



Annual Report 2007

Howden Annual Report 2007





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Mission statement

Howden Africa is a market-driven, customer-orientated company. The main business activities of the Group are the design, manufacture and marketing of specialised air and gas handling solutions to a wide range of industries.

The Group’s principal products and services can be split into two main areas:

Fans and Heat Exchangers Environmental Control

Major industries supplied include power generation, petrochemical, mining, construction, refrigeration, water treatment and general industry.

Howden Africa has a commitment to environmental awareness. In pursuit of this policy all product designs and manufacturing are scrutinised for environmental friendliness.

Design and drawing activities are computerised and manufacturing is concentrated on the production of key components. Manufacturing facilities are located in Booyens (Johannesburg) and Struandale (Port Elizabeth).

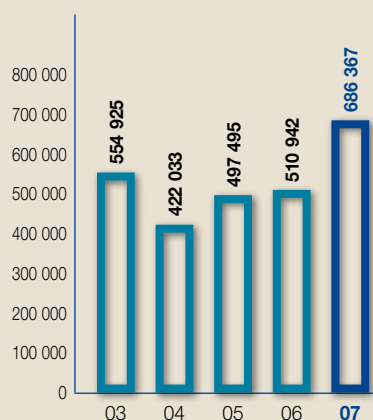
Other Group salient features

for the year ended 31 December 2007

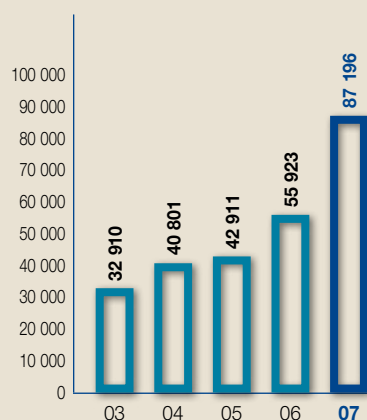
	2007 R'000	2006 R'000	2005 R'000	2004 R'000	2003* R'000
Net asset value per share (cents)	133,96	39,81	264,75	233,19	181,78
Depreciation	3 312	2 540	2 625	2 081	6 370
Amortisation	1 881	1 834	1 720	1 700	—
Capital expenditure	11 311	5 120	5 878	3 424	5 192
Capital commitments					
Authorised and contracted	—	286	463	1 288	78
Authorised not contracted	4 685	4 787	—	19	287
Operating profit to revenue	12,96%	10,21%	7,21%	7,75%	6,15%
Number of employees	492	443	437	469	652
Closing share price (cents)	1 000	400	490	220	145
Total number of shares traded	5 582 799	9 146 620	11 209 071	17 545 631	2 469 931
Average price for the year (cents)	692	471	399	176	100
Total value of shares traded at average price (R)	38 632 969	43 080 580	44 724 193	30 880 311	2 469 931
Volume of shares traded to total weighted average number of shares	8,49%	13,92%	17,05%	26,69%	3,76%

*SA GAAP

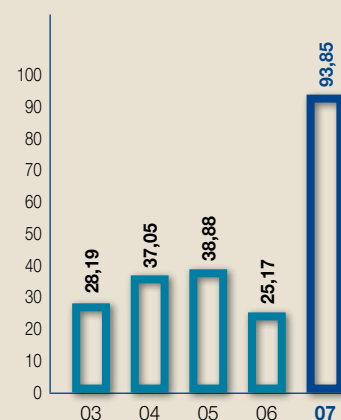
Revenue (R'm)



Profit before tax (R'm)



Earnings per share (cents)



Directorate

SECRETARY – MICHAEL JOHN MILLARD LAKE

REGISTERED OFFICE – 1A BOOYSENS ROAD, BOOYSENS, JOHANNESBURG 2091

AUDITORS – PRICEWATERHOUSECOOPERS INC JOHANNESBURG

REGISTRARS – COMPUTERSHARE INVESTOR SERVICES (PTY) LIMITED, 70 MARSHALL STREET, JOHANNESBURG 2001

SHARE CODE – HWN ISIN CODE – ZAE000010583

Non-executive directors

R J CLELAND (60) *Non-executive director and chairman (British)*

Bob Cleland was appointed Chief Executive of Howden Global in 1999. He was previously Group Operations Director on the Board of Triplex Lloyd plc and prior to that was an Executive of British Steel Stainless, now AvestaPolarit. He was appointed a non-executive director of Howden Africa Holdings Limited board on 2 March 2000.

A B MASHIATSHIDI (48) *Independent non-executive director*

Arthur Mashiatsidi is founder and Chief Executive of Decorum Capital Partners (Pty) Limited, which manages the New Africa Mining Fund. He serves as a director on the boards (and committees) of Acc-Ross Limited (JSE-AltX listed); Thebe Investment Corporation (Pty) Limited; Kaya FM board; TCS (Tosaco Commercial Services) and he also serves on the Admissions Committee of the AltX of the JSE Limited (JSE).

J BROWN (48) *Non-executive director (British)*

James Brown, after qualifying as a chartered accountant, joined British Aerospace. In 1989 he joined Howden Group. He has served as finance director in a number of operating companies in the Howden Group in the UK. In 2003 he was appointed as Group Financial Director of Howden Group Limited. He was appointed non-executive director of the Howden Africa Holdings Limited board on 1 March 2005.

M MALEBYE (36) *Independent non-executive director*

Morongwe Malebye is a qualified engineer. She has graduated with an M.Sc Industrial Engineering and B.Sc Mechanical Engineering degrees, and in addition has completed an MBA. She has worked at Eskom, Sasol, Spoornet, Armscor and Babcock Africa. She serves on the board of African Oxygen Limited (Afrox) and is a mentor for the Allan Gray Foundation.

Executive director

S MEYER (53) *Chief Operating Officer and Group Financial Director*

Shane Meyer joined the Group in 1977. In 1991, he was promoted to Group Financial Director of Howden Group South Africa Limited. He was appointed Financial Director of Howden Africa Holdings Limited upon its incorporation.

R CLELAND

A MASHIATSHIDI

M MALEBYE

J BROWN

S MEYER



Five year Group financial summary

for the years ended 31 December

SUMMARISED INCOME STATEMENTS	2007 R'000	2006 R'000	2005 R'000	2004 R'000	2003* R'000
Revenue	686 367	510 942	497 495	422 033	554 925
Operating profit	88 979	52 154	35 893	32 693	34 124
Net finance (costs)/income	(1 776)	(1 483)	5 082	4 512	5 029
Foreign exchange (losses)/profit	(132)	2 196	(204)	(401)	(6 243)
Loss on disposal of associate	(1 028)	—	(1 182)	—	—
Share of results of associate	1 153	3 056	3 322	3 997	—
Profit before income tax	87 196	55 923	42 911	40 801	32 910
Income tax expense	24 753	35 349	13 753	12 335	11 138
Profit for the year	62 443	20 574	29 158	28 466	21 772
Minority shareholders' interest	759	4 032	3 605	4 114	3 242
Profit for the year	61 684	16 542	25 553	24 352	18 530
Earnings per share: (cents)	93,85	25,17	38,88	37,05	28,19
Dividends per share:					
– interim dividend paid (cents)	0,00	0,00	4,00	4,00	3,00
– special dividend paid (cents)	0,00	241,00	0,00	47,00	0,00
– final dividend paid or declared (cents)	0,00	6,00	6,00	5,00	0,00
Number of shares ('000)					
In issue	65 729	65 729	65 729	65 729	65 729
Weighted average	65 729	65 729	65 729	65 729	65 729
SUMMARISED BALANCE SHEETS	2007 R'000	2006 R'000	2005 R'000	2004 R'000	2003 R'000
ASSETS					
Non-current assets	131 974	138 133	137 106	134 761	62 174
Current assets	241 605	202 711	221 960	178 489	190 833
Inventories	32 197	32 431	18 656	14 778	48 447
Receivables and prepayments	189 506	127 925	105 778	77 231	67 011
Cash and cash equivalents	19 902	42 355	97 526	86 480	75 375
Total assets	373 579	340 844	359 066	313 250	253 007
EQUITY					
Capital and reserves					
Shareholders' funds	88 049	26 166	174 015	153 276	119 483
Minority interest	—	8 850	10 226	6 771	5 289
LIABILITIES					
Non-current liabilities	35 092	95 672	17 180	12 611	—
Current liabilities	250 438	210 156	157 645	140 592	128 235
Total equity and liabilities	373 579	340 844	359 066	313 250	253 007

*SA GAAP

Value added statement

for the year ended 31 December 2007

	2007 R'000	2006 R'000
Revenue	686 367	510 942
Other income not included in revenue:		
Income from investments	7 558	9 048
Income for associate company net after tax	1 153	3 056
Less: Paid to suppliers for materials and services	(459 680)	(334 139)
Loan granted	—	100 000
Total value added	235 398	288 907
Distributed as follows:		
To employees as salaries, wages and other benefits	111 852	92 445
To lenders as interest	11 228	8 021
To depreciation and amortisation	5 193	4 374
To shareholders as dividends	—	162 351
To government as tax expense	24 753	35 349
To repayment of loan granted	68 710	11 291
Total value added distributed	221 736	313 831
Portion of value added reinvested/(paid) to sustain and expand the business	13 662	(24 924)
Total value added distributed and reinvested	235 398	288 907

Group at a glance

Fans and Heat Exchangers



PRODUCTS BOILER FANS, HEAT EXCHANGERS, SITE SERVICES, HVAC FANS, STANDARD AND INDUSTRIAL FANS AND BLOWERS, MAIN SURFACE FANS, AUXILIARY MINE FANS, CENTRIFUGAL BLOWERS AND DUST EXTRACTION ON COAL MINES.

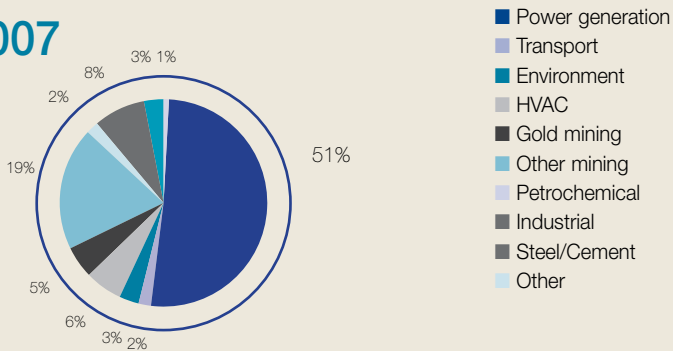
Environmental Control



PRODUCTS GAS CLEANING PLANT, COMBUSTION ENGINEERING, FURNACES, INCINERATORS, PROCESS COMPRESSORS, REFRIGERATION EQUIPMENT, WATER CHILLERS, POSITIVE DISPLACEMENT BLOWERS, WASTE WATER TREATMENT AND CONTROL AND INSTRUMENTATION.

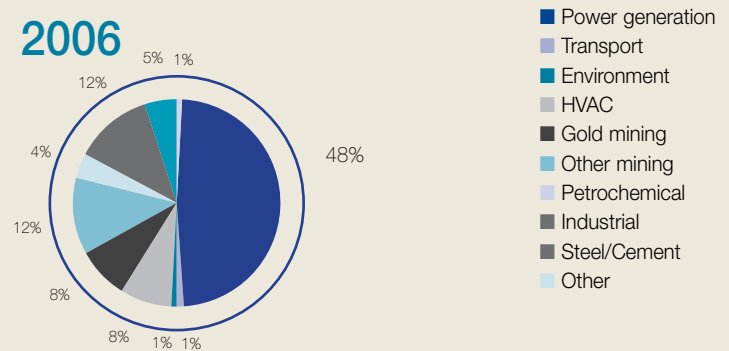
Percentage of market served by industry group

2007

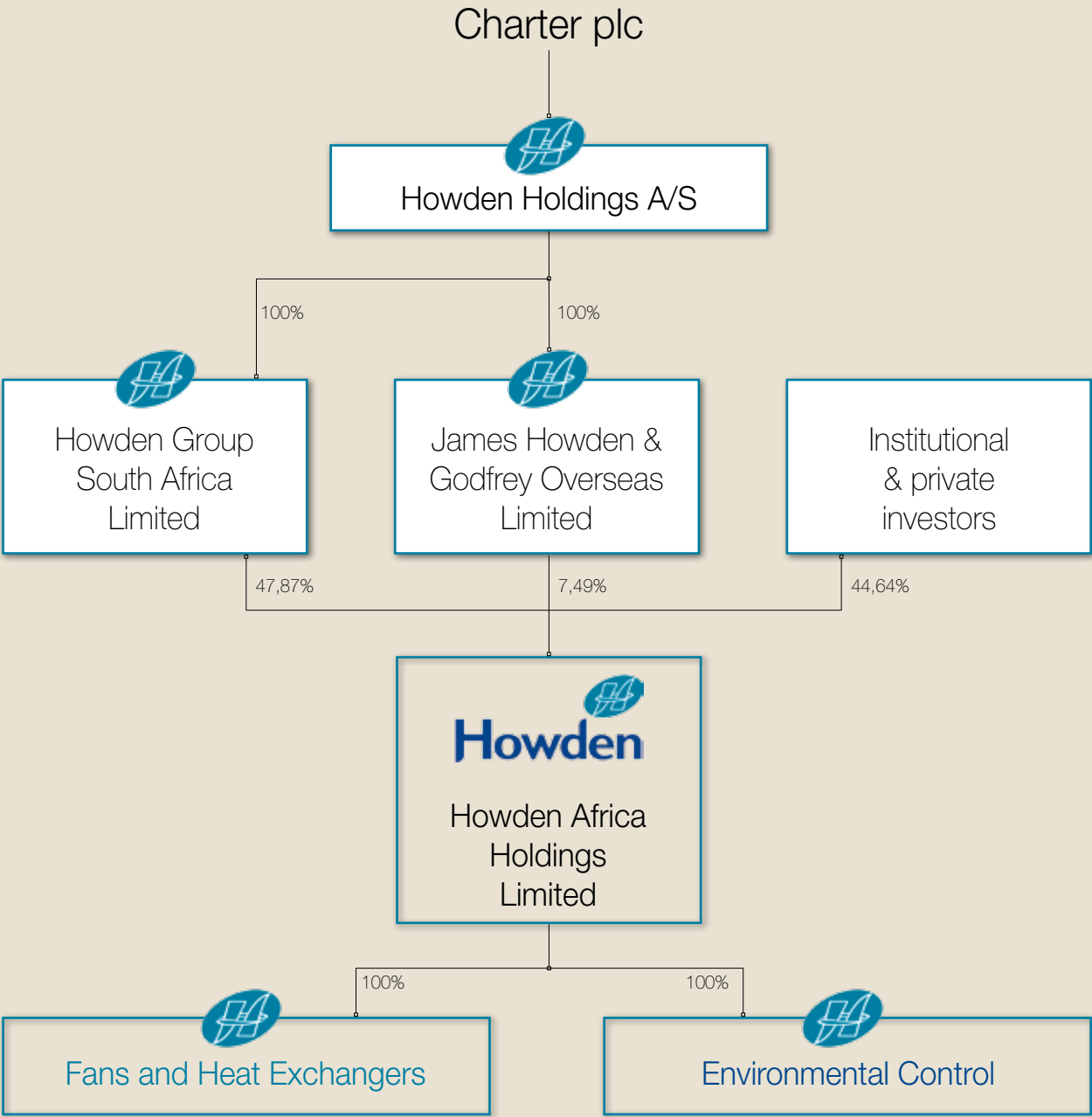


Percentage of market served by industry group

2006



Group structure



Chairman's statement



I am pleased to report an excellent set of results for the year ended 31 December 2007, with a healthy increase in sales and operating profits reflecting a strong performance by businesses throughout the Group.

GENERAL REVIEW

In 2007 sales of R686,4 million are reported compared to R510,9 million in 2006, an increase of 34%, and operating profit has increased by 71% to R89,0 million (2006: R52,2 million). The improved profitability has been generated from higher sales volumes in all business units and good control over operating costs.

