

HOWMAC LTD
REPORT AND FINANCIAL STATEMENTS
31 AUGUST 2010
Company Registration Number 1942924

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

HOWMAC LTD

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HOWMAC LTD

DIRECTORS AND ADVISERS

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

HOWMAC LTD

DIRECTORS' REPORT

31 August 2010

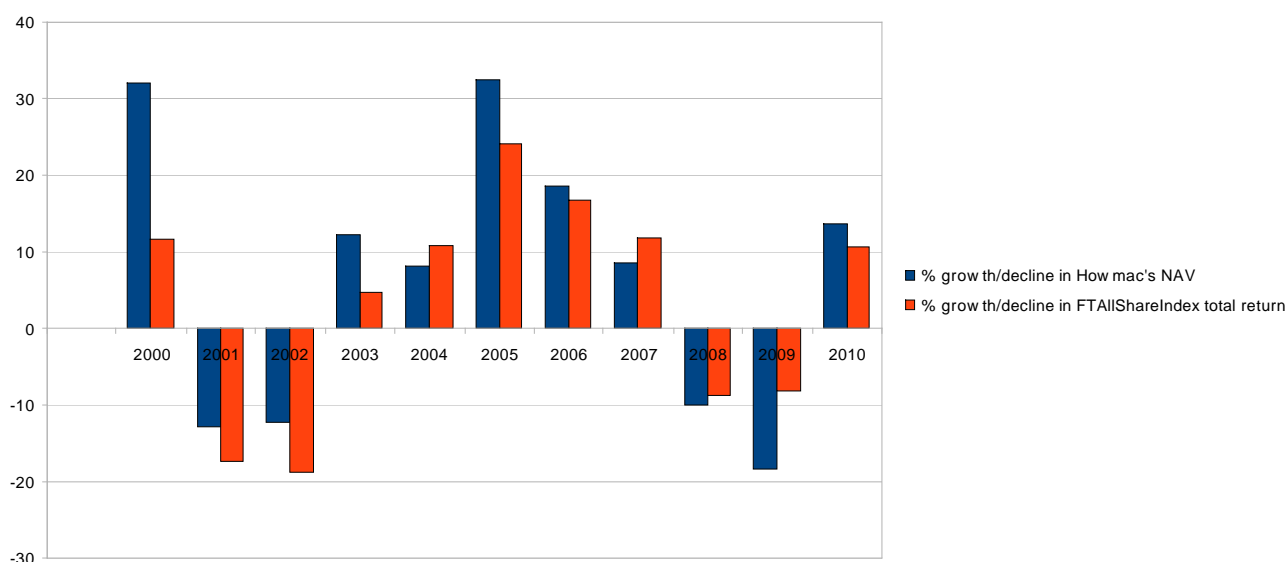
The directors present their report and financial statements for the year ended 31 August 2010.

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 by type of investment is shown in note 4 on page 13.

Results for the year

The results for the previous 10 years are shown in the graph below. This shows the 10 year record of net asset value per share (in pence) measured against the FTSE All Share index (dividends reinvested) at the balance sheet date. The Company does not pay dividends, but should be compared against those investments that do. The cumulative outperformance (above the index) is 34.7 % which remains healthy, but the higher risk areas we have invested in (property, private equity, AIM) caused a disproportionate underperformance over the three years prior to this. The reversal of that trend is apparent this year and our intention is to continue to favour those higher risk areas. No account has been taken in the chart and numbers below of the deferred tax asset.



Bar chart shows the % comparisons

Year to 31st August	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Howmac NAV actual pence	6.66	8.8	7.66	6.72	7.54	8.16	10.8	12.8	13.9	12.5	10.2	11.6
NAV growth/decline - pence		2.14	-1.14	-0.94	0.82	0.62	2.64	2.01	1.09	-1.4	-2.3	1.4
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
% growth/decline in Howmac NAV		32.1	-13	-12.3	12.2	8.2	32.4	18.6	8.5	-10.1	-18.4	13.7
% growth/decline in FTAllShare		11.6	-17.3	-18.7	4.6	10.8	24.1	16.8	11.8	-8.7	-8.2	10.6

HOWMAC Ltd

DIRECTORS' REPORT

31 August 2010

(continued)

Looked at in more detail the year to 31 August 2010 showed a steady strengthening in the investment climate as we returned to something akin to normality. The bigger gains tending to come from the more unloved sectors in the previous year, although some of our holdings in the private equity sector have a long way still to go before attaining (if they ever will) the pre-crisis levels. Electra and Pantheon both did notably well; we were too cautious to add significantly to our private equity holdings, but do continue to see value in that area and hope to raise our exposure to it. Our holding in Templeton Emerging Markets also served us well in a year when that sector performed strongly and it remains our largest holding. We have also started a position in the Fidelity China Special Situations Investment Trust. By contrast the other notable gain was in Personal Assets which is generally seen as ultra defensive, as is illustrated by their decision to strengthen gold bullion holdings significantly in the year.

