

**HOWMAC PLC**  
**REPORT AND FINANCIAL STATEMENTS**  
**31 AUGUST 2007**  
**Company Registration Number 1942924**

**PARKINSON MATTHEWS LLP**  
Chartered Accountants & Registered Auditors  
Cedar House  
35 Ashbourne Road  
Derby

# HOWMAC PLC

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## HOWMAC PLC

### DIRECTORS AND ADVISERS

<b>Directors</b>	J.G. Hemingway (Chairman) P.S. Cammerman
<b>Secretary</b>	C.A.R. Gillams
<b>Registered office</b>	Howmac plc Meon House Stratford Road Mickleton Chipping Campden Gloucestershire GL55 6SU
<b>Bankers</b>	Lloyds TSB Bank plc 39 Threadneedle Street London EC2R 8AU
<b>Auditor</b>	Parkinson Matthews LLP Cedar House 35 Ashbourne Road Derby DE22 3FS
<b>Registrars</b>	Howmac plc Meon House Stratford Road Mickleton Chipping Campden Gloucestershire GL55 6SU
<b>Company registration number</b>	1942924

**HOWMAC PLC**  
**DIRECTORS' REPORT**

**31 August 2007**

The directors present their report and financial statements for the year ended 31 August 2007.

**Principal activities and business review**

Howmac's principal activity is to hold investments in shares most of which are quoted on the London Stock Exchange, an analysis of which is shown in note 3 on page 13.

**Results for the year**

The results for the previous 10 years are shown in the graph on page 3.

The graph shows the 10 year record of net asset value per share (in pence) measured against the FTSE 100 index at the balance sheet date. The index chosen gives a broad representation of business sectors with substantial international exposure and therefore reflects the Company's willingness to look for value in any market or sector.

The Company is not immune from weaknesses in the stock market and it should also be noted that with a substantial weighting to private equity, historically the move down in net asset value has tended to lag the wider market by some time. The Company also has not paid a dividend in this period, whereas the FTSE yield has always been positive.

With these caveats taken into consideration the directors remain satisfied with the performance shown.

The year to 31 August 2007 showed a continuation of the strong investment climate but despite the generally positive moves, storm clouds were gathering, leading to declines in our two property holdings, Sovereign Reversions and British Land, which have fallen further since the year end. The biggest gain was the 45% rise in Templeton Emerging Markets, with notable rises in Electra, once again, and, possibly more surprising, in Law Debenture. We decided to sell our holding in Foreign & Colonial Private Equity after a good run, 3i returned more surplus capital to holders and the slow liquidation of Thompson Clive continued, aside from that there were no realisations.

Our sole purchase was of the very defensive Personal Assets.

In general we have been looking for opportunities to reduce holdings and our cash balances increased modestly accordingly. We remain cautious, as although outside property our holdings have done well, there is no logical reason why they should be immune from a global recession, if indeed it comes.

Our costs also rose as we undertook a major exercise to validate the shareholder register, although we had a good response, this served to highlight the high number of untraced holders. We have tried to work with holders to clear up areas of uncertainty but it is clear that many of our shareholders are untraced and that we are still mailing accounts to out of date addresses. We also changed the Articles, so we can commence steps to delete holders who have not responded to the Company or contacted us in some other way (such as a proxy vote) for a number of years.

If you have not responded to mailings please make an effort to do so now, so our Register is up to date. If you have any queries please do not hesitate to contact the Company Secretary. Our website now also includes some further shareholder information, including on how to sell your shares, should you so wish.

