Ltd		Scotland
Howden Engineering Ltd		Scotland
Godfrey Engineering Ltd		England
Sir George Godfrey & Partners		England
James Howden & Co Ltd		Scotland
Howden Buffalo Ltd		England
Novenco Aerex Ltd		England

6. Investment (continued)

On 27 April 1999 Howden Group Limited acquired a 0.55% interest in Anderson Group Inc for £1,832,270 through a capital contribution from its immediate parent undertaking, Charter Consolidated PLC. In accordance with FRS4, as the contribution is in the form of an asset, the capital contribution has been credited to a non-distributable capital reserve and reported in the reconciliation of movement of shareholders' funds in note 10.

7. Debtors

	31 March 2000	31 December 1998
	£	£
Due within one year:		
Amounts owed by group undertakings	**22,854,215**	125,098
Other debtors	**540,936**	-
Prepayments and accrued income	**48,838**	-
	23,443,989	125,098

8. Creditors – Amounts falling due within one year

	31 March 2000	31 December 1998
	£	£
Bank overdraft	**1,181,915**	-
Amounts owed to group undertakings	**156,162,179**	402,330
Other creditors	**263,848**	-
Social Security and other taxes	**67,227**	-
	160,675,169	402,330

9. Called up share capital

	31 March 2000	31 December 1998
	£	£
Authorised, allotted, called up and fully paid:		
200 ordinary shares of £1 each (1998 – 100)	**200**	100

On 26 April 1999 Howden Group Limited issued £100 ordinary shares in exchange for certain of the trade and assets of Specialised Engineering Holdings UK Limited, a fellow group undertaking, totalling £74,842,994.

10. Shareholders' funds / (deficit)

	Share Capital	Share Premium	Capital Reserve	Profit & loss account	Total
	£	£	£	£	£
As at 31 December 1998	100	-	-	(277,330)	**(277,230)**
Issue of shares	100	74,842,894	-	-	**74,842,994**
Capital contribution	-	-	1,832,270	-	**1,832,270**
Loss retained	-	-	-	(4,497,926)	**(4,497,926)**
Exchange adjustments	-	-	-	(1,734,036)	**(1,734,036)**
As at 31 March 2000	200	74,842,894	1,832,270	(6,509,292)	**70,166,072**

11. Contingent liabilities

The company is a member of the Charter plc UK borrowing group and as such has access to the overdraft &/or sterling dealing line, along with other members of the borrowing group.

The company is also a member of the risk weighted forward contract borrowing group and has access to the risk weighted forward contract swaps facility and the Treats Settlement Ltd facility, along with other members of the borrowing group.

12. Pension Scheme

The company and its participating UK subsidiaries (the "Group") operate the Howden Group Pension Plan, a funded defined benefit pension scheme.

The Group net pension credit/(charge) for the 15 months period ended 31 March 2000 was £3.4 million (Year ended 31 December 1998:(£1.8 million)), and the excess of cumulative pension charges over contributions paid to the scheme included in creditors at 31 March 2000 was £nil (31 December1998: £3.61 million). During the period the pension surplus was released to the profit and loss account as it was not expected to be used in the foreseeable future.

The pension charge is determined by an independent qualified actuary on the basis of periodic actuarial valuations. The last such valuation was as at 1 May 1996. The valuation has been reassessed as at 30 April 1997 using assumptions consistent with SSAP24, the main assumption being that investment returns would be 2 percent higher than pensionable salary increases. The market value of the scheme's assets at the date of reassessment was £69.3 million which represented a funding level of 107 percent.

13. Ultimate parent company

The ultimate parent undertaking is Charter plc, a company incorporated in England. Copies of its annual report may be obtained from 7 Hobart Place, London, SW1W OHH.