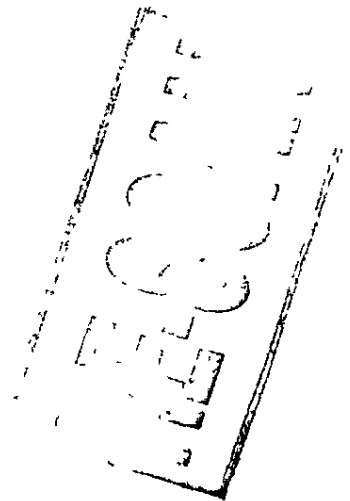


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**MONTANARO FUND MANAGERS LIMITED**

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**DIRECTOR'S REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**



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## **MONTANARO FUND MANAGERS LIMITED**

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### **COMPANY INFORMATION**

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<b>DIRECTOR</b>	C G B Montanaro
<b>SECRETARY</b>	Mrs G C Edwardes Ker
<b>COMPANY NUMBER</b>	3246931
<b>REGISTERED OFFICE</b>	53 Threadneedle Street London EC2R 8AR
<b>AUDITORS</b>	Hillier Hokpins LLP Chartered Accountants Charter Court Midland Road Hemel Hempstead Hertfordshire HP2 5GE

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## **MONTANARO FUND MANAGERS LIMITED**

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### **CONTENTS**

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	<b>Page</b>
<b>Director's report</b>	<b>1 - 2</b>
<b>Independent auditors' report</b>	<b>3 - 4</b>
<b>Profit and loss account</b>	<b>5</b>
<b>Statement of total recognised gains and losses</b>	<b>6</b>
<b>Balance sheet</b>	<b>7</b>
<b>Cash flow statement</b>	<b>8</b>
<b>Notes to the financial statements</b>	<b>9 - 15</b>

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## **MONTANARO FUND MANAGERS LIMITED**

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### **DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2007**

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The director presents his report and the financial statements for the year ended 31 December 2007

#### **STATEMENT OF DIRECTOR'S RESPONSIBILITIES**

The director is responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 director is required to

- select suitable accounting policies and then apply them consistently,
- make judgments and 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 director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

#### **PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS**

The principal activity of the company in the year under review continued to be that of investment management.

The company is authorised by the Financial Services Authority.

The director is of the opinion that the state of the company's affairs at 31 December 2007 was satisfactory.

The company is exposed to a variety of commercial risks. These could range from the wider effects of the general economy and external competition to those more specific to the company, such as its own financial strength and size. The Board regularly reviews these risks and their potential impact on the company.

Total assets stood at £9,412,150 at the balance sheet date (2006 - £9,628,073). Profit before tax amounted to £1,304,812 (2006 - £1,648,602). The profit after tax which was transferred to reserves was £920,619 (2006 - £1,172,878).

The Board monitors the company's performance through the use of regular financial information and management reports. The Board particularly focuses on the company's levels of profitability and financial strength.

#### **RESULTS**

The profit for the year, after taxation, amounted to £920,619 (2006 - £1,172,878).

#### **DIRECTOR**

The director who served during the year was

C G B Montanaro

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**MONTANARO FUND MANAGERS LIMITED**

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**DIRECTOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2007**

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**PROVISION OF INFORMATION TO AUDITORS**

The director at the time when this Director's report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing his report and to establish that the company's auditors are aware of that information

**AUDITORS**

The auditors, Hillier Hokpins LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985

This report was approved by the board on 28 April 2008 and signed on its behalf



**C G B Montanaro**  
Director

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## **MONTANARO FUND MANAGERS LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MONTANARO FUND MANAGERS LIMITED**

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We have audited the financial statements of Montanaro Fund Managers Limited for the year ended 31 December 2007, set out on pages 5 to 15. These financial statements have been prepared in accordance with the accounting policies set out therein.

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 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 DIRECTOR AND AUDITORS**

The director's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of director's responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Director's report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 director's remuneration and other transactions is not disclosed.

We read the Director's report and consider the implications for our report if we become aware of any apparent misstatements within it.

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

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the director 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.

