

Howden Group Limited  
Annual report and financial statements  
for the year ended 31 December 2021

Registered Number: 00472621



# Howden Group Limited

## Annual report for the year ended 31 December 2021

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**Howden Group Limited**  
Registered Number: 00472621

**Directors and advisers for the year ended 31 December 2021**

**Directors**

J Robertson  
J Brinkman  
J Evanko  
H Hotchkiss

**Secretary**

PricewaterhouseCoopers LLP

**Independent Auditors**

Ernst & Young LLP  
G1, 5 George Square  
Glasgow  
G2 1DY

**Registered Office**

One Chamberlain Square  
Birmingham  
B3 3AX

**Bankers**

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

**Solicitors**

Brodies LLP  
110 Queen Street  
Glasgow  
G1 3BX

Dentons UK and Middle East LLP

One Fleet Place  
London  
EC4M 7WS

## Strategic report for the year ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

### Business review, principal activities and future developments

The Company operates as an investment holding Company whose subsidiary Company activities are the design, manufacture and marketing of air and gas handling equipment.

The Directors consider the results for the year to be in line with expectations. The results for the year are set out in the income statement on page 10. The company's profit for the year is £10,825,000 (2020: profit £6,651,000). The company incurred employee costs of £15,422,000 (2020: £14,472,000) during the year, which represents staff costs associated with Howden central functions. Main drivers of the result in the year is licence fee income received from other group companies and reversal of impairment in fixed asset investments of £16,297,000. No dividend was paid during the year (2020: £nil). The future developments of the Company's subsidiaries are included in their own statutory accounts. The company will continue to act as an investment holding company.

### Principal risks and uncertainties

The Company's principal financial instruments comprise inter-group loans. The principal risks to which the Company is exposed to are those relating to credit, liquidity and interest rate risk. These risks are managed in accordance with Board approved policies.

#### *Credit risk*

The credit risk associated with the Company's inter-group receivables is considered to be limited.

#### *Liquidity risk*

The Company obtains funds for its operations via the Group's bank facilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and loans.

#### *Interest rate risk*

The Company's intergroup balances are subject to variable interest rates. Interest rate risk is regularly monitored and is not considered to be material.

### Key performance indicators

Performance of the Company is assessed based on performance of the underlying investments of the Company.

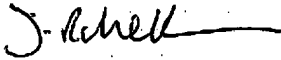
The Company's key performance indicators during the year were as follows:

|                   | 2021    | 2020        |
|-------------------|---------|-------------|
|                   | £'000   | £'000       |
|                   |         | As restated |
| Profit before tax | 10,937  | 8,791       |
| Net assets        | 115,416 | 101,055     |

**Howden Group Limited**  
Registered Number: 00472621

**Strategic report for the year ended 31 December 2021 (continued)**

On behalf of the board



**Jennifer Robertson**  
Director  
21 September 2023

## **Directors' report for the year ended 31 December 2021**

The Directors present their report for the year ended 31 December 2021.

### **Directors**

The Directors who held office during the year and up to the date of signing are as follows:

|                                     |                                       |
|-------------------------------------|---------------------------------------|
| M P Lehman (resigned 23 March 2023) | J Robertson                           |
| R Shuster (resigned 23 March 2023)  | J Brinkman (appointed 17 March 2023)  |
| A Irvine (resigned 23 March 2023)   | J Evanko (appointed 17 March 2023)    |
| S Dalglish (resigned 10 April 2023) | H Hotchkiss (appointed 17 March 2023) |

### **Financial risk management**

The central treasury function of the Group, Howden Finance Limited, is responsible for ensuring the availability of funding arrangements in order to meet the ongoing requirements of the group and Company. In addition, it is responsible for managing the interest rate risk, liquidity risks and balance sheet foreign exchange translation risks of the group and Company.

### **Future developments**

The future developments of the Company are described in the Strategic Report.

### **Dividend**

No dividends were paid during the year ended 31 December 2021 (2020: £ nil).

### **Post balance sheet events**

On November 8, 2022, the ultimate parent entered into an Equity Purchase Agreement (the "Purchase Agreement") with Chart Industries, Inc. (the "Buyer"). Pursuant to the Purchase Agreement, the Buyer will acquire (the "Transaction"), all of the equity interests of the ultimate parent, which constitutes the business of Howden. The base purchase price for this transaction is \$4.4 billion, subject to customary purchase price adjustments for cash, indebtedness, transaction expenses and working capital. The transaction closed on 17 March 2023.

Upon the close of the transaction, all Class B and Class C Profits Interests vested, and were settled in cash by Granite Management Holdings LP. Also upon close, all LTP awards vested and were settled in cash by Howden Group Limited

Howden Group Limited entered into a share pledge agreement on 20 December 2019 with JPMorgan Chase Bank, N.A. ('the Bank'), to deposit the Bank with 100% of the ordinary share capital of James Howden & Company Limited as collateral in relation to a Credit Agreement entered into by certain subsidiaries within the Granite Holdings II B.V. Group on 30 September 2019. Howden Group Limited retains control over 100% of the ordinary share capital in absence of an Event of Default. This charge was released on 17 March 2023, upon close of the sale of Howden to Chart Industries, Inc.

In response to the current crisis in Ukraine, Granite Holdings II B.V. (the Group) has ceased accepting any new business from customers in Russia and from customers in Belarus, either through direct or indirect channels. The Group are in full compliance with all applicable sanctions. At this time, we do not believe that the conflict has had a material impact on the Group or Company business, operations, financial condition or prospects.

# Howden Group Limited

Registered Number: 00472621

## Directors' report (continued)

### Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

### Streamlined energy and carbon reporting (SECR)

Under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, Howden Finance Limited does not meet the size threshold for disclosure of SECR.

### Going concern

The financial statements have been prepared on the going concern basis. On 17 March 2023, Granite Holdings II B.V. (the ultimate parent) was acquired by Chart Industries, Inc.. As a result, Chart Industries, Inc, a company listed on the New York stock exchange, is the ultimate parent of Howden Group Limited. The ultimate parent has provided a letter of support confirming it will provide support for the period through to 31 December 2024. The directors of the Company have considered the ability of the parent to provide financial support through directly reviewing the going concern assessment of the parent.