Strong growth in Gross Domestic Fixed Investment, driven by public and private sector initiatives, continues to generate demand for products and services provided by businesses within the Group. Developments in the mining and power markets in particular have led to increased business activity, making a big contribution to the 34% increase in Group sales. As reported last year, a key area for the Group is in supporting Eskom in its drive to build additional electricity generating capacity over the next few years and in this regard the Group has been active on all three of the power stations being returned to service.

Order intake during the year in the fan and heat exchanger division has been higher than in previous years resulting in a stronger order book. Growth in the mining market has been particularly strong given the high Rand commodity prices presently being experienced. Developments associated with the new build programme in Eskom, and power supply constraints into the mining

industry, suggest that maintaining results in this division could be challenging.

The environmental control division recorded order intake levels above those reported last year, and is well placed to continue improving on this position. The consolidation of businesses in this division, following the acquisition of the outstanding shareholding in Bateman Howden South Africa (Pty) Limited, was a further step in building the critical mass necessary to meet market demands associated with the high end of environmental control business.

The review of operations covers the divisions more specifically.

STRUCTURAL CHANGES TO GROUP ACTIVITIES

On 18 May 2007, the Company completed the disposal of its 42% shareholding in Pump Brands (Pty) Ltd, for a consideration of R32,7 million. The board regarded the shareholding as non-core.

On 6 July 2007, the Group acquired the outstanding 50,01% shareholding in Bateman Howden South Africa (Pty) Ltd. This acquisition has allowed the Group to consolidate its Environmental Control businesses into one business unit.

BUSINESS AND FINANCIAL INTERNAL REORGANISATION

During 2006 the Group undertook an internal reorganisation which simplified its holdings under a single holding company and which put in place a capital structure considered to be appropriate to the Group's mix of businesses and the increased generation of shareholder value.



Part of this initiative included drawing down R100 million from facilities which Standard Bank had made available. During 2007 strong cash generation resulted in the Group substantially repaying these borrowings. This has allowed the board to reconsider the efficiency of the Group's capital structure on the balance sheet. The board has accordingly considered dividend proposals as reported on hereunder.

BLACK ECONOMIC EMPOWERMENT

Strategies to improve our BEE credentials have been addressed and appropriate action plans put in place to improve our standing in line with the dti's generic scorecard.

HEALTH AND SAFETY

The importance of health and safety continues to be emphasised by ensuring that performance and progress on improvement actions are considered as a formal agenda item at meetings of senior management and at board meetings. Health and safety resources have been strengthened at Group level to assist with additional training and make further progress towards OHSAS 18001 accreditation. Raising the profile of health and safety throughout the Group is in line with Howden Global's policy

to achieve a safety culture where managers and employees believe a lost time accident rate of zero is realistic.

BOARD OF DIRECTORS

Ms Morongwe Malebye was appointed as an independent non-executive director on 7 November 2007. We welcome her to the board and look forward to her contributions over the coming years. There have been no further changes to the board.

DIVIDENDS

Given the improvement in earnings and the resultant cash position the board of directors has considered the reintroduction of regular dividend payments. It is therefore pleasing to announce the declaration of a dividend of 15 cents per share payable to shareholders for the year ended 31 December 2007.

RJ CLELAND

Non-Executive Chairman

12 March 2008



Fans and Heat Exchangers



Review of operations

Fans and Heat Exchangers

- Ⓜ Mines continue to roll out capital expansion programmes on the back of strong Rand-based commodity prices, which has led to good intake of new equipment orders.
- Ⓜ Strong order book levels and existing prospects support the view for another good year of earnings.
- Ⓜ The Company looks forward to participating constructively in Eskom's new build programme moving forward.



Contribution to Group Revenue

67%



Order intake for fans and heat exchangers totalled R557 million, which represents 72% of the total order intake, compared to R408 million the previous year.

The standard fan business enjoyed another year of improved results supported by growth in the transportation and axial fan markets. A good share of prime projects bid into the building services market was recorded together with an improvement in sales volumes into established export markets. The industrial sector proved to be a little disappointing but the business remains well placed to improve market share in 2008. The business continues to convert a large proportion of targeted bids into orders and this should result in further improvements in operating results over the coming year.

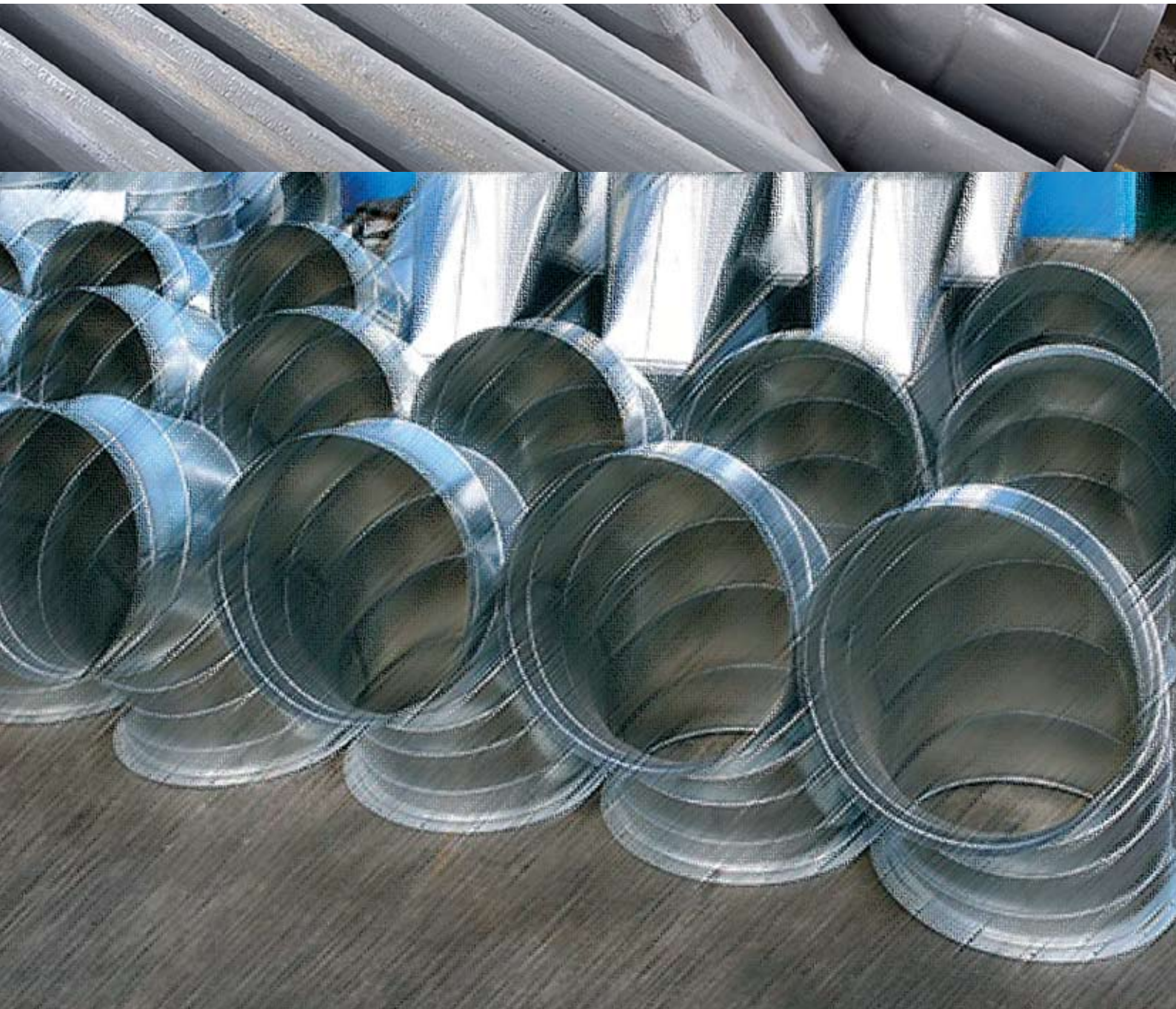
The fan business focused on the mining market has reported strong growth in earnings as the mines continue to roll out capital expansion programmes on the back of strong Rand-based commodity prices. This led to a good intake of new equipment orders to support normal after-market business associated with this market. Actions associated with Eskom's demand-side management initiative continue to attract attention and this business unit in particular can make a meaningful contribution

in assisting the larger mines to reduce energy costs associated with their mine ventilation processes. A strong closing order book is in place and given a normalisation of operations in the mining markets another solid performance should be forthcoming from this business through the year.

The return to service (RTS) project in Eskom covering the Camden, Komati and Grootvlei power stations has led to consistently high levels of business activity in Howden Power throughout the year. Manning levels have increased accordingly and the business continues to provide every assistance in supporting Eskom's capacity expansion programme. Maintenance and upgrade programmes at the active power stations continue to receive attention and the business looks forward to participating constructively in the utility's new build programme moving forward. Work associated with the RTS programme peaked through the year and this would need to be replaced with new build activities in order to maintain earnings in this business.

Strong order book levels and existing prospects support the view that another good year of earnings should be forthcoming in the fans and heat exchangers division for 2008.

Review of operations
Fans and Heat Exchangers





Environmental Control

Review of operations

Environmental Control

- The consolidation of the environmental division has assisted in positioning the business strongly in gas cleaning markets.
- Fabric filter retrofit programmes have assisted in increasing the installed base of this technology, at both Eskom and Municipal power stations. This has improved the environments in which they operate.
- Mine cooling processes tend to be energy intensive and every effort is being made to improve existing processes to reduce power consumption.



Contribution to Group revenue

33%



The Environmental Control division recorded orders of R217 million, representing 28% of the total order intake, compared to R130 million in the previous year.

The division's drive to expand its range of available gas cleaning technologies resulted in an SO³ flue gas conditioning plant order being received for R58 million. This technology, together with existing technologies, and further efforts to add to the portfolio has resulted in the business positioning itself strongly at the high end of the market. A focus on dust extraction technologies has broadened to cover gas treatment as well, offering a wider base of customers to expand business.

The fabric filter retrofit programme at Camden Power Station was largely seen through to completion during the year, increasing the installed base of this technology to five power stations, both Eskom and municipal. We are extremely proud of these installations and the improvements they have brought to the immediate environments in which they operate. The successful completion of the Camden contract has led to further negotiations to retrofit the remaining two boilers at the power station in order to improve stack emissions.

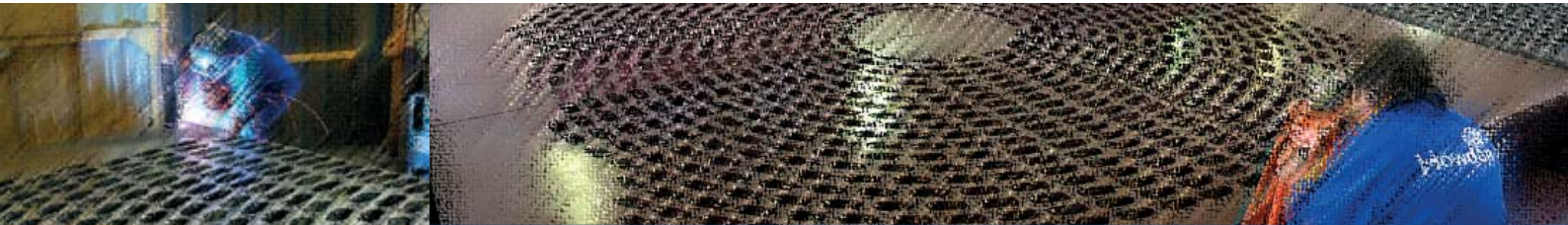
Work continues to be carried out in supporting depth extension initiatives at various gold mines given the strong Rand gold price. Mine cooling processes tend to be energy intensive and every effort is being made to improve existing processes to reduce power consumption. The business is confident that efforts in this regard should prove successful over the coming year.

The consolidation of businesses in this division has been successfully worked through and available prospects suggest that the division is well placed to continue growing market share.

OUTLOOK

A strong closing order book and select number of environmental control projects gives encouragement for the year ahead. The Company remains close to developments associated with Eskom's new build programme and the extent to which these efforts lead to positive outcomes would largely influence the Group's ability to grow earnings in the longer term.

Review of operations Environmental Control



Corporate governance

The board and management of Howden Africa Holdings Limited are committed to the principles of openness, integrity and accountability as advocated in the King II Code on Corporate Governance.

The board of directors endorse the Code of Corporate Practices and Conduct contained in the King Report on Corporate Governance for South Africa 2002 (King II report), and believes that in all material respects the Company complied with the principles contained in such code throughout the year under review. The Company complies with all the requirements concerning corporate governance contained in the Listings Requirements of the JSE Limited, South Africa.

The primary objective of any system of corporate governance is to ensure that directors and managers, to whom the running of large corporations has been entrusted by the shareholders, carry out their responsibilities faithfully and effectively, placing the interests of the corporation ahead of their own. This process is facilitated through the establishment of appropriate reporting and control structures within the organisation.

DIRECTORATE AND EXECUTIVE MANAGEMENT

The board of Howden Africa Holdings Limited is balanced between executive and non-executive directors.

The roles of chairman and chief operating officer vest in different persons. There are presently four non-

executive directors and one executive director, none of whom has contracts exceeding two years. New appointments to the board are submitted to the board as a whole for approval prior to appointment.

The board meets at least quarterly and retains full and executive control over the Group. The board monitors management ensuring that material matters are subject to board approval. The executive management attend board meetings by invitation.

All directors have unlimited access to the advice and services of the company secretary, who is responsible to the board for ensuring that the board procedures are followed.

All directors are entitled to seek independent professional advice at the Group's expense, concerning the affairs of the Group, after obtaining the approval of the chairman.

The board is ultimately responsible for ensuring that the business is a going concern, and to this end effectively controls the group and its management and is involved in all decisions that are material for this purpose. The board functions in terms of a Board Charter which requires that there is an appropriate balance of power and authority on the board.

New appointments are recommended to the board by the Remuneration Committee. All directors are, in terms of the articles of association, subject to retirement by rotation

and re-elected by shareholders. The number of directors to retire must be at least one-third of the board. The appointments of new directors are subject to confirmation by shareholders at the next annual general meeting following their appointment.

ATTENDANCE AT MEETINGS

There were four meetings held during the year.

Director	Date appointed	Resigned	Attendance
RJ Cleland	2 March 00		4/4
AB Mashiatsidi	31 July 03		4/4
S Meyer	3 May 96		4/4
M Malebye	7 November 07		1/1
J Brown	1 March 05		3/4

AUDIT COMMITTEE

The Audit Committee consists of two non-executive directors with the company secretary as secretary. This committee is chaired by Mr A Mashiatsidi, an independent non-executive director.

The committee has formal terms of reference approved by the board. Its main task is to ensure the maintenance of and, where necessary, the review of the effectiveness of internal financial controls in the group, along with the maintenance of adequate accounting records and disclosure. It also oversees the financial reporting process and is concerned with the review of important accounting issues, pending litigation, specific disclosure in the financial statements and a review of the major

audit recommendations in compliance with the code of corporate practice and conduct and with the Group's code of ethics. The Audit Committee reports that it is satisfied that the appointment of the external auditors is such that the auditor appointed is independent of the company. The committee monitors any non-audit services undertaken by the independent auditors in terms of a formal policy which has been adopted in this regard.

Both the internal and external auditors have unrestricted access to this committee. The committee meets twice a year and these meetings are attended by external and internal auditors and appropriate members of executive management including those involved in risk management, control and finance. The committee reviews the effectiveness of internal control in the Company with reference to the findings of both the internal and external auditors.

AUDIT COMMITTEE MEETINGS ATTENDANCE

There were two meetings held during the year.

Director	Date appointed	Resigned	Attendance
M Malebye	7 Nov 07		1/1
AB Mashiatsidi (Chairman)	31 July 03		2/2
J Brown	1 Dec 05	6 Dec 07	2/2

Corporate governance (continued)

REMUNERATION COMMITTEE

The Remuneration Committee consists of the chairman and one other non-executive director. It is authorised by the board to review remuneration packages of all directors and senior managers.

The committee has formal terms of reference approved by the board. The remuneration philosophy of the Group is to ensure that employees are rewarded for their contribution according to the Group's industry, market and country benchmarks.

