

COMPANY REGISTRATION NUMBER 1942924

HOWMAC LTD
FINANCIAL STATEMENTS
31 AUGUST 2014

PARKINSON MATTHEWS LLP
Chartered Accountants & Statutory Auditor
Cedar House
35 Ashbourne Road
Derby

HOWMAC LTD
FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2014

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HOWMAC LTD

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

P.S. Cammerman
J.G. Hemingway (Chairman)
C.L. Robinson

Company secretary

C.A.R. Gillams

Registered office

Meon House
Stratford Road
Mickleton
Chipping Campden
Gloucestershire
GL55 6SU

Auditor

Parkinson Matthews LLP
Chartered Accountants
& Statutory Auditor
Cedar House
35 Ashbourne Road
Derby

Bankers

Lloyds TSB Bank plc
39 Threadneedle Street
London
EC2R 8AU

HOWMAC LTD

DIRECTORS' REPORT

YEAR ENDED 31 AUGUST 2014

The directors present their report and the financial statements of the company for the year ended 31 August 2014.

Principal activities and business review

Howmac's principal activity is to hold investments.

Howmac's net tangible assets per share rose by just over 1% during the year compared to the rise of 4% in the FTSE All Share Index.

The investment trust portfolio (mainly private equity) continued to do well with significant unrealised profits from Electra, which is now our largest holding in the investment trust sector and Pantheon, which is our second largest.

No significant sales were undertaken, although we did accept partial tender offers for some holdings.

The two Channel Islands-based unit trusts had contrasting fortunes. The Absolute Return Fund performed poorly, with a loss of 10% of the opening position. This is a defensive holding, but nevertheless a disappointment, in a year of modest overall returns. During the year we added a further £300,000 to this holding.

By contrast the high yield industrial property investment, Clipstone, had a strong year for capital growth as well as providing the majority of our income.

We made an additional short-term loan to the RMG LLP, the fund management company of our Absolute Return Fund in addition to the £100,000 invested in them last year.

Our property holdings all performed well with the best performance from our largest holding, NewRiver Retail.

We made a new commitment of £100,000 to a Private Equity Fund, Hollyport, based in the Channel Islands, which invests in secondary private equity portfolios. Less than 25% of this was drawn down at the year-end, but it has made an encouraging start.

At the year-end we therefore had approximately 40% invested in Absolute Return funds 20% invested in Property funds and 40% in Private Equity, of the latter just over 10% was in the fund management company RMG LLP, the remainder was largely in quoted vehicles.

On an ongoing basis income and expenditure approximately cancelled each other out.

The results below show the ten year record of net tangible assets value per share measured against the FTSE All Share index at the balance sheet date.

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|------------------|------|------|------|------|-------|------|------|------|------|------|
| Co NTAV £ | 432 | 512 | 556 | 500 | 408 | 464 | 492 | 504 | 580 | 588 |
| Co NTAV +/- £ | 106 | 80 | 44 | -56 | -92 | 56 | 28 | 12 | 76 | 8 |
| Comp. NTAV/ FTSE | 8.4 | 1.7 | -3.2 | -1.4 | -10.2 | 3.1 | -1.3 | -4.0 | 0.4 | -4.2 |

HOWMAC LTD

DIRECTORS' REPORT (*continued*)

YEAR ENDED 31 AUGUST 2014

Open Offer

The main shareholder event was the Open Offer of 2.5 new shares for every share held on 31st May 2014 at a price of £425 each to raise just under £2 million pounds of new funds. The issue was underwritten by Morgan Hemingway & Co Ltd, a related party. The majority of holders (by number) did not participate in this fundraising and will accordingly have suffered some dilution in their interests. The majority shareholder The Morgan Trust Company Ltd and other associated shareholders did participate.

A total of 4,623 new shares were issued, of which 1,401 were allocated according to the underwriter's instructions to The Morgan Trust Company Ltd. Of these 689 were allocated in return for a portfolio of shares at mid-market price and 712 were allocated for cash. The share portfolio consisted of four holdings, two of which, constituting just over 50% of the value were companies in which we were already invested.

