Howden Group Limited

Annual report

for the 9 months ended 31 December 2000

Registered Number 472621



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Howden Group Limited

Annual report
for the 9 months ended 31 December 2000

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Howden Group Limited

Directors and Advisors for the 9 months ended 31 December 2000

Directors
R G Wilson
J Brown
R R Wilson
R J Cleland

Secretary
F MacLean

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 9 months ended 31 December 2000

The Directors present their report and the audited financial statements of the Company for the 9 months ended 31 December 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. During the period as part of a group reorganisation the Company sold its shareholdings in Howden Engineering Ltd, Godfrey Engineering Ltd, Sir George Godfrey & Partners and Novenco Aerex Ltd.

Directors and their interests
The Directors who held office during the year are given below:

Mr J Brown
Mr A G Maclachlan (resigned on 31 December 2000)
Mr N E Robson (resigned on 30 June 2001)
Mr N W R Smith (resigned on 31 August 2001)
Mr R G Wilson (appointed on 31 December 2000)
Dr R R Wilson (appointed 30 June 2001)
Mr R J Cleland (appointed on 31 August 2001)

The interests of Mr N W R Smith and Mr N E Robson, who are also Directors of the ultimate parent undertaking, Charter plc, are shown in the annual report of that company. Mr J Brown had no interests in the shares of the Company or any other Company within the Charter plc group. Mr A G Maclachlan held 7,767 (1999: 7,767) ordinary shares of 2p each in Charter plc and had no interests in the shares of any other company within the Charter plc group. Mr R G Wilson held 1,379 (1999: 1,379) ordinary shares of 2p each in Charter plc and had no other interests in the shares of any other company within the Charter plc group. Mr R J Cleland held 7,578 (1999: 7,578) ordinary shares of 2p each in Charter plc and had no interests in the shares of any other company within the Charter plc group. Dr R R Wilson held 6,692 (1999: 6,692) ordinary shares of 2p each in Charter plc and had no other interests in the shares of any other company within the Charter plc group.

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

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.

Howden Group Limited

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



F MacLean
Secretary
Renfrew
8 October 2001

Auditors' report to the members of Howden Group Limited

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report. As described on pages 2 and 3, this includes responsibility 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 December 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Glasgow
8th October 2001

Howden Group Limited

Profit and loss account for the 9 months ended 31 December 2000

	Note	9 months ended 31 December 2000 £	15 months ended 31 March 2000 £
Operating loss on ordinary activities before interest	1	**(1,910,717)**	(946,415)
Net interest (payable)/receivable	2	**(5,782,571)**	(6,545,821)
Loss on ordinary activities before taxation		**(7,693,288)**	(7,492,236)
Tax on loss on ordinary activities	3	**2,046,283**	2,994,310
Retained loss for the period	11	**(5,647,005)**	(4,497,926)

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 9 months ended 31 December 2000

	Note	9 months ended 31 December 2000 £	15 months ended 31 March 2000 £
Loss for financial period	11	**(5,647,005)**	(4,497,926)
Exchange adjustments offset in reserves	11	**1,679,358**	(1,734,036)
Total recognised losses		**(3,967,647)**	(6,231,962)

Howden Group Limited

Balance sheet as at 31 December 2000

	Note	31 December 2000 £	31 March 2000 £
Fixed assets			
Tangible assets	6	**49,649**	-
Investments	7	**182,308,799**	207,397,252
		182,358,448	207,397,252
Current assets			
Debtors	8	**11,816,076**	23,443,989
Cash at bank and in hand		**2,938,879**	-
		14,754,955	23,443,989
Creditors – Amounts due within one year	9	**(130,914,978)**	(160,675,169)
Net current liabilities		**(116,160,023)**	(137,231,180)
Net assets		**66,198,425**	70,166,072
Capital and reserves			
Called up share capital	10	**200**	200
Share premium account	11	**74,842,894**	74,842,894
Capital reserve	11	**1,832,270**	1,832,270
Profit and loss account	11	**(10,476,939)**	(6,509,292)
Total shareholders' funds	11	**66,198,425**	70,166,072

The financial statements on pages 5 to 14 were approved by the Board of Directors on 8 October 2001 and were signed on its behalf by:

Director

Howden Group Limited

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 9 months ended 31 December 2000