The committee is responsible for the assessment and approval of broad remuneration strategy for the Group. The financial statements accompanying this report make full disclosure of the total of executive and non-executive directors' earnings and other benefits in accordance with the requirements of the Companies Act, 1973, the King Report and the JSE requirements.

REMUNERATION COMMITTEE MEETINGS

ATTENDANCE

There was one meeting held during the year.

Director	Date appointed	Resigned	Attendance
RJ Cleland	2 March 2000		1/1
J Brown	1 January 2007		1/1

INTERNAL CONTROL SYSTEMS

To meet its responsibility with respect to providing reliable financial information, the Group maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately protected against material loss of unauthorised acquisition, use or disposition, and that transactions are properly authorised and recorded.

The system includes a documented organisational structure and division of responsibility, established policies and procedures, including a code of ethics to foster a strong ethical climate, which is communicated throughout the Group, and careful selection, training and development of people.

Internal audit monitors the operation of the internal control system and reports findings and recommendations to management and the board of directors. Corrective actions are taken to address control deficiencies and other opportunities for improving the system as they are identified. The Group's assessment of the effective controls over the financial reporting and safeguarding of assets was considered to meet all the necessary criteria for the year ended 31 December 2007.

ETHICAL STANDARDS

Howden Africa Holdings Limited has adopted a code of ethics policy. This incorporates the Group's operating, financial and behavioural policies in a set of integrated values, including the ethical standards required of employees of the Group in their interaction with one another and with all stakeholders. Detailed policies and procedures are in place across the Group covering the regulation and reporting of transactions in securities of Group companies by directors and officers. The code is distributed to all employees of the company, and its subsidiaries. The directors regularly review this code to ensure it reflects best practice in corporate governance.

THE ENVIRONMENT, HEALTH AND SAFETY

The Group strives to conform to environmental, health and safety laws in its operations and also seeks to add value to the quality of life of its employees through preventative health programmes. Although the Group's major activities do not pose a major threat to the environment, the Group's risk management activities continue to focus on compliance with key features of existing environmental, health and safety legislation and international standards.

Social responsibility

The Group's social responsibility portfolio remains focused on education, skills development and community upliftment.

Combating the effects of HIV/Aids requires partnerships involving the company, its employees and external service providers. To this end, the Group continues to invite several partners to an employee health week held annually. The week includes communication and education on healthy habits to encourage employees to adjust their lifestyles for better health and quality of work life. The HIV/Aids awareness campaign continues into 2008.

The Group increased the intake of learners to its learnership programme in response to the acute need for apprentice training. Progress of the current apprentices has been satisfactory.

We are a socially aware Group and have a structured programme to support worthy causes in and around the area where we operate and where our employees live.

The Group endeavours to give a limited number of charity organisations substantial regular support on an annual basis to maintain their long-term viability.

Our Corporate Social Investment (CSI) programme has continued this year with a series of donations being made to a number of worthy charities that are located near to our sites of operations. These donations comprise of money, food and clothing.

Apart from the above, the Group continues to contribute to selected homes for abused and abandoned children; homes for HIV infected and affected babies, and payment towards the education of a child with cerebral palsy. The Group is committed to establishing long-term relationships with worthy organisations which deserve support through their work aimed at uplifting the young, infirm or socially disadvantaged. In the year under review various sporting activities were also supported. Howden Africa Holdings Ltd remains committed to the Business Trust, an initiative of 145 South African companies working in partnership with government that focuses on job creation and capacity building programmes.

The Group is committed to promoting a non-racial workplace, and implementing fair employment practices that comply with employment equity legislation and the Occupational Health and Safety Act.

Directors' responsibility

The directors are responsible for the integrity of the financial statements and related information included in this annual report.

For the board to discharge its responsibilities management has developed and continues to maintain a system of internal financial control. The board has ultimate responsibility for this system of internal control and reviews the effectiveness of its operations, primarily through the Group Audit Committee and other risk-monitoring committees and functions.

The internal financial controls include risk-based systems of accounting and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the Group's written policies and procedures. These controls are implemented by trained, skilled staff with clearly defined lines of accountability and appropriate segregation of duties. The controls are monitored by management and include comprehensive budgeting and reporting systems operating within strict deadlines and an appropriate control framework.

The external auditors are responsible for reporting on the financial statements.

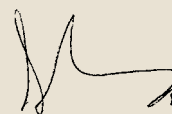
The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and incorporate responsible disclosures in line with the accounting philosophy of the Group. The financial statements are based on appropriate accounting policies consistently applied and supported by reasonable judgements and estimates. The directors believe that the Group will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the Group annual financial statements.

These financial statements, which appear on pages 26 to 71, have been approved by the Board of Directors and are signed on its behalf by:



J BROWN

Non-Executive Director




S MEYER

*Chief Operating Officer and
Group Financial Director*

12 March 2008

Certificate of the company secretary

In my opinion as company secretary, I hereby confirm, in terms of section 268 (d) of the Companies Act, 1973, as amended, that for the year ended 31 December 2007, the Company has lodged, with the Registrar of Companies, all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.



MJM LAKE

Company Secretary

12 March 2008

Report of the independent auditors

We have audited the annual financial statements and Group annual financial statements of Howden Africa Holdings Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 31 December 2007, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 26 to 71.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and of the Group as of 31 December 2007, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



PricewaterhouseCoopers Inc
Director: George Hauptfleisch
Registered Auditor
Johannesburg
12 March 2008

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Directors' report

The directors have pleasure in submitting the annual report of the Group for the year ended 31 December 2007.

	2007	2006
	R'000	R'000
Group results		
Revenue	686 367	510 942
Orders received	773 700	538 137
Profit before income tax	87 196	55 923
Assets	373 579	340 844
Liabilities	285 530	305 828
Depreciation	3 312	2 540
Capital expenditure	11 311	5 120

The detailed segmental report is shown under Notes to the Financial Statements, note 5 on pages 48 – 49.

Strong market conditions in all the market segments served by companies within the Group resulted in improved order intake levels through the year and a closing order book of R309,6 million. The fan and airheater division recorded another impressive improvement in results, order intake levels increasing by 37% over 2006 driven mainly by the power and mining market sectors. The environmental control division recorded an improvement in order levels of 66% above last year, supported by a good performance in the first half of the year.

Operating results achieved through the year benefited from higher sales volumes in all business units and good control over operating costs, given the increased levels of business activity.

On 18 May 2007, the Company completed the disposal of its 42% shareholding in Pump Brands (Pty) Limited for a consideration of R32,7 million. The board regarded the business as non-core.

On 6 July 2007 the Group acquired the remaining 50,01% shareholding in Bateman Howden South Africa (Pty) Limited for R26,3 million, resulting in that company becoming a wholly owned subsidiary. Goodwill of R23,7 million was recognised on this transaction. The acquisition has led to a consolidation of the Group's Environmental Control businesses, resulting in one business unit with the necessary critical mass to focus on the high end of the gas cleaning market.

FINANCIAL RESULTS

Group sales from continuing operations at R686,4 million represents an improvement of 34,3% compared to 2006. Increased activity levels in the mining and power generation markets boosted sales through the year with Group companies achieving good successes in converting available prospects. The Environmental Control division experienced a good turnaround in business levels from the lower base reported last year.

Profit before income tax of R87,2 million (2006: R55,9 million) is reported, higher sales volumes and an improvement in results in the Environmental Control division largely accounting for the difference. Net finance costs of R1,8 million compares to R1,5 million reported last year, a favourable outcome given the high gearing reported at the beginning of the year.

An income tax charge of R24,8 million (2006: R35,3 million) has been accrued, equivalent to 28,4% of profit before income tax. This compares to the 63,2% charge last year which included STC of R12,2 million paid in respect of the special dividend of R97,4 million. The previous ruling by the Revenue authorities to disallow the deduction of certain intellectual property expenses has been reversed, resulting in a normalisation of this year's tax charge.

The comparisons below refer to the corresponding twelve-month period to December 2006:

- Order intake amounted to R774 million compared to R538 million in the corresponding period
- Operating profit of R89,0 million compared to R52,2 million
- Earnings per share of 93,9 cents compared to 25,2 cents
- At 31 December 2007 the Group had a net positive cash position of R19,9 million compared to R42,3 million
- Net borrowings of R0,7 million compare with R48,9 million last year.

OTHER MATTERS

Share capital

Details of the Company's share capital, its holding company and its shareholders are given in note 15 to the financial statements.

Directorate

Ms Morongwe Malebye was appointed as an independent non-executive director on 7 November 2007. We welcome her to the board and look forward to her contributions over the coming years.

In terms of the Company's articles of association, Messrs Robert Cleland and Arthur Mashiatshidi retire from office by rotation at the annual general meeting and, being eligible, offer themselves for re-election.

The names of the directors, secretary and auditors are listed on page 2 of the report.

Directors' interests

At 31 December 2007, the aggregate direct beneficial interest of the directors in the issued ordinary shares of the Company was 185 960 shares (Dec 2006: 185 960).

At 31 December 2007, the directors' interest and that of their families did not in aggregate exceed 1% of the issued share capital of the Company.

At the date of this report there had been no changes to the above shareholdings.

Subsidiary companies

A list of the Company's subsidiaries and its interests therein is given on pages 70 and 71 of the report.

Management by third parties

No business of the Company or its subsidiaries was managed by a third person or company during the financial year, with the exception that the Company provides managerial services to its subsidiaries.

SUBSEQUENT EVENTS

There are no reportable subsequent events, except for the change in the corporate tax rate (refer note 27).

DIVIDEND

Given the improvement in earnings and the resultant cash position, the directors have considered the reintroduction of regular dividend payments.

Notice is hereby given that the board has declared a dividend of 15 cents per share payable to shareholders for the year ended 31 December 2007. The last date to trade cum dividend is Friday, 28 March 2008. Shares start trading ex dividend on Monday, 31 March 2008. The record date is Friday, 4 April 2008. Payment will be Monday, 7 April 2008. No share certificates are to be dematerialised or rematerialised between Monday, 31 March 2008 and Friday, 4 April 2008 both days inclusive.

BASIS OF PREPARATION

These financial statements on pages 26 to 71 set out fully the financial position, results of operations and cash flows of the Group for the financial year ended 31 December 2007.

AUDITORS

The auditors, PricewaterhouseCoopers Inc, have indicated their willingness to be reappointed at the forthcoming annual general meeting.

For and on behalf of the board



S MEYER

Chief Operating Officer and
Group Financial Director
12 March 2008

Balance sheets

as at 31 December 2007

	Notes	CONSOLIDATED		COMPANY	
		2007 R'000	2006 R'000	2007 R'000	2006 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	43 217	35 181	24	36
Intangible assets	7	58 933	36 972	34 747	36 402
Investment in subsidiaries	8			275 633	222 391
Investment in associate	9	—	32 593	—	32 593
Deferred income tax assets	19	27 114	29 634	209	668
Trade and other receivables		2 710	3 753	—	—
		131 974	138 133	310 613	292 090
Current assets					
Inventories	10	32 197	32 431	—	—
Trade and other receivables	12	189 367	127 626	12	211
Derivative financial instruments	14	139	299	—	—
Amounts owing by holding company and subsidiaries				950	1 226
Cash and cash equivalents	35	19 902	42 355	552	757
		241 605	202 711	1 514	2 194
TOTAL ASSETS		373 579	340 844	312 127	294 284
EQUITY					
Capital and reserves attributable to equity holders of the company					
Ordinary shares	15	657	657	657	657
Retained earnings		87 392	25 509	304 960	286 145
		88 049	26 166	305 617	286 802
Minority interest in equity	17	—	8 850	—	—
Total equity		88 049	35 016	305 617	286 802
LIABILITIES					
Non-current liabilities					
Borrowings	18	20 000	81 647	—	—
Deferred income tax liabilities	19	11 412	11 908	—	—
Provisions and other liabilities and charges	21	3 680	2 117	—	—
		35 092	95 672	—	—
Current liabilities					
Trade and other payables	20	238 439	193 142	2 559	5 000
Current income tax liabilities		5 082	876	3 065	2 234
Borrowings	18	616	9 628	—	—
Derivative financial instruments	14	102	25	—	—
Provisions and other liabilities and charges	21	6 199	6 485	—	—
Amounts owing to holding company and subsidiaries				886	248
		250 438	210 156	6 510	7 482
Total liabilities		285 530	305 828	6 510	7 482
TOTAL EQUITY AND LIABILITIES		373 579	340 844	312 127	294 284

Income statements

for the year ended 31 December 2007

	Notes	CONSOLIDATED		COMPANY	
		2007 R'000	2006 R'000	2007 R'000	2006 R'000
REVENUE	22	686 367	510 942	—	—
Cost of sales		504 598	369 904	—	—
Gross profit		181 769	141 038	—	—
Distribution costs		(23 471)	(21 354)	—	—
Administrative expenses		(71 932)	(71 303)	(6 691)	(10 269)
Other income		2 613	3 773	16 308	293 710
Operating profit	23/24	88 979	52 154	9 617	283 441
Finance income	26	7 558	9 048	16 351	5 578
Finance costs	26	(9 334)	(10 531)	(4)	(207)
Finance (costs)/income – net	26	(1 776)	(1 483)	16 347	5 371
Foreign exchange (losses)/profits	25	(132)	2 196	—	—
Loss on disposal of associate		(1 028)	—	(1 028)	—
Profit on sale of investments in subsidiaries				—	56 403
Share of profit of associate		1 153	3 056	1 153	3 056
Profit before income tax		87 196	55 923	26 089	348 271
Income tax expense	27	24 753	35 349	7 274	17 613
Profit for the year		62 443	20 574	18 815	330 658
Attributable to:					
Equity holders of the company		61 684	16 542	18 815	330 658
Minority interest	17	759	4 032		
		62 443	20 574	18 815	330 658
		Cents	Cents		
Earnings per share for profit attributable to the equity holders of the company during the year					
– basic	29	93,85	25,17		

Statement of changes in equity

for the year ended 31 December 2007

	Attributable to equity holders of the Company			Minority interest	Total
	Share capital R'000	Retained earnings R'000	Foreign currency translation reserve R'000	R'000	R'000
CONSOLIDATED					
Balance at 1 January 2006	61 708	111 557	750	10 226	184 241
Movements for the year			(2 448)		(2 448)
Net profit for the year		16 542		4 032	20 574
Minority interest acquired		408		(408)	—
Dividends paid and return of share premium	(61 051)	(101 300)		(5 000)	(167 351)
Balance at 31 December 2006	657	27 207	(1 698)	8 850	35 016
Balance at 1 January 2007	657	27 207	(1 698)	8 850	35 016
Movements for the year			199		199
Net profit for the year		61 684		759	62 443
Acquisition of subsidiary from minority				(2 603)	(2 603)
Dividends paid	—	—		(7 006)	(7 006)
Balance at 31 December 2007	657	88 891	(1 499)	—	88 049
COMPANY					
Balance at 1 January 2006	61 708	56 787			118 495
Net profit for the year		330 658			330 658
Dividends and return of share premium	(61 051)	(101 300)			(162 351)
Balance at 31 December 2006	657	286 145			286 802
Balance at 1 January 2007	657	286 145			286 802
Net profit for the year		18 815			18 815
Balance at 31 December 2007	657	304 960			305 617

Cash flow statements

for the year ended 31 December 2007

	Notes	CONSOLIDATED		COMPANY	
		2007 R'000	2006 R'000	2007 R'000	2006 R'000
Cash flow from operating activities					
Cash generated from operations	30	80 424	66 519	9 956	61 188
Interest paid		(11 228)	(8 021)	(4)	(207)
Income tax paid	32	(18 523)	(41 262)	(5 984)	(14 890)
Net cash generated from operating activities		50 673	17 236	3 968	46 091
Cash flow from investing activities					
Loan repayments received from associate company	9	—	2 174	—	2 174
Loans granted to subsidiaries		—	—	(53 242)	(127 677)
Acquisition of minority interest of subsidiary		(26 320)	—	—	—
Acquisition of subsidiary		—	—	—	(56 404)
Dividends received		—	—	—	281 248
Interest received		7 558	9 048	16 351	5 578
Proceeds on disposal of associate company		32 718	—	32 718	—
Purchases of property, plant and equipment and intangible assets		(11 311)	(5 120)	—	—
Proceeds from disposal of property, plant and equipment and intangible assets	34	—	77	—	1
Net cash generated from/(used in) investing activities		2 645	6 179	(4 173)	104 920
Cash flow from financing activities					
Proceeds from borrowings		—	100 000	—	—
Repayments of borrowings		(68 709)	(11 291)	—	—
Dividends paid to company's shareholders	31	—	(162 351)	—	(162 351)
Dividends paid to minority interests		(7 006)	(5 000)	—	—
Net cash used in financing activities		(75 715)	(78 642)	—	(162 351)
Net decrease in cash, cash equivalents and bank overdrafts		(22 397)	(55 227)	(205)	(11 340)
Cash, cash equivalents and bank overdrafts at beginning of year		42 299	97 526	757	12 097
Cash, cash equivalents and bank overdrafts at end of year	35	19 902	42 299	552	757

Notes to the financial statements

for the year ended 31 December 2007

1. GENERAL INFORMATION

Howden Africa Holdings Limited and its subsidiaries design, manufacture and market specialised air and gas handling solutions to a wide range of industries. The Group has manufacturing plants in Johannesburg and Port Elizabeth and sells its products mainly in South Africa, with a certain quantity of exports to the rest of the world on certain products. The major industries it supplies are power generation, petrochemical, mining, agriculture, construction, refrigeration, water treatment, transportation and general industry.

