

Howden Group Limited
Annual report
for the year ended 31 December 2012

Registered Number 00472621



Howden Group Limited

Annual report for the year ended 31 December 2012

Contents

Directors and advisers for the year ended 31 December 2012	1
Directors' report for the year ended 31 December 2012	2
Independent auditors' report to the members of Howden Group Limited	5
Profit and loss account for the year ended 31 December 2012	7
Balance sheet as at 31 December 2012	8
Notes to the financial statements for the year ended 31 December 2012	9

Howden Group Limited

Directors and advisers for the year ended 31 December 2012

Directors

J Brown
I H Brander
F M MacLean (resigned 20 January 2012)
D Malone
C S Brannan (appointed 28 March 2012)
E Zabaneh
J B Fairbairn
W Flexon (appointed 28 March 2012)
M P Lehman (appointed 28 March 2012)
D A Pryor (appointed 28 March 2012)
A L Puckett (appointed 28 March 2012)
A J Stockwell (appointed 25 April 2012 and resigned 31 March 2013)

Independent auditors

Ernst & Young
G1 Building
5 George Square
Glasgow
G2 1DY

Registered office

One London Wall
London
EC2Y 5AB

Bankers

HSBC Bank Plc
Regional Service Centre Europe
PO Box 125, 2nd Floor
62-76 Park Street
London
SE1 9DZ

Solicitors

Slaughter & May
One Bunhill Row
London
EC1 BYY

Maclay Murray & Spens
151 St Vincent Street
Glasgow
G2 5N

Howden Group Limited

Company number 00472621

Directors' report for the year ended 31 December 2012

The Directors present their report and the audited financial statements of the company for the year ended 31 December 2012

Results and dividends

The results for the year are set out in the profit and loss account on page 7. The company's profit for the year is £220,341,000 (2011: loss £7,365,000). A dividend of £140,000,000 has been paid during the year (2011: £nil).

Principal activities, business review and future developments

The company operates as an investment holding company whose subsidiary company activities are the design, manufacture and marketing of air and gas handling equipment. The directors consider the results for the year to be in line with expectations.

Principal risks and uncertainties

On 13 January 2012 Colfax Corporation acquired Charter International Plc, the parent company of Howden. Colfax Corp is a listed company headquartered in Baltimore, USA. From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the Colfax Corporation and are not managed separately. Accordingly, the principal risks and uncertainties of the Colfax Corporation, which include those of the company, are discussed in the group's annual report which does not form part of this report.

Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The development, performance and position of the Colfax Corporation are discussed in the operating and financial review contained in the group's annual report which does not form part of this report.

Directors

The Directors who held office during the year and up to the date of signing are listed on page 1.

Financial risk management

The central treasury function of Colfax Corporation, the company's ultimate parent undertaking, is responsible for ensuring the availability of funding arrangements in order to meet the ongoing requirements of the group and company. In addition, it is responsible for managing the interest rate risk, liquidity risks and balance sheet foreign exchange translation risks of the group and company.

Howden Group Limited

Directors' report for the year ended 31 December 2012 (continued)

Employees

The company's policy is to encourage effective communication and consultation between employees and management

The company gives full consideration to applications for employment made by disabled people, having regard to their aptitudes and abilities. Should employees become disabled during their employment, they would be considered for any necessary retraining and available work within their capabilities. For the purposes of training, career development and promotion, disabled employees are treated in the same way as other employees

Creditor payment policy

The company's creditor payment policy is to settle the terms of payment with all suppliers when agreeing the terms of each transaction and to ensure that these suppliers are made aware of the terms of payment and abide by the terms of payment

Charitable and political contributions

During the year the company donated £4,950 (2011 £3,606) to charities all of which was in the United Kingdom mainly for educational, community support and medical purposes, including a donation of £1,800 to The Prince & Princess of Wales Hospice and a donation of £1,500 to the Prince's Trust Fairbridge programme. There were no political donations made during the year (2011 £nil)

