



**MONTAGU PRIVATE EQUITY LIMITED**  
**(formerly HSBC Private Equity Limited)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR**  
**THE YEAR ENDED 31 DECEMBER 2003**



Registered in England No. 2781154

**Montagu Private Equity Limited**  
**(formerly HSBC Private Equity Limited)**

**Annual Report and Financial Statements for the year ended**  
**31 December 2003**

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# **Montagu Private Equity Limited** **(formerly HSBC Private Equity Limited)**

## **Directors' Report**

The Directors present their Report to the members together with the audited financial statements for the year ended 31 December 2003 which were approved by them on 31 March 2004.

### **Change of name**

The company changed its name from HSBC Private Equity Limited to Montagu Private Equity Limited on 24 March 2003.

### **Significant developments**

Following a management buy-out on 17 March 2003, ownership was transferred to Montagu Holdings Limited, with HSBC Bank plc retaining a minority stake in the group through Montagu Holdings Limited.

As part of the buy-out, £24,850,000 ordinary £1 shares (99.4% of the issued share capital) were repurchased at par and cancelled. The issued share capital was reduced to £150,002.

### **Principal activities and business review**

The principal activity of the company is to act as a private equity fund manager. The principal activities of its subsidiary companies are to provide services relating to private equity fund management.

### **Results and dividends**

The results for the year are set out in the profit and loss account on page 7. Interim dividends of £38,810,786 (2002 - £30,800,000) were declared and paid during the year and a final dividend of £6,500,000 has been proposed.

### **Liability insurance**

The Company has professional indemnity insurance in place in respect of the duties of the Directors.

### **Directors**

The directors of the Company who served during the year were as follows.

C. M. Masterson	(Managing Director)
M. P. Dunfoy	
D. A. Farley	
P. W. Goodwin	
N. D. Hammond	
V. G. O'Brien	
S. F. Pooler	
A. G. Shinder	
S. J. E. Roddis	(Appointed 18 June 2003)
D. A. J. Leroy	(Appointed 18 June 2003)
C. J. Gatenby	(Appointed 29 July 2003)
M. J. Guillemin	(Appointed 26 August 2003)
I.C. Cotterill	(Resigned 24 January 2003)
J. R. Brandon	(Resigned 24 January 2003)
C. P. Gill	(Resigned 24 January 2003)
G. A. Raffini	(Resigned 24 January 2003)

# **Montagu Private Equity Limited** **(formerly HSBC Private Equity Limited)**

## **Directors' Report**

### **Interests of directors**

The interests of the Directors in office at 31 December 2003 in the share capital of Montagu Management Limited, the ultimate parent company, all of which are fully paid, are set out in the notes to the financial statements.

### **Movements in tangible fixed assets**

The movements in tangible fixed assets are set out in note 5 to the financial statements.

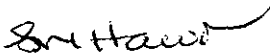
### **Independent auditors**

KPMG Audit Plc have indicated willingness to continue as auditors of the company.

### **Supplier payment policy**

The company subscribes to the Better Payment Practice Code, the four principles of which are to agree payment terms at the outset and stick to them; explain payment procedures to suppliers; pay bills in accordance with any contract agreed with the supplier or as required by law; and tell suppliers without delay when an invoice is contested and settle disputes quickly.

The amount due to the company's trade creditors at 31 December represents 30 days average daily purchases of goods and services received from those creditors, calculated in accordance with the Companies Act 1985, as amended by Statutory Instrument 1997/571.



S. M. Haworth  
Secretary  
31 March 2004

Registered Office  
Vintners Place  
68 Upper Thames Street  
London  
EC4V 3PE

# **Montagu Private Equity Limited** **(formerly HSBC Private Equity Limited)**

## **Statement of directors' responsibilities in relation to financial statements**

The following statement, which should be read in conjunction with the Auditors' statement of their responsibilities, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the Auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year. The directors are required to prepare these financial statements on the going concern basis unless it is not appropriate. Since the directors are satisfied that the company has resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

The directors consider that in preparing the financial statements, the company has used appropriate accounting policies, consistently applied, and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# **Montagu Private Equity Limited** **(formerly HSBC Private Equity Limited)**

## **Report of the independent auditors, KPMG Audit Plc, to the members of Montagu Private Equity Limited**

We have audited the financial statements on pages 7 to 16.