The costs of the open offer were just under £24,000 pounds, about half of which was underwriting commission and the balance advisory and execution fees. All the costs were expensed during the year.

As the new shares had not been issued at the year-end date, the accounting treatment has been to show the funds collected and collectable as an asset that is entirely offset by the obligation to issue new shares to subscribers under the Open Offer. Since the year end all the shares have been issued and all the funds due have been collected.

Since the year-end date approximate half of the funds raised have been placed with the existing Absolute Return Fund, with the intention that, that should constitute about half of our assets. The balance, as before, has been split between property and private equity, with the intention, once fully invested, that they should each be about 25% of our holdings.

If you have any queries about the Open Offer or other shareholder matters please do contact the Company Secretary at the Registered Office. The website also includes further shareholder information.

Results and dividends

The loss for the year amounted to £23,243. The directors have not recommended a dividend.

HOWMAC LTD

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 AUGUST 2014

Financial instruments

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.

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 who served the company during the year were as follows:

P.S. Cammerman
J.G. Hemingway (Chairman)
C.L. Robinson

P.S. Cammerman retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Policy on the payment of creditors

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.

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

HOWMAC LTD

DIRECTORS' REPORT (*continued*)

YEAR ENDED 31 AUGUST 2014

- make judgements and accounting estimates that are reasonable and prudent;
- 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.

Auditor

Parkinson Matthews LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Each of the persons who is a director at the date of approval of this report confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all 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.

Registered office:
Meon House
Stratford Road
Mickleton
Chipping Campden
Gloucestershire
GL55 6SU

Signed on behalf of the directors

C.A.R. Gillams

Company Secretary

Approved by the directors on

HOWMAC LTD

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HOWMAC LTD

YEAR ENDED 31 AUGUST 2014

We have audited the financial statements of Howmac Ltd for the year ended 31 August 2014 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, 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 pages 4 to 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 and express an opinion on 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 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 the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2014 and of its loss 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.

HOWMAC LTD

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

YEAR ENDED 31 AUGUST 2014

Opinion on other matter 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.

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

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

HOWMAC LTD
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 AUGUST 2014

| | Note | 2014 £ | 2013 £ |
|---|------|-----------------|----------------|
| Turnover | | – | – |
| Administrative expenses | | 37,640 | 12,929 |
| Other operating income | 2 | – | <u>(2,170)</u> |
| Operating loss | 3 | (37,640) | (10,759) |
| Profit/(loss) on sale of investments | | 1,209 | 67,222 |
| Income from fixed asset investments | 6 | 13,188 | 14,779 |
| (Loss)/profit on ordinary activities before taxation | | (23,243) | <u>71,242</u> |
| Tax on (loss)/profit on ordinary activities | 7 | – | 55,977 |
| (Loss)/profit for the financial year | | (23,243) | <u>15,265</u> |

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

The notes on pages 12 to 19 form part of these financial statements.

HOWMAC LTD

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 31 AUGUST 2014

| | 2014 | 2013 |
|---|-----------------------------|----------------------|
| | £ | £ |
| (Loss)/Profit for the financial year attributable to the shareholders | (23,243) | 15,265 |
| Unrealised profit on revaluation of: Investments brought forward | <u>38,335</u> | <u>68,585</u> |
| Total gains and losses recognised since the last annual report | <u><u>15,092</u></u> | <u><u>83,850</u></u> |

The notes on pages 12 to 19 form part of these financial statements.

