

Montagu Oldco Limited

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2009**



Registered in England No 02781154

Montagu Oldco Limited

Annual Report and Audited Financial Statements for the year ended 31 December 2009

Contents

| | <u>Page</u> |
|--|-------------|
| Directors' Report | 3 |
| Business Review | 4 - 5 |
| Statement of Directors' Responsibilities | 6 |
| Independent Auditor's Report | 7 |
| Profit and Loss Account | 8 |
| Balance Sheet | 9 |
| Notes to the Financial Statements | 10 - 14 |

Montagu Oldco Limited

Directors' Report

The Directors present their Report to the members together with the audited financial statements for the year ended 31 December 2009 which were approved by them on 31 March 2010

Principal activities and business review

The principal activity of the company is an investment holding company. The principal activity of its investment is 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 8. The directors have paid a dividend of £5,842,347 (2008: £11,227,067).

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)
G Hislop

Independent auditors

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

Disclosure of information to auditors

The directors who held office at the date of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware and each director has taken all the 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 auditors are aware of that information.



Graham Hislop
Director
31 March 2010

Registered Office
2 More London Riverside
London
SE1 2AP

Montagu Oldco Limited

Business Review

Background

Montagu Oldco Limited is part of the Montagu Private Equity group of companies

Montagu Private Equity is a private equity fund management group whose main focus is providing investment management and advisory services in private equity, specialising in European management buy outs of companies with enterprise values of between €100million and €1billion. We focus primarily on the UK, France, Germany, the Nordic region and Central and Eastern Europe (CEE). In 2009 we had an average of 64 employees based in four offices servicing these regions

Montagu Private Equity advises on one fund that is currently actively investing, Montagu III. That fund has over €2 billion of commitments and was raised in July 2005. In addition to Montagu III, a number of investments made by Montagu I and Montagu II remain in our portfolio and will continue to be divested over the next two to three years

In April 2007 the business converted into a Limited Liability Partnership. Montagu Private Equity Limited (MPEL) transferred its activity to Montagu Private Equity LLP (the LLP). The latter remains the FSA registered entity that performs the role of the management company for the funds. There are 23 executives who are members of the LLP who are entitled to a maximum of 80.1% of the profits with a corporate member, Montagu Oldco Limited (MOL), entitled to the balance of at least 19.9%. MOL is 100% owned by Montagu Holdings Limited (MHL), which is 100% owned by Montagu Management Limited (MML), which is then 100% owned by MML II Limited (MML II). The LLP owns, via MLLP Holdings Limited, 100% of Montagu GP Limited (MGPL) which is the general partner for the funds

Objectives

The objective of the LLP is to generate attractive returns for the investors in the funds that it advises. The objective of the MML II group of companies is to hold an investment in the LLP

Performance in 2009

Montagu has a long track record dating back over 40 years and characterised by competitive returns. We achieve these returns by working closely with the management teams of the businesses we back

During 2009, Montagu III made one new investment in France. This investment was the acquisition of ADB from Siemens AG. ADB is the world leader in airfield lighting. In total 66% of the Montagu III commitment has been invested at 31 December 2009

There has also been a significant exit in 2009 from the Montagu II fund investment, Kalle. This exit achieved a satisfactory IRR and cost multiple. A second exit from the Montagu III fund was also announced pre 31 December 2009. This is scheduled to complete in Quarter 1 2010. Montagu also supported our businesses in making two small add on investments during 2009 in Maplin and Logstor

Subsequent to the year-end, on 4 January 2010, Chris Masterson was appointed Chairman and Jason Gatenby became Chief Executive Officer

Montagu Oldco Limited

Business Review (continued)

Business Risks

The main business risks for Montagu in the short to medium term are to identify potential investment targets at a suitable price, to obtain financing for these transactions and to complete exits of businesses at good returns. Also, in the current economic climate, we continue to focus strongly on the performance of our existing portfolio companies.

Our income is mainly in Euros, while the majority of our costs are in Sterling. We enter into forward hedge contracts for up to 12 months to help reduce this risk.

Forward Looking

Montagu continues to look for investment opportunities in line with our investment policy. In addition we will continue to pursue exit strategies for the remaining investments made by all funds.



G Hislop
Director
31 March 2010

Montagu Oldco Limited

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Montagu Oldco Limited

Independent auditor's report to the members of Montagu Oldco Limited

We have audited the financial statements of Montagu Oldco Limited for the year ended 31 December 2009 set out on pages 8 to 9. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

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 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.