In assessing the basis of preparation of the financial statements, the parent has undertaken an assessment of going concern, considering financial forecasts for the period to 31 December 2024. The parent delivered year on year growth in underlying profitability and cash generation in year ended 31 December 2022. The directors of the parent considered financial forecasts and utilised scenario analysis to test the adequacy of the parent's liquidity. This included confirming that the parent will be cash positive under what it believes is the most likely worst case scenario, which assumed a phased reduction of approximately 15% of revenue with resulting reduction in EBITDA. As a result, the parent continues to adopt the going concern basis of accounting in preparing the group financial statements.

Taking the parent going concern assessment into consideration, the board of directors of the Company have a reasonable expectation that the parent has sufficient resources to provide ongoing financial support through to at least 31 December 2024. Accordingly, the directors of the Company consider it appropriate to adopt the going concern basis in preparing the financial statements.

### Directors' Indemnities

The Company has purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

### Independent auditors

The auditors, Ernst & Young LLP, will not continue in office. This is due to change of control of the ultimate parent, for whom Ernst & Young LLP are not the auditors. A resolution will be set at the Annual General Meeting to appoint new auditors.

### Statement of directors' responsibilities

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

# Howden Group Limited

Registered Number: 00472621

## Directors' report (continued)

### Statement of directors' responsibilities (continued)

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the Board



Jennifer Robertson  
Director  
21 September 2023

# **Independent auditors' report to the members of Howden Group Limited**

## **Opinion**

We have audited the financial statements of Howden Group Limited for the year ended 31 December 2021 which comprise the Income statement and statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 December 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

### **Other information (continued)**

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

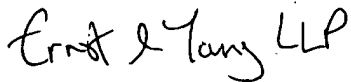
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and Companies Act 2006) and relevant tax compliance in the UK.
- We understood how Howden Group Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, and we noted that there was no contradictory evidence.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud, and how senior management monitors those programmes and controls at a group level. Where the risk was considered to be higher, we performed audit procedures to address the identified fraud risk. These procedures included testing journals indicating manual or unusual transactions based on our understanding of the business against specific risk criteria and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- We determined management override to be a fraud risk. Procedures performed to address this identified fraud risk, in addition to the above, included testing journals indicating manual or unusual transactions based on our understanding of the business against specific risk criteria. We gained an understanding of the transactions identified and agreed to source documentation.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included reading board minutes to identify non-compliance with laws and regulations, and enquiries of legal counsel and management.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

### **Use of our report**

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



Paul Copland (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Edinburgh  
21 September 2023

# Howden Group Limited

## Income Statement for the year ended 31 December 2021

|   | Note | 2021<br>£'000 | 2020<br>£'000<br>As restated |
|---|------|---------------|------------------------------|
| Operating income                                |      | 44,902        | 49,833                       |
| Operating expenses                              |      | (50,586)      | (36,346)                     |
| <b>Operating (loss)/profit</b>                  | 5    | (5,684)       | 13,487                       |
| Impairment of fixed asset investments           | 6    | 16,297        | (4,491)                      |
| Finance cost                                    | 9    | -             | (207)                        |
| Finance income                                  | 9    | 324           | 2                            |
| <b>Profit on ordinary activities before tax</b> |      | 10,937        | 8,791                        |
| Tax on profit                                   | 10   | (112)         | (2,140)                      |
| <b>Profit for the financial year</b>            |      | 10,825        | 6,651                        |

All amounts are classified as continuing operations of the Company.

There are no other items of comprehensive income other than as reported in the income statement.

# Howden Group Limited

## Statement of financial position as at 31 December 2021

|  | Note | 2021<br>£'000  | 2020<br>£'000  |
|--|------|----------------|----------------|
|  |      |                | As restated    |
| <b>Fixed assets</b>  |      |                |                |
| Intangible assets  | 11   | 3,055          | 4,085          |
| Tangible assets  | 12   | 355            | 450            |
| Investments  | 13   | 59,741         | 43,444         |
|  |      | 63,151         | 47,979         |
| <b>Current assets</b>  |      |                |                |
| Trade and other receivables                                    | 14   | 73,589         | 70,715         |
| Cash   |      | 2              | 2              |
|  |      | 73,591         | 70,717         |
| Trade and other payables : amounts falling due within one year | 15   | (21,326)       | (15,661)       |
| <b>Net current assets</b>                                      |      | 52,265         | 55,056         |
| <b>Total assets less current liabilities</b>                   |      | 115,416        | 103,035        |
| Provisions for other liabilities                               | 19   | -              | (1,980)        |
| <b>Net assets</b>  |      | <b>115,416</b> | <b>101,055</b> |
| <b>Equity</b>  |      |                |                |
| Ordinary shares  | 17   | 5,395          | 5,395          |
| Capital redemption reserve                                     |      | 1,832          | 1,832          |
| Retained earnings  |      | 108,189        | 93,828         |
| <b>Total equity</b>  |      | <b>115,416</b> | <b>101,055</b> |

The financial statements on pages 11 to 36 were approved by the board of Directors and authorised for issue on 21 September 2023 and were signed on its behalf by:



**Jennifer Robertson**  
Director

Company registered number: 00472621

# Howden Group Limited

## Statement of changes in equity for the year ended at 31 December 2021

|   | Ordinary<br>shares | Capital<br>redemption<br>reserve | Retained<br>earnings | Total          |
|---|--------------------|----------------------------------|----------------------|----------------|
|   | £'000              | £'000                            | £'000                | £'000          |
| Balance as at 1 January 2020 as previously stated | 5,395              | 1,832                            | 88,869               | 96,096         |
| Prior year adjustment                             | -                  | -                                | 2,320                | 2,320          |
| Accounting policy change                          | -                  | -                                | (4,012)              | (4,012)        |
| <b>Balance as at 1 January 2020</b>               | <b>5,395</b>       | <b>1,832</b>                     | <b>87,177</b>        | <b>94,404</b>  |
| Profit for the year                               | -                  | -                                | 12,704               | 12,704         |
| Other comprehensive income for the year           | -                  | -                                | -                    | -              |
| Total comprehensive income for the year           | -                  | -                                | 12,704               | 12,704         |
| <b>Balance as at 31 December 2020</b>             | <b>5,395</b>       | <b>1,832</b>                     | <b>99,881</b>        | <b>107,108</b> |
| Prior year adjustment                             | -                  | -                                | (6,123)              | (6,123)        |
| Accounting policy change                          | -                  | -                                | 70                   | 70             |
| <b>Balance as at 31 December 2020 as restated</b> | <b>5,395</b>       | <b>1,832</b>                     | <b>93,828</b>        | <b>101,055</b> |
| Profit for the year                               | -                  | -                                | 10,825               | 10,825         |
| Other comprehensive income for the year           | -                  | -                                | -                    | -              |
| Total comprehensive income for the year           | -                  | -                                | 10,825               | 10,825         |
| Share based payments                              | -                  | -                                | 3,536                | 3,536          |
| <b>Balance as at 31 December 2021</b>             | <b>5,395</b>       | <b>1,832</b>                     | <b>108,189</b>       | <b>115,416</b> |

# Howden Group Limited

## Notes to the financial statements for the year ended 31 December 2021

### 1. Accounting policies

#### i. General information

Howden Group Limited is a private limited company limited by shares and it is incorporated in United Kingdom and registered in England. The address of its registered office One Chamberlain Square, Birmingham, B3 3AX. The Company's registered number is 00472621.

The principal activity of the Company continues to be as an investment holding Company whose subsidiary Company activities are the design, manufacture and marketing of air and gas handling equipment.

#### ii. Statement of compliance

The individual financial statements of Howden Group Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

#### iii. Summary of significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

##### a) Basis of accounting

The financial statements are prepared under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value, and applicable accounting standards in the United Kingdom. The financial statements have been prepared under FRS 102.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in 'Critical accounting judgements and key source of estimation uncertainty' section of later in this note.

##### b) Going concern

The financial statements have been prepared on the going concern basis. On 17 March 2023, Granite Holdings II B.V. (the ultimate parent) was acquired by Chart Industries, Inc. As a result, Chart industries, Inc, a company listed on the New York stock exchange, is the ultimate parent of Howden Group Limited. The ultimate parent has provided a letter of support confirming it will provide support for the period through to 31 December 2024. The directors of the Company have considered the ability of the parent to provide financial support through directly reviewing the going concern assessment of the parent.

# Howden Group Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### b) Going concern (continued)

In assessing the basis of preparation of the financial statements, the parent has undertaken an assessment of going concern, considering financial forecasts for the period to 31 December 2024. The parent delivered year on year growth in underlying profitability and cash generation in year ended 31 December 2022. The directors of the parent considered financial forecasts and utilised scenario analysis to test the adequacy of the parent's liquidity. This included confirming that the parent will be cash positive under what it believes is the most likely worst case scenario, which assumed a phased reduction of approximately 15% of revenue with resulting reduction in EBITDA. As a result, the parent continues to adopt the going concern basis of accounting in preparing the group financial statements.

Taking the parent going concern assessment into consideration, the board of directors of the Company have a reasonable expectation that the parent has sufficient resources to provide ongoing financial support through to at least 31 December 2024. Accordingly, the directors of the Company consider it appropriate to adopt the going concern basis in preparing the financial statements.

### c) Exemptions for qualifying entities under FRS 102

Howden Group Limited has taken advantage of the exemption available under section 400 of the Companies Act 2006 from the requirement to prepare group financial statements as it is a wholly owned subsidiary of Granite Holdings II B.V., which prepares publicly available group financial statements which include the results of the company and its subsidiaries.

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. As a qualifying entity, the Company has taken advantage of the following exemptions under FRS 102:

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- iii) from the requirement to disclose share based payment information, as required by paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- iv) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- v) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

### d) Operating income

Operating income represents amounts received from subsidiary companies in respect of a licensing agreement, and management charge agreement, and is recorded exclusive of Value Added Tax.

# Howden Group Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### e) Foreign currency

#### i) Functional and presentation currency

The Company's functional and presentation currency is the pound sterling rounded in thousands.

#### ii) Transactions and balances

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the reporting date. Exchange gains or losses are included in profit on ordinary activities.

### f) Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements and defined benefit pension plans.

#### i) Short term benefits

Short term benefits, including bonus and other similar non – monetary benefits, are recognised as an expense in the period in which the service is received.

#### ii) Management incentive schemes

Granite Management Holdings LP granted, pursuant to the Granite Management Holdings LP Equity Incentive Plan ("Granite Equity Plan"), non-voting membership interests to select key members of the Company's management in the form of shares. The shares were profits interests in Granite Management Holdings LP. Refer to Note 18, "Management Incentive Compensation".

The Company accounts for incentive units in accordance with Section 26 of FRS 102 'Share-based payment'. In accordance with Section 26, compensation expense is measured at estimated grant date fair value of the incentive units (excluding the effect of non-market based vesting conditions) and is included as compensation expense over the vesting period

Where equity settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to the date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share-based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the income statement.

The Company uses the Monte Carlo simulation method to determine fair value of its incentive units, as the equity units granted have certain economic similarities to options. The Monte Carlo simulation method utilizes multiple inputs to estimate the probability that market conditions will be achieved. These assumptions reflect the Company's best estimates, but they involve inherent uncertainties based on market conditions generally, outside the control of the Company. As a result, if other assumptions are used, unit-based compensation cost could be materially impacted.

# Howden Group Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### f) Employee benefits (continued)

#### ii) *Management incentive schemes (continued)*

For equity awards that have a performance condition, the Company recognizes compensation expense on consummation of an exit event.

The Company classifies equity-based compensation expense in its income statement in the same manner in which the award recipient's salary and related costs are classified or in which the award recipient's service payments are classified.