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**MONTANARO FUND MANAGERS LIMITED**

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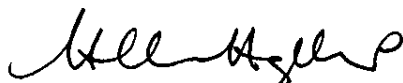
**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MONTANARO FUND MANAGERS  
LIMITED**

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**OPINION**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Director's report is consistent with the financial statements



**HILLIER HOKPINS LLP**

Chartered Accountants  
Registered Auditor

Charter Court  
Midland Road  
Hemel Hempstead  
Hertfordshire  
HP2 5GE

28 April 2008

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**MONTANARO FUND MANAGERS LIMITED**

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**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2007**

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	<b>Note</b>	<b>2007 £</b>	<b>2006 £</b>
<b>TURNOVER</b>	1,2	<b>6,038,414</b>	<b>4,023,010</b>
Cost of sales		<b>(1,999,782)</b>	<b>-</b>
<b>GROSS PROFIT</b>		<b>4,038,632</b>	<b>4,023,010</b>
Administrative expenses		<b>(2,890,321)</b>	<b>(2,526,541)</b>
<b>OPERATING PROFIT</b>	3	<b>1,148,311</b>	<b>1,496,469</b>
Income from other fixed asset investments		<b>24,165</b>	<b>15,705</b>
Interest receivable	6	<b>132,336</b>	<b>142,340</b>
Interest payable	7	<b>-</b>	<b>(5,912)</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>1,304,812</b>	<b>1,648,602</b>
Tax on profit on ordinary activities	8	<b>(384,193)</b>	<b>(475,724)</b>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	15	<b>920,619</b>	<b>1,172,878</b>

All amounts relate to continuing operations

The notes on pages 9 to 15 form part of these financial statements



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**MONTANARO FUND MANAGERS LIMITED**

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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2007**

---

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>920,619</b>	<b>1,172,878</b>
Unrealised (deficit)/surplus on revaluation of fixed asset investments	<b>(316,351)</b>	<b>477,432</b>
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	<b>604,268</b>	<b>1,650,310</b>

The notes on pages 9 to 15 form part of these financial statements

**MONTANARO FUND MANAGERS LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Note	2007 £	2006 £
<b>TURNOVER</b>	1,2	<b>6,038,414</b>	<b>4,023,010</b>
Cost of sales		<u>(1,999,782)</u>	<u>-</u>
<b>GROSS PROFIT</b>		<b>4,038,632</b>	<b>4,023,010</b>
Administrative expenses		<u>(2,890,321)</u>	<u>(2,526,541)</u>
<b>OPERATING PROFIT</b>	3	<b>1,148,311</b>	<b>1,496,469</b>
Income from other fixed asset investments		<b>24,165</b>	<b>15,705</b>
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All amounts relate to continuing operations

The notes on pages 9 to 15 form part of these financial statements

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**MONTANARO FUND MANAGERS LIMITED**

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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2007**

---

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>920,619</b>	<b>1,172,878</b>
Unrealised (deficit)/surplus on revaluation of fixed asset investments	<u><b>(316,351)</b></u>	<u><b>477,432</b></u>
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	<u><u><b>604,268</b></u></u>	<u><u><b>1,650,310</b></u></u>

The notes on pages 9 to 15 form part of these financial statements

**MONTANARO FUND MANAGERS LIMITED**

**BALANCE SHEET  
AS AT 31 DECEMBER 2007**

	Note	£	2007 £	£	2006 £
<b>FIXED ASSETS</b>					
Fixed asset investments	9		2,234,699		2,551,050
<b>CURRENT ASSETS</b>					
Debtors	10	3,349,546		2,904,173	
Cash at bank		3,827,905		4,172,850	
		<u>7,177,451</u>		<u>7,077,023</u>	
<b>CREDITORS</b> amounts falling due within one year	11	(3,742,475)		(4,542,069)	
<b>NET CURRENT ASSETS</b>			<u>3,434,976</u>		<u>2,534,954</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>5,669,675</u>		<u>5,086,004</u>
<b>CREDITORS</b> amounts falling due after more than one year	12		(26,075)		(46,672)
<b>NET ASSETS</b>			<u>5,643,600</u>		<u>5,039,332</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		500,000		500,000
Revaluation reserve	15		519,584		835,935
Profit and loss account	15		4,624,016		3,703,397
<b>SHAREHOLDERS' FUNDS</b>			<u>5,643,600</u>		<u>5,039,332</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 April 2008



**C G B Montanaro**  
Director

The notes on pages 9 to 15 form part of these financial statements

**MONTANARO FUND MANAGERS LIMITED**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Note	2007 £	2006 £
Net cash flow from operating activities	16	108,512	1,364,715
Returns on investments and servicing of finance	17	156,501	152,133
Taxation		(609,958)	(412,850)
Capital expenditure and financial investment	17	-	(1,007,119)
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<b>(344,945)</b>	<b>96,879</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 £	2006 £
(Decrease)/Increase in cash in the year	(344,945)	96,879
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>(344,945)</b>	<b>96,879</b>
Net funds at 1 January 2007	4,172,850	4,075,971
<b>NET FUNDS AT 31 DECEMBER 2007</b>	<b>3,827,905</b>	<b>4,172,850</b>