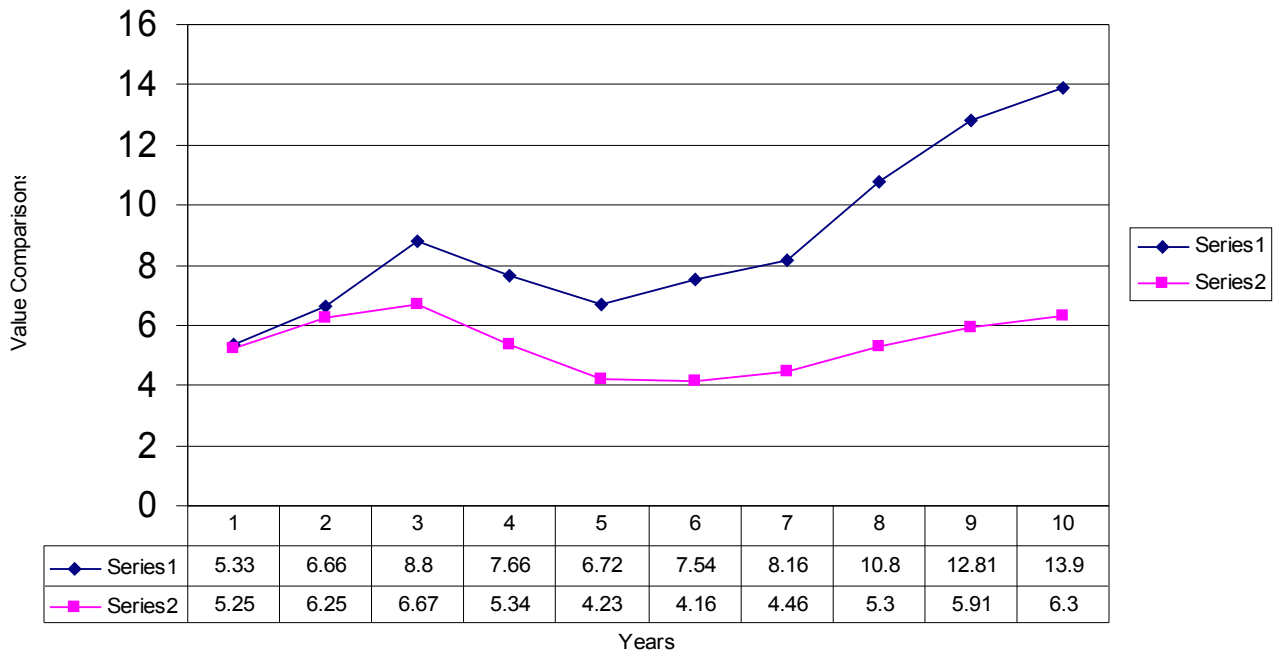
# HOWMAC PLC

## DIRECTORS' REPORT

31 August 2007

(continued)

**Howmac NAV (series 1) and FTSE (series2) Comparison Year 10 is 2007**



## HOWMAC PLC

### DIRECTORS' REPORT

31 August 2007

(continued)

#### Dividends

The directors recommend that no dividend be paid (2006:£nil) in respect of the year ended 31 August 2007.

#### Financial risk management objectives and policies

The company's principal financial instruments comprise bank balances, fixed asset investments and trade creditors. The main purpose of these instruments is to raise funds for the company's operations, maximise shareholder wealth and to finance the company's investment operations.

Due to the nature of the trade and the financial instruments used by the company there is exposure to stock market fluctuations in stocks and share prices and therefore to price risk. The company's approach to managing this price risk is to maintain a well balanced and monitored investment portfolio on the London Stock Exchange.

Adequate bank balances exist to eliminate liquidity risk. The company makes use of money market facilities where funds are available.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

The company has no loan or overdraft facility requirement.

#### Directors

The directors of the company who served throughout the year, unless otherwise stated, were as follows

Mr. P.S. Cammerman

Mr. J.G. Hemingway

Mr. J.G. Hemingway retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

#### Creditors payment policy

The company pays all its creditors in accordance with the suppliers terms. The average payment period was nil. A copy of the payment policy can be obtained from the registered office of the company.

#### Auditor

Parkinson Matthews LLP have agreed to offer themselves for re-appointment as auditor of the company and a resolution to re-appoint them will be proposed at the next Annual General Meeting.

By order of the board

C.A.R. Gillams  
Secretary

19 March 2008

## HOWMAC PLC

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

31 August 2007

We are required under company law to prepare financial statements for each financial year which 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 year.

In preparing these financial statements we are required to:

- select suitable accounting policies and apply them consistently
- make reasonable and prudent judgements and estimates
- state where applicable United Kingdom Accounting Standards and applicable law have been followed, and give details of any departures
- prepare the financial statements on a going concern basis in accordance with United Kingdom Generally Accepted Accounting Practice, unless in our view the company will be unable to continue in business.