The Company is a public company listed on the JSE Limited and was incorporated in South Africa. The address and registered office is 1a Booyens Road, Booyens, Johannesburg. 2091. Its Share code is: HWN and ISIN Code: ZAE 000010583.

These Group consolidated financial statements were authorised for issue by the board of directors on 12 March 2008.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements of Howden Africa Holdings Limited have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements are prepared under the historical cost convention as modified by the financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Standards, amendments and interpretations effective in 2007

IFRS 7, *Financial Instruments: Disclosures*, and the complementary amendment to IAS 1, *Presentation of financial statements – Capital disclosures*, introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 8, *Scope of IFRS 2*, requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Group's financial statements.

IFRIC 10, *Interim Financial Reporting and Impairment*, prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

IFRIC 11, *IFRS 2 – Group and treasury share transactions*. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. The interpretation does not have an impact on the Group's financial statements.

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Standards, amendments and interpretations effective in 2007 (continued)

AC 503, *Accounting for Black Economic Empowerment (BEE) transactions*. This interpretation considers those BEE transactions where the entity grants equity instruments to previously disadvantaged persons (directly or indirectly) and the fair value of the cash and other assets received (or to be received), if any, is less than the fair value of the equity instruments granted. This standard currently does not have an impact on the Group's financial statements.

Standards early adopted by the Group

No standards have been early adopted by the Group.

Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but are not relevant to the Group's operations:

- IFRS 4, *Insurance contracts*;
- IFRIC 7, *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyper-inflationary Economies*; and
- IFRIC 9, *Re-assessment of Embedded Derivatives*.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but the Group has not early adopted:

- IAS 23 (amendment), *Borrowing costs* (effective from 1 January 2009). This standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amended) from 1 January 2009 but is currently not applicable to the Group as there are no qualifying assets.
- IFRS 8, *Operating Segments* (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirement of the US standard SFAS 131, *Disclosures about segments of an enterprise and related information*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management.
- IFRIC 14, *IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction* (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension fund asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the Group's accounts.

Interpretations to existing standards that are not yet effective and not relevant to the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant to the Group's operations:

- IFRIC 12 *Service concession arrangements* (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group's operations.

Notes to the financial statements

for the year ended 31 December 2007 (continued)

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Interpretations to existing standards that are not yet effective and not relevant to the Group's operations (continued)

- IFRIC 13, *Customer loyalty programmes* (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not relevant to the Group's operations because none of the Group's companies operates any loyalty programmes.

2.2 Basis of consolidation

(a) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus the costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired, including all separately identifiable intangible assets, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (refer note 2.7).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recorded at cost.

The Group's share of its associates' post-acquisition profits or losses, net of interest and tax, is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2. ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

(b) Associates (continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

(c) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group on the modified parent model. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary.

A listing of the Group's principal subsidiaries is set out at the end of the notes to the annual financial statements. The financial effect of the acquisition and disposal of subsidiaries is shown in notes 17 and 33 to the annual financial statements.

2.3 Segment reporting

The Group's primary reporting format is business segments and its secondary format is geographical segments. A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from other business segments. A geographical segment is engaged in providing products within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements for each of the Group's entities are measured using the currency of the primary economic environment in which that entity operates ('the functional currency'). The consolidated financial statements are presented in Rand, which is the functional and presentation currency of Howden Africa Holdings Limited.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency of Group entities using the exchange rate at the date of the transaction. Foreign exchange gains and losses arising from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Notes to the financial statements

for the year ended 31 December 2007 (continued)

2. ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all Group companies that have non-Rand functional currency are translated in the consolidated financial statements as follows:

- (i) Assets and liabilities are translated at the exchange rate at the balance sheet date;
- (ii) Income and expenses are translated at average exchange rates for the relevant period; and
- (iii) All resulting exchange differences arising since 1 January 2004 are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences arising since 1 January 2004 are recognised in the income statement as part of the gain or loss on sale.

2.5 Derivative financial instruments and hedging activities

Derivative financial instruments, principally forward foreign exchange contracts, are used as hedges in the financing and financial risk management of the Group and are initially measured at fair value on the date a derivative contract is entered into and subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- (1) hedges of the fair value of recognised assets or liabilities (fair value hedge); (2) hedges of highly probable forecast transactions (cash flow hedge); or (3) hedges of net investments in foreign operations.

For fair value hedges, changes in the fair value of derivatives that are designated and qualify as hedges, are recognised in the consolidated income statement together with any changes in the fair value of the hedged item attributable to the hedged risk.

For cash flow hedges and net investment hedges, the effective portion of changes in the fair value of derivatives that are designated and qualify as hedges are recognised in shareholders' equity, with any ineffective portion recognised immediately in the income statement. When hedged cash flows result in the recognition of a non-financial asset or liability, the associated gains or losses previously recognised in shareholders' equity are included in the initial measurement of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in shareholders' equity are transferred to the income statement in the same period in which the hedged cash flows affect the income statement. For net investment hedges gains and losses accumulated in shareholders' equity are included in the income statement when the foreign operation is disposed of.

Any gains or losses arising from changes in fair value of derivative financial instruments not designated as hedges are recognised in the income statement.

2.6 Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation and impairments. Land and buildings comprise mainly factories and offices. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

2. ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

In accordance with the benchmark treatment under IFRS, borrowing costs associated with expenditure on property, plant and equipment are not capitalised.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method spreading the difference between cost and residual values over the estimated useful lives as follows:

Buildings	50 years
Plant, machinery and equipment	2 to 20 years
Patterns and dies	3 years
Vehicles	4 years
IT equipment	3 to 5 years
Office furniture and equipment	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (see impairment of assets below).

Profits and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

2.7 Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in investments in associates' and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Trademarks and licences

Trademarks and licences are recognised at cost. They have a finite useful life and are carried at cost less accumulated amortisation and impairments. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives. The useful life of the trademarks is considered to be 25 years. These trademarks and licences are reviewed annually for impairment.

Notes to the financial statements

for the year ended 31 December 2007 (continued)

2. ACCOUNTING POLICIES (continued)

2.7 Intangible assets (continued)

(iii) *Research and development*

Research and development expenditure is charged to income in the year in which it is incurred.

(iv) *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred and amortised over the estimated useful life of the licence, usually between three and five years.

Internal expenditure associated with developing or maintaining computer software programmes is charged to the income statement in the year in which it is incurred, except such costs that are directly associated with the production of identifiable and unique software products controlled by the Group that are likely to generate benefits exceeding costs beyond one year, in which case such costs are capitalised and amortised over the estimated useful life of the software product, usually less than three years.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised as an expense immediately and are written off in the income statement.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed that carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognised as income immediately. Goodwill impairments are not reversed.

2.9 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit and loss*

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

2. ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (note 2.11 and 2.12).

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of 'other income' when the Group's right to receive payments is established.

2.10 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first-in-first-out (FIFO) basis or the average cost basis. Cost includes expenditure which is incurred in the normal course of business in bringing the product to its present location and condition. Net realisable value is the estimated selling price less all costs to be incurred. Where necessary, provision is made for obsolete, slow moving and defective inventory.

Long-term contracts in progress are stated at cost, comprising direct expenditure and attributable overheads, together with a proportion of the estimated total profit earned on the work completed to date, less progress payments received and receivable. Provision is made for all losses expected to arise on completion of the contracts.

2.11 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Notes to the financial statements

for the year ended 31 December 2007 (continued)

2. ACCOUNTING POLICIES (continued)

2.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown as equity as a deduction from the proceeds, net of tax.

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income tax), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Construction contracts

Construction contracts relate to the construction of an asset.

The contract revenue comprises the initial agreed contract price plus any confirmed variations. Costs are those that are directly related to the contract. Where the outcome of the contract can be reliably estimated, revenue and costs are taken to the profit and loss account based on the percentage-of-completion method. The methods to measure the percentage complete are:

- Measuring the proportion of costs incurred for work performed to the total expected costs
- Surveys of the work performed
- The physical proportion of the contract completed.

The profit attributable to the stage of completion will represent the difference between the revenue and costs attributable to the stage of completion.

Where the outcome of the contract cannot be reliably estimated, revenue is taken to the profit and loss account based on the costs incurred that are deemed to be recoverable.

Where any contract review shows an expected loss on a contract then this loss is recognised in the profit and loss account immediately.

2. ACCOUNTING POLICIES (continued)

2.15 Construction contracts (continued)

During the period until the percentage of completion calculation is completed, all contract costs are accumulated in contract work in progress. The costs of the contract attributable to the stage of contract completion are transferred to cost of sales.

Where the costs incurred plus recognised profits is greater than the sum of the recognised losses and progress billings, then this amount is shown in debtors as amounts due from customers for contract work.

Where the sum of recognised losses and progress billings is greater, then this amount is shown in creditors as amounts due to customers for contract work.

The disclosure of contracts in progress is included under notes to the financial statements (note 11).

2.16 Current and deferred income tax

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred taxation is not provided on temporary differences arising on subsidiaries and associates where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future or where the remittance would not give rise to incremental tax liabilities or are otherwise not taxable.

2.17 Employee benefits

(a) Pension obligations

The Group operates various pension schemes. The schemes are funded through payments to trustee-administered funds, determined by periodic actuarial valuations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The benefits paid to all employees qualify as a post-employment defined benefit plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Notes to the financial statements

for the year ended 31 December 2007 (continued)

2. ACCOUNTING POLICIES (continued)

2.17 Employee benefits (continued)

(a) Pension obligations (continued)

In respect of defined benefit pension plans, where the amount of pension benefit that an employee will receive on retirement is defined by the plan, the liability recorded in the fund's balance sheet is the present value of the defined obligation at that date less the fair value of the plan assets, together with an adjustment for any unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

For defined contribution plans, where the Group pays fixed contribution into a separate entity and has no legal or constructive obligations to pay further contributions if the fund has insufficient assets to pay all employees the benefits relating to service in the current and prior periods, the contributions are recognised as an expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Where the actuarial valuation of the scheme demonstrates that the scheme is in surplus, the recognised asset is limited to that for which the Group is entitled in accordance with the Pension Fund Second Amendment Act.

(b) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(c) Performance bonus plans

The Group recognises a liability and an expense for performance bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2. ACCOUNTING POLICIES (continued)

2.17 Employee benefits (continued)

(d) Long-service awards

The Group recognises a liability and an expense for long service, based on a formula that takes into account the length of service of all employees. The long service is paid at various stages of employment service and it is a contractual obligation. These obligations are valued annually by independent qualified actuaries and provided for under provisions.

2.18 Share-based payments

The Group operates both equity-settled and cash-settled share-based compensation plans.

The fair value of the employee services received in exchange for the participation in the plan is recognised as an expense in the income statement.

In the case of equity-settled plans the fair value of the employee service is based on the fair value of the equity instruments granted. This expense is spread over the vesting period of the instrument. The corresponding entry is credited to equity.

Cash-settled plans are measured on a similar basis except that the fair value of the liability is re-measured at each reporting date, with changes recognised in the income statement. For cash-settled plans the corresponding entry is included as a liability.

There are no share-based compensation plans in place at this time.

2.19 Provisions

Provisions for warranty and product liability are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. 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.

2.20 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the financial statements

for the year ended 31 December 2007 (continued)

2. ACCOUNTING POLICIES (continued)

2.21 Revenue recognition

Revenue comprises the invoiced value of goods and services and the value of work executed during the year in respect of long-term contracts. Revenue, which is recorded net of value added tax, rebates and discounts, and after eliminating intra-group sales, is recognised as follows:

(a) *Sales of goods and services*

The majority of the Group's revenues relate to the sale of goods and services which are recognised when a Group entity has fulfilled its contractual obligations to a customer and has obtained the right to receive consideration.

This is usually on despatch but is dependent upon the contractual terms that have been agreed with a customer.

(b) *Long-term contracts*

Revenue is recognised by a Group entity in accordance with the stage of completion of its contractual obligations to the customer. The stage of completion is usually based on the proportion of costs incurred compared to the total expected costs to complete the contract, where this also represents a right to receive consideration, and provided the outcome of the contract can be assessed with reasonable certainty.

Losses on contracts are recognised in the period in which the loss first becomes foreseeable. Contract losses are determined to be the amount by which estimated direct and indirect costs of the contract exceed the estimated total revenues that will be generated by the contract.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as 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 property, plant and equipment 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 charged to income so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

2.23 Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

2.24 Secondary tax on companies ('STC')

South African resident companies are subject to a dual corporate tax system, one part of the tax being levied on taxable income and the other, a secondary tax (called STC), on distributed income. A company incurs STC charges on the declaration or deemed declaration of dividends (as defined under tax law) to its shareholders. STC is not a withholding tax on shareholders, but a tax on companies.

2. ACCOUNTING POLICIES (continued)

2.24 Secondary tax on companies ('STC') (continued)

The STC tax consequences of dividends is recognised as a taxation charge in the income statement in the same period that the related dividend is accrued as a liability. The STC liability is reduced by dividends received during the dividend cycle. Where dividends declared exceed the dividends received during a cycle, STC is payable at the current STC rate on the net amount. Where dividends received exceed dividends declared within a cycle, there is no liability to pay STC. The potential tax benefits related to excess dividends received is carried forward to the next dividend cycle as an STC credit. Deferred tax assets are recognised on unutilised STC credits to the extent that it is probable that the Group will declare future dividends to utilise such STC credits.

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk, cash flow risk and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (Charter Group Treasury) under policies approved by the board of directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

(a) Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Entities in the Group used forward contracts, to manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group manages the position by using external forward currency contracts.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Cash flow and fair value interest rate risk

The Group's income and operating cash flow are affected by changes in market interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Notes to the financial statements

for the year ended 31 December 2007 (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(a) Market risk (continued)

At the year-end the carrying amounts of cash and bank balances, receivables, trade creditors and short-term borrowings approximate their fair value due to the short-term maturities of these assets and liabilities.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. The fair value of forward exchange contracts is determined by using quoted forward exchange rates at balance sheet date.

We have considered the interest rate sensitivity analysis and determined that the Group's exposure to changes in interest rates is not significant due to the current cash and borrowing position at year end.

Price risk

The Group is exposed to commodity price risk on steel and escalation clauses are built into major contracts for steel price variances.

(b) Credit risk

Potential concentrations of credit risk consist principally of cash investments and trade debtors. The Group only deposits cash surpluses with major banks of high quality and with financial institutions located in South Africa and the United Kingdom. Trade debtors consist of a large number of customers, spread across diverse industries and geographical areas. Credit evaluation is performed on the financial condition of the customers before granting credit. The ongoing creditworthiness of the debtors is assessed from time to time.

The Group has policies that limit the amount of credit exposure to any one financial institution.