A separate cash settled Long-Term Incentive Plan exists for a limited group of key senior participants to reward them for their contributions to the long-term success of the business. This award is based on the return on invested capital multiple measured at the time of an exit event. This plan is accounted for as a under Section 28 of FRS 102 'Employee benefits'. An expense is recorded on consummation of an exit event. These distributions are accounted for by the Company as non-cash compensation expense with a corresponding accrual in other liabilities.

### g) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

#### i) *Current taxation*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

#### ii) *Deferred taxation*

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expense in tax assessment in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

# Howden Group Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### **h) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of property, plant and equipment is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated to write off the book value in equal instalments over the anticipated lives of the assets concerned. The principal rates used are 20% to 33% for plant, furniture and fittings and 10% to 33% for software.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in income statement and included in 'Other operating (losses)/gains'.

### **i) Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are operating leases and the annual rentals are charged to operating profit on a straight line basis over the lease term.

### **j) Fixed asset investments**

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

### **k) Impairment of non-financial assets**

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement, unless the asset has been revalued when the amount is recognised in the other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the income statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

# Howden Group Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### l) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks. Bank overdrafts are shown within borrowings in current liabilities.

### m) Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

The effect of the time value of money is not material and therefore the provisions are not discounted.

### n) Dividends

Dividend distributions to the company's shareholders are recognised in the accounts in the period when paid. Dividends receivable are recognised when the company's right to receive payment has been established and is unconditional.

### o) Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

#### i) Financial assets

Basic financial assets, including cash and bank balances and loans to fellow Group companies, are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

# Howden Group Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### o) Financial instruments (continued)

#### ii) Financial liabilities

Basic financial liabilities, including other payables and loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at present value of the future receipts discounted at market value. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

## 2. Critical accounting judgements and estimation uncertainty

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. There are critical accounting judgements made during the year.

The judgements (apart from those involving estimations) that management have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

- The directors apply an option pricing model when establishing the fair value of share options and hurdle shares at the date at which they are granted for Profits Interest Awards and at the balance sheet date for Phantom Awards. The directors have applied judgement when estimating the inputs into the model, the variability of which will impact the fair value calculated. Changes to the fair value estimate will impact the share-based payments expense that is recognised in profit and loss.

### a. Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The Company believes there were no estimates and assumptions in the year that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## 3. Prior year adjustment

The Company identified that management fee income of £20,734,000 had been incorrectly recorded within operating expenses instead of operating income for the prior year ended 31 December 2020. Additionally, the management fee income had been overstated by £6,123,000. Therefore, the prior year comparatives have been restated resulting in an increase to operating income of £14,611,000, an increase to operating expenses of £20,734,000, a decrease to trade and other receivables of £3,803,000 and a decrease to retained earnings of £3,803,000.

The impact on the earliest balance sheet presented being that as of 01 January 2020 is an increase to trade and other receivables and to retained earnings of £2,320,000.

In addition, the prior year comparatives are also impacted by the voluntary change in accounting policy. The overall impact of these adjustments is shown in the table on Note 4.

# Howden Group Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 4. Change to accounting policy

The Company previously capitalised costs incurred in configuring or customising suppliers' application software in cloud computing or Software as a Service (SaaS) arrangements as intangible assets, even where the underlying right to access the software on the cloud did not give rise to the recognition of an intangible asset and were accounted for as service contracts. Following the publication of IFRS Interpretations Committee (IFRIC) agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement in March 2021 (and ratified by the International Accounting Standards Board (IASB) in April 2021), taking into account the hierarchy set out in Section 10 of FRS 102, the Company has reconsidered and revised its accounting policy. Under the revised policy, to the extent that customisation and configuration costs do not give rise to an identifiable intangible asset, they are expensed in profit or loss (having been capitalised previously). The revised policy provides reliable and more relevant information as the company does not control the cloud software being configured or customised and those configuration and customisation activities do not create a resource controlled by the customer that is separate from the software.

This change in accounting policy has resulted in the restatement of amounts previously presented in our financial statements as certain costs previously capitalised are required to be expensed as incurred under the new policy. The change in accounting policy has been applied retrospectively and comparative information has been restated. The impact on both the current period and amounts previously reported is shown below (including the impact of the prior year adjustment detailed in note 3):

|   | 2020<br>£'000 | 2020 PYA<br>£'000<br>(note 3) | Change in<br>Accounting<br>Policy<br>£'000 | 2020 restated<br>£'000 |
|---|---------------|-------------------------------|--|------------------------|
| <b><i>Income Statement</i></b>                |               |                               |  |                        |
| Operating income                              | 35,222        | 14,611                        | -  | <b>49,833</b>          |
| Operating expenses                            | (14,950)      | (20,734)                      | (662)                                      | <b>(36,345)</b>        |
| Income tax (expense)/income                   | (2,872)       | -                             | 732  | <b>(2,140)</b>         |
| <b><i>Statement of Financial Position</i></b> |               |                               |  |                        |
| Intangible assets                             | 8,758         | -                             | (4,673)                                    | <b>4,085</b>           |
| Trade and other receivables                   | 73,757        | (3,803)                       | 761  | <b>70,715</b>          |
| Retained earnings                             | 103,893       | (6,123)                       | (3,942)                                    | <b>93,828</b>          |

# Howden Group Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 4. Change to accounting policy (continued)

|  | 2021     | Adjustment | 2021            |
|--|----------|------------|-----------------|
|  | £'000    | £'000      | £'000           |
| <b>Income Statement</b>                |          |            |                 |
| Operating expenses                     | (31,933) | (1,038)    | <b>(32,971)</b> |
| Income tax                             | 855      | 197        | <b>1,052</b>    |
| <b>Statement of Financial Position</b> |          |            |                 |
| Intangible assets                      | 4,093    | (1,038)    | <b>3,055</b>    |
| Retained earnings                      | 108,507  | (841)      | <b>107,666</b>  |
| Deferred tax                           | 2,599    | 197        | <b>2,976</b>    |

The aggregate impact of the change in accounting policy on periods prior to those presented in these financial statements is a decrease in intangible assets of £4,011,000, increase in deferred tax asset of £762,000 and a decrease of retained earnings £3,249,000.