This report is made solely to the company's members, 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 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.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards 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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor  
London

31 March 2004

# Montagu Private Equity Limited (formerly HSBC Private Equity Limited)

## Profit and Loss Account

For the year ended 31 December 2003

	Notes	2003 £'000	2002 £'000
Fee income	1	43,196	34,704
Income from shares in subsidiaries		<u>2,040</u>	<u>27,672</u>
		45,236	62,376
Release of provision		-	12,040
Operating costs	2	<u>(32,186)</u>	<u>(21,540)</u>
Operating profit		13,050	52,876
Profit on disposal of subsidiaries	6	10,841	-
Interest receivable and similar income		647	107
Interest payable and similar charges		<u>(15)</u>	<u>(3)</u>
<b>Profit on ordinary activities before taxation</b>		24,523	52,980
Taxation	4	<u>(4,444)</u>	<u>(8,143)</u>
<b>Profit on ordinary activities after taxation</b>		20,079	44,837
Dividend paid		(38,811)	(30,800)
Dividend proposed		<u>(6,500)</u>	<u>-</u>
<b>Retained (loss) / profit for the year</b>		<u>(25,232)</u>	<u>14,037</u>
<b>Statement of retained profit</b>			
Retained profit brought forward		25,362	11,325
Retained (loss) / profit for the year		<u>(25,232)</u>	<u>14,037</u>
<b>Retained profit carried forward</b>		<u>130</u>	<u>25,362</u>

The Company has no recognised gains and losses other than the results as stated above and therefore no separate statement of recognised gains and losses is presented.

There is no difference between the amounts stated above and their historical cost equivalents, either in respect of profit on ordinary activities before taxation or the retained profit for the year.

# Montagu Private Equity Limited (formerly HSBC Private Equity Limited)

## Balance Sheet at 31 December 2003

	Notes	2003 £'000	2002 £'000
<b>Fixed Assets</b>			
Tangible assets	5	557	-
Investments	6	<u>97</u>	<u>14,587</u>
		<u>654</u>	<u>14,587</u>
<b>Current assets</b>			
Debtors	7	5,258	275,160
Cash and short term deposits		<u>31,943</u>	<u>-</u>
		37,201	275,160
<b>Creditors: amounts falling due within one year</b>	8	<u>(37,575)</u>	<u>(239,385)</u>
<b>Net current (liabilities) / assets</b>		<u>(374)</u>	<u>35,775</u>
<b>Total assets less current liabilities</b>		280	50,362
<b>Provisions for liabilities and charges</b>	9	<u>-</u>	<u>-</u>
		<u>280</u>	<u>50,362</u>
<b>Capital and reserves</b>			
Called-up share capital	10	150	25,000
Profit and loss account		<u>130</u>	<u>25,362</u>
<b>Total shareholder's funds</b>	11	<u>280</u>	<u>50,362</u>

The financial statements on pages 7 to 16 were approved by the board of directors on 31 March 2004 and were signed on its behalf by:

C. M. Masterson  
Director



D. A. Farley  
Director





# **Montagu Private Equity Limited** **(formerly HSBC Private Equity Limited)**

## **Accounting Policies**

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards in the United Kingdom.

A summary of the more important accounting policies, which have been applied consistently is set out below.

The headings and formats adopted in the profit and loss account have been adapted from those specified in the Companies Act 1985 as, *in the opinion of the Directors, those adopted more appropriately reflect the nature of the Company's business.*

The Company is exempt under s228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements. The results of the Company and its subsidiary undertakings are included in the consolidated financial statements of Montagu Holdings Limited, the parent company, and Montagu Management Limited, the ultimate parent company.

The Company is exempt under FRS 1 (Revised 1996) from the requirement to prepare a cash flow statement. The cash flows of the company and its subsidiary undertakings are included in the Consolidated Cash Flow Statement in the consolidated financial statements of Montagu Holdings Limited, the parent company, and Montagu Management Limited, the ultimate parent company.