(c) Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

4. CRITICAL ACCOUNT ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated under note 2.7. The estimates used are a pre-tax discount rate applied to the discounted cash flows for the business concerned. No impairment was found.

4. CRITICAL ACCOUNT ESTIMATES AND JUDGEMENTS (continued)

Income taxes

The Group requires significant judgement in order to calculate the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Revenue recognition

The Group uses the percentage-of-completion method in accounting for its sales and services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed.

Losses on contracts are recognised in the period in which the loss first becomes foreseeable. Contract losses are determined to be the amount by which estimated direct and indirect costs of the contract exceed the estimated total revenues that will be generated by the contract.

Long-service awards

The Group has a policy which allows for awards to be made to employees who have been with the Group for a certain period of time. A liability is accrued based on the actuarial value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date. In determining the liability, due allowance has been made for future awards increases. A valuation of these long-service awards is performed annually by an independent actuary.

Warranties

The Group provides in full for claims by customers in respect of defects in goods supplied or work performed when such claims are ascertainable. In addition, certain long-term contract provisions are made for warranties calculated on an appropriate percentage of the contract price.

Notes to the financial statements

for the year ended 31 December 2007 (continued)

5. SEGMENT INFORMATION

Primary reporting format – business segments

At 31 December 2007, the Group is organised on a world-wide basis into two main segments:

- (1) Fans and Heat Exchangers
- (2) Environmental Control

The Group's operations mainly comprise specialised engineering products for air and gas solutions. These two segments are the most definable ones available.

For the year ended 31 December 2007	Revenue R'000	Operating profit R'000	Assets R'000	Liabilities R'000	Inter- segmental sales R'000
Fans and Heat Exchangers	458 031	77 434	228 735	188 528	57 307
Environmental Control	228 336	8 564	59 948	52 918	31 467
Other		2 981	84 896	44 084	–
	686 367	88 979	373 579	285 530	88 774

	Capital expenditure R'000	Depreciation R'000	Amortisation R'000
Fans and Heat Exchangers	8 311	2 400	203
Environmental Control	176	184	23
Other	2 824	728	1 655
	11 311	3 312	1 881

For the year ended 31 December 2006	Revenue R'000	Operating profit R'000	Assets R'000	Liabilities R'000	Inter- segmental sales R'000
Fans and Heat Exchangers	344 934	45 572	205 738	144 065	45 118
Environmental Control	166 008	9 401	62 082	49 651	17 467
Other		(2 819)	73 024	112 112	–
	510 942	52 154	340 844	305 828	62 585

	Capital expenditure R'000	Depreciation R'000	Amortisation R'000
Fans and Heat Exchangers	3 689	1 811	144
Environmental Control	156	153	35
Other	1 275	576	1 655
	5 120	2 540	1 834

	December 2007 R'000	December 2006 R'000
5. SEGMENT INFORMATION (continued)		
Segment results (operating profit)	88 979	52 154
Finance costs	(1 776)	(1 483)
Foreign exchange (losses)/profit	(132)	2 196
Loss on disposal of associate	(1 028)	—
Share of results of associate	1 153	3 056
Profit before income tax	87 196	55 923
Income tax expense	(24 753)	(35 349)
Profit for the year	62 443	20 574
Minority interest	(759)	(4 032)
Profit for the year attributable to equity holders of the Company	61 684	16 542

Items after operating profit are Group related.

Secondary reporting format – Geographical segments

Although the Group's two business segments are managed on a world-wide basis, they operate in six main geographical areas:

South Africa is the home country of the parent company, and the areas of operation are: Fans and Heat Exchangers and Environmental Control.

Previously sales were disclosed as origin of sales all under South Africa.

	Revenue R'000		Total assets R'000	
	2007	2006	2007	2006
Sales by location of customer				
South Africa	643 199	487 700	373 144	340 783
United Kingdom and Europe	9 390	88	435	—
North America and Canada	3 216	5 961	—	—
Australia	—	—	—	61
Rest of Africa	26 823	6 350	—	—
Middle East	3 739	10 843	—	—
	686 367	510 942	373 579	340 844

	Capital expenditure R'000	
	2007	2006
South Africa	11 311	5 120
United Kingdom and Europe	—	—
North America and Canada	—	—
Rest of Africa	—	—
Middle East	—	—
	11 311	5 120

Notes to the financial statements

for the year ended 31 December 2007 (continued)

	Freehold land and buildings R'000	Plant, equipment and vehicles R'000	Total R'000
6. PROPERTY, PLANT AND EQUIPMENT			
CONSOLIDATED			
At 1 January 2006			
Cost	24 040	50 923	74 963
Accumulated depreciation	(1 650)	(40 342)	(41 992)
Net book amount	22 390	10 581	32 971
Year ended 31 December 2006			
Opening net book amount	22 390	10 581	32 971
Additions	519	4 437	4 956
Disposals	—	(103)	(103)
Transfer to intangible assets	—	(103)	(103)
Depreciation	(112)	(2 428)	(2 540)
Closing net book amount	22 797	12 384	35 181
At 31 December 2006			
Cost	24 559	54 798	79 357
Accumulated depreciation	(1 762)	(42 414)	(44 176)
Net book amount	22 797	12 384	35 181
Year ended 31 December 2007			
Opening net book amount	22 797	12 384	35 181
Additions	1 568	9 618	11 186
Disposals	—	(8)	(8)
Reclassifications	—	170	170
Depreciation	(181)	(3 131)	(3 312)
Closing net book amount	24 184	19 033	43 217
At 31 December 2007			
Cost	26 127	62 554	88 681
Accumulated depreciation	(1 943)	(43 521)	(45 464)
Net book amount	24 184	19 033	43 217

	Freehold land and buildings R'000	Plant, equipment and vehicles R'000	Total R'000
6. PROPERTY, PLANT AND EQUIPMENT (continued)			
Company			
At 1 January 2006			
Cost	—	731	731
Accumulated depreciation	—	(678)	(678)
Net book amount	—	53	53
Year ended 31 December 2006			
Opening net book amount	—	53	53
Disposals	—	(1)	(1)
Depreciation	—	(16)	(16)
Closing net book amount	—	36	36
At 31 December 2006			
Cost	—	81	81
Accumulated depreciation	—	(45)	(45)
Net book amount	—	36	36
Year ended 31 December 2007			
Opening net book amount	—	36	36
Disposals	—	(4)	(4)
Depreciation	—	(8)	(8)
Closing net book amount	—	24	24
At 31 December 2007			
Cost	—	74	74
Accumulated depreciation	—	(50)	(50)
Net book amount	—	24	24
Details in respect of immovable property are set out in a register which may be inspected at the company's registered office during normal business hours.			
Certain assets have been encumbered (refer note 18.)			

Notes to the financial statements

for the year ended 31 December 2007 (continued)

	Goodwill R'000	Trademarks R'000	Other R'000	Total R'000
7. INTANGIBLE ASSET				
Consolidation				
At 1 January 2006				
Cost	—	41 366	1 138	42 504
Accumulated amortisation	—	(3 309)	(630)	(3 939)
Net book amount	—	38 057	508	38 565
Year ended 31 December 2006				
Opening net book amount	—	38 057	508	38 565
Additions	—	—	164	164
Disposals	—	—	(26)	(26)
Transfer from Property, plant and equipment	—	—	103	103
Amortisation charge (note 21)	—	(1 655)	(179)	(1 834)
Closing net book amount	—	36 402	570	36 972
At 1 January 2007				
Cost	—	41 366	1 381	42 747
Accumulated amortisation	—	(4 964)	(811)	(5 775)
Net book amount	—	36 402	570	36 972
Year ended 31 December 2007				
Opening net book amount	—	36 402	570	36 972
Additions	23 717	—	125	23 842
Amortisation charge (note 21)	—	(1 655)	(226)	(1 881)
Closing net book amount	23 717	34 747	469	58 933
At 31 December 2007				
Cost	23 717	41 366	1 506	66 589
Accumulated amortisation	—	(6 619)	(1 037)	(7 656)
Net book amount	23 717	34 747	469	58 933

Other intangibles include capitalised software costs.

The trademarks are based on the Howden, Safanco and Donkin names. They were found to be fairly valued and were tested for impairment. This asset is to be amortised over its economic useful life which is 25 years, based on the life of the assets to which it attaches.

Goodwill arose on purchase of the minority as disclosed under note 17. This value represents the excess of the purchase price over the net asset value.

The goodwill was allocated to the environmental control business. An impairment calculation was performed based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a six year period. Cash flows beyond the six year period are extrapolated using the estimated growth rate of 5% per year. The pre-tax discount rate used was 23,9% based on a risk free rate of 9,4%, a market rate of 11% and a small cap rate of 3,5%.

Company

Intangible assets include trademarks as above.

	CONSOLIDATED		COMPANY	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
8. INVESTMENT IN SUBSIDIARIES				
Shares at cost			89 310	89 310
Loans to subsidiaries			400 254	439 156
			489 564	528 466
Less: Loans from subsidiaries			213 931	306 075
			275 633	222 391
Normal capital loans to/from subsidiaries are unsecured and not subject to any fixed terms of repayment. No interest is charged on capital loans to/from subsidiaries at present, but these arrangements are subject to revision from time to time. Included in loans to subsidiaries is a long-term loan to a subsidiary which bears interest at the current prime bank overdraft rate.				
			—	4 500
9. INVESTMENT IN ASSOCIATE				
Unlisted				
Opening carrying amount	32 593	31 711	32 593	31 711
Post-acquisition results of the company	1 153	3 056	1 153	3 056
	33 746	34 767	33 746	34 767
Repayment of loans	—	(2 174)	—	(2 174)
Loss on disposal of associate	(1 028)	—	(1 028)	—
Proceeds on disposal of associate	(32 718)	—	(32 718)	—
Closing carrying amount	—	32 593	—	32 593
Directors' valuation	—	32 593	—	32 593
The associate was the unlisted Pump Brands (Proprietary) Limited which became an associate company as from 31 December 2003. This associate company was sold to Franklin Electric Company Inc. The effective date was 18 May 2007 when all suspensive conditions were met and payment based on net asset value as at 31 December 2006 was received on 21 May 2007.				
The summarised financial information of the associate company, which is unlisted, is:				
As the investment has been sold results to the effective date have been included.				
			May 2007	Dec 2006
Income statement				
Sales			76 659	227 389
Operating profit			3 503	9 931
Net profit after tax			2 746	7 277
Balance sheet				
Assets			—	112 175
Liabilities			—	33 617
Equity			—	78 558
% held			—	42

Notes to the financial statements

for the year ended 31 December 2007 (continued)

	CONSOLIDATED		COMPANY	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
10. INVENTORIES				
The amounts attributable to the different categories are as follows:				
– Raw materials, components and consumables	12 978	9 459	–	–
– Work in progress	7 421	12 971	–	–
– Reversal of prior year's writedown of inventory	–	3 875	–	–
– Finished goods	11 798	6 126	–	–
	32 197	32 431	–	–
11. CONSTRUCTION CONTRACTS				
Contract revenue recognised in the year	582 559	375 915	–	–
Contract costs recognised in the year	(454 512)	(245 366)	–	–
Recognised profits less recognised losses in the year	128 047	130 549	–	–
For contracts in progress at the year end:				
Contract costs incurred and recognised profits (less losses) to date	100 715	74 053	–	–
Less: Progress billings for work performed	(91 582)	(98 181)	–	–
Net amount due from/(to) customers for contract work	9 133	(24 128)	–	–
Amounts due from customers for contract work (This amount is included within trade and other receivables)	74 860	47 948	–	–
Amounts due to customers for contract work (This amount is included within trade and other payables)	(65 727)	(72 076)	–	–
Net amounts due from/(to) customers for contract work	9 133	(24 128)	–	–
Advances received on contracts for work not yet performed	(73 214)	(25 214)	–	–
Retentions outstanding on progress billings made	2 710	3 753	–	–
12. TRADE AND OTHER RECEIVABLES				
Trade receivables	113 880	79 859	–	–
Less: provision for impairment of receivables	(954)	(499)	–	–
Trade receivables – net	112 926	79 360	–	–
Prepayments and other receivables	4 291	4 071	12	211
Amounts due from customers for contract work	74 860	47 948	–	–
	192 077	131 379	12	211
Less: Non-current portion	(2 710)	(3 753)	–	–
Current portion	189 367	127 626	12	211

All non-current receivables are due within five years from balance sheet date

	CONSOLIDATED		COMPANY	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
12. TRADE AND OTHER RECEIVABLES continued				
The fair values of trade and other receivables are as follows:				
Trade receivables	112 926	79 360	—	—
Prepayments and other receivables	4 291	4 071	12	211
Amounts due from customers for contract work	74 860	47 948	—	—
	192 077	131 379	12	211
Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2007, trade receivables of R34 919 000 (2006: R20 826 000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:				
Up to 3 months	28 510	19 498	—	—
3 to 6 months	2 546	539	—	—
Above 6 months	3 863	789	—	—
	34 919	20 826	—	—
As of 31 December 2007, trade receivables of R59 000 (2006: R69 000) were impaired and provided for. The amount of the provision was R954 000 as of 31 December 2007 (2006: R499 000). The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:				
3 to 6 months	5	43	—	—
Over 6 months	54	26	—	—
	59	69	—	—
The carrying amounts of the Group's trade and other receivables are all denominated in the local currency. Movements on the Group provision for impairment of trade receivables are as follows:				
At 1 January	499	636	—	—
Provision for receivables impairment	745	199	—	—
Unused amounts reversed	(280)	(160)	—	—
Impairment losses reversed during year	(10)	(176)	—	—
At 31 December	954	499	—	—
The creation and release of provision for impaired receivables has been included in 'administrative costs' in the income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.				
Based on past experience, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due, as the amount relates to customers that have a good track record with the Group.				
The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.				
The Group does not hold any collateral as security.				