### 5. Operating (loss)/profit

|   | 2021     | 2020     |
|---|----------|----------|
|   | £'000    | £'000    |
| Operating (loss)/profit is stated after charging/(crediting): |          |          |
| Licence fee income  | (21,061) | (35,222) |
| Management fee income   | (23,435) | (14,611) |
| Staff Costs   | 15,422   | 14,472   |
| Management fee expense  | 83       | -        |
| Depreciation of property, plant and equipment and software    | 1,357    | 988      |
| Operating lease rentals:                                      |          |          |
| - plant and machinery   | 52       | 49       |
| Auditors' remuneration: audit services                        |          |          |
| - Non audit services  | 839      | 801      |
|   | 40       | 49       |

Auditors' remuneration above covers both Group and Subsidiary audit fees for UK entities. The non-audit services are in relation to non-audit assurance services.

# Howden Group Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 6. Impairment of fixed asset investment

|  | 2021     | 2020  |
|--|----------|-------|
|  | £'000    | £'000 |
| Impairment of fixed asset investment (note 13) | (16,297) | 4,491 |
|  | (16,297) | 4,491 |

During the year, impairments booked in previous years were reversed due to the value of underlying investments increasing in the year, and the indicators for the previous impairments no longer existing.

### 7. Directors' remuneration

|  | 2021  | 2020  |
|--|-------|-------|
|  | £'000 | £'000 |
| Aggregate emoluments   | 2,036 | 1,578 |
| Company pension contributions to defined contribution scheme   | 26    | 21    |
| <b>Highest paid director</b>   |       |       |
| Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes | 979   | 783   |

During the period, retirement benefits were accruing to 3 directors (2020: 4) totalling £26,000 (2020: £33,000) in respect of defined contribution schemes. The value of the company's contributions paid to a defined contribution scheme in respect of the highest paid director amounts to £nil (2020: £nil).

During the period, no directors (2020: 1) received share options in respect of qualifying service, and no directors (2020: none) exercised share options. In respect of the highest paid director, no share options were received in respect of qualifying service, and no share options were exercised.

Advances to directors outstanding at 31 December 2021 totalled £945,000 (2020: £922,000). These advances are in relation to share based payment awards, and are repayable on exit. The interest rate applicable on outstanding balances is 2.5% per annum.

During the year, amounts totalling £1,916,000 (2020: £1,733,000) were recorded as an expense in the income statement in relation to Management Incentive Schemes.

# Howden Group Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 8. Employee information

|                       | 2021          | 2020          |
|-----------------------|---------------|---------------|
|                       | £'000         | £'000         |
| Employment costs:     |               |               |
| Wages and salaries    | 11,666        | 12,777        |
| Social security costs | 1,083         | 1,142         |
| Share based payments  | 2,184         | -             |
| Other pensions costs  | 489           | 553           |
| <b>Staff costs</b>    | <b>15,422</b> | <b>14,472</b> |

The average monthly number of persons (including executive directors) employed by the Company during the year was:

| By activity                    | 2021   | 2020   |
|--------------------------------|--------|--------|
|                                | Number | Number |
| Sales, marketing and technical | 8      | 8      |
| Administration                 | 88     | 99     |
|                                | 96     | 107    |

### 9. Net finance income/(expense)

|                                     | 2021       | 2020         |
|-------------------------------------|------------|--------------|
|                                     | £'000      | £'000        |
| Bank interest receivable            | -          | 2            |
| Interest on Group loan              | 324        | (207)        |
| <b>Net finance income/(expense)</b> | <b>324</b> | <b>(205)</b> |

# Howden Group Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 10. Tax

|  | 2021<br>£'000  | 2020<br>£'000  |
|--|----------------|----------------|
|  |                | As restated    |
| <b>Current tax:</b>                            |                |                |
| UK corporation tax on profits for the year     | (2,177)        | (3,545)        |
| Adjustment in respect of previous year         | 753            | 513            |
| Double taxation relief                         | 1,013          | 817            |
| Overseas withholding tax                       | (1,013)        | (820)          |
| <b>Total current tax charge</b>                | <b>(1,424)</b> | <b>(3,035)</b> |
| <b>Deferred tax:</b>                           |                |                |
| Origination and reversal of timing differences | 598            | 201            |
| Change in tax rate                             | 714            | 154            |
| Change in accounting policy                    | -              | 540            |
| <b>Total deferred tax (note 16)</b>            | <b>1,312</b>   | <b>895</b>     |
| <b>Total tax charge on profit for the year</b> | <b>(112)</b>   | <b>(2,140)</b> |

# Howden Group Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 10. Tax (continued)

The tax assessed for the year is lower (2020: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

|   | 2021<br>£'000 | 2020<br>£'000 |
|---|---------------|---------------|
|   |               | As restated   |
| <b>Profit on ordinary activities before tax</b>   | 10,937        | 8,791         |
| Profit on ordinary activities multiplied by standard rate in the UK at 19% (2020: 19%). | 2,078         | 1,670         |
| Effects of:   |               |               |
| Overseas withholding tax (net of deduction)   | -             | 2             |
| Non-taxable income  | -             | (9)           |
| Expenses not deductible for tax purposes  | 2,558         | 804           |
| Impairment of fixed asset investment  | (3,096)       | 854           |
| Change in accounting policy   | -             | (540)         |
| Group relief (claimed)/surrendered for nil consideration                                | (35)          | (157)         |
| Transfer pricing adjustments  | 74            | 181           |
| Over provided in prior years  | (753)         | (513)         |
| Difference between current & deferred tax rates   | (714)         | (154)         |
| <b>Total tax charge for the year</b>  | <b>112</b>    | <b>2,140</b>  |

Legislation was enacted during 2021 to confirm the 19% UK corporation tax rate to remain in place until 1 April 2023. From 1 April 2023, the UK corporation tax rate will increase to 25%, therefore, work has been undertaken in relation to the unwind of deferred tax balances with such balances taxed at 19% or 25% depending on the timing of their unwind.