### **Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Fixtures and Fittings	20.0
Computer and Office Equipment	33.3

Leasehold improvements are depreciated over the period of lease.

### **Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

### **Cash**

Cash comprises cash at hand, bank balances and money market deposits.

# **Montagu Private Equity Limited (formerly HSBC Private Equity Limited)**

## **Accounting Policies**

### **Pension costs**

For the period to 31 August 2003, the Company contributed to the HSBC Bank (UK) Pension Scheme. This scheme, the assets of which are held in a separate trust fund, comprises a defined benefit scheme and a defined contribution scheme. Individual contributing companies are not able to identify their share of underlying assets and liabilities of the scheme and account for the scheme as a defined contribution scheme. The Company has no future obligations to this scheme. Details of the defined benefit scheme are disclosed in the financial statements of HSBC Bank plc.

*From the 1 September 2003, the Company contributed to defined contribution pension schemes, the assets of which are held separately in an independently administered fund. Contributions to this scheme are charged to the profit and loss account as they become payable.*

### **Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date, and gains and losses are taken to the profit and loss account.

### **Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the term of the lease.

# Montagu Private Equity Limited (formerly HSBC Private Equity Limited)

## Notes to the financial statements for the year ended 31 December 2003

### 1 Fee income

Fee income represents management fees, arrangement fees and dividend income, and is accounted for on an accruals basis. Provision is made against this income where the directors are uncertain as to its future recoverability.

### 2 Operating costs

	2003 £'000	2002 £'000
Operating costs are stated after charging/(crediting)		
Auditors remuneration		
- statutory	154	101
- non-audit	273	51
Depreciation	150	-
Operating lease - property	523	-
Exchange losses/(gains)	167	(120)

The audit costs of the Group are incurred by the Company.

### 3 Employee information

The average number of persons (including executive directors) employed by the Company during the year was 38 (2002 – Nil).

	2003 £'000	2002 £'000
Wages, salaries and other staff costs	16,300	15,182
Social security costs	1,908	1,777
Other pension costs	280	16
	<u>18,488</u>	<u>16,975</u>

### 4 Tax on profit on ordinary activities

Analysis of charge in period:

	2003 £'000	2002 £'000
<u>UK Corporation Tax</u>		
Current tax on income	3,982	8,143
Adjustments in respect of prior periods	1,097	-
Total current tax	<u>5,079</u>	<u>8,143</u>
Deferred tax - current	(5)	-
Deferred tax – prior period	<u>(630)</u>	<u>-</u>
Tax on profit on ordinary activities	<u>4,444</u>	<u>8,143</u>

# Montagu Private Equity Limited

## (formerly HSBC Private Equity Limited)

### Notes to the financial statements for the year ended 31 December 2003

#### 4 Tax on profit on ordinary activities (continued)

##### Current Tax Reconciliation

	2003 £'000	2002 £'000
Profit on ordinary activities before taxation	24,523	52,980
Current tax @ 30% (2002:30%)	7,357	15,894
Income not chargeable/expenses not deductible for tax purposes	(3,380)	(7,751)
Adjustment to tax charge in respect of future periods	5	-
Current tax on income	3,982	8,143

Included in income not chargeable to tax are gains on the sale of subsidiaries

##### Deferred Tax Asset

	2003 £'000	2002 £'000
Balance at 1 January	-	-
Profit and loss account	635	-
Balance at 31 December	635	-
Tax effect of timing differences		
Short term timing differences	635	-

#### 5 Tangible Fixed Assets

	Leasehold Improvements £'000	Fixtures & Fittings £'000	Computer Equipment £'000	Total £'000
Cost				
1 January 2003	-	-	-	-
Additions	142	31	534	707
Disposals	-	-	-	-
31 December 2003	142	31	534	707
Depreciation				
1 January 2003	-	-	-	-
Charge for the year	(14)	(3)	(133)	(150)
Disposals	-	-	-	-
31 December 2003	(14)	(3)	(133)	(150)
Net book value 31 December 2003	128	28	401	557
Net book value 31 December 2002	-	-	-	-

# Montagu Private Equity Limited (formerly HSBC Private Equity Limited)

## Notes to the financial statements for the year ended 31 December 2003

### 6 Investments in subsidiaries

Shares at cost	2003 £'000	2002 £'000
Balance brought forward	14,587	16,794
Additions	59	1
Disposals	(14,549)	-
Provision	-	(2,208)
	<u>97</u>	<u>14,587</u>

During the year the Company purchased 100% of the share capital of Montequity B.V., a company incorporated in the Netherlands, and established Montagu Private Equity SAS, a company incorporated in France.