Anthony Cecil (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

8 Salisbury Square
London, EC4Y 8BB

31 March 2010

Montagu Oldco Limited

Profit and Loss Account

For the year ended 31 December 2009

| | Notes | 2009 £'000 | 2008 £'000 |
|--|-------|----------------|----------------|
| Turnover | 2 | <u>8,115</u> | <u>15,855</u> |
| | | 8,115 | 15,855 |
| Operating costs | 3 | <u>(45)</u> | <u>(91)</u> |
| Operating profit | | 8,070 | 15,764 |
| Bank interest receivable and similar income | | - | 1 |
| Interest payable and similar charges | | <u>(196)</u> | <u>-</u> |
| Profit on ordinary activities before taxation | | 7,874 | 15,765 |
| Tax on profit on ordinary activities | 4 | <u>(3,884)</u> | <u>(5,493)</u> |
| Profit on ordinary activities after taxation | | <u>3,990</u> | <u>10,272</u> |
| Statement of retained profit | | | |
| Retained profit brought forward | | 139 | 1,094 |
| Dividend | | (5,842) | (11,227) |
| Profit for the year | | <u>3,990</u> | <u>10,272</u> |
| Retained (loss) / profit carried forward | | <u>(1,713)</u> | <u>139</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

The notes on pages 10 to 14 form part of these financial statements

Montagu Oldco Limited

Balance Sheet at 31 December 2009

| | Notes | 2009 £'000 | 2008 £'000 |
|---|-------|-----------------|----------------|
| Fixed assets | | | |
| Investments | 5 | 10,970 | 10,970 |
| | | <u>10,970</u> | <u>10,970</u> |
| Current assets | | | |
| Debtors | 6 | 7,043 | 8,306 |
| Cash and short term deposits | | <u>656</u> | <u>696</u> |
| | | 7,699 | 9,002 |
| Creditors amounts falling due within one year | 7 | (18,786) | (18,286) |
| Net current (liabilities) | | <u>(11,087)</u> | <u>(9,284)</u> |
| Total assets less current liabilities | | <u>(117)</u> | <u>1,686</u> |
| Provision for liabilities and charges | 8 | <u>(1,446)</u> | <u>(1,397)</u> |
| Net (liabilities) / assets | | <u>(1,563)</u> | <u>289</u> |
| Capital and reserves | | | |
| Called up share capital | 9 | 150 | 150 |
| Profit and loss account | | (1,713) | 139 |
| Total shareholder's (deficit) / funds | 10 | <u>(1,563)</u> | <u>289</u> |

The notes on pages 10 to 14 form part of these financial statements

The financial statements on pages 8 to 14 were approved by the Board of Directors on 31 March 2010 and were signed on its behalf by

G Hislop
Director



Montagu Oldco Limited

Notes to the financial statements for the year ended 31 December 2009

1 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 Company is exempt under s400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The results of the Company are included in the consolidated financial statements of MML II 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 are included in the Consolidated Cash Flow Statement in the consolidated financial statements of MML II Limited, the ultimate parent company

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £11,087,505, which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it from its investment in Montagu Private Equity LLP. The Company has external net current liabilities of £2,606,936 and the directors consider that for at least 12 months from the date of approval of these financial statements that the Company will continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment with support of Montagu Private Equity LLP. As with any Company placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this position will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this agreement with Montagu Private Equity LLP, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Financial instruments

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled. Gains or losses on financial assets and liabilities are recognised in the profit and loss account. Liabilities are recognised at inception at fair value of the proceeds received, net of directly attributable transaction costs, and are carried at amortised cost using the effective interest method. Finance costs are recognised in the profit and loss account.

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. Deferred tax balances are not discounted.

Cash

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

Montagu Oldco Limited

Notes to the financial statements for the year ended 31 December 2009

1 Accounting Policies (continued)

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.

Investments

Investments are listed in note 5. These investments are stated at cost less any impairment in value.

2 Turnover

Turnover represents profit shares received from Montagu private Equity LLP, and is accounted for on an accrued basis.

3 Operating costs

| | 2009 £'000 | 2008 £'000 |
|---|---------------|---------------|
| Operating costs are stated after charging | | |
| Auditors remuneration - audit | 10 | - |
| Exchange losses/(gains) | - | 305 |

In 2008 audit costs of £10,000 were borne in full by Montagu Private Equity LLP.