The notes on pages 9 to 15 form part of these financial statements

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**MONTANARO FUND MANAGERS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

---

**1 ACCOUNTING POLICIES**

**1 1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of listed investments and in accordance with applicable accounting standards

**1 2 TURNOVER**

Turnover represents amounts receivable for investment management services provided net of vat

**2 TURNOVER**

The whole of the turnover is attributable to the principal activity of the company, which was wholly undertaken in the United Kingdom

All turnover arose within the United Kingdom

**3 OPERATING PROFIT**

The operating profit is stated after charging

	2007 £	2006 £
Auditors' remuneration	<u>3,000</u>	<u>2,000</u>

**4 STAFF COSTS**

Staff costs, including director's remuneration, were as follows

	2007 £	2006 £
Wages and salaries	1,150,000	1,110,674
Social security costs	147,259	141,521
	<u>1,297,259</u>	<u>1,252,195</u>

The average monthly number of employees, including the director, during the year was as follows

	2007 No	2006 No
	<u>1</u>	<u>1</u>

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**MONTANARO FUND MANAGERS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

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**5. DIRECTOR'S REMUNERATION**

	2007 £	2006 £
Emoluments	<u>1,150,000</u>	<u>1,100,000</u>

The highest paid director received remuneration of £1,150,000 (2006 - £1,100,000)

**6 INTEREST RECEIVABLE**

	2007 £	2006 £
Bank interest receivable	<u>132,336</u>	<u>142,340</u>

**7 INTEREST PAYABLE**

	2007 £	2006 £
Other interest payable	<u>-</u>	<u>5,912</u>

**8 TAXATION**

	2007 £	2006 £
<b>ANALYSIS OF TAX CHARGE IN THE YEAR</b>		
<b>CURRENT TAX</b> (see note below)		
UK corporation tax charge on profit for the year	377,614	497,843
Adjustments in respect of prior periods	-	218
<b>TOTAL CURRENT TAX</b>	<u>377,614</u>	<u>498,061</u>
<b>DEFERRED TAX</b> (see note 13)		
Origination and reversal of timing differences	6,579	(22,337)
<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<u>384,193</u>	<u>475,724</u>

**MONTANARO FUND MANAGERS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**8 TAXATION (continued)**

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is lower than (2006 - *higher than*) the standard rate of corporation tax in the UK (30%) The differences are explained below

	2007 £	2006 £
Profit on ordinary activities before tax	<u>1,304,812</u>	<u>1,648,602</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 - 30%)	391,444	494,581
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes	(6,501)	8,079
Capital allowances for year in excess of depreciation	(79)	(105)
Dividends and distributions received	(7,250)	(4,712)
Adjustments to tax charge in respect of prior periods	-	218
<b>CURRENT TAX CHARGE FOR THE YEAR</b> (see note above)	<u><u>377,614</u></u>	<u><u>498,061</u></u>

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

There were no factors that may affect future tax charges

**9 FIXED ASSET INVESTMENTS**

	Listed invest- ments £
<b>VALUATION</b>	
At 1 January 2007	2,551,050
Revaluations	(316,351)
At 31 December 2007	<u><u>2,234,699</u></u>

**LISTED INVESTMENTS**

The historical cost of the listed investments as at 31 December 2007 and 2006 was £1,715,115



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**MONTANARO FUND MANAGERS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

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**10 DEBTORS**

	2007 £	2006 £
Trade debtors	1,164,963	-
Other debtors	265,868	401
Prepayments and accrued income	1,902,957	2,881,435
Deferred tax asset (see note 13)	15,758	22,337
	<u>3,349,546</u>	<u>2,904,173</u>

**11 CREDITORS  
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2007 £	2006 £
Corporation tax	127,883	360,227
Social security and other taxes	6,725	6,725
Other creditors	2,442,993	3,063,373
Accruals and deferred income	1,164,874	1,111,744
	<u>3,742,475</u>	<u>4,542,069</u>

**MONTANARO FUND MANAGERS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**12 CREDITORS  
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2007 £	2006 £
Accruals and deferred income	26,075	46,672

**13 DEFERRED TAX ASSET**

	2007 £	2006 £
At 1 January 2007	22,337	-
(Charge for)/released during the year	(6,579)	22,337
At 31 December 2007	15,758	22,337