# Howden Group Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 11. Intangible Assets

|                                 | Software      | Total         |
|---------------------------------|---------------|---------------|
|                                 | £'000         | £'000         |
| <b>Cost</b>                     |               |               |
| At 1 January 2021 as restated   | 19,437        | 19,437        |
| Additions                       | 151           | 151           |
| <b>At 31 December 2021</b>      | <b>19,588</b> | <b>19,588</b> |
| <b>Accumulated Depreciation</b> |               |               |
| At 1 January 2021 as restated   | 15,352        | 15,352        |
| Charge for the year             | 1,181         | 1,181         |
| <b>At 31 December 2021</b>      | <b>16,533</b> | <b>16,533</b> |
| <b>Net book amount</b>          |               |               |
| <b>At 31 December 2021</b>      | <b>3,055</b>  | <b>3,055</b>  |
| At 31 December 2020 as restated | 4,085         | 4,085         |

### 12. Tangible Assets

|                                 | Plant,<br>furniture and<br>fittings<br>£'000 | Total<br>£'000 |
|---------------------------------|--|----------------|
| <b>Cost</b>                     |  |                |
| At 1 January 2021               | 1,154  | 1,154          |
| Additions                       | 82   | 82             |
| <b>At 31 December 2021</b>      | <b>1,236</b>                                 | <b>1,236</b>   |
| <b>Accumulated Depreciation</b> |  |                |
| At 1 January 2021               | 704  | 704            |
| Charge for the year             | 177  | 177            |
| <b>At 31 December 2021</b>      | <b>881</b>                                   | <b>881</b>     |
| <b>Net book amount</b>          |  |                |
| <b>At 31 December 2021</b>      | <b>355</b>                                   | <b>355</b>     |
| At 31 December 2020             | 450  | 450            |

# Howden Group Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 13. Fixed asset investments

The company movement during the year was as follows:

|                            | £'000         |
|----------------------------|---------------|
| <b>Cost</b>                |               |
| At 1 January 2021          | 59,741        |
| <b>At 31 December 2021</b> | <b>59,741</b> |
| <b>Provisions</b>          |               |
| At 1 January 2021          | 16,297        |
| Provisions for year        | (16,297)      |
| <b>At 31 December 2021</b> | <b>-</b>      |
| <b>Net Book Value</b>      |               |
| <b>At 31 December 2021</b> | <b>59,741</b> |
| At 31 December 2020        | 43,444        |

The directors believe that the carrying value of the investments at the year end is supported by their underlying net assets, and a reversal of prior impairments of £16,297,000 (2020: £nil) and an impairment of £nil (2020: £4,491,000) have been booked in the year to bring these in line.

Howden Group Limited entered into a share pledge agreement on 20 December 2019 with JPMorgan Chase Bank, N.A. ('the Bank'), to deposit the Bank with 100% of the ordinary share capital of James Howden & Company Limited as collateral in relation to a Credit Agreement entered into by certain subsidiaries within the Granite Holdings II B.V. Group on 30 September 2019. Howden Group Limited retains control over 100% of the ordinary share capital in absence of an Event of Default. This charge was released on 17 March 2023, upon close of the sale of Howden to Chart Industries, Inc.

# Howden Group Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 13. Fixed asset investments (continued)

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

| Subsidiary undertaking                                    | Country of incorporation | Registered address  | Direct or Indirect (100% unless otherwise stated) |
|---|--------------------------|---|---|
| James Howden & Godfrey Overseas Ltd                       | Scotland                 | Old Govan Road, Renfrew, PA4 8XJ                          | Direct  |
| Howden Engineering Ltd (was Howden Sirocco Group Limited) | Scotland                 | Old Govan Road, Renfrew, PA4 8XJ                          | Direct  |
| James Howden & Company Ltd                                | Scotland                 | Old Govan Road, Renfrew, PA4 8XJ                          | Direct  |
| Howden Compressors Limited                                | Scotland                 | Old Govan Road, Renfrew, PA4 8XJ                          | Direct  |
| Howden UK Limited   | Northern Ireland         | 1 Lanyon Place, Belfast, BT1 3LP                          | Indirect  |
| Engart Fans Limited                                       | England                  | 322 High Holborn, 6 <sup>th</sup> Floor, London, WC1V 7PB | Indirect  |

### 14. Trade and other receivables

|                                    | 2021<br>£'000 | 2020<br>£'000 |
|------------------------------------|---------------|---------------|
|                                    |               | As restated   |
| Amounts owed by group undertakings | 65,773        | 64,557        |
| Trade debtors                      | 165           | 336           |
| Taxation and social security       | 399           | 259           |
| Deferred tax (note 16)             | 2,976         | 1,665         |
| Prepayments and accrued income     | 4,274         | 3,663         |
| Other debtors                      | 2             | 235           |
|                                    | 73,589        | 70,715        |

Amounts owed by group undertakings are unsecured, interest free and repayable on commercial terms.

## Howden Group Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 15. Trade and other payables: amounts falling due within one year

|                                    | 2021   | 2020        |
|------------------------------------|--------|-------------|
|                                    | £'000  | £'000       |
|                                    |        | As restated |
| Trade payables                     | 5,028  | 2,517       |
| Amounts owed to group undertakings | 5,482  | 5,430       |
| Taxation and social security       | 634    | 336         |
| Corporation tax                    | 3,140  | 2,729       |
| Other payables                     | 147    | 113         |
| Accruals and deferred income       | 6,895  | 4,536       |
|                                    | 21,326 | 15,661      |

Amounts owed to group undertakings are unsecured, interest free and repayable on commercial terms.