HOWMAC LTD

BALANCE SHEET

31 AUGUST 2014

| | Note | 2014 | | 2013 |
|---|------|------------------|------------------|------------------|
| | | £ | £ | £ |
| Fixed assets | | | | |
| Investments | 8 | | <u>1,126,734</u> | <u>736,143</u> |
| Current assets | | | | |
| Debtors | 9 | 680,425 | | 85,000 |
| Cash at bank | | <u>1,361,483</u> | | <u>348,152</u> |
| | | <u>2,041,908</u> | | <u>433,152</u> |
| Creditors: amounts falling due within one year | 11 | <u>1,993,517</u> | | <u>9,262</u> |
| Net current assets | | | <u>48,391</u> | <u>423,890</u> |
| Total assets less current liabilities | | | <u>1,175,125</u> | <u>1,160,033</u> |
| Capital and reserves | | | | |
| Called-up equity share capital | 13 | | 148,320 | 148,320 |
| Revaluation reserve | 14 | | 122,607 | 86,018 |
| Profit and loss account | 15 | | <u>904,198</u> | <u>925,695</u> |
| Shareholders' funds | 16 | | <u>1,175,125</u> | <u>1,160,033</u> |

These accounts were approved by the directors and authorised for issue on, and are signed on their behalf by:

P.S.Cammerman
Director

Company Registration Number: 1942924

The notes on pages 12 to 19 form part of these financial statements.

HOWMAC LTD
CASH FLOW STATEMENT
YEAR ENDED 31 AUGUST 2014

| | Note | 2014 £ | 2013 £ |
|---|------|------------------|----------------|
| Net cash inflow from operating activities | 17 | 1,351,190 | 9,611 |
| Returns on investments and servicing of finance | 17 | 13,188 | 14,779 |
| Taxation | 17 | – | 159 |
| Capital expenditure and financial investment | 17 | (351,047) | 321,419 |
| Increase in cash | 17 | <u>1,013,331</u> | <u>345,968</u> |

The notes on pages 12 to 19 form part of these financial statements.

HOWMAC LTD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2014

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

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.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Fixed asset investments

Fixed asset investments are included in the accounts at stock market value or in the absence thereof at the directors' valuation or cost whichever is the lower.

2. Other operating income

| | 2014 | 2013 |
|------------------------|-------------------|-------------------|
| | £ | £ |
| Other operating income | – | 2,170 |
| | <u> </u> | <u> </u> |

HOWMAC LTD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2014

3. Operating loss

Operating loss is stated after charging:

| | 2014 | 2013 |
|------------------------|---------------------|--------------|
| | £ | £ |
| Auditor's remuneration | | |
| - as auditor | <u>2,760</u> | <u>2,500</u> |

4. Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

| | 2014 | 2013 |
|----------------------------|-----------------|----------|
| | No | No |
| Number of management staff | <u>1</u> | <u>1</u> |

The aggregate payroll costs of the above were:

| | 2014 | 2013 |
|-----------------------|---------------------|--------------|
| | £ | £ |
| Wages and salaries | 5,000 | 5,000 |
| Social security costs | <u>-</u> | <u>-</u> |
| | <u>5,000</u> | <u>5,000</u> |

5. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were:

| | 2014 | 2013 |
|-------------------------|---------------------|--------------|
| | £ | £ |
| Remuneration receivable | <u>5,000</u> | <u>5,000</u> |

6. Income from fixed asset investments

| | 2014 | 2013 |
|---|----------------------|---------------|
| | £ | £ |
| Income from other fixed asset investments | <u>13,188</u> | <u>14,779</u> |

HOWMAC LTD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2014

7. Taxation on ordinary activities

Analysis of charge in the year

| | 2014 £ | 2013 £ |
|--|-----------|-----------|
| Deferred tax: | | |
| Origination and reversal of timing differences (note 10) | | |
| Losses | - | 55,977 |

8. Investments

| | Unit Trusts £ | Unlisted £ | Equities £ | Investment Trusts £ | Total £ |
|--------------------------|------------------|----------------|----------------|---------------------------|------------------|
| Cost or valuation | | | | | |
| At 1 September 2013 | 294,841 | 100,000 | 97,775 | 243,527 | 736,143 |
| Additions | 300,000 | 59,585 | - | - | 359,585 |
| Disposals | - | - | - | (7,329) | (7,329) |
| Revaluations | (21,389) | (315) | 25,550 | 34,489 | 38,335 |
| At 31 August 2014 | <u>573,452</u> | <u>159,270</u> | <u>123,325</u> | <u>270,687</u> | <u>1,126,734</u> |
| Net book value | | | | | |
| At 31 August 2014 | <u>573,452</u> | <u>159,270</u> | <u>123,325</u> | <u>270,687</u> | <u>1,126,734</u> |
| At 31 August 2013 | <u>294,841</u> | <u>100,000</u> | <u>97,775</u> | <u>243,527</u> | <u>736,143</u> |