The deferred tax asset is made up as follows

	2007 £	2006 £
Other timing differences	15,758	22,337

**14 SHARE CAPITAL**

	2007 £	2006 £
<b>AUTHORISED, ALLOTTED, CALLED UP AND FULLY PAID</b>		
500,000 Ordinary shares of £1 each	500,000	500,000

**15. RESERVES**

	Revaluation reserve £	Profit and loss account £
At 1 January 2007	835,935	3,703,397
Profit for the year		920,619
(Deficit) on revaluation of other fixed assets	(316,351)	
At 31 December 2007	519,584	4,624,016

**MONTANARO FUND MANAGERS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**16 NET CASH FLOW FROM OPERATING ACTIVITIES**

	2007 £	2006 £
Operating profit	1,148,311	1,496,469
Increase in debtors	(451,952)	(655,842)
(Decrease)/increase in creditors	(587,847)	524,088
<b>NET CASH INFLOW FROM OPERATIONS</b>	<b>108,512</b>	<b>1,364,715</b>

**17 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT**

	2007 £	2006 £
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Interest received	132,336	142,340
Interest paid	-	(5,912)
Dividends received	24,165	15,705
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	<b>156,501</b>	<b>152,133</b>
	2007 £	2006 £
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		
Purchase of listed investments	-	(1,007,119)

**18. ANALYSIS OF CHANGES IN NET DEBT**

	1 January 2007 £	Cash flow £	Other non-cash changes £	31 December 2007 £
Cash at bank and in hand	4,172,850	(344,945)	-	3,827,905
<b>NET FUNDS</b>	<b>4,172,850</b>	<b>(344,945)</b>	<b>-</b>	<b>3,827,905</b>

**19 TRANSACTIONS WITH DIRECTORS**

Management fees charged during the year by Montanaro Holdings Limited, a company in which the director C G B Montanaro has a controlling interest, amounted to £1,567,094 (2006 - £1,242,556). At the balance sheet date £2,359,397 (2006 - £3,063,373) and £83,594 (2006 - £Nil) included in other creditors was due to Montanaro Holdings Limited and Montanaro Investment Managers Limited respectively.

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**MONTANARO FUND MANAGERS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

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**20 CONTROLLING PARTY**

The company is controlled by C G B Montanaro

**21 QUALIFYING UNDERTAKINGS**

The names and registered offices of the qualifying undertakings of which the company is a member are as follows

Montanaro Growth and Income Fund Limited Partnership No 1  
The Manor House, Monks Kirby, Warks, CV23 0RT

Montanaro Growth and Income Fund Limited Partnership No 2  
Walsingham House, 35 Seething Lane, London EC3N 4AH

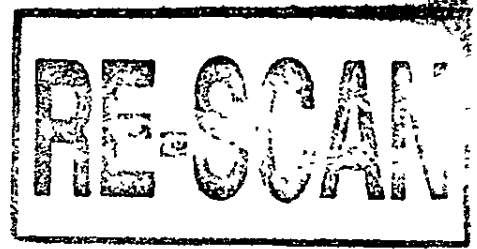
Montanaro Growth and Income Fund Limited Partnership No 3  
PO Box 118, Church Street, Goole DN14 5YU

Montanaro Growth and Income Fund Limited Partnership No 4  
1 Mill Bank, London SW1P 3JZ

Montanaro Growth and Income Fund Limited Partnership No 5  
Regent Street, Barnsley, South Yorkshire S70 2PQ

Copies of the latest accounts of the above undertakings are to be appended to the copy of the company's accounts sent to the registrar under section 242 of the Companies Act 1985

Registered number: LP11356



Montanaro Growth and Income Fund Limited  
Partnership No: 1

Report and Financial Statements  
31 December 2007

THESE PARTNERSHIP  
ACCOUNTS FORM  
PART OF THE ACCOUNTS  
OF COMPANY  
No. ... 3426931 .....

SATURDAY

## **Montanaro Growth and Income Fund Limited Partnership No: 1**

### **Independent Auditors' Report**

#### **to the members of Montanaro Growth and Income Fund Limited Partnership No: 1**

---

We have audited the Partnership's financial statements for the year ended 31 December 2007 which comprise the Income account, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profit and Losses, Balance Sheet, Cash Flow Statement, Reconciliation of net cash flow to movement in net debt and the related notes 1 to 10. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Partners of the Partnership, as a body, in accordance with The Partnership and Unlimited Companies (Accounts) Regulations 1993. Our audit work has been undertaken so that we might state to the partners 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 Partnership and the Partners as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the General Partner and auditors**

As described in the Statement of Responsibilities on page 2, the General Partner is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Partnership Agreement and The Partnership and Unlimited Companies (Accounts) Regulations 1993. We also report to you if, in our opinion, the Partnership has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Partners in the preparation of the financial statements and of whether the accounting policies are appropriate to the Partnership'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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Partnership as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Partnership Agreement and the Partnerships and Unlimited Companies (Accounts) Regulations 1993.