#### 16. Deferred tax assets/(liabilities)

|   | 2021         | 2020         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Included in other receivables (note 14) | 2,976        | 1,665        |
| <b>Net tax assets</b>                   | <b>2,976</b> | <b>1,792</b> |

The provision for deferred tax is made up as follows:

|  | 2021         | 2020         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| Accelerated/(decelerated) capital allowances | 2,976        | 1,665        |
| <b>Net tax asset</b>                         | <b>2,976</b> | <b>1,665</b> |

# Howden Group Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 16. Deferred tax assets/(liabilities) (continued)

|  | 2021<br>£'000 | 2020<br>£'000 |
|--|---------------|---------------|
| At the beginning of the period                     | 1,665         | 768           |
| Adjustment in respect of prior years               | -             | 540           |
| Deferred tax charged to the profit & loss account  | 1,311         | 357           |
| Deferred tax charged to other comprehensive income | -             | -             |
| <b>At the end of the period</b>                    | <b>2,976</b>  | <b>1,665</b>  |

|                              | 2021<br>£'000 | 2020<br>£'000 |
|------------------------------|---------------|---------------|
| Recoverable within 12 months | 278           | -             |
| Recoverable after 12 months  | 2,698         | 1,665         |
| <b>Deferred tax assets</b>   | <b>2,976</b>  | <b>1,665</b>  |

### 17. Ordinary shares

|   | 2021<br>£'000 | 2020<br>£'000 |
|---|---------------|---------------|
| <b>Authorised</b>   |               |               |
| 53,950,167 (2020: 53,950,167 of £1 each) ordinary shares of £0.01 | 5,395         | 5,395         |
| <b>Allotted, issued and fully paid</b>                            |               |               |
| 53,950,167 (2020: 53,950,167 of £1 each) ordinary shares of £0.01 | 5,395         | 5,395         |

There is a single class of ordinary shares. There are no restrictions on the distribution of capital and the repayment of capital.

#### *Capital redemption reserve*

This reserve records the nominal value of shares repurchased by the company.

# Howden Group Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 18. Management incentive compensation

Pursuant to the Granite Management Holdings, LP Equity Incentive Plan (the "Granite Equity Plan"), Granite Management Holdings LP ("Granite") granted non-voting membership interests to select key members of the Company's management titled Class B and Class C units. Granite is a limited partnership entity that was established to provide key executives an opportunity to have equity participation in conjunction with private equity owners. Granite and the Company are both under common control and part of the same group.

The Company receives services from the employees granted the awards in their roles as key members of senior management of the Company, but it does not have an obligation to settle the awards. Accordingly, it accounts for the Class B and Class C units as equity-settled share-based payment arrangements under Section 26 of Financial Reporting Standard ("FRS") 102 and recognises compensation expense as the vesting conditions of the awarded units are satisfied.

The Class B units have a service condition, whereby the awards vest 25% on each of the four anniversary dates, as defined in the individual agreements or upon full exit of the Company's primary shareholder (the "Exit Event"). The Class C units have a non-market performance condition whereby the awards would vest upon achievement of a specified return on invested capital multiple as defined by the Granite Equity Plan, at the date of the Exit Event, subject to the employees' continued employment.

The Class B units are valued at their grant-date fair value and are recognised as compensation expense over the vesting period of the awards. The Class C units are valued at their grant-date fair value and are recognised as compensation expense when the non-market performance conditions are met, subject to the employees' employment at the date of the Exit Event. The fair value of the Class B and Class C units was determined using a Monte Carlo valuation model based on a Geometric Brownian Motion formula. The risk-free rate is based on the time horizon to the Exit Event. The expected volatility was estimated using historical data of comparable publicly traded companies in the industry. The non-market performance condition for the Class C units was not factored in the Monte Carlo valuation model but was considered in determining the number of Class C units that will ultimately vest.

# Howden Group Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 18. Management incentive compensation (continued)

A summary of the activity related to the Class B and C units is as follows:

|                                 | Class B         |  | Class C         |  |
|---------------------------------|-----------------|--|-----------------|--|
|                                 | Number of Units | Weighted average grant date fair value £ | Number of Units | Weighted average grant date fair value £ |
| Outstanding at 31 December 2019 | 10,734          | 266.83                                   | 8,424           | 202.46                                   |
| Issued                          | 3,107           | 359.15                                   | 4,876           | 281.88                                   |
| Forfeiture of unvested          | (808)           | 266.83                                   | (606)           | 202.46                                   |
| Outstanding at 31 December 2020 | 13,033          | 288.84                                   | 12,694          | 232.97                                   |
| Outstanding at 31 December 2021 | 13,033          | 288.84                                   | 12,694          | 232.97                                   |
| Exercisable at 31 December 2020 | 2,479           | 266.83                                   | -               | -  |
| Exercisable at 31 December 2021 | 5,734           | 279.32                                   | -               | -  |

For the years ended 31 December 2021 and 2020, the Company recorded compensation expense of £985,000 and £1,733,000, respectively, related to the Class B units, which is recognised within staff costs of the statement of profit and loss. For the years ended 31 December 2021 and 2020, the Company recorded compensation expense of £930,000 and £nil, respectively, related to the Class C units, which is recognised within staff costs of the statement of profit and loss.

#### Phantom Units

During 2021, the Company issued phantom units to key executives whereby the cash bonus award is based on the increase in value of the Class B and Class C units (the "Phantom Units"). The Phantom Units have been accounted for as cash-settled share-based payment arrangements under Section 26 of FRS 102. When the related service and non-market performance conditions are expected to be met, the Company determines the fair value of the amount payable to the employees, with the fair value of the Phantom Units remeasured at each reporting period until the award is settled. The valuation methodology adopted for the Phantom Units and the related vesting conditions are the same as noted for the other Class B and Class C units under the equity-settled share-based payment arrangements.

A summary of the activity related to the Class B and C phantom units is as follows:

|                                  | Class B         |  | Class C         |  |
|----------------------------------|-----------------|--|-----------------|--|
|                                  | Number of Units | Weighted average grant date fair value £ | Number of Units | Weighted average grant date fair value £ |
| Outstanding at December 31, 2020 | -               | -  | -               | -  |
| Issued                           | 1,744           | 443.78                                   | 2,615           | 406.82                                   |
| Outstanding at December 21, 2021 | 1,744           | 443.78                                   | 2,615           | 406.82                                   |

# Howden Group Limited

## 18. Management incentive compensation (continued)

For the year ended 31 December 2021, the Company recorded compensation expense of £268,000 related to Phantom Units, which is recognised within staff costs of the statement of profit and loss. The Company remeasured the Phantom Units at 31 December 2021 and determined that the liability for the Phantom Units was £268,000, which is included in other accruals within the balance sheet.