Included in the above is £54,075 (2013: £41,125) in securities traded in London on AIM. The Unit Trusts are both Channel Islands registered investments. The unlisted investment held at the start of the year is in RMG Wealth Management LLP "RMG LLP" a business involved in wealth management. RMG LLP managed 40% of the company's investment holdings at the year end. An additional sum of £30,000 was advanced to RMG LLP in the year. A £100,000 commitment to Hollyport Secondary Opportunities IV ("Hollyport") a Channel Islands private equity fund was made and £23,085 of this was drawn down at 31 August 2014. It is anticipated by the directors that the amount will be drawn in full within two years of the balance sheet date.

9. Debtors

| | 2014 £ | 2013 £ |
|-----------------------------|----------------|---------------|
| Other debtors | 595,425 | - |
| Deferred taxation (note 10) | 85,000 | 85,000 |
| | <u>680,425</u> | <u>85,000</u> |

HOWMAC LTD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2014

10. Deferred taxation

The deferred tax included in the Balance sheet is as follows:

| | 2014 | 2013 |
|------------------------------|----------------------|---------------|
| | £ | £ |
| Included in debtors (note 9) | <u>85,000</u> | <u>85,000</u> |

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

| | 2014 | 2013 |
|--|----------------------|---------------|
| | £ | £ |
| Balance brought forward | 85,000 | 140,977 |
| Profit and loss account movement arising during the year | - | (55,977) |
| Balance carried forward | <u>85,000</u> | <u>85,000</u> |

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

| | 2014 | 2013 |
|----------------------|----------------------|---------------|
| | £ | £ |
| Tax losses available | <u>85,000</u> | <u>85,000</u> |
| | <u>85,000</u> | <u>85,000</u> |

A deferred tax asset was recognised in 2010 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. The value was reviewed in 2013 and reduced to reflect i) realised gains and ii) a more conservative view of the rate of realisation of future capital gains.

11. Creditors: amounts falling due within one year

| | 2014 | 2013 |
|------------------------------|-------------------------|--------------|
| | £ | £ |
| Accruals and deferred income | <u>1,993,517</u> | <u>9,262</u> |

HOWMAC LTD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2014

12. Related party transactions

During the period the company invested £6,500 (2013 : £nil) in Evince Technology Ltd "Evince" an unlisted investment which has been fully provided for at 31 August 2014 and 31 August 2013 as in the opinion of the directors the investment value is uncertain, as it is an early stage technology investment. The company owns 3.54% of the ordinary shares of Evince. J.G. Hemingway (a director of the company) is also a director of Garfold Ltd (also a subsidiary of Morgan Hemingway & Co Ltd) at the balance sheet date Garfold Ltd owned 12.01% of Evince. P.S. Cammerman was appointed a director of Evince on 16 November 2012 and owns 0.31% of the ordinary shares of Evince.

During the prior period the company invested in RMG Wealth Management LLP for (20%) of the capital of that entity as did The Morgan Trust Company Ltd for (12%) of the capital. The Morgan Trust Company Ltd is the ultimate controlling party of the company as majority shareholder see note 18. A further advance by way of a short term, convertible, unsecured loan, was advanced, in the period of £30,000. This loan is interest-bearing and in the directors' view will be repaid prior to conversion and therefore is not included in the above equity percentages. Although it is interest-bearing no interest has been accrued as the timing and amount is uncertain.

Morgan Hemingway & Co Ltd was the controlling party of the company as at 31st August 2013. During the year it transferred its holding to The Morgan Trust Company Ltd which was the controlling party of the company as at 31 August 2014.