Hillier Hopkins LLP  
Chartered Accountants  
Registered Auditor  
Charter Court  
Midland Road  
Hempstead  
Herts HP2 5GE

Date 28 April 2008

## Montanaro Growth and Income Fund Limited Partnership No: 1

### Annual report

---

The General Partner presents his report and financial statements for the year ended 31 December 2007

#### Principal activities and review of the business

The principal activity of the limited partnership in the year under review continued to be that of investment

The General Partner is of the opinion that the state of the limited partnership's affairs at 31 December 2007 was satisfactory

#### Statement of responsibilities in respect of the financial statements

The Partnership Agreement dated 1 June 2006 among Montanaro Fund Managers Limited ("the General Partner") and The Ricardo Supplementary Pension Scheme (No 1) ("The Limited Partner") requires the General Partner to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the income and expenditure and cash flows for the year. In preparing those financial statements, the General Partner is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 partnership will continue in business

The General Partner is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to enable that the financial statements comply with the Partnership Agreement. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The General Partner has exclusive responsibility for the management and control of the business and affairs of the Partnership and has the power and authority to do all that is necessary to carry out the objectives of the Partnership. The Limited Partner takes no part in the management or control of the business and affairs of the Partnership, but has access to and the right to inspect the partnership assets including all books and financial statements of the Partnership.

Each of the persons who are partners at the time when this Annual Report is approved has confirmed that

- so far as that Partner is aware, there is no relevant audit information of which the Partner's auditors are unaware, and
- each Partner has taken all the steps that ought to have been taken as a partner in order to be aware of any information needed by the Partnership's auditors in connection with preparing their report and to establish that the Partnership's auditors are aware of that information.

On behalf of the General Partner



C G B Montanaro  
Director

Date 28 April 2008

## Montanaro Growth and Income Fund Limited Partnership No: 1

### Income Account for the year ended 31 December 2007

---

	Notes	2007 £	2006 £
<b>Income</b>			
Dividend income from listed investments		3,868	1,735
Interest income		3,938	3,929
Expenses	2	<u>(3,045)</u>	<u>(4,041)</u>
<b>Net income for the year</b>		4,761	1,623
Realised gains/(loss) on sale of investments		<u>3,810</u>	<u>(238)</u>
<b>Profit for the year</b>		<u>8,571</u>	<u>1,385</u>



**Montanaro Growth and Income Fund Limited Partnership No: 1****Statement of total recognised gains and losses  
for the year ended 31 December 2007**

	Notes	2007 £	2006 £
<b>Non distributable gains and losses</b>			
Unrealised (losses)/gains on investments	3	<u>(1,741)</u>	<u>88,415</u>
<b>Distributable gains and losses</b>			
Gain for the year		8,571	1,385
Change in unrealised gains on sale of investments	3	(1,787)	-
Distribution to General Partner as Profit Share	7c	<u>(7,195)</u>	<u>(3,462)</u>
		<u>(411)</u>	<u>(2,077)</u>
<b>Total recognised (losses) and gains for the year</b>		<u><u>(2,152)</u></u>	<u><u>86,338</u></u>

**Note of historical cost profit and losses  
for the year ended 31 December 2007**

	2007 £	2006 £
Profit for the year before gains and losses on sale of investments	4,761	1,623
Realised gains/(losses) on historical cost method	<u>3,810</u>	<u>(238)</u>
Historical cost profit for the year	<u><u>8,571</u></u>	<u><u>1,385</u></u>

# **Montanaro Growth and Income Fund Limited Partnership No: 1**

## **Balance sheet at 31 December 2007**

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Investments	3	541,344	489,255
<b>Current assets</b>			
Short term cash deposits	4	53,793	103,602
Sundry debtors	5	502	984
		<u>54,295</u>	<u>104,586</u>
<b>Current liabilities</b>			
Creditors amounts falling due within one year	6	<u>(11,453)</u>	<u>(7,503)</u>
<b>Net current assets</b>		<u>42,842</u>	<u>97,083</u>
<b>Total assets less current liabilities</b>		<u>584,186</u>	<u>586,338</u>
Represented by			
Loan - Limited Partner	7a	499,500	499,500
Capital contributions	7b	500	500
Income accounts	7c	(701)	(2,077)
Unrealised movement in investments portfolio	7d	<u>84,887</u>	<u>88,415</u>
		<u>584,186</u>	<u>586,338</u>