Notes to the financial statements

for the year ended 31 December 2007 (continued)

13. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables R'000	Assets at fair value through the profit and loss R'000	Derivatives used for hedging R'000	Total R'000
31 December 2007				
Assets as per balance sheet				
Derivative financial instruments	—	—	139	139
Trade receivables	112 926	—	—	112 926
Cash and cash equivalents	19 902	—	—	19 902
Total	132 828	—	139	132 967

	Liabilities at fair value through the profit and loss R'000	Derivatives used for hedging R'000	Other financial liabilities R'000	Total R'000
Liabilities as per balance sheet				
Borrowings	—	—	20 616	20 616
Derivative financial instruments	—	102	—	102
Total	—	102	20 616	20 718

	Loans and receivables R'000	Assets at fair value through the profit and loss R'000	Derivatives used for hedging R'000	Total R'000
31 December 2006				
Assets as per balance sheet				
Derivative financial instruments	—	—	299	299
Trade receivables	79 360	—	—	79 360
Cash and cash equivalents	42 355	—	—	42 355
Total	121 715	—	299	122 014

	Liabilities at fair value through the profit and loss R'000	Derivatives used for hedging R'000	Other financial liabilities R'000	Total R'000
Liabilities as per balance sheet				
Borrowings	—	—	91 275	91 275
Derivative financial instruments	—	25	—	25
Total	—	25	91 275	91 300

	CONSOLIDATED		COMPANY	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
14. DERIVATIVE FINANCIAL INSTRUMENTS				
Assets				
Forward foreign exchange contracts – held for trading	139	299	–	–
Liabilities				
Forward foreign exchange contracts – held for trading	102	25	–	–
All the balances are current				
15. ORDINARY SHARE CAPITAL				
<i>Authorised</i>				
150 000 000 ordinary shares of 1 cent each	1 500	1 500	1 500	1 500
<i>Issued</i>				
65 729 109 ordinary shares of 1 cent each	657	657	657	657
<i>Share premium</i>				
– Opening balance	–	61 051	–	61 051
– Premium returned to shareholders	–	(61 051)	–	(61 051)
– Closing balance	–	–	–	–
	657	657	657	657

Holding company

The holding company of Howden Africa Holdings Limited is Howden Group South Africa Limited, incorporated in South Africa and its ultimate holding company is Charter plc incorporated in England and Wales

Shareholders' analysis at 31 December 2007	2007	2006	2007	2006
	Number of shareholders	Number of shareholders	Number of shares	Number of shares
Holdings				
1 – 1 000 shares	309	300	103 542	83 199
1 001 – 10 000 shares	195	180	838 432	824 920
10 001 – 100 000 shares	102	85	3 540 134	2 840 472
100 001 – 1 000 000 shares	30	34	10 767 485	12 636 991
Over – 1 000 001 shares	8	8	50 479 516	49 343 527
	644	607	65 729 109	65 729 109

CATEGORY OF ORDINARY SHAREHOLDERS

Holding companies	2	2	36 390 403	36 390 403
Individuals	523	499	4 718 167	3 365 437
Banks, nominees and trust companies	32	38	2 277 648	3 055 290
Insurance companies	12	1	4 586 561	5 052 667
Pension funds and investment companies	11	6	1 029 515	1 491 303
Endowment and mutual funds	36	25	15 774 195	12 478 017
Other corporations and close corporations	16	29	311 678	3 455 363
Other limited and private companies	12	7	640 942	440 629
	644	607	65 729 109	65 729 109

Notes to the financial statements

for the year ended 31 December 2007 (continued)

	CONSOLIDATED		COMPANY	
	2007 Number of shares	2006 Number of shares	2007 %	2006 %
15. ORDINARY SHARE CAPITAL (continued)				
Major shareholders beneficially interested in 3% or more of the Company's listed securities				
Howden Group South Africa Limited	31 466 641	31 466 641	47,87	47,87
Rand Merchant Bank	5 357 819	5 144 709	8,15	7,83
James Howden & Godfrey Overseas Limited	4 923 762	4 923 762	7,49	7,49
RMB Asset Management – Momentum	4 366 797	5 161 330	6,64	7,85
Golden Hind Fund	2 256 313	1 670 789	3,43	2,54
Fraters Asset Managers	2 048 611	2 298 611	3,12	3,50
Shareholder spread in terms of section 8.63(e) of the JSE Limited listing requirements				
Howden Group South Africa Limited	31 466 641	31 466 641	47,87	47,87
James Howden & Godfrey Overseas Limited	4 923 762	4 923 762	7,49	7,49
Shane Meyer (Director)	185 960	185 960	0,28	0,28
Public and non-public shareholders				
<i>Non-public shareholders</i>	36 576 363	36 576 363	55,64	55,64
Directors and associates of the Company holdings	185 960	185 960	0,28	0,28
Strategic holdings (more than 10%) and holding company	36 390 403	36 390 403	55,36	55,36
<i>Public shareholders</i>	29 152 746	29 152 746	44,36	44,36
	65 729 109	65 729 109	100,00	100,00
16. COMMITMENTS				
Leases				
Operating leases				
Land and buildings				
Payments due in 1 year	824	788	—	—
Payments due later than 1 year and not later than 5 years	587	1,204	—	—
	1,411	1,992	—	—
Other operating leases				
Payments due in 1 year	2,783	2,974	85	127
Payments due later than 1 year and not later than 5 years	2,647	2,065	161	36
	5,430	5,039	246	163

Note:

(i) On the land and buildings, there is an option at the end of the lease period to renew the lease for a future negotiated period.

(ii) On the other operating leases which consist mainly of motor vehicles, the assets are to be returned to the lessor.

The lease payments that were expensed in the income statement for the year are disclosed in Note 23.

	CONSOLIDATED		COMPANY	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
17. MINORITY INTEREST				
Balance at beginning of year	8 850	10 226		
Acquisition	(2 603)	(408)		
Share of net profits of subsidiaries	759	4 032		
Dividend paid by subsidiary	(7 006)	(5 000)		
Balance at the end of the year	—	8 850		
On 6 July 2007 the Group acquired the remaining 50,01% of the shares in Bateman Howden South Africa (Proprietary) Limited. As the company was previously controlled by the Group as a subsidiary, the accounting policy applied is to account for this transaction under the modified parent model, which is the Group accounting policy. The difference between the purchase price paid of R26 320 000 and net asset value of R2 603 000 was raised as goodwill of R23 717 000.				
18. BORROWINGS				
Non-current				
Bank borrowings	20 000	81 647	—	—
Current				
Bank overdraft	—	56	—	—
Bank borrowings	616	9 572	—	—
	616	9 628	—	—
Total borrowings	20 616	91 275	—	—

Bank borrowings

Bank borrowings are a term loan which consists of two parts as follows:

- (1) An amortising loan of R50 000 000 which is repayable over seven years in 28 equal instalments. The interest rate is calculated at 1,5% above the Johannesburg Inter Bank Agreed Rate (JIBAR) and is compounded quarterly in arrears. The final instalment is payable on June 2013.
- (2) A bullet loan of R50 000 000 which is repayable in one lump sum in 2013. The interest rate is calculated at 1,75% above the Johannesburg Inter Bank Agreed Rate (JIBAR) and is compounded quarterly in arrears.

This loan is secured by notarial general surety bonds over all moveable assets of James Howden Holdings Limited, Howden Africa (Pty) Limited, Howden Donkin (Pty) Limited and Engart Africa (Pty) Limited as well as surety mortgage bonds over the property of Gertrude Holdings Limited, Donkin Manufacturing Company (Pty) Limited and Brumerose Properties (Pty) Limited for a total value of R81 051 00 (refer note 6).

There is an omnibus suretyship and cession of rights entered into between Standard Bank and James Howden Holdings Limited, Engart Africa (Pty) Limited, Howden Power (Pty) Limited, Howden Holdings (Pty) Limited, Howden Donkin (Pty) Limited, Gertrude Holdings Limited, Donkin Manufacturing Company (Pty) Limited, Brumerose Properties (Pty) Limited, and Howden Process Compressors (Pty) Limited whereby each surety unconditionally and irrevocably binds themselves to the bank as surety for and co-principal debtor for each other for the due performance for the secured obligations. The secured obligations being any amounts arising as owing in connection with the facilities as relates to the loan.

Notes to the financial statements

for the year ended 31 December 2007 (continued)

	CONSOLIDATED		COMPANY	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
18. BORROWINGS (continued)				
The exposure of the Group borrowings to interest rate changes and contractual repricing dates at the balance sheet date are as follows:				
Due within 1 year	616	9 628	—	—
Due between 1 and 2 years	—	6 195	—	—
Due between 2 and 3 years	—	6 753	—	—
Due between 3 and 4 years	—	7 352	—	—
Due between 4 and 5 years	—	7 994	—	—
Due after 5 years	20 000	53 353	—	—
	20 616	91 275	—	—

In terms of this Standard Bank loan agreement entered into with the wholly owned subsidiary Howden Africa (Pty) Limited, the company, being the borrower, is required to maintain a ratio and distribution regime for the period of the agreement as follows:

- An interest cover ratio of 2.5 or better
- A tangible asset/debt ratio of 0.85 or better
- A debt service cover ratio of 1.15 up to 31 December 2008, and 1.4 or better thereafter until repayment of loan by 2013.
- A debt equity ratio at the end of each calendar year shall not exceed the percentages as indicated in respect of such calendar year in the table below:

Year	Debt : equity ratio
2006	82%
2007	80%
2008	75%
2009	70%
2010 to 2013	60%

There were no defaults or breaches during the year.

The directors of the Company have unlimited borrowing powers in terms of the articles of association.

	CONSOLIDATED		COMPANY	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
19. DEFERRED TAX				
Balance at beginning of year	(17 726)	(17 829)	(668)	(2 214)
Charge for the year – Current year	1 071	(2 456)	459	24
Charge for the year – Prior year	953	2 559	—	1 522
	(15 702)	(17 726)	(209)	(668)
The balance comprises:				
Provisions	(15 505)	(12 699)	(209)	(684)
Working capital allowances	(3 713)	(2 272)	—	16
Revaluation	4 513	4 513	—	—
Assessed loss	(997)	(7 268)	—	—
	(15 702)	(17 726)	(209)	(668)
Deferred income tax assets	(27 114)	(29 634)	(209)	(668)
Deferred income tax liabilities – non-current	7 526	7 928	—	—
– current	3 886	3 980	—	—
	(15 702)	(17 726)	(209)	(668)

Deferred tax assets have been recognised in respect of all assessed losses within the Group, except for losses of R2 979 000 (2006: R2 588 000) in Howden Process Compressors (Pty) Limited which is not recoverable against future taxable income, as the operations of the company will be rationalised within the Group.

	CONSOLIDATED		COMPANY	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
20. TRADE AND OTHER PAYABLES				
Trade payables	19 021	21 244	—	—
Amounts due to customers for contract work	65 727	72 076	—	—
Payments in advance	73 214	25 214	—	—
Accruals	48 257	39 565	927	791
Amounts owing to other Howden Group companies	4 181	3 188	828	1 858
Social security and other taxes	7 300	5 285	167	1 559
Other payables	20 739	26 570	637	792
	238 439	193 142	2 559	5 000
21. PROVISIONS AND OTHER LIABILITIES AND CHARGES				
Warranty				
At beginning of year	8 602	3 123	—	—
Additional provision	8 152	10 321	—	—
Unused amounts reversed	(6 875)	(4 842)	—	—
Charged to income statement	1 277	5 479	—	—
At end of year	9 879	8 602	—	—
Provisions are made on long-term contracts for warranties calculated on an appropriate percentage of the contract value				
Disclosure:				
Non-current liabilities	3 680	2 117	—	—
Current liabilities	6 199	6 485	—	—
Total provisions	9 879	8 602	—	—
22. REVENUE				
Revenue, which excludes value added tax and sales between Group companies, represents the invoiced value of goods and services supplied and the value of long-term contract work.				
Revenue from continuing operations				
– Sale of goods	103 808	135 027	—	—
– Contract revenue	582 559	375 915	—	—
	686 367	510 942	—	—
23. OPERATING PROFIT IS STATED AFTER CHARGING				
Amortisation of intangible assets (note 7)				
Trademarks (included in other operating expenses)	1 881	1 834	1 655	1 655
Auditors' remuneration				
– Audit fees	920	978	172	225
– Audit related regulatory reporting	228	287	228	287
– Secretarial and other services	407	1 059	266	960
– Expenses	60	80	20	20
	1 615	2 404	686	1 492

Note: Secretarial and other services relate to costs associated with the restructuring of the Group.

Notes to the financial statements

for the year ended 31 December 2007 (continued)

	CONSOLIDATED		COMPANY	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
23. OPERATING PROFIT IS STATED AFTER CHARGING (continued)				
Depreciation				
– Buildings	181	112	–	–
– Plant, equipment and vehicles	3 131	2 428	8	16
	3 312	2 540	8	16
Directors' emoluments (refer note 41)				
Executive directors			1 743	1 574
Non-executive directors			109	83
			1 852	1 657
Provision for warranties	1 277	5 479		
Loss on disposals of plant, equipment and vehicles	8	52	4	–
Remuneration other than to employees for technical services	–	374	–	–
Rentals under operating leases				
– Land and buildings	791	1 880	–	–
– Equipment and vehicles	4 817	4 166	180	167
	5 608	6 046	180	167
Employee benefits				
Salaries and wages	99 879	81 716	2 869	2 609
Social security costs	6 005	5 434	170	286
Pension costs – defined contribution scheme	2 977	2 371	24	22
Pension costs – defined benefit scheme	2 991	2 924	198	549
	111 852	92 445	3 261	3 466
Number of employees	492	443	5	5
24. OPERATING PROFIT IS STATED AFTER CREDITING				
Income from subsidiaries				
– Dividends			–	281 248
– Management fees			4 644	3 731
– Royalties			11 578	8 851
			16 222	293 830
Revaluation of Cobit plant	–	3 875	–	–
25. FOREIGN EXCHANGE (LOSSES)/PROFITS				
Exchange (losses)/profits on financing activities	(132)	2 196	–	–
26. FINANCE (COSTS)/INCOME				
Interest paid				
– Long-term borrowings (term loan with bank)	(6 003)	(4 616)	–	–
– Bank overdrafts	(3 728)	(5 121)	(4)	(131)
– Other	397	(794)	–	(76)
	(9 334)	(10 531)	(4)	(207)

	CONSOLIDATED		COMPANY	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
26. FINANCE (COSTS)/INCOME (continued)				
Interest received				
– Bank balances	6 994	8 966	638	287
– Short-term borrowings (subsidiaries)			2 489	315
– Long-term borrowings (subsidiaries)			9 256	4 961
– Associate company			–	15
– Preference shares			3 968	–
– Other	564	82	–	–
	(1 776)	(1 483)	16 347	5 371
27. INCOME TAX EXPENSE				
South African normal tax				
Current tax				
– current year	25 171	21 573	6 815	4 018
– prior year	(4 192)	386	–	12
Deferred tax				
– current year	1 071	(2 456)	459	24
– prior year	953	2 559	–	1 522
Secondary tax on companies				
– current year	1 750	13 287	–	12 037
	24 753	35 349	7 274	17 613
Reconciliation of rate of taxation	%	%	%	%
South African normal tax rate	29,0	29,0	29,0	29,0
Adjusted for:				
Disallowable expenditure	2,6	6,0	4,6	0,5
Capital expenditure	0,0	0,8	0,0	0,1
Foreign tax	0,5	0,0	0,0	0,0
Exempt income	(2,0)	(2,1)	(5,7)	(28,4)
Investment and other allowances	0,0	(0,1)	0,0	0,0
Deferred tax not provided for	0,0	0,5	0,0	0,0
Secondary tax on companies	2,0	23,8	0,0	3,5
Prior year adjustments	(3,7)	5,3	0,0	0,4
Net increase/(reduction)	(0,6)	34,2	(1,1)	(23,9)
Effective rate	28,4	63,2	27,9	5,1
Gross calculated tax losses of R14 034 629(2006: R25 873 134) of certain subsidiaries at the end of the financial year are available for utilisation against future taxable income of those companies. This is dependent on sufficient taxable income being earned in future by the subsidiaries concerned. The tax rate changed to 28% subsequent to balance sheet date.				
28. ORDINARY DIVIDENDS				
Interim of 0 cents paid (2006 – 0 cents)	–	–	–	–
Final dividend of 0 cents paid (2006 – 6 cents)	–	3 944	–	3 944
Return of share premium of 0 cents paid (2006 – 93 cents)	–	61 051	–	61 051
Special dividend of 0 cents paid (2006 – 148 cents)	–	97 356	–	97 356
	–	162 351	–	162 351

Notes to the financial statements

for the year ended 31 December 2007 (continued)

	CONSOLIDATED		COMPANY	
	2007	2006	2007	2006
29. EARNINGS PER ORDINARY SHARE				
The calculation of earnings per share is based on the consolidated net profit attributable to ordinary shareholders of R61 684 000 (2006 – R16 542 000) and 65 729 109 (2006 – 65 729 109) ordinary shares in issue during the year.				
Number of shares in issue	65 729	65 729		
	Cents	Cents		
Earnings per ordinary share	93,85	25,17		
Headline earnings per ordinary share attributable to equity holders of the Company during the year	95,42	25,25		
There is no dilution effect on earnings				
	R'000	R'000		
Headline earnings reconciliation				
Net profit for the year	61 684	16 542		
Loss on disposal of property, plant and equipment	8	52		
Loss on disposal of associate	1 028	–		
	62 720	16 594		
30. CASH GENERATED FROM OPERATIONS				
Profit before tax	87 196	55 923	26 089	348 271
Adjustments for:				
Depreciation	3 312	2 540	8	16
Depreciation – reclassification	(170)	–	–	–
Dividends received			–	(281 248)
Exchange difference on conversion of foreign subsidiaries	199	(2 448)		
Amortisation of intangible assets	1 881	1 834	1 655	1 655
Share of results after tax of associate	(1 153)	(3 056)	(1 153)	(3 056)
Loss on disposal of associate	1 028	–	1 028	–
Loss on disposal of property, plant and equipment	8	52	4	–
Financial cost/(income)	1 776	1 483	(16 347)	(5 371)
	94 077	56 328	11 284	60 267
Working capital changes	(13 653)	10 191	(1 328)	921
Decrease/(Increase) in inventories	234	(13 775)	–	–
(Increase)/Decrease in accounts receivable	(60 538)	(25 317)	199	(104)
Decrease/(Increase) in amounts owing by holding company and subsidiaries			276	(107)
Increase/(Decrease) in accounts payable	45 374	42 983	(2 441)	1 988
Increase in provisions	1 277	6 300	–	–
Increase/(Decrease) in amounts owing to subsidiaries			638	(856)
	80 424	66 519	9 956	61 188

	CONSOLIDATED		COMPANY	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
31. RECONCILIATION OF DIVIDENDS PAID DURING THE YEAR				
Ordinary dividends paid	—	(3 944)	—	(3 944)
Special dividends paid	—	(158 407)	—	(158 407)
	—	(162 351)	—	(162 351)
32. RECONCILIATION OF TAXATION PAID DURING THE YEAR				
Amount owing at beginning of year	(876)	(6 892)	(2 234)	(1 057)
Charge in income statement	(24 753)	(35 349)	(7 274)	(17 613)
Adjustment for deferred taxation	2 024	103	459	1 546
Amount owing at end of year	5 082	876	3 065	2 234
	(18 523)	(41 262)	(5 984)	(14 890)
33. DISPOSAL OF INVESTMENT IN ASSOCIATE				
During the year the Group disposed of its 42% investment in the associate company – Pump Brands (Pty) Limited.				
Net asset value of investment	33 746	—	33 746	—
Net asset value	33 746	—	33 746	—
Sale price	(32 718)	—	(32 718)	—
Net Loss on disposal of investment	1 028	—	1 028	—
Net cash inflow	32 718	—	32 718	—
34. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS				
Book value	8	129	—	1
(Loss)/profit on disposal	(8)	(52)	—	—
Proceeds	—	77	—	1

Notes to the financial statements

for the year ended 31 December 2007 (continued)

	CONSOLIDATED		COMPANY	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
35. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents included in the cash flow statement comprises the following balance sheet amounts :				
Bank and cash balances	19 902	42 355	552	757
Overdraft included in borrowings – current liabilities (note 18)	–	(56)	–	–
	19 902	42 299	552	757
36. CAPITAL EXPENDITURE				
Authorised and contracted	–	286	–	–
Authorised not contracted	4 685	4 787	–	–

37. GUARANTEES

The Company has guaranteed facilities granted to subsidiary companies amounting to R60 000 000 (2006 – R60 000 000)

The Company has given a limited guarantee amounting to R3 000 000 (2006 – R3 000 000) to a raw material supplier of a subsidiary company.