Morgan Hemingway & Co Ltd was the underwriter for the open offer, further details are shown below, under post balance sheet events. Morgan Hemingway & Co Ltd received a commission payment of £11,278 for conducting the underwriting. This sum is included in creditors and was paid after the end. Morgan Hemingway & Co Ltd nominated The Morgan Trust Co as the party to take up the new shares under the open offer. Accordingly Morgan Hemingway & Co Ltd no longer has an interest in the share capital of the company.

Payment in respect of £595,425 of the underwriting was not settled at the year-end. This included £300,952 which was settled by the transfer of quoted shares and £294,473 which was settled in cash. All outstanding balances have been settled since the year end.

13. Share capital

Authorised share capital:

| | 2014 | 2013 |
|-----------------------------------|----------------|----------------|
| | £ | £ |
| 7,000 Ordinary shares of £80 each | <u>560,000</u> | <u>560,000</u> |

HOWMAC LTD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2014

13. Share capital (*continued*)

Allotted, called up and fully paid:

| | 2014 | | 2013 | |
|-----------------------------|--------------|----------------|--------------|----------------|
| | No | £ | No | £ |
| Ordinary shares of £80 each | <u>1,854</u> | <u>148,320</u> | <u>1,854</u> | <u>148,320</u> |

On 7th July 2011 the Company consolidated its share capital on the basis of 4000 old 2 pence shares for one new £80 share. Holders of a fraction of a new share were entitled to claim the proceeds of the sale (subject to certain conditions) of such shares. It is considered likely that the majority of those unclaimed will do so within twelve months of the balance sheet date of 31 August 2014.

Where holders are untraced for a number of years, the Company is empowered to sell those shares. The holders retain a claim on the proceeds of such sales for a further period of time, it is considered unlikely that many such claims will be made, but they are provided for in full, until time barred.

The company issued a circular to shareholders dated 20th June 2014 which was prior to the last Annual General Meeting, at that meeting approval was given to a proposed Open Offer. The terms of the Open Offer were that shareholders could subscribe for an additional 2.5 shares for every one share they held on 31st May 2014 at a price of £425. The offer was fully underwritten.

As a result of the offer 4,623 new ordinary shares of £80 each were issued on the 18th September 2014. At the year-end however although the funds had largely been collected the shares were not issued and the share capital of the company, as at that date, is as stated above.

14. Revaluation reserve

| | 2014 | 2013 |
|--|----------------|---------------|
| | £ | £ |
| Balance brought forward | 86,018 | 185,551 |
| Revaluation of fixed assets | 38,335 | 68,585 |
| Transfer to the Profit and Loss Account on realisation | (1,746) | (168,118) |
| Balance carried forward | <u>122,607</u> | <u>86,018</u> |

15. Profit and loss account

| | 2014 | 2013 |
|--------------------------------------|----------------|----------------|
| | £ | £ |
| Balance brought forward | 925,695 | 742,312 |
| (Loss)/profit for the financial year | (23,243) | 15,265 |
| Transfer from revaluation reserve | 1,746 | 168,118 |
| Balance carried forward | <u>904,198</u> | <u>925,695</u> |

HOWMAC LTD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2014

16. Reconciliation of movements in shareholders' funds

| | 2014 | 2013 |
|---------------------------------------|------------------|------------------|
| | £ | £ |
| (Loss)/Profit for the financial year | (23,243) | 15,265 |
| Other net recognised gains and losses | 38,335 | 68,585 |
| Transfer from revaluation reserve | 1,746 | 168,118 |
| Transfer to profit and loss account | (1,746) | (168,118) |
| Net addition to shareholders' funds | 15,092 | 83,850 |
| Opening shareholders' funds | 1,160,033 | 1,076,183 |
| Closing shareholders' funds | <u>1,175,125</u> | <u>1,160,033</u> |

17. Notes to the cash flow statement

Reconciliation of operating loss to net cash inflow from operating activities

| | 2014 | 2013 |
|---|------------------|--------------|
| | £ | £ |
| Operating loss | (37,640) | (10,759) |
| (Increase)/decrease in debtors | (595,425) | 61,307 |
| Increase/(decrease) in creditors | 1,984,255 | (40,937) |
| Net cash inflow from operating activities | <u>1,351,190</u> | <u>9,611</u> |

