

the Power division, demand in China continues to show dramatic growth driven by a combination of improved economic conditions, frequent power outages and an increasing awareness of the need for environmental controls to reduce sulphur dioxide pollution.

Howden has a 70 per cent interest in Howden Hua in China, and is the only Western company in its field with a significant local manufacturing capability. Howden, accordingly, has been able to benefit from the strong economic growth and development in China and Howden Hua more than doubled its booking levels and increased its sales year on year by 64 per cent. A major capital investment programme was initiated by Howden Hua to increase capacity, and a new factory came on line in early 2005. Incremental technology transfers to Howden Hua mean that the business now has a full range capability of centrifugal and axial fans and air and gas heaters. This enhanced capability, together with the burgeoning market, has enabled it to deliver a strong profit performance.

In the United States, there are now signs of recovery in the power market where, influenced by high gas prices and the need to control emissions of sulphur dioxide and nitrogen oxides, certain utilities are starting to commit to investment again. Against this backdrop, Howden Power North America has increased its booking levels year on year.

In South Africa, although financial performance has improved, the opportunities for the business are constrained by the strengthened rand and the challenge presented by the reduction of the export manufacturing base.

During the year Howden's net headcount was reduced by 41. Movements included the absorption of 209 employees by the joint venture in the South African business whilst 130 new employees were added in Howden Hua in China to support the significantly increased volumes and activity at the expanded facility in Weihai.

Specialised engineering

– continuing operations

Sales	£7.3m
Adjusted operating loss ⁽ⁱ⁾	£(2.1)m
Employees	101

(i) before exceptional items and amortisation of goodwill

In 2004 the continuing businesses comprised HD Engineering Limited, the Hong Kong drilling equipment business, and Demaco Food Equipment Inc., a US manufacturer of industrial food processing equipment. The continuing businesses had turnover in 2004 of £7.3 million (2003: £8.4 million), and recorded adjusted operating losses of £2.1 million (2003: £1.3 million).

Food equipment

Demaco is a US manufacturer of food processing equipment, having developed from its origins as a manufacturer of pasta making machinery.

Drilling

Hong Kong based HD Engineering is a manufacturer of geotechnical engineering crawler drills and other equipment including grout pumps and tools for pile boring.



Two Howden engineers overlooking Longannet Power Station, the major station in Scotland



Interior of new factory building at Howden Hua