The Company's bankers have furnished performance and shipping guarantees on behalf of subsidiaries amounting to R36 140 000 (2006 – R35 191 000)

No losses are expected to arise out of the above arrangements

38. RETIREMENT FUNDS

Defined Benefit Fund

The Company operates a post retirement pension scheme that covers all employees employed before 1 January 2001.

The pension fund is a final salary defined benefit plan and is fully funded. The assets of the fund are held in an independent trustee administered fund, which is administered in terms of the Pension Fund Second Amendment Act 39 of 2001. The fund is valued every three years using the projected unit credit method. The latest full actuarial valuation was performed on 31 December 2006.

Defined contribution fund

The Company operates a defined contribution pension fund for all employees who joined after 1 January 2001.

Employees who are not members of either of the Group's pension funds are covered by the relevant industry fund or through foreign territory statutory funds.

All the funds are managed independently of the Group.

	GROUP		
	2007	2006	
	R'000	R'000	
38. RETIREMENT FUNDS (continued)			
No assets are recognised in respect of the surplus as the apportionment of the surplus still needs to be calculated and approved by the Registrar of Pension Funds in terms of the Pension Fund Second Amendment Act, 39 of 2001.			
Present value of funded obligations	(151 145)	(122 488)	
Fair value of assets	189 103	168 931	
Surplus not recognised	37 958	46 443	
Movement during the year			
Current service costs	(3 047)	(2 549)	
Interest costs	(9 981)	(8 973)	
Return on plan assets	22 359	11 568	
Employee contributions	2 977	2 371	
Actuarial (loss)/gain	(20 793)	20 714	
	(8 485)	23 131	
The principal actuarial assumptions used for accounting purposes were:			
Discount rate	8,25%	8,25%	
Pension increases	3,30%	3,00%	
Return on assets	9,07%	9,00%	
Salary increases	6,75%	6,25%	
The following are the results of the fund over the previous three years			
	2005	2004	2003
	R'000	R'000	R'000
Present value of funded obligations	(113 616)	(92 053)	(97 390)
Fair value of assets	136 928	119 217	93 834
Surplus not recognised	23 312	27 164	(3 556)
		2007	2006
		R'000	R'000
Fair value of plan assets split into major asset classes			
Equities		119 078	109 669
Government Bonds		12 348	15 740
Property		1 796	—
Insurance contract		35 400	30 411
Other		20 481	13 111
		189 103	168 931

39. LITIGATION

There are no legal matters which in the opinion of the Group and in consultation with legal counsel would have any material effect on the Group's consolidated financial position, results of operations or cash flow.

Notes to the financial statements

for the year ended 31 December 2007 (continued)

	2007 R'000	2006 R'000
40. RELATED PARTY TRANSACTION		
All transactions with related parties took place at arms' length and at market related terms. For details of subsidiary companies and the Group's interest therein refer to pages 70 and 71. Refer to page 2 and 3 for details of the directors and note 41 to the financial statements for details of emoluments paid to directors. Refer to note 37 to the financial statements for details of guarantees provided on behalf of the subsidiary companies. Refer to note 20 for amounts owing to other Howden Group companies		
(a) Key management compensation		
Basic salaries	6 373	5 895
Bonuses or performance related payments	1 413	1 206
Any other material benefit received	589	427
Contribution to pension scheme	548	516
	8 923	8 044
(b) Sales of goods and services		
Howden Power (Pty) Limited	—	22 128
James Howden Holdings Limited	23 784	11 636
Howden Donkin (Pty) Limited	4 951	6 182
Howden FFP (Pty) Limited	9 261	8 695
Howden Africa (Pty) Limited – Power Division	50 778	13 944
	88 774	62 585
(c) Purchase of goods and services		
Howden Power (Pty) Limited	—	916
James Howden Holdings Limited	16 377	18 778
Howden Donkin (Pty) Limited	818	2 364
Howden FFP (Pty) Limited	9 200	1 376
Howden Projects (Pty) Limited	58 855	38 527
Howden Africa (Pty) Limited – Power Division	3 524	624
	88 774	62 585
(d) Amounts paid by subsidiaries to the Company in respect of:		
(1) Royalties		
Howden Africa (Pty) Limited – Power Division	6 528	4 720
James Howden Holdings Limited	3 025	2 306
Howden Donkin (Pty) Limited	2 025	1 825
	11 578	8 851
(2) Management fees		
Howden Africa (Pty) Limited – Power Division	1 824	1 260
James Howden Holdings Limited	2 016	1 719
Howden Donkin (Pty) Limited	804	752
	4 644	3 731
(3) Dividends		
Bateman Howden SA (Pty) Limited	—	5 000
James Howden Holdings Limited	—	76 605
Howden Africa (Pty) Limited	—	199 643
	—	281 248
(e) Royalties paid to Howden Holdings Limited – UK In respect of technical licence fees	1 440	1 859

41. DIRECTORS' EMOLUMENTS

	Fees for services as a director R'000	Basic salary R'000	Bonuses or performance related payments R'000	Any other material benefit received R'000	Contribution to pension scheme R'000	Total R'000
for the year ended 31 December 2007						
Executive director						
S Meyer		1 139	424	70	110	1 743
Non-executive directors						
AB Mashiatshidi	83					83
M Malebye	26					26
	109	1 139	424	70	110	1 852
for the year ended 31 December 2006						
Executive director						
S Meyer		1 045	360	68	101	1 574
Non-executive directors						
AB Mashiatshidi	83					83
	83	1 045	360	68	101	1 657

All directors' emoluments are paid by the Company Howden Africa Holdings Limited.

Share options

There were no share options available.

Service contract

S Meyer has a single service contract with Howden Africa Holdings Limited which is currently in place. It does not contain a fixed term and can be terminated by the Company on six months' notice or by S Meyer on six months' notice.

S Meyer is eligible to participate in the Company's annual bonus scheme. The award of the bonus is discretionary and is dependent entirely upon the directors' performance and the profit performance of the Company and is payable in April based on the previous year's performance.

The contract outlines the components of remuneration to be paid to S Meyer and includes the necessity that he becomes a member of the Company's pension and medical aid schemes on the normal terms and conditions from time to time applicable to an employee of the Company. Remuneration is reviewed on an annual basis by the Remuneration Committee.

Interest in subsidiary companies

for the year ended 31 December 2007

	Issued ordinary share capital	Proportion held	Details of holding company's interest			
			Shares at cost or valuation less amounts written off		Indebtedness	
	Dec 2007 R	%	Dec 2007 R'000	Dec 2006 R'000	Dec 2007 R'000	Dec 2006 R'000
SUBSIDIARIES OF HOWDEN AFRICA HOLDINGS LIMITED						
Incorporated in South Africa						
Howden Africa (Pty) Limited (preference share)	1	100,00	29 310	29 310	—	—
Howden Africa (Pty) Limited	1 010	100,00	60 000	60 000	357 210 ¹	103 699 ¹
Incorporated in Scotland						
Donkin Fans Limited	23	100,00	—	—	—	—
			89 310	89 310	357 210	103 699
SUBSIDIARIES OF HOWDEN AFRICA (PTY) LIMITED						
Incorporated in South Africa						
James Howden Holdings Limited	1 406 488	100,00	15 298	15 298	40 237	240 995
Howden FFP (Pty) Limited*	1 000	100,00	46 965	20 645	—	—
Howden Process Compressors (Pty) Limited	1 000	100,00	388	388	—	—
Gertrude Holdings Limited	200	100,00	20 735	20 735	7	(55)
Howden Holdings (Pty) Limited	100	100,00	32 244	32 244	—	—
			115 630	89 310	40 244	240 940
SUBSIDIARIES OF JAMES HOWDEN HOLDINGS LIMITED						
Incorporated in South Africa						
Engart Africa (Pty) Limited	2	100,00	—	—	—	—
Howden Projects (Pty) Limited	200	100,00	1	1	—	—
Howden Power (Pty) Limited	15 000	100,00	15	15	(211 067)	(210 387)
Incorporated in Scotland						
Howden 3Ts International Limited	23	100,00	—	—	—	—
			16	16	(211 067)	(210 387)

	Issued ordinary share capital	Proportion held	Details of holding company's interest			
			Shares at cost or valuation less amounts written off		Indebtedness	
	Dec 2007 R	%	Dec 2007 R'000	Dec 2006 R'000	Dec 2007 R'000	Dec 2006 R'000
SUBSIDIARIES OF GERTRUDE HOLDINGS LIMITED						
Incorporated in South Africa						
Brumerose Properties (Pty) Limited	200	100 00	31	31	—	—
SUBSIDIARIES OF HOWDEN HOLDINGS (PTY) LIMITED						
Incorporated in South Africa						
Howden Donkin (Pty) Limited	10 000	100 00	8 295	8 295	—	—
Donkin Manufacturing Company (Pty) Limited	16 380	100 00	4 000	4 000	—	(193)
			12 295	12 295	—	(193)
Total indebtedness					186 387	134 059
Reconciliation of total indebtedness						
Loans to subsidiaries (note 9)					400 254	439 156
Loans from subsidiaries (note 9)					(213 931)	(306 075)
Amounts owing by subsidiaries (Balance sheet)					950	1 226
Amounts owing to subsidiaries (Balance sheet)					(886)	(248)
					186 387	134 059

*Previously named Bateman Howden South Africa (Pty) Limited and renamed on becoming a wholly owned subsidiary.

¹Howden Africa Holdings Limited has subordinated this loan in favour of Standard Bank SA Limited, until such time as Howden Africa (Pty) Limited has repaid its loan to Standard Bank SA Limited (refer note 18).

Notice of the annual general meeting

for the year ended 31 December 2007

HOWDEN AFRICA HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

Registration number 1996/002982/06 ("the Company")

JSE Code: HWN ISIN Code: ZAE 000010583

Notice is hereby given that the annual general meeting of shareholders of the Company will be held at the registered office, 1a Booyens Road, Booyens, Johannesburg at 12:00 on Thursday, 5 June 2008 for the following purposes:

1. To receive and consider the annual financial statements for the year ended 31 December 2007;
2. To elect Ms M Malebye who was elected subsequent to the last annual general meeting and retires according to the Company's articles of association; (Please see note 1)
3. To re-elect Mr AB Mashiatshidi and RJ Cleland who retire by rotation from the board of directors, in terms of the Company's articles of association; (Please see note 2)
4. To approve the remuneration of directors;
5. To appoint Messrs PricewaterhouseCoopers Inc. as auditors of the Company;
6. To place no more than 5% of the unissued share capital of the Company under the control of the directors in terms of section 221 of the Companies Act 1973 as amended ("the Act"), and to renew the authority of the directors to allot and issue no more than 5% of the unissued shares of the Company on such terms and conditions as they may deem fit, subject to the provisions of the Act, and the requirements of the JSE Limited ("JSE");

7. Special resolution number 1:

General approval to permit the Company to acquire shares of the Company

"Resolved that, by way of general approval, Howden Africa Holdings Limited ("the Company") is authorised in terms of the articles of association of the Company to acquire Howden Africa shares in terms of sections 85 to 89 of the Act and of the Listings Requirements of the JSE from time to time, which Listings Requirements currently provide *inter alia* that:

- any such acquisition of Howden Africa shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party (reported trades are prohibited);
- this general authority shall only be valid until the Company's next annual general meeting; provided that it shall not extend beyond fifteen months from the date of passing of this special resolution number 1;
- at any point in time the Company may only appoint one agent to effect any repurchase/s on its behalf;
- the Company may only undertake a repurchase of Howden Africa shares if, after such repurchase, it still complies with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread requirements;
- the Company may not repurchase Howden Africa shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- an announcement will be published as soon as the Company has acquired Howden Africa shares constituting, on a cumulative basis, 3% of the number of Howden Africa shares in issue at the time the authority is granted and for each subsequent 3% purchased thereafter, containing full details of such acquisition;
- acquisitions in the aggregate in any one financial year by the Company may not exceed 20% of the number of Howden Africa shares in issue at the commencement of such financial year;
- in determining the price at which Howden Africa shares are acquired by the Company in terms of this general authority, the maximum premium at which such shares may be purchased will be 10% of the weighted average of the market value of Howden Africa shares for the five business days immediately preceding the date of the relevant transactions."

The reason for the special resolution is to grant to the Company and to obtain a general approval in terms of the Act for the acquisition by the Company of Howden Africa shares. This general approval shall be valid until the earlier of the next annual general meeting or its variation or revocation by special resolution by any subsequent general meeting; provided that the general authority shall not extend beyond fifteen months from the date of passing of special resolution number 1.

It is the intention of the Company to act under the general authority referred to in special resolution number 1 if prevailing circumstances (including market conditions) warrant it.

The Howden Africa board having considered the impact which a purchase of 20% of the Howden Africa shares (being the maximum number of Howden Africa shares which may be purchased in terms of special resolution number 1) would have on the Company and the Howden Africa Group, is of the opinion that:

- the Company and the Howden Africa Group will be able in the ordinary course of business to pay its debts for a period of twelve months after the date of this annual report;
- the assets of the Company and the Howden Africa Group will be in excess of the liabilities of the Company and the Howden Africa Group for a period of twelve months after the date of this annual report;
- the working capital, ordinary capital and reserves of the Company and the Howden Africa Group will be adequate, for a period of twelve months after the date of this annual report.

Section 11.26 (b) of the JSE Listings Requirements requires the following disclosure, part of which is included in the annual report of which this notice forms part:

- directors (pages 2 and 3);
- major shareholders of the Company (page 58);
- there have been no material changes in the financial or trading position of the Company and its subsidiaries since the date of the Company's financial year-end and the date of this notice;
- directors' interest in Howden Africa shares (page 27);
- share capital of the Company (pages 57 and 58);
- directors' responsibility statement – the directors, whose names appear on pages 2 and 3 of this annual report of which this notice forms part, collectively and individually accept full responsibility for all information pertaining to special resolution number 1 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such fact have been made and that special resolution number 1 contains all such information (page 23);
- litigation statement (page 68).