Our cash position remains strong and the level of demand from rights issues turned out to be less than expected. Just prior to the year end we accepted the cash bid for Sovereign Reversions, at that stage our second largest holding, at an uplift on last year's rather depressed valuation. In anticipation of that we started three new holdings in the commercial property sector and also added shares in Hargreaves Services, the coal trader and processor.

Our largest holdings ended the year as Electra, Caledonia, Fidelity Special Values, Fidelity European, Foreign & Colonial, Law Debenture, Pantheon, Personal Assets, Templeton Emerging and Hargreaves Services.

Low interest rates caused a drop in income and dividend returns were also worse.

Having reviewed the performance of the company and the capital losses available to offset against future taxable gains, we have decided to recognise a deferred tax asset in the current year. Further revenue losses have not been recognised as the revenue account has been more volatile.

Shareholder matters

Our costs increased as we continue to simplify the company structure, with the change to Limited (from PLC) being approved by holders and confirmed by the Registrar on the 29th July 2010. The major exercise to validate the shareholder register continued, with the first batch of untraced holdings sold and a second batch now due for sale shortly.

If you have not previously responded to annual mailings please make an effort to do so now, so our Register is up to date. If you have responded or voted at an AGM over that period you should not receive a warning postcard notifying you of a likely sale. However if you do receive such a card, please respond promptly. We encourage those that have not done so recently to get in touch with us. If you have queries please do contact the Company Secretary. Our website now includes further shareholder information.

HOWMAC LTD

DIRECTORS' REPORT

31 August 2010

(continued)

Dividends

The directors recommend that no dividend be paid (2009:£nil) in respect of the year ended 31 August 2010.

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 may make use of money market facilities when funds are available.

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

The company currently 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. P.S Cammerman 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

27 March 2011

HOWMAC LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

31 August 2010

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 to ensure that the financial statements comply with the Companies Act 2006
- 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

27 March 2011

HOWMAC LTD

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HOWMAC LTD

YEAR ENDED 31 AUGUST 2010

We have audited the financial statements of Howmac Ltd for the year ended 31 August 2010 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

HOWMAC LTD

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

YEAR ENDED 31 AUGUST 2010

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Cedar House
35 Ashbourne Road
Derby

KEVIN PARKINSON (Senior
Statutory Auditor)
For and on behalf of
PARKINSON MATTHEWS LLP
Chartered Accountants
& Statutory Auditor

27 March 2011

HOWMAC LTD

**PROFIT AND LOSS ACCOUNT
for the year ended 31 August 2010**

	Note	2010		2009	
		£	£	£	£
Income					
Interest receivable		24		653	
Investment income		11,694		14,764	
Sundry Income		<u>2,340</u>		<u>-</u>	
			14,058		15,417
Proceeds from disposal of investments		102,900		2,132	
Book value of investments sold		(76,208)		(1,949)	
		<u> </u>		<u> </u>	
Net profit on sale of investments			26,692		183
			<u> </u>		<u> </u>
Gross income			40,750		15,600
Administrative expenses			(11,454)		(6,604)
			<u> </u>		<u> </u>
Profit on ordinary activities before taxation	2		29,296		8,996
Taxation on ordinary activities	3		207,540		89
			<u> </u>		<u> </u>
Profit on ordinary activities after taxation			236,836		9,085
			<u> </u>		<u> </u>
Profit for the financial year	8		236,836		9,085
			<u> </u>		<u> </u>

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

HOWMAC LTD

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 August 2010**

	2010	2009
	£	£
Profit for the financial year	236,836	9,085
Unrealised gains/(losses) on listed investments 8	64,913	(184,854)
Transfer out of realised gains	(41,169)	-
Total recognised gains and losses relating to the year	<hr/> 260,580 <hr/>	<hr/> (175,769) <hr/>

HOWMAC LTD
BALANCE SHEET
at 31 August 2010

	Note	2010	2009
		£	£
Fixed assets			
Investments	4	751,343	679,397
Current assets			
Debtors	5	872	1,455
Deferred tax	6	207,442	-
Cash at bank and in hand		116,994	81,637
		-----	-----
		325,308	83,092
Creditors: amounts falling due within one year	7	(18,846)	(6,433)
		-----	-----
Net current assets		306,462	76,659
		-----	-----
Total assets less current liabilities		1,057,805	756,056
		-----	-----
Capital and reserves (equity)			
Called up share capital	10	148,264	148,264
Revaluation reserve	8	283,424	177,342
Profit and loss reserve	8	626,117	430,450
		-----	-----
Total shareholders funds	9	1,057,805	756,056
		-----	-----

The financial statements on pages 8 to 16 were approved by the board of directors on 27 March 2011.

Director

P. S. Cammerman

Company Registration Number: 1942924

HOWMAC LTD
CASH FLOW STATEMENT
for the year ended 31 August 2010

	Note	2010 £	2009 £
Net cash inflow from operating activities	11a	15,600	8,800
		<hr/>	<hr/>
Taxation			
Net taxation received		98	89
		<hr/>	<hr/>
Capital expenditure and financial investment			
Receipts from sale of investments		102,900	2,132
Payments to acquire investments		(83,241)	(32,536)
		<hr/>	<hr/>
		19,659	(30,404)
		<hr/>	<hr/>
Increase/(Decrease) in cash	11b	35,357	(21,515)
		<hr/>	<hr/>

HOWMAC LTD

**NOTES ON FINANCIAL STATEMENTS
31 August 2010**

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.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation of fixed assets only to the extent that, at the Balance Sheet date, there is a binding agreement to dispose of the assets concerned.