4 Tax on profit on ordinary activities

Analysis of charge in period

| | 2009 £'000 | 2008 £'000 |
|---|---------------|---------------|
| <u>UK Corporation Tax</u> | | |
| Current tax on income | 4,561 | 3,488 |
| Adjustments in respect of prior periods | (677) | 2,005 |
| Total current tax | 3,884 | 5,493 |
| Deferred tax | - | - |
| Tax on profit on ordinary activities | 3,884 | 5,493 |

Montagu Oldco Limited

Notes to the financial statements for the year ended 31 December 2009

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

Current Tax Reconciliation

| | 2009 | 2008 |
|---|---------|---------|
| | £'000 | £'000 |
| Profit on ordinary activities before taxation | 7,874 | 15,765 |
| Current tax @ 28% (2008 28.5%) | 2,205 | 4,493 |
| Expenses not deductible for tax purposes | 396 | 185 |
| Tax due on Montagu Private Equity LLP's undistributed profits | 4,133 | 633 |
| Limited Partnership distributions taxed in previous periods | (2,272) | (1,737) |
| Group relief claimed from group entities | (473) | - |
| Group relief payment to group entities | 473 | - |
| Transfer pricing interest adjustments | 99 | (86) |
| Current tax on income | 4,561 | 3,488 |

5 Investments

| | 2009 | 2008 |
|---|--------|--------|
| | £'000 | £'000 |
| Interest at cost | | |
| Balance brought forward and carried forward | 10,970 | 10,970 |

Interest of company at
31 December 2009

The investments are -

Directly held

Montagu Private Equity LLP 19.9%

The main activity of the investments is to provide services relating to private equity fund management

Investments are stated at cost less any impairment in value

6 Debtors

| | 2009 | 2008 |
|--------------------------------------|-------|-------|
| | £'000 | £'000 |
| Amounts due from parent undertakings | 7,043 | 8,291 |
| Other debtors | - | 15 |
| | 7,043 | 8,306 |

Montagu Oldco Limited

Notes to the financial statements for the year ended 31 December 2009

7 Creditors: amounts falling due within one year

| | 2009 £'000 | 2008 £'000 |
|------------------------------|---------------|---------------|
| Other creditors | 15,524 | 14,306 |
| Taxation | 3,252 | 3,956 |
| Accruals and deferred income | 10 | 24 |
| | <u>18,786</u> | <u>18,286</u> |

Other creditors consists of amounts owed to Montagu Private Equity LLP

8 Provisions for liabilities and charges

| | 2009 £'000 | 2008 £'000 |
|-------------------------|---------------|---------------|
| Balance at 1 January | 1,397 | 2,187 |
| Reduction in the year | - | (790) |
| Charged during the year | 49 | - |
| | <u>1,446</u> | <u>1,397</u> |

Provisions of £1,446,000 relate to a potential additional National Insurance liability of £1,100,000 with the balance being in respect of interest and legal costs

9 Called up share capital

| | 2009 £'000 | 2008 £'000 |
|---|---------------|---------------|
| Authorised | | |
| 50,000,000 Ordinary shares of £1 each | 50,000 | 50,000 |
| 270,000,000 Preference shares of £1 each | 270,000 | 270,000 |
| Allotted, called up and fully paid | | |
| Ordinary shares of £1 each | <u>150</u> | <u>150</u> |

10 Reconciliation of movement in shareholder's funds

| | 2009 £'000 | 2008 £'000 |
|---|----------------|---------------|
| Opening shareholder's funds | 289 | 1,244 |
| Profit for the financial year | 3,990 | 10,272 |
| Dividends paid | (5,842) | (11,227) |
| | <u>(1,563)</u> | <u>289</u> |
| Closing shareholder's (deficit) / funds | | |

Montagu Oldco Limited

Notes to the financial statements for the year ended 31 December 2009

11 Related party disclosures

As a wholly owned subsidiary, the Company has taken advantage of the exemption in Financial Reporting Standard No 8 ("FRS 8") from the requirement to disclose intra group transactions with other wholly owned subsidiaries. There are no other related party transactions other than those exempted by FRS 8 except as disclosed elsewhere in the financial statements.

12 Ultimate parent company

The immediate parent undertaking is Montagu Holdings Limited and the ultimate parent undertaking and controlling party is MML II Limited. Consolidated financial statements are available from the Company Secretary at 2 More London Riverside, London SE1 2AP.