We are also responsible for:

- keeping proper accounting records
- safeguarding the company's assets
- taking reasonable steps for the prevention and detection of fraud and other irregularities

Insofar as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the board

C.A.R. Gillams

19 March 2008

## HOWMAC PLC

### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HOWMAC PLC

YEAR ENDED 31 AUGUST 2007

We have audited the financial statements on pages 8 to 16 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 12.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

#### **RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

#### **BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**HOWMAC PLC**

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
HOWMAC PLC (*continued*)**

**YEAR ENDED 31 AUGUST 2007**

**OPINION**

In our opinion:

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 August 2007 and of its profit for the year then ended;

the financial statements have been properly prepared in accordance with the Companies Act 1985; and

the information given in the Directors' Report is consistent with the financial statements.

Cedar House  
35 Ashbourne Road  
Derby

PARKINSON MATTHEWS LLP  
Chartered Accountants  
& Registered Auditors

19 March 2008

**HOWMAC PLC**

**PROFIT AND LOSS ACCOUNT  
for the year ended 31 August 2007**

	Note	2007		2006	
		£	£	£	£
<b>Income</b>					
Interest receivable		2,094		1,633	
Investment income		12,395		19,739	
		-----		-----	
			14,489		21,372
Proceeds from disposal of investments		41,878		7,499	
Book value of investments sold		(37,704)		(6,351)	
		-----		-----	
<b>Net profit on sale of investments</b>			4,174		1,148
			-----		-----
<b>Gross income</b>			18,663		22,520
<b>Administrative expenses</b>			(12,834)		(5,356)
			-----		-----
<b>Profit on ordinary activities before taxation</b>	2		5,829		17,164
Taxation			-		-
			-----		-----
<b>Profit on ordinary activities after taxation</b>			5,829		17,164
			-----		-----
<b>Profit for the financial year</b>	6		5,829		17,164
			=====		=====

All of the activities of the company are classed as continuing.

**HOWMAC PLC**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
for the year ended 31 August 2007**

		<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
Profit for the financial year		5,829	17,164
Unrealised gain on listed investments	6	75,681	132,214
Transfer out of realised gains		(17,714)	(1,952)
Total recognised gains and losses relating to the year		<u>63,796</u>	<u>147,426</u>

**HOWMAC PLC**  
**BALANCE SHEET**  
**at 31 August 2007**

	Note	2007		2006	
		£	£	£	£
<b>Fixed assets</b>					
Investments	3		938,256		893,415
<b>Current assets</b>					
Debtors	4	963		9,632	
Cash at bank and in hand		103,076		48,943	
			<u>104,039</u>		<u>58,575</u>
<b>Creditors:</b> amounts falling due within one year	5		<u>(10,995)</u>		<u>(2,200)</u>
<b>Net current assets</b>			93,044		56,375
			<u>1,031,300</u>		<u>949,790</u>
<b>Total assets less current liabilities</b>					
<b>Capital and reserves (equity)</b>					
Called up share capital	8		148,264		148,264
Revaluation reserve	6		476,836		418,869
Profit and loss reserve	6		406,200		382,657
			<u>1,031,300</u>		<u>949,790</u>
<b>Total shareholders funds</b>	7				

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The financial statements on pages 8 to 16 were approved by the board of directors on 19 March 2008.

Director

P. S. Cammerman

**HOWMAC PLC**

**CASH FLOW STATEMENT  
for the year ended 31 August 2007**

	<b>Note</b>	<b>2007</b> £	<b>2006</b> £
<b>Net cash inflow from operating activities</b>	9a	19,119	3,871
		<hr/>	<hr/>
<b>Taxation</b>			
Net taxation received		-	-
		<hr/>	<hr/>
<b>Capital expenditure and financial investment</b>			
Receipts from sale of investments		41,878	7,499
Payments to acquire investments		(6,864)	(42,179)
		<hr/>	<hr/>
		35,014	(34,680)
		<hr/>	<hr/>
<b>Increase/(Decrease) in cash</b>	9b	54,133	(30,809)
		<hr/>	<hr/>

## HOWMAC PLC

### NOTES ON FINANCIAL STATEMENTS

31 August 2007

#### 1 **Principal accounting policies**

The financial statements have been prepared in accordance with applicable accounting standards issued by UK accountancy bodies. The particular accounting policies adopted are described below.

##### **Accounting convention**

The financial statements are prepared under the historical cost convention subject to the revaluation of fixed asset investments, and are prepared on a going concern basis.

##### **Fixed asset investments**

Fixed asset investments are stated at market value.

##### **Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

2	<b>Profit on ordinary activities before taxation</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	Profit is stated after charging/(crediting):		
	Auditor's remuneration	2,200	2,200
	Profit on sale of investments	(4,174)	(1,148)
		_____	_____

The directors received no remuneration from the company during the year.