At 31 December 2021, £3,536,000 is recognised within retained earnings relating to equity settled share based payments.

### *Long-Term Incentive Plan*

The Company provides cash bonus awards under its Long-Term Incentive Plan (the "LTIP") to a limited group of key senior employees to reward them for their contributions to the long-term success of the Company. Under the LTIP, the awards are based on specified return on invested capital multiples at the time of an Exit Event, subject to the employees' employment at the date of the Exit Event. The Company accounts for the cash-settled awards issued under the LTIP in accordance with Section 28 of FRS 102. The Company recognises the liability and related expense of the awards when it has a present legal or constructive obligation to make such payments and a reliable estimate of the obligation can be made. At and for the years ended 31 December 2021 and 2020, the Company recorded a liability and expense related to the awards under the LTIP of £1,660,000 and £nil.

## 19. Provisions for liabilities

### *Management incentive schemes*

|  | 2021<br>£'000 | 2020<br>£'000 |
|--|---------------|---------------|
| At the beginning of the period         | 1,980         | -             |
| Movements dealt with in profit or loss | (1,980)       | 1,980         |
| <b>At the end of the period</b>        | <b>-</b>      | <b>1,980</b>  |

## 20. Financial commitments

|   | 2021<br>£'000 | 2020<br>£'000 |
|---|---------------|---------------|
| Not later than one year                           | 59            | 53            |
| Later than one year and not later than five years | 56            | 74            |
| Later than five years                             | -             | -             |

The company had no other off-balance sheet arrangements.

# Howden Group Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 21. Related party transactions

|  | 2021     | 2020        |
|--|----------|-------------|
|  | £'000    | £'000       |
|  |          | As restated |
| Income from group company - Howden Hua Engineering Company Limited   | (10,280) | (12,481)    |
| Income from group company - Howden Africa Holdings Limited           | (4,854)  | (3,688)     |
| Income from group company – James Howden Holdings Limited            | -        | 9           |
| Income from joint venture – L&T Howden Private Limited               | (277)    | (188)       |
| Expenses from group company - Howden Hua Engineering Company Limited | 114      | 129         |
| Expenses from joint venture – L&T Howden Private Limited             | 41       | -           |
| Expenses from group company – Howden Africa Holdings Limited         | -        | 51          |
| Trade debtor amounts due from group companies                        | 4,533    | 2,367       |
| Trade creditors amounts due to group companies                       | (3)      | -           |

As at 31 December 2021, the Company was a wholly owned subsidiary of Granite Holdings II B.V. and was included in the consolidated financial statements of Granite Holdings II B.V., which are publicly available. The Company has taken advantage of the exemption as per paragraph 33.1A of FRS 102 and has therefore not disclosed transactions or balances with entities which form part of the group.

### 22. Immediate and ultimate parent company and controlling party

The immediate parent undertaking is Howden UK B.V. with a 100% shareholding.

Granite Holdings II B.V. was the parent undertaking of the smallest and the largest group of undertakings to consolidate these financial statements until 16 March 2023. The consolidated financial statements of Granite Holdings II B.V. are available from its head office at Old Govan Road, Renfrew, Scotland, PA4 8XJ, United Kingdom.

## Howden Group Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 22. Immediate and ultimate parent company and controlling party (continued)

On November 8, 2022, KPS Capital Partners, LLC, the ultimate parent, entered into an Equity Purchase Agreement (the "Purchase Agreement") with Chart Industries, Inc. (the "Buyer"). Pursuant to the Purchase Agreement, the Buyer will acquire (the "Transaction"), all of the equity interests of the ultimate parent, which constitutes the business of Howden. The base purchase price for this transaction is \$4.4 billion, subject to customary purchase price adjustments for cash, indebtedness, transaction expenses and working capital. The transaction closed on 17 March 2023.

From 17 March 2023, the ultimate parent undertaking of the smallest and the largest group of undertakings to consolidate these financial statements is Chart Industries, Inc. The consolidated financial statements of Chart Industries, Inc. are available from its head office at 2200 Airport Industrial Drive, Suite 100, Ball Ground, GA 30107, USA.

#### 23. Post balance sheet events

On November 8, 2022, the ultimate parent entered into an Equity Purchase Agreement (the "Purchase Agreement") with Chart Industries, Inc. (the "Buyer"). Pursuant to the Purchase Agreement, the Buyer will acquire (the "Transaction"), all of the equity interests of the ultimate parent, which constitutes the business of Howden. The base purchase price for this transaction is \$4.4 billion, subject to customary purchase price adjustments for cash, indebtedness, transaction expenses and working capital. The transaction closed on 17 March 2023.

Upon the close of the transaction, all Class B and Class C Profits Interests vested, and were settled in cash by Granite Management Holdings LP. Also upon close, all LTIP awards vested and were settled in cash by Howden Group Limited.

Howden Group Limited entered into a share pledge agreement on 20 December 2019 with JPMorgan Chase Bank, N.A. (the Bank'), to deposit the Bank with 100% of the ordinary share capital of James Howden & Company Limited, Howden Compressors Limited, Howden Engineering Limited and James Howden & Godfrey Overseas Limited as collateral in relation to a Credit Agreement entered into by certain subsidiaries within the Granite Holdings II B.V. Group on 30 September 2019. Howden Group Limited retains control over 100% of the ordinary share capital in absence of an Event of Default. This charge was released on 17 March 2023, upon close of the sale of Howden to Chart Industries, Inc.

In response to the current crisis in Ukraine, Granite Holdings II B.V. (the Group) has ceased accepting any new business from customers in Russia and from customers in Belarus, either through direct or indirect channels. The Group are in full compliance with all applicable sanctions. At this time, we do not believe that the conflict has had a material impact on the Group or Company business, operations, financial condition or prospects.