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors

Howden Group Limited

Directors' report for the year ended 31 December 2012 (continued)

Statement of Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

Disclosure of information to auditors

Each Director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, Ernst & young LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the Board



J Brown

Director

17 September 2013

Independent auditors' report to the members of Howden Group Limited

We have audited the financial statements of Howden Group Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Howden Group Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Mark Harvey

*for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh*

17 September 2013

Howden Group Limited

Profit and loss account for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Turnover		0	0
Operating expenses		(27,657)	(20,859)
Operating income		15,478	12,429
Operating loss	2	(12,179)	(8,430)
Dividend income		231,816	0
Interest receivable and similar income	3	400	0
Interest payable and similar charges	4	(25)	(15)
Profit/ (loss) on ordinary activities before taxation		220,012	(8,445)
Taxation on profit on ordinary activities	5	329	1,080
Profit/ (loss) for the financial year		220,341	(7,365)

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

There is no difference between the profit for the financial year stated above and the total recognised gains for the year and therefore no separate statement of total recognised gains and losses has been shown

Howden Group Limited

Balance sheet as at 31 December 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	8	9,790	9,535
Investments	9	59,741	48,727
		69,531	58,262
Current assets			
Debtors	10	102,914	16,976
Cash at bank and in hand		102	421
		103,016	17,397
Creditors – amounts falling due within one year	11	(12,061)	(6,528)
Net current assets		90,955	10,869
Total assets less current liabilities		160,486	69,131
Provisions for liabilities and charges	12	(948)	(948)
Net assets		159,538	68,183
Capital and reserves			
Called up share capital	13	65,000	65,000
Share premium account	14	85,857	74,843
Other reserves	14	1,832	1,832
Profit and loss account	14	6,849	(73,492)
Total shareholders' funds	15	159,538	68,183

The financial statements on pages 7 to 20 were approved by the Board of Directors on 17 September 2013 and were signed on its behalf by



J Brown
Director

Howden Group Limited

Notes to the financial statements for the year ended 31 December 2012

1. Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the principal accounting policies, which have been applied consistently, is set out below.

Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The company is a wholly owned subsidiary of Colfax Corporation and is included in the consolidated financial statements of Colfax Corporation, which are publicly available. Consequently the company has taken advantage of the exemption from preparing consolidated accounts under the terms of S401 Companies Act 2006.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated to write off the book value in equal instalments over the anticipated lives of the assets concerned. The principal rates used are 2% per annum for freehold land and buildings, 20% to 33% for plant, furniture and fittings.

Fixed asset investments

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

Licence fee income

Operating income represents amounts received from subsidiary companies in respect of a licensing agreement and is recorded net of sales tax.

Foreign currencies

Transactions in overseas currencies are translated at the exchange rate ruling at the date of the transaction or, where forward foreign exchange contracts have been taken out, at the contractual rates. Foreign currency assets and liabilities are translated into Sterling at the rates of exchange on the balance sheet date or at the forward contract rate.

Deferred tax

Deferred tax is provided at current corporation tax rates on all material timing differences in accordance with Financial Reporting Standard 19 'Deferred Tax'. Deferred tax assets are recognised where it is more likely than not that they will be recovered.

Cash flow statement and related party disclosures

The Company is a wholly owned subsidiary of Colfax Corporation and is included in the consolidated financial statements of Colfax Corporation, 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 (revised 1996). The company is also exempt under the terms of

Howden Group Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

1. Accounting policies (continued)

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under financial leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Provisions

A provision is recognised when the company has a legal or constructive obligation as a result of past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The effect of the time value of money is not material and therefore the provisions are not discounted.