During the year the Company sold or liquidated the following wholly owned subsidiaries:

	Cost £'000	Profit/(Loss) on sale £'000
HSBC Equity (UK) Limited	16,516	3,994
HSBC Ventures (UK) Limited	(2,240)	6,870
The Venture Catalysts Limited	260	(10)
HSBC Private Equity Spain SA	13	(13)
	<u>14,549</u>	<u>10,841</u>

HSBC Private Equity Spain SA, a wholly owned subsidiary, with a cost of £13,000 was liquidated during the year.

The main activity of the subsidiary companies is to provide services relating to private equity fund management.

In the opinion of the directors, the aggregate value of the assets of the company consisting of shares in, or amounts owing from the company's subsidiary undertakings is not less than the aggregate of the amounts at which those assets are stated or included in the company's balance sheet.

Interest of company at  
31 December 2003

The subsidiaries are:-

#### Directly held:

MPE G.P. Limited (formerly HPE G.P. Limited)	100% Ordinary shares
MPE G.P. (Scotland) Limited (formerly HPE G.P. (Scotland) Limited)	100% Ordinary shares
HPE G.P. Deutschland GmbH (incorporated in Germany)	100% Ordinary shares
HPE L.P. Deutschland GmbH (incorporated in Germany)	100% Ordinary shares
Montagu Capital Limited	100% Ordinary shares
Montagu Funding Limited	100% Ordinary shares
Montagu Private Equity GmbH (incorporated in Germany)	100% Ordinary shares
Montagu Private Equity SAS (incorporated in France)	100% Category A shares
Montequity B.V.(incorporated in the Netherlands)	100% Ordinary shares

Investments are stated at cost less any impairment in value.

# Montagu Private Equity Limited

## (formerly HSBC Private Equity Limited)

### Notes to the financial statements for the year ended 31 December 2003

**7 Debtors**

	2003 £'000	2002 £'000
Amounts due from subsidiary undertakings	1,757	205,418
Amounts due from parent undertaking	-	28,523
Tax prepayment	-	4,215
Deferred tax asset	635	9,403
Other debtors	2,786	27,601
Dividends due from subsidiary undertakings	80	-
	<u>5,258</u>	<u>275,160</u>

Included in other debtors are amounts of £81,000 (2002 - £nil) due after one year.

**8 Creditors: amounts falling due within one year**

	2003 £'000	2002 £'000
Amounts owed to group undertakings	5,892	209,702
Other taxation and social security	119	-
Sundry creditors	1,640	-
Taxation	2,617	8,143
Proposed dividend	6,500	-
Accruals and deferred income	20,807	21,540
	<u>37,575</u>	<u>239,385</u>

**9 Provisions for liabilities and charges**

	2003 £'000	2002 £'000
Balance at 1 January	-	12,040
Released during the year	-	(12,040)
Balance at 31 December	<u>-</u>	<u>-</u>

**10 Share capital**

	2003 £'000	2002 £'000
<b>Authorised</b>		
50,000,000 Ordinary shares of £1 each	50,000	50,000
270,000,000 Preference shares of £1 each	270,000	270,000
	<u>320,000</u>	<u>320,000</u>
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	<u>150</u>	<u>25,000</u>

# Montagu Private Equity Limited (formerly HSBC Private Equity Limited)

## Notes to the financial statements for the year ended 31 December 2003

### 11 Reconciliation of movements in shareholder's funds

	2003 £'000	2002 £'000
Opening shareholder's funds	50,362	36,325
Reduction in share capital	(24,850)	-
Retained (loss) / profit for the financial year	(25,232)	14,037
Closing shareholder's funds	<u>280</u>	<u>50,362</u>

### 12 Pension obligations

The contributions for the year were £279,635 (2002 - £16,000).