1. Operating loss

	9 months ended 31 December 2000 £	15 months ended 31 March 2000 £
Materials and external charges	**(791,791)**	(2,416,620)
Loss on surrender of property lease	**-**	(1,756,375)
Employment costs (note 5)	**(2,419,561)**	(2,028,235)
Release of pension provision	**-**	3,536,902
Management fee income	**1,321,000**	1,763,033
Auditors' remuneration	**(20,365)**	(45,120)
Operating loss	**(1,910,717)**	(946,415)

2. Net interest (payable)/receivable

	9 months ended 31 December 2000 £	15 months ended 31 March 2000 £
Interest payable:		
Bank loans and overdrafts	**(68,043)**	(1,631,079)
Group undertakings	**(7,809,197)**	(5,514,346)
	(7,877,240)	(7,145,425)
Interest receivable:		
Bank deposits	**1,452,171**	104,401
Group undertakings	**642,498**	495,203
	2,094,669	599,604
	(5,782,571)	(6,545,821)

3. Taxation

	9 months ended 31 December 2000 £	15 months ended 31 March 2000 £
Based on the results for the period:		
Group relief	**2,046,283**	2,994,310

4. Directors' emoluments

	9 months ended 31 December 2000 £	15 months ended 31 March 2000 £
Aggregate emoluments	**164,624**	258,285
Highest Paid Director		
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	**103,546**	158,388

5. Employee information

	9 months ended 31 December 2000 £	15 months ended 31 March 2000 £
Employment costs:		
Wages and salaries	**1,923,639**	1,586,017
Social security costs	**137,416**	150,443
Pension costs (note 13)	**358,506**	154,859
Severance	**-**	136,916
	2,419,561	2,028,235

5. Employee information (continued)

	31 December 2000 Number	31 March 2000 Number
The average number of persons including Directors employed by the Company was:		
Administration	**34**	25
	34	25

6. Tangible assets

	Motor Vehicles £	Plant and Equipment £	Total £
Cost or valuation			
As at 1 April 2000	-	-	-
Additions	52,417	7,462	59,879
As at 31 December 2000	**52,417**	**7,462**	**59,879**
Accumulated depreciation			
As at 1 April 2000	-	-	-
Charge for period	10,230	-	10,230
As at 31 December 2000	**10,230**	**-**	**10,230**
Net book value			
31 December 2000	**42,187**	**7,462**	**49,649**
31 March 2000	-	-	-

7. Investments

	31 December 2000 £	31 March 2000 £
Shares in subsidiary & associated companies	**36,032,275**	36,032,275
Loans to subsidiary & associated companies	**146,276,524**	171,364,977
	182,308,799	207,397,252

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 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
James Howden & Co Ltd		Scotland
Howden Buffalo Ltd		England

8. Debtors

	31 December 2000 £	31 March 2000 £
Due within one year:		
Amounts owed by group undertakings	**11,501,649**	22,854,215
Other debtors	**314,427**	540,936
Prepayments and accrued income	**-**	48,838
	11,816,076	23,443,989

9. Creditors – Amounts falling due within one year

	31 December 2000 £	31 March 2000 £
Bank overdraft	**-**	1,181,915
Amounts owed to group undertakings	**130,424,090**	156,162,179
Other creditors	**423,324**	263,848
Social Security and other taxes	**67,564**	67,227
	130,914,978	160,675,169

10. Called up share capital

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

11. Shareholders' funds / (deficit)

	Share Capital £	Share Premium £	Capital Reserve £	Profit & loss account £	Total £
As at 31 March 2000	200	74,842,894	1,832,270	(6,509,292)	**70,166,072**
Loss retained	-	-	-	(5,647,005)	**(5,647,005)**
Exchange adjustments	-	-	-	1,679,358	**1,679,358**
As at 31 December 2000	200	74,842,894	1,832,270	(10,476,939)	**66,198,425**

12. Contingent liabilities

The company is a member of the Charter plc UK borrowing group and as such has access to the overdraft and/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.

13. Pension Scheme

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

The pension charge is determined by an independent qualified actuary on the basis of periodic actuarial valuations. The last such valuation was as at 30 April 2000 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 £92.7 million which represented a funding level of 103 percent.

14. 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.