The Company will not enter the market to proceed with any repurchase of shares in terms of special resolution number 1 as part of a repurchase of its ordinary shares, until its sponsor has confirmed in writing to the JSE the adequacy of the Company's working capital pursuant to the Listings Requirements of the JSE.

Notice of the annual general meeting

for the year ended 31 December 2007 (continued)

Note 1

Confirmation of appointment of director who was appointed since the last annual general meeting.

M MALEBYE (36)

Independent non-executive director

Morongwe Malebye is a qualified engineer. She has graduated with an M.Sc Industrial Engineering and B.Sc Mechanical Engineering degrees, and in addition she has completed an MBA. She has worked at Eskom, Sasol, Spoornet, Armscor and Babcock Africa. She serves on the board of African Oxygen Limited (Afrox) and is a mentor for the Allan Gray Foundation.

Note 2

Directors who are retiring by rotation and seeking re-election.

AB MASHIATSHIDI (48)

Independent non-executive director

Arthur Mashiatshidi is founder and Chief Executive of Decorum Capital Partners (Pty) Limited, which manages the New Africa Mining Fund. He serves as a director on the boards (and committees) of Acc-Ross Limited (JSE-AltX listed); Thebe Investment Corporation (Pty) Limited; Kaya FM board; TCS (Tosaco Commercial Services) and he also serves on the Admissions Committee of the AltX of the JSE Limited (JSE).

RJ CLELAND (60)

Non-executive director

Bob Cleland was appointed chief executive of Howden Global in 1999. He was previously group operations director on the board of Triplex Lloyd plc and prior to that was an executive of British Steel Stainless, now Avesta Polarit. He was appointed a non-executive director of Howden Africa Holdings Limited board on 2 March 2000.

VOTING AND PROXIES

All shareholders will be entitled to attend, speak and vote at the annual general meeting.

Each shareholder is entitled to appoint one or more proxies (who need not be shareholders of the Company), to attend and speak and vote in place of that shareholder at the annual general meeting.

A form of proxy is attached for any shareholder who is unable to attend the annual general meeting, but wishes to be represented thereat. It must be completed and lodged with or sent to the Company Transfer Secretaries, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001, Republic of South Africa (P O Box 61051, Marshalltown, 2107), to be received by them not later than 12:00 on Tuesday, 3 June 2008. Any shareholder who completes and lodges the form of proxy will nevertheless be entitled to attend and vote in person should such shareholder afterwards decide to do so.

- If you have not yet dematerialised your shares in the Company and therefore hold a share certificate, you must complete the attached form of proxy in accordance with the instructions therein and lodge it with the transfer secretaries of the Company namely, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 Republic of South Africa (PO Box 61051, Marshalltown, 2107) to be received by not later than 12:00 on Tuesday, 3 June 2008;
- If you have already dematerialised your shares in the Company, but the shares are in your own name, you must complete the attached form of proxy in accordance with the instructions therein and lodge it with the transfer secretaries of the Company namely, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 Republic of South Africa (PO Box 61051, Johannesburg, 2107) to be received by not later than 12:00 on Tuesday, 3 June 2008; or
- If you have already dematerialised your shares in the Company through a CSDP or broker, but the shares are not in your own name, you should notify your duly appointed Central Securities Depository Participant ("CSDP") or broker, as the case may be, in the manner stipulated in the agreement governing your relationship with your CSDP or broker of your instructions as regards voting your shares at the general meeting.

By order of the board

MICHAEL JOHN MILLARD LAKE

Company Secretary

12 March 2008

Form of proxy

HOWDEN AFRICA HOLDINGS LIMITED

(Incorporated in the Republic of South Africa) (Registration number 1996/002982/06) ("the Company")
JSE Code: HWN; ISIN Code: ZAE 000010583

FORM OF PROXY: THIRTEENTH ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD AT 12:00 ON 5 JUNE 2008 AT 1a BOOYSENS ROAD, BOOYSENS, JOHANNESBURG

for use by shareholders who:

- hold shares in certificated form; or
- have dematerialised their shares (ie, have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE's electronic settlement system (Strate Limited) and are recorded in the sub-register in "own name" dematerialised form) (ie, shareholders who have specifically instructed their Central Securities Depository Participant ("CSDP") to hold their shares in their own name).

If you are unable to attend the thirteenth annual general meeting of the members convened for 12:00 on Thursday, 5 June 2008 and wish to be represented thereat, you must complete and return this form of proxy as soon as possible, but in any event to be received by not later than 12:00 on Tuesday, 3 June 2008, to Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 Republic of South Africa, (PO Box 61051, Marshalltown, 2017).

Shareholders who have dematerialised their shares and are not registered as own name dematerialised shareholders and who wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with the relevant letter of representation to enable them to attend such meetings, or, alternatively, should they wish to vote but not to attend the annual general meeting they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker in the manner and cut-off time stipulated therein.

Such shareholders must not complete this form of proxy

I/We

(Name in block letters)

of

being a member(s) of the Company

and being the holder(s) of ordinary shares in the Company,

do hereby appoint:

- | | | |
|----|----|--------------------|
| 1. | of | or failing him/her |
| 2. | of | or failing him/her |
| 3. | of | or failing him/her |

the Chairman of the annual general meeting, as my/our proxy to act for me/us at the thirteenth annual general meeting of the Company to be held on Thursday, 5 June 2008 at 12:00 and at any adjournment thereof, at the Company's registered office, 1a BooySENS Road, BooySENS, Johannesburg and to vote for me/us on my/our behalf in respect of the undermentioned resolutions in accordance with the following instructions:

		NUMBER OF ORDINARY SHARES		
		For	Against	Abstain
1.	Annual financial statements			
2.	Election of M Malebye			
3.	Re-election of AB Mashiatsidi and RJ Cleland			
4.	Remuneration of directors			
5.	Appointment of auditors			
6.	Placing unissued shares under the control of the directors			
7.	Special Resolution Number 1 General approval to permit Company to acquire shares of the Company			

Signed at _____ on _____ 2008

Signature _____ Assisted by me _____
(where applicable)

Each shareholder is entitled to appoint one or more proxies (who need not be shareholders of the Company) to attend, speak and, on a poll, vote in place of that shareholder at the annual general meeting.

PLEASE READ THE NOTES ON THE REVERSE HEREOF

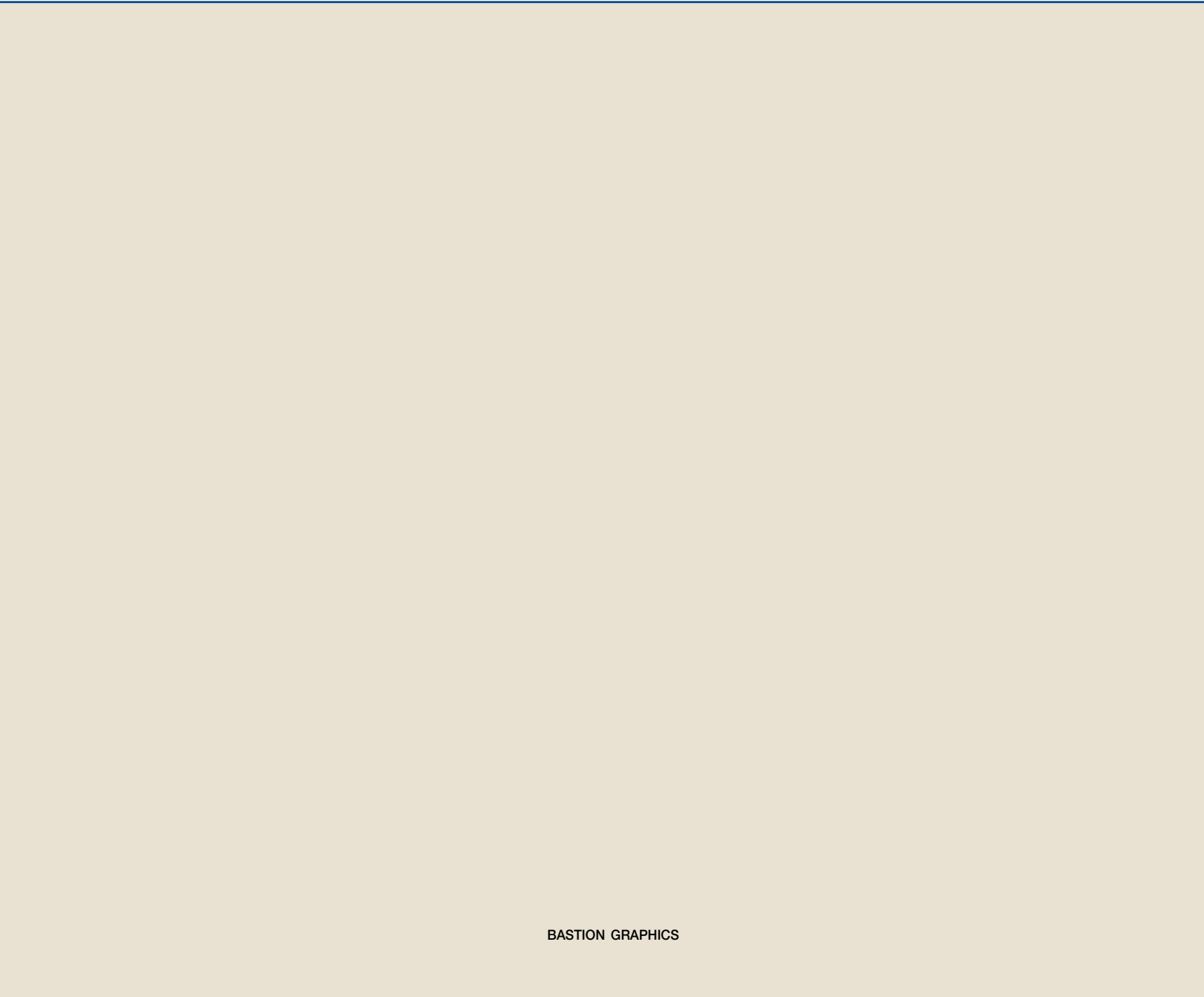
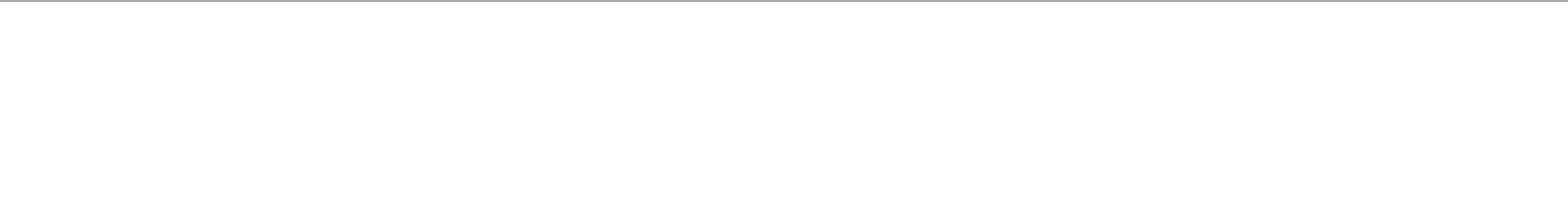
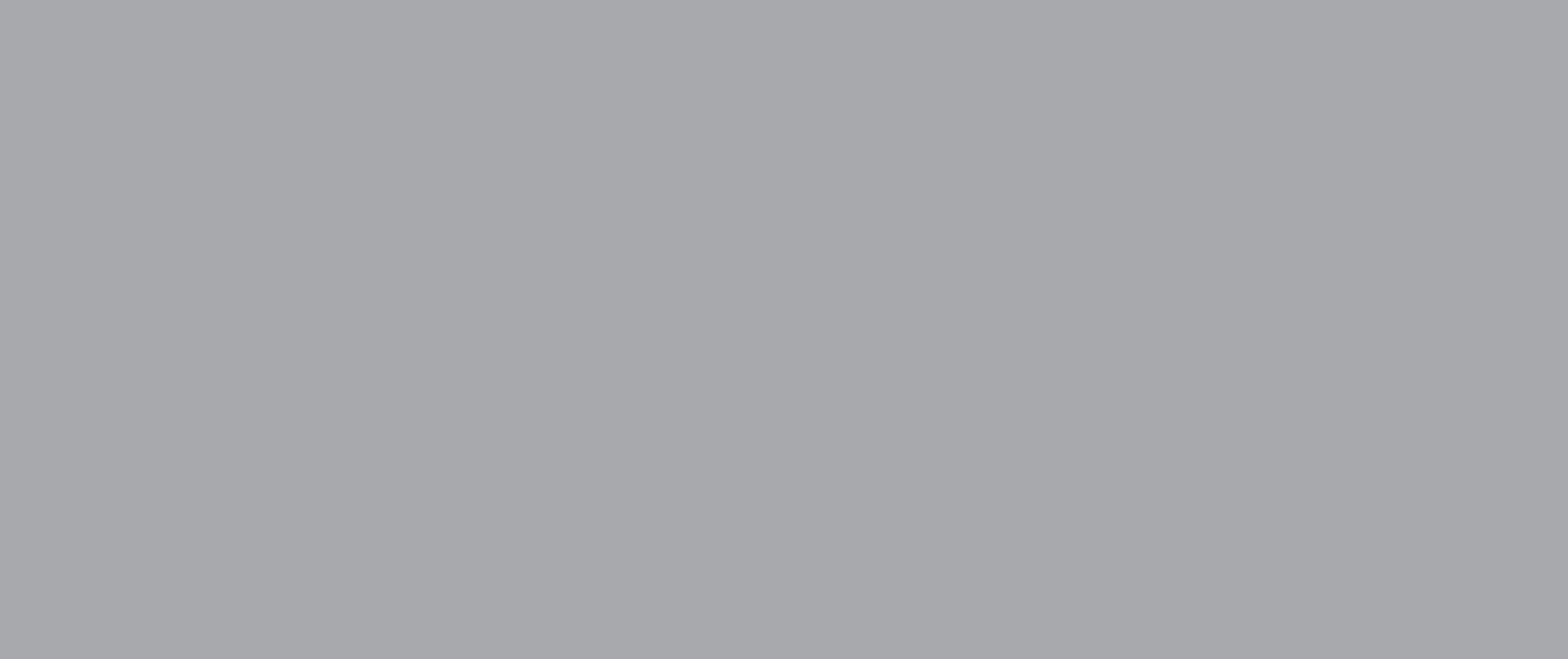
The form of proxy must only be used by certificated shareholders or shareholders who hold dematerialised shares in their "own name". Other shareholders are reminded that the onus is on them to communicate with their CSDP or broker.

Instructions on signing and lodging the annual general meeting proxy form:

1. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration must be signed, not initialled.
2. The Chairman shall be entitled to decline to accept the authority of the signatory:
 - (a) under a power of attorney; or
 - (b) on behalf of a company,

if the power of attorney or authority has not been deposited at the office of the Company's transfer secretaries, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001, Republic of South Africa, (PO Box 61051, Marshalltown, 2107), by not later than 12:00 on Tuesday, 3 June 2008.

3. The signatory may insert the name(s) of any person(s) whom the signatory wishes to appoint as his/her proxy in the blank spaces provided for that purpose.
4. When there are joint holders of shares and if more than one of such joint holders be present or represented, the person whose name stands first in the register in respect of such shares of his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof.
5. The completion and lodging of this form of proxy will be not preclude the signatory from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such signatory wish to do so.
6. Forms of proxy must be deposited at the office of the Company's transfer secretaries, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001, Republic of South Africa, (PO Box 61051, Marshalltown, 2107), by not later than 12:00 on Tuesday, 3 June 2008.
7. If the signatory does not indicate in the appropriate place on the face hereof how he/she wishes to vote in respect of a particular resolution, his/her proxy shall be entitled to vote as he/she deems fit in respect of that resolution.
8. The Chairman of the annual general meeting may reject any proxy form which is completed other than in accordance with these instructions, provided that he may accept such proxy forms where he is satisfied as to the manner in which a member wishes to vote.





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