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

2 Profit on ordinary activities before taxation

2010

2009

£

£

Profit is stated after charging/(crediting):

Auditor's remuneration

2,243

2,300

(Profit) on sale of investments

(26,692)

(183)

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

HOWMAC LTD

**NOTES ON FINANCIAL STATEMENTS
31 August 2010**

3	Taxation on ordinary activities		2009
	Analysis of (credit)/charge in the year		£
	2010		
	£	Current tax:	
	(Over)/under provision in prior year	(98)	(89)
	Total current tax	(98)	(89)
	Deferred tax:		
	Origination and reversal of timing differences	(207,442)	-
	Tax on profit on ordinary activities	(207,540)	(89)

4.	Investments	Listed Investments		
		Investment		
		Trusts	Equities	Total
		£	£	£
	At Valuation			
	At 1st September 2009	569,023	110,374	679,397
	Additions at cost	14,760	68,481	83,241
	Disposals	-	(76,208)	(76,208)
	Movements in provisions	62,764	2,149	64,913
		-----	-----	-----
	At 31st August 2010	646,547	104,796	751,343
		-----	-----	-----
	Historical cost	369,810	103,364	473,174
		-----	-----	-----

Included in the above, within Equities are, at 31 August 2010, £74,819 in securities traded in London on AIM, (31 August 2009, £100,674).

5	Debtors	2010	2009
		£	£
	Share purchase plans	109	668
	Accrued Income (Dividend)	436	787
	Other debtors	327	-
		-----	-----
		872	1,455
		-----	-----

HOWMAC LTD

NOTES ON FINANCIAL STATEMENTS

31 August 2010

(continued)

6 Deferred taxation

The movement in the deferred taxation account during the year was:

	2010	2009
	£	£
Balance brought forward	-	-
Profit and loss account movement arising during the year	207,442	-
Balance carried forward	207,442	-

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2010	2009
	Provided £	Provided £
Tax losses available	207,442	-
	207,442	-

A deferred tax asset has been recognised following a review by the directors of the expected future gains on investments in the company. This is based upon an assessment of projected gains of the company over a twelve year cycle at a discounted net present value of 8%. The deferred tax asset is anticipated to be recoverable after more than one year.

	2010	2009
	£	£
7 Creditors: amounts falling due within one year		
Accrual and deferred income	11,736	6,433
Proceeds of Untraced Share Sales	7,110	-
	18,846	6,433

8 Reserves

	Revaluation Reserve	Profit and Loss Reserve
	£	£
As at 1 September 2009	177,342	430,450
Transferred to the profit and loss account for the year	-	236,836
Transfer of realised gains	41,169	(41,169)
Unrealised profit on listed investments	64,913	-
As at 31 August 2010	283,424	626,117

HOWMAC LTD

NOTES ON FINANCIAL STATEMENTS

31 August 2010

(continued)

9	Reconciliation of shareholders' funds	2010 £	2009 £		
	Profit for the financial year	236,836	9,085		
	Other recognised gains and losses relating to the year	64,913	(184,854)		
		-----	-----		
	Net increase/(decrease) to shareholders' funds	301,749	(175,769)		
	Opening shareholders' funds	756,056	931,825		
		-----	-----		
	Closing shareholders' funds	1,057,805	756,056		
		-----	-----		
10	Share capital	2010 £	2009 £		
	Authorised				
	28,000,000 Ordinary shares of 2p each	560,000	560,000		
		-----	-----		
	Allotted and fully paid				
	7,413,200 Ordinary shares of 2p each	148,264	148,264		
		-----	-----		
11	Notes to the cash flow statement	2010 £	2009 £		
a	Reconciliation of operating profit to net cash inflow from operating activities				
	Operating profit	29,296	8,996		
	(Profit) on sale of investments	(26,692)	(183)		
	Increase/(decrease) in creditors	12,413	(1,317)		
	Decrease in debtors	583	1,304		
		-----	-----		
	Net cash inflow from operating activities	15,600	8,800		
		-----	-----		
b	Analysis of changes in net debt				
		At start of year £	Cash flows £	Other changes £	At end of year £
	Cash at bank	81,637	35,357	-	116,994
		-----	-----	-----	-----

HOWMAC LTD

NOTES ON FINANCIAL STATEMENTS

31 August 2010

(continued)

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

c Reconciliation of net cash flow to movement in net debt

	2010	2009
	£	£
Increase/(Decrease) in cash in the year and change in net debt resulting from cash flows	35,357	(21,515)
Net funds at 1 September 2009	81,637	103,152
	<hr/>	<hr/>
Net funds at 31 August 2010	116,994	81,637
	<hr/>	<hr/>