Returns on investments and servicing of finance

| | 2014 | 2013 |
|--|---------------|---------------|
| | £ | £ |
| Income from other fixed asset investments | 13,188 | 14,779 |
| Net cash inflow from returns on investments and servicing of finance | <u>13,188</u> | <u>14,779</u> |

Taxation

| | 2014 | 2013 |
|----------|----------|------------|
| | £ | £ |
| Taxation | <u>-</u> | <u>159</u> |

Capital expenditure and financial investment

| | 2014 | 2013 |
|--|------------------|----------------|
| | £ | £ |
| Acquisition of fixed asset investments | (359,585) | (111,010) |
| Disposal of fixed asset investments | 8,538 | 432,429 |
| Net cash (outflow)/inflow for capital expenditure and financial investment | <u>(351,047)</u> | <u>321,419</u> |

HOWMAC LTD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2014

17. Notes to the cash flow statement (*continued*)

Reconciliation of net cash flow to movement in net funds

| | 2014 £ | 2013 £ |
|-------------------------------------|-------------------------|-----------------------|
| Increase in cash in the period | <u>1,013,331</u> | <u>345,968</u> |
| Movement in net funds in the period | <u>1,013,331</u> | <u>345,968</u> |
| Net funds at 1 September 2013 | <u>348,152</u> | <u>2,184</u> |
| Net funds at 31 August 2014 | <u><u>1,361,483</u></u> | <u><u>348,152</u></u> |

Analysis of changes in net funds

| | At 1 Sep 2013 £ | Cash flows £ | At 31 Aug 2014 £ |
|--------------------------|-----------------------|-------------------------|---------------------------|
| Net cash: | | | |
| Cash in hand and at bank | <u>348,152</u> | <u>1,013,331</u> | <u>1,361,483</u> |
| Net funds | <u><u>348,152</u></u> | <u><u>1,013,331</u></u> | <u><u>1,361,483</u></u> |

18. Post balance sheet events

On 18th September 2014 the board approved the allotment of 4,623 new ordinary shares to shareholders who subscribed under the Open Offer and on the instructions of the underwriter.

Since the balance sheet date Howmac Ltd has invested a further £940,000 in the RMG Managed Absolute Return Fund (a Channel Islands unit trust).

19. Ultimate parent company

The company's immediate parent company is The Morgan Trust Company Ltd which is registered in England and Wales.

HOWMAC LTD
MANAGEMENT INFORMATION
YEAR ENDED 31 AUGUST 2014

The following pages do not form part of the statutory financial statements which are the subject of the independent auditor's report on pages 6 to 7.

HOWMAC LTD
DETAILED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 AUGUST 2014

| | 2014 | 2013 |
|---|-----------------|----------|
| | £ | £ |
| Overheads | | |
| Administrative expenses | 37,640 | 12,929 |
| | (37,640) | (12,929) |
| Other operating income | | |
| Other operating income | – | 2,170 |
| Operating loss | (37,640) | (10,759) |
| Profit/(loss) on sale of investments | 1,209 | 67,222 |
| | (36,431) | 56,463 |
| Income from other fixed asset investments | 13,188 | 14,779 |
| | (23,243) | 71,242 |
| (Loss)/profit on ordinary activities | (23,243) | 71,242 |

HOWMAC LTD

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 AUGUST 2014

| | 2014 | | 2013 |
|--------------------------------|--------|---------------|---------------|
| | £ | £ | £ |
| Administrative expenses | | | |
| Personnel costs | | | |
| Directors salaries | | 5,000 | 5,000 |
| General expenses | | | |
| Legal and professional fees | 5,996 | | 5,314 |
| Professional fees share issue | 23,778 | | – |
| Auditors remuneration | 2,760 | | 2,500 |
| | | <u>32,534</u> | <u>7,814</u> |
| Financial costs | | | |
| Bank charges | | 106 | 115 |
| | | <u>37,640</u> | <u>12,929</u> |