The financial statements on pages 3 to 11 were approved by the General Partner on

28 April 2008



C G B Montanaro  
Director

## Montanaro Growth and Income Fund Limited Partnership No: 1

### Cash flow statement for the year ended 31 December 2007

	Notes	2007 £	2006 £
<b>Net cash inflow from operating activities</b>	<b>8</b>	<u>9,192</u>	<u>8,142</u>
<b>Capital expenditure and financial investment</b>			
Payments to acquire investments		(84,460)	(413,192)
Receipt from sales of investments		<u>32,653</u>	<u>12,114</u>
		(51,807)	(401,078)
<b>Financing</b>			
Loan from Limited Partner		-	499,500
Capital contributions		-	500
Drawings		<u>(7,195)</u>	<u>(3,462)</u>
		(7,195)	496,538
<b>Management of liquid resources</b>			
Decrease/(increase) in cash in year		<u>(49,810)</u>	<u>103,602</u>
Decrease/(increase) in short term deposits		<u>(49,809)</u>	<u>103,602</u>

## Montanaro Growth and Income Fund Limited Partnership No: 1

### Notes to the financial statements for the year ended 31 December 2007

---

#### 1 Accounting policies

##### Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed asset investments and in accordance with applicable accounting standards

##### Investments

The year-end market value of quoted investments is based on the middle market price quotation on the London Stock Exchange

##### Investment income

Income from investments is accounted for on a receivable basis net of any tax credit

Realised gains or losses on disposals of investments are included in the income account and the realisation of previously recognised unrealised gains or losses is reflected in the Partners' income accounts

#### 2 Expenses

	2007 £	2006 £
Auditors' remuneration - audit services	588	526
Custodian expenses	1,290	1,290
Accounts production fees	359	132
Investors committee	808	2,093
Total	<u>3,045</u>	<u>4,041</u>

## Montanaro Growth and Income Fund Limited Partnership No: 1

### Notes to the financial statements for the year ended 31 December 2007

#### 3 Investments

Investments at 31 December 2007 were as follows

Share investment	Number of Shares	Cost £	Value 2007 £	Value 2006 £
Bespak plc	-	-	-	10,693
BPP	2,500	9,944	15,525	13,200
Care UK	2,200	9,925	8,310	14,300
Coda	6,000	10,212	10,470	9,720
Consort Medical	1,700	10,187	10,260	-
Cranswick plc	1,100	10,613	9,405	-
Dechra Pharmaceuticals plc	4,450	10,221	16,320	11,726
Dignity PLC	1,594	7,763	11,580	10,449
DTZ Holdings plc	2,000	10,649	5,200	-
EAGA PLC	5,637	10,203	9,498	-
Fisher J & Sons	2,500	10,141	16,425	15,125
Genus plc	2,000	10,474	16,500	10,680
Holidaybreak plc	1,500	9,913	10,200	11,625
Hornby plc	3,800	11,318	9,044	-
Isotron plc	-	-	-	13,591
Latchways plc	1,400	10,363	12,390	16,261
London & Associated Properties	8,700	10,031	7,460	11,419
Montanaro European Small Cos Fund	131,579	250,000	317,776	307,710
MTL Instruments	2,000	11,190	13,600	-
Phoenix IT Group	3,500	10,839	11,165	10,675
Primary Health Properties	2,500	10,323	8,495	13,381
VP PLC	3,200	11,363	10,696	-
Vanco plc	-	-	-	8,700
Zytronic plc	4,500	10,786	11,025	-
		<u>456,458</u>	<u>541,344</u>	<u>489,255</u>

# Montanaro Growth and Income Fund Limited Partnership No: 1

## Notes to the financial statements for the year ended 31 December 2007

### 3 Investments (continued)

The movement on investments during the year was as follows

	2007	2006
	£	£
Market value at 1 January 2007	489,255	-
Purchases	84,460	413,192
Sale proceeds	(32,653)	(12,114)
Realised gains/(losses) on sales	3,810	(238)
Change in unrealised gains	(1,787)	-
	<u>53,830</u>	<u>400,840</u>
Unrealised (losses)/gains for the year	<u>(1,741)</u>	<u>88,415</u>
	<u>(1,741)</u>	<u>88,415</u>
Market value at 31 December 2007	<u>541,344</u>	<u>489,255</u>