**HOWMAC PLC**

**NOTES ON FINANCIAL STATEMENTS**

**31 August 2007**

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**3. Investments**

**Listed Investments**

	<b>Investment Trusts</b>	<b>Equities</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At Valuation			
At 1st September 2006	692,505	200,910	893,415
Additions at cost	6,864	-	6,864
Disposals	(37,704)	-	(37,704)
Movements in provisions	98,271	(22,590)	75,681
	<hr/>	<hr/>	<hr/>
At 31st August 2007	759,936	178,320	938,256
	<hr/>	<hr/>	<hr/>
Historical cost	338,946	133,010	471,956
	<hr/>	<hr/>	<hr/>

Included in the above, within Equities are, at 31 August 2007, £152,460 in securities traded in London on AIM, (31 August 2006, £173,610).

**4 Debtors**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Share purchase plans	89	98
Accrued Income (Dividend)	874	2,055
Other debtors	-	7,479
	<hr/>	<hr/>
	963	9,632
	<hr/>	<hr/>

**HOWMAC PLC**

**NOTES ON FINANCIAL STATEMENTS**

**31 August 2007**

(continued)

		<b>2007</b>	<b>2006</b>
		£	£
5	<b>Creditors:</b> amounts falling due within one year		
	Accrual and deferred income	10,995	2,200
		<hr/>	<hr/>
		10,995	2,200
		<hr/>	<hr/>
6	<b>Reserves</b>		
		<b>Revaluation</b>	<b>Profit and</b>
		<b>Reserve</b>	<b>Loss Reserve</b>
		£	£
	As at 1 September 2006	418,869	382,657
	Transferred to the profit and loss account for the year	-	5,829
	Transfer of realised gains	(17,714)	17,714
	Unrealised gain on listed investments	75,681	-
		<hr/>	<hr/>
	As at 31 August 2007	476,836	406,200
		<hr/>	<hr/>
7	<b>Reconciliation of shareholders' funds</b>		
		<b>2007</b>	<b>2006</b>
		£	£
	Profit for the financial year	5,829	17,164
	Other recognised gains and losses relating to the year	75,681	132,214
		<hr/>	<hr/>
	Net increase to shareholders' funds	81,510	149,378
	Opening shareholders' funds	949,790	800,412
		<hr/>	<hr/>
	Closing shareholders' funds	1,031,300	949,790
		<hr/>	<hr/>

**HOWMAC PLC**

**NOTES ON FINANCIAL STATEMENTS**

**31 August 2007**

(continued)

8	<b>Share capital</b>	<b>2007</b>	<b>2006</b>		
		£	£		
	<b>Authorised</b>				
	28,000,000 Ordinary shares of 2p each	560,000	560,000		
		-----	-----		
	<b>Allotted and fully paid</b>				
	7,413,200 Ordinary shares of 2p each	148,264	148,264		
		-----	-----		
9	<b>Notes to the cash flow statement</b>	<b>2007</b>	<b>2006</b>		
		£	£		
a	<b>Reconciliation of operating profit to net cash inflow from operating activities</b>				
	Operating profit	5,829	17,164		
	(Profit) on sale of investments	(4,174)	(1,148)		
	Increase/(decrease) in creditors	8,795	(2,932)		
	Decrease/(increase) in debtors	8,669	(9,213)		
		-----	-----		
	Net cash inflow from operating activities	19,119	3,871		
		-----	-----		
b	<b>Analysis of changes in net debt</b>				
		<b>At start</b>	<b>Cash</b>	<b>Other</b>	<b>At end</b>
		<b>of year</b>	<b>flows</b>	<b>changes</b>	<b>of year</b>
		£	£	£	£
	Cash at bank	48,943	54,133	-	103,076
		-----	-----	-----	-----

HOWMAC PLC

NOTES ON FINANCIAL STATEMENTS

31 August 2007

(continued)

9 Notes to the cash flow statement (*continued*)

c Reconciliation of net cash flow to movement in net debt

	2007	2006
	£	£
<b>Increase/(decrease) in cash in the year and change in net debt resulting from cash flows</b>	54,133	(30,809)
Net funds at 1 September 2006	48,943	79,752
	<hr/>	<hr/>
<b>Net funds at 31 August 2007</b>	103,076	48,943
	<hr/>	<hr/>