### 13 Financial commitments

	Land & buildings 2003 £'000	2002 £'000	Other 2003 £'000	2002 £'000
Annual commitment under operating leases expiring within two to five years	649	-	-	-
Annual commitment under operating leases expiring after five years	-	-	-	-

### 14 Related party disclosures

Prior to the Management Buy-Out on 17 March 2003, Montagu Private Equity Limited and its subsidiary undertakings were wholly owned subsidiaries of HSBC Bank plc, which is therefore deemed to be a related party for the year ended 31 December 2003 under the terms of FRS8. Following the Management Buy Out, the Company received fee income of £1,099,000 from HSBC group companies. At the year end HSBC group companies owed the Company £207,000, repayable within one year.

Included in operating costs is £120,000 in respect of a management fee charged by Montagu Management Limited, the ultimate holding company.

Certain directors and key management of the company have an indirect interest in the management agreements between the company and the investors in various limited partnerships. Under these agreements carried interest of £4,979,000 (2002 - £3,675,886) was received by these parties, as partners in the MPE Discretionary Management Partnership and £1,544,000 (2002 - £nil) was received by these parties, as partners in the HPE Scottish No.3 European Limited Partnership and the HPE Scottish No.4 European Limited Partnership, due to the realisation of certain investments.

The Company has taken advantage of the exemption in Financial Reporting Standard No.8 ("FRS 8") from the requirement to disclose intra group transactions which are defined as related party transactions under FRS 8.

### 15 Ultimate parent company

The immediate parent undertaking is Montagu Holdings Limited and the ultimate parent undertaking is Montagu Management Limited. Consolidated financial statements are available from the Company Secretary at Vintners Place, 68 Upper Thames Street, London EC4V 3PE.

### 16 Contingent Liabilities

The company has guaranteed the capital and interest of a £3 million loan to its immediate parent Montagu Holdings Limited.

# Montagu Private Equity Limited

## (formerly HSBC Private Equity Limited)

### Notes to the financial statements for the year ended 31 December 2003

#### 17 Directors' Interests

The interests of the Directors in office at 31 December 2003 in the share capital of Montagu Management Limited, the ultimate parent company, all of which are fully paid, are

Director	2003		2002	
	£1 Ordinary A Shares	£1 Ordinary B Shares	£1 Ordinary A Shares	£1 Ordinary B Shares
C. M. Masterson	65,625	21,875	1	-
M. P. Dunfoy	17,500	5,833	-	-
D. A. Farley	37,626	12,542	-	-
P. W. Goodwin	51,625	17,208	-	-
N. D. Hammond	46,375	15,458	-	-
V. G. O'Brien	10,500	3,500	-	-
S. F. Pooler	17,500	5,833	-	-
A. G. Shinder	8,750	2,917	-	-
D. A. J. Leroy	7,000	2,333	-	-

Share options and restricted share plan interests in HSBC Holdings plc.

Director	Lapsed	Granted	Exercised
M. P. Dunfoy	-	-	-
P. W. Goodwin	-	-	-
N. D. Hammond	-	-	-
C. M. Masterson	-	-	-
V. G. O'Brien	-	-	18,935
S. F. Pooler	-	-	-
A. G. Shinder	-	-	12,513

#### 18 Directors' emoluments

	2003 £000	2002 £000
Directors' emoluments	13,474	4,598
Amounts receivable under long-term incentive schemes	-	7,440
Compensation for loss of office	151	145
	<u>13,625</u>	<u>12,183</u>

The aggregate emoluments and amounts receivable under long term incentive schemes of the highest paid director was £2,740,179 (2002 £3,413,918). He was a member of a defined benefit scheme up to August 2003 under which the accrued pension at that date he would have been entitled to if he were to retire was £32,532 (2002 £29,300).

	Number of Directors	
	2003	2002
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	12	1
Defined benefit schemes	-	8

The amount of money paid to the money purchase schemes during 2003 was £62,865, (2002 £4,838).