### 4 Short term cash deposits

	2007	2006
	£	£
At 1 January 2007	103,602	-
Net cash (outflow)/inflow	(49,809)	103,602
	<u>53,793</u>	<u>103,602</u>
At 31 December 2007	<u>53,793</u>	<u>103,602</u>

### 5 Debtors

	2007	2006
	£	£
Dividends receivable	502	984
	<u>502</u>	<u>984</u>

### 6 Creditors: amounts falling due within one year

	2007	2006
	£	£
Other creditors	969	2,093
Accruals	10,484	5,410
	<u>11,453</u>	<u>7,503</u>

# Montanaro Growth and Income Fund Limited Partnership No: 1

## Notes to the financial statements for the year ended 31 December 2007

### 7 Partners' loan, capital, income and unrealised movement on investment accounts

The general partner is entitled to receive a profit share equivalent to 1% per annum (plus VAT) on the NAV of the fund, calculated quarterly and paid semi annually. If the net annual total returns are negative the second half year fee will not be paid.

The total commitment of the Limited Partner is £500,000 (2006: £500,000) of which £499,500 (2006: £499,500) is in the form of a loan facility.

The loan is interest free and is repayable by distribution of partnership income and capital realisation subject to the prior payment of partnership expenses and the General Partner's profit share.

#### a) Loan accounts:

	Loan received £	2007 £	2006 £
The Ricardo Supplementary Pension Scheme (No. 1)	499,500	499,500	499,500

#### b) Capital contribution accounts

	2007 £	2006 £
The Ricardo Supplementary Pension Scheme (No. 1)	500	500

#### c) Income accounts:

	Balance brought forward £	Income for year £	Drawings during the year £	31 December 2007 £
Montanaro Fund Managers Limited	-	7,195	(7,195)	-
The Ricardo Supplementary Pension Scheme (No. 1)	(2,077)	1,376	-	(701)
	<u>(2,077)</u>	<u>8,571</u>	<u>(7,195)</u>	<u>(701)</u>

#### d) Unrealised movement on investments

	Brought forward £	Realised in year £	Unrealised movement £	31 December 2007 £
The Ricardo Supplementary Pension Scheme (No. 1)	88,415	(1,787)	(1,741)	84,887

## Montanaro Growth and Income Fund Limited Partnership No: 1

### Notes to the financial statements for the year ended 31 December 2007

#### 8 Reconciliation of operating income to net cash inflow from operating activities

	2007	2006
	£	£
Net profit for the year	4,761	1,623
Decrease/(increase) in debtors	482	(984)
Increase in creditors	3,949	7,503
	<u>9,192</u>	<u>8,142</u>

#### 9 Related party transactions

The profit share paid to Montanaro Fund Managers Limited is shown in note 7c to the financial statements

#### 10 Financial instruments

##### a)

The Partnership's financial instruments comprise investments, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income

The Partnership has little exposure to credit, cash flow or interest rate risk. There are no borrowings or unlisted securities and no foreign currency translations or holdings and therefore little exposure to liquidity or foreign exchange risk. The main risk it faces arising from its financial instruments is market price risk being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate.

These risks are monitored by the General Partner. Adherence to the Partnership Agreement mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in note 3.

##### b) Interest Rate Risk Profile of Financial Assets and Liabilities

The interest rate risk profile of financial assets and liabilities at the balance sheet date was as follows

	Total Market Value	Floating Rate *
	£	£
Short term cash deposits	<u>53,793</u>	<u>53,793</u>

\* Changes in the base rate will cause movements in the interest rate on cash balances

The interest rate risk profile of financial assets and liabilities at 31 December 2006 was as follows

	Total Market Value	Floating Rate *
	£	£
Short term cash deposits	<u>103,602</u>	<u>103,602</u>

##### c) Fair Value

Fixed asset investments are included at middle market price quotation, which approximates to their fair value

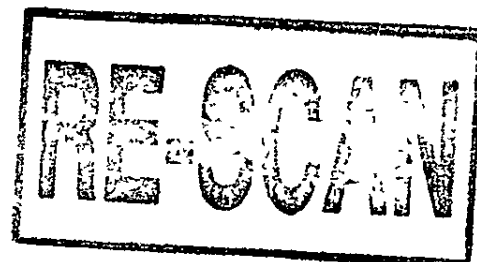
##### d) Short Term Debtors and Creditors

Short term debtors and creditors have been excluded from the disclosures of financial instruments, as permitted by FRS 13



Roc

Registered number: LP009250



Montanaro Growth and Income Fund Limited  
Partnership No: 2

Report and Financial Statements  
31 December 2007

THESE PARTNERSHIP  
ACCOUNTS FORM  
PART OF THE ACCOUNTS  
OF COMPANY  
No ... 3426931 .....