Howden Group Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

2. Operating loss

	2012 £'000	2011 £'000
Operating loss is stated after charging/(crediting)		
Staff costs (note 7)	(24,967)	(16,221)
Licence fee income	15,478	12,429
Other income	6,334	7,041
Depreciation (note 8)	(1,156)	(809)
Services provided by the company's auditor		
Fees payable for the audit	(106)	(175)
Exchange (losses) / gains	98	(101)

Howden Group Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

3. Interest receivable and similar income

	2012	2011
	£'000	£'000
Bank deposits	9	7
Group undertakings	391	-
	400	7

4. Interest payable and similar charges

	2012	2011
	£'000	£'000
Colfax group undertakings	(25)	(22)
	(25)	(22)

5. Taxation on profit on ordinary activities

	2012	2011
	£'000	£'000
Current tax:		
UK corporation tax at 24.5% (2011: 26.5%)	(751)	(80)
Adjustment in respect of previous year	1,080	1,160
Tax credit on profit on ordinary activities	329	1,080

Howden Group Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

5. Taxation on profit on ordinary activities (continued)

The tax assessed for the financial year is lower (2011 lower) than standard rate of corporation tax in the UK of 24.5% (2011 26.5%). The differences are explained below

	2012	2011
	£'000	£'000
Profit/ (loss) on ordinary activities before tax	220,012	(8,445)
Tax on profit on ordinary activities at standard rate in the UK 24.5% (2011 26.5%)	(53,903)	2,238
Effects of		
Adjustment in respect of previous year	1,080	1,160
Items not deductible for tax purposes	(841)	(215)
Accelerated Capital Allowances & Other timing differences	-	371
Pension contribution relief in excess of net pension cost charge	(2,802)	(2,446)
Franked investment income	56,795	-
Other	-	(28)
Tax credit on profit on ordinary activities	329	1,080

During the year, a change in the UK corporation tax rate from 26% to 24%, effective from 1 April 2012, was substantively enacted in March 2012. Accordingly the company's profits for this accounting period are taxed using an effective rate of 24.5%.

In addition to the changes in rates of UK corporation tax disclosed above, the government has announced that it intends to reduce the rate of corporation tax to 20% by 1 April 2015. A reduction in the corporation tax rate to 23%, effective from 1 April 2013, was included in the 2012 Finance Act that was substantively enacted on 3 July 2012. The further rate reductions are to be incorporated within the 2013 Finance Act and so will not be substantively enacted until the subsequent period.

Had the change in rate to 20% been substantively enacted as at the balance sheet date there would have been no significant impact on these financial statements.

Howden Group Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

6. Directors' emoluments

	2012	2011
	£'000	£'000
Aggregate emoluments	1,617	1,812
Highest paid director		
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	637	474
Accrued pension at end of year	19	42

No Directors exercised options over shares in Colfax Corporation during the financial year including the highest paid director (2011 nil). Retirement benefits are accruing to two (2011 four) Directors under the Howden Group Pension Plan a defined benefit scheme.

7. Employee information

	2012	2011
	£'000	£'000
Employment costs		
Wages and salaries	9,782	7,671
Social security costs	1,179	896
Pension costs	14,006	7,654
	24,967	16,221

The average number of persons including directors employed by the group during the year was

	2012	2011
	Number	Number
Sales, marketing and technical	9	8
Administration	109	99
	118	107

Howden Group Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

8. Tangible fixed assets

	Plant, furniture and fittings £'000	Total £'000
Cost		
As at 1 January 2012	11,799	11,799
Additions	1,411	1,411
Disposals	-	-
As at 31 December 2012	13,210	13,210
Accumulated depreciation		
As at 1 January 2012	(2,264)	(2,264)
Depreciation charge for year	(1,156)	(1,156)
Disposals	-	-
As at 31 December 2012	(3,420)	(3,420)
Net book amount		
31 December 2012	9,790	9,790
31 December 2011	9,535	9,535

Howden Group Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

9. Fixed asset investments

The company movement during the year was as follows

	£'000
As at 1 January 2012	48,727
Additions	11,014
At 31 December 2012	59,741

The company is the owner of all the issued ordinary share capital of the following companies

Subsidiaries	Country of incorporation	Nature of business
Howden Compressors Ltd	Scotland	Engineering
James Howden & Godfrey Overseas Ltd	Scotland	Investment holding company
Howden Sirocco Group Ltd	Scotland	Intermediate holding company
James Howden & Company Ltd	Scotland	Engineering

The directors believe that the carrying value of the investments is supported by their underlying net assets

Howden Group Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

10. Debtors

	2012	2011
	£'000	£'000
Trade debtors	1	31
Amounts owed by group undertakings	101,947	16,030
Other debtors	2	93
Prepayments and accrued income	964	822
	102,914	16,976

Amounts owed by group undertakings are unsecured, attract interest at LIBOR less 1% and are due on demand

11. Creditors: Amounts falling due within one year

	2012	2011
	£'000	£'000
Trade creditors	(1,266)	(750)
Amounts owed to group undertakings	(7,750)	(1,116)
Taxation and Social Security	(554)	(569)
Other creditors	(128)	(278)
Accruals and deferred income	(2,363)	(3,815)
	(12,061)	(6,528)

Amounts due to group undertakings are unsecured, attract interest at LIBOR plus 1% and are due on demand

Howden Group Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

12. Provisions for liabilities and charges

	Employer's liability claims £'000
Opening balance at 1 January 2012	948
Closing balance at 31 December 2012	948

The provision relates to potential employer's liability claims against the company. It is not possible to determine the timeframe over which it will be utilised.

13. Called up share capital

	2012 £	2011 £
Authorised, allotted, called up and fully paid		
65,000,201 ordinary shares of £1 each (2011: 65,000,200 ordinary shares of £1 each)	65,000,201	65,000,200

14. Reserves

	Called up Share capital £'000	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
As at 1 January 2012	65,000	74,843	1,832	(73,492)	68,183
Profit for the financial year	-	-	-	220,341	220,341
Premium on shares issued	-	11,014	-	-	11,014
Dividend paid	-	-	-	(140,000)	(140,000)
As at 31 December 2012	65,000	85,857	1,832	6,849	159,538

Howden Group Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

15. Reconciliation of movements in shareholders' funds

	2012	2011
	£'000	£'000
Profit for the financial year	220,341	7,365
Dividend paid	(140,000)	-
Net increase to shareholders' funds	80,341	7,365
Closing shareholders' funds	6,849	(73,492)

16. Contingent liabilities

The company is a member of the Colfax Corporation and as such has access to the overdraft and/or sterling dealing line, along with other members of the borrowing group

Cross guarantees are given in respect of other Colfax Corporation companies which are limited to the amounts of cleared credit balances in sterling accounts

17. Pension commitments

The company and its participating UK subsidiaries 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 triennial valuations using the projected unit method. The last such valuation was as at 31 December 2010. The actuarial valuation indicated that the value of the assets of the scheme was 66% of the value of the accrued liabilities at that date. Contributions have been increased to eliminate the deficit in line with the recommendation of the actuary and as agreed with the trustees.

The Howden Group Pension Plan has been closed to new entrants with effect from 1 December 2003. A stakeholder pension plan has been established by Howden Group Limited and its participating UK subsidiaries and is offered to new employees who join the company with effect from 1 December 2003.

The pension liability is disclosed in ultimate parent, Colfax Corporation, group accounts. Since more than one employer participates in the Howden Group Pension Plan, the company is unable to identify its share of the assets and liabilities.

There were pension costs of the defined benefit scheme incurred by Howden Group Limited of £13,505,230 (2011: £7,250,004).

The plan's deficit at 31 December 2012 was £34,461,000 (2011: £42,587,000).

Howden Group Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

18. Ultimate parent company and controlling party

The immediate parent undertaking is Howden UK BV with an 83% shareholding

Colfax Corporation is the ultimate parent undertaking of the smallest and the largest group of undertakings to consolidate these financial statements at 31 December 2012. The consolidated financial statements of Colfax Corporation are available from its head office at 8170 Maple Lawn Boulevard, Suite 180, Fulton, MD 20759, USA.