SATURDAY

A58 "AJRIGZVR"  
06/09/2008 130  
COMPANIES HOUSE

## **Montanaro Growth and Income Fund Limited Partnership No: 2**

### **Independent Auditors' Report**

### **to the members of Montanaro Growth and Income Fund Limited Partnership No: 2**

---

We have audited the Partnership's financial statements for the year ended 31 December 2007 which comprise the Income account, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profit and Losses, Balance Sheet, Cash Flow Statement, Reconciliation of net cash flow to movement in net debt and the related notes 1 to 10. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Partners of the Partnership, as a body, in accordance with The Partnership and Unlimited Companies (Accounts) Regulations 1993. Our audit work has been undertaken so that we might state to the partners 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 Partnership and the Partners as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the General Partner and auditors**

As described in the Statement of Responsibilities on page 2, the General Partner is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Partnership Agreement and The Partnership and Unlimited Companies (Accounts) Regulations 1993. We also report to you if, in our opinion, the Partnership has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Partners in the preparation of the financial statements and of whether the accounting policies are appropriate to the Partnership'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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Partnership as at 31 December 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Partnership Agreement and the Partnerships and Unlimited Companies (Accounts) Regulations 1993.



Hillier Hopkins LLP  
Chartered Accountants  
Registered Auditor  
Charter Court  
Midland Road  
Hempstead  
Herts HP2 5GE

Date 28 April 2008

## **Montanaro Growth and Income Fund Limited Partnership No: 2**

### **Annual report**

---

The General Partner presents his report and financial statements for the year ended 31 December 2007

#### **Principal activities**

The principal activity of the limited partnership in the year under review continued to be that of investment

The General Partner is of the opinion that the state of the limited partnership's affairs at 31 December 2007 was satisfactory

#### **Statement of responsibilities in respect of the financial statements**

The Partnership Agreement dated 31 December 2003 (as subsequently amended) among Montanaro Fund Managers Limited ("the General Partner") and AXA UK Pension Trustees Corporation ("the Limited Partner") requires the General Partner to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the income and expenditure and cash flows for the year. In preparing those financial statements, the General Partner is required to

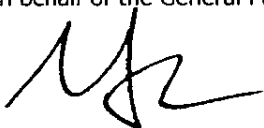
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the partnership will continue in business

The General Partner is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to enable that the financial statements comply with the Partnership Agreement. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The General Partner has exclusive responsibility for the management and control of the business and affairs of the Partnership and has the power and authority to do all that is necessary to carry out the objectives of the Partnership. The Limited Partner takes no part in the management or control of the business and affairs of the Partnership, but has access to and the right to inspect the partnership assets including all books and financial statements of the Partnership.

Each of the persons who are partners at the time when this Annual Report is approved has confirmed that

- so far as that Partner is aware, there is no relevant audit information of which the Partner's auditors are unaware, and
- each Partner has taken all the steps that ought to have been taken as a partner in order to be aware of any information needed by the Partnership's auditors in connection with preparing their report and to establish that the Partnership's auditors are aware of that information

On behalf of the General Partner



C G B Montanaro  
Director

Date 28 April 2008

**Montanaro Growth and Income Fund Limited Partnership No: 2**

**Income Account  
for the year ended 31 December 2007**

---

	Notes	2007 £	2006 £
<b>Income</b>			
Interest income		217	236
Expenses	2	<u>(4,980)</u>	<u>(11,791)</u>
<b>Net (expenditure) for the year</b>		<u>(4,763)</u>	<u>(11,555)</u>
Realised gains on sale of investments		<u>-</u>	<u>-</u>
<b>(Loss) for the year</b>		<u>(4,763)</u>	<u>(11,555)</u>

## Montanaro Growth and Income Fund Limited Partnership No: 2

### Statement of total recognised gains and losses for the year ended 31 December 2007

	Notes	2007 £	2006 £
<b>Non distributable gains and losses</b>			
Unrealised gains on investments	3	<u>165,248</u>	<u>1,310,749</u>
<b>Distributable gains and losses</b>			
Loss for the year		(4,763)	(11,555)
Distribution to General Partner as Profit Share	7c	<u>(56,785)</u>	<u>(211,071)</u>
		<u>(61,548)</u>	<u>(222,626)</u>
<b>Total recognised gains for the year</b>		<u><u>103,700</u></u>	<u><u>1,088,123</u></u>
<b>Note of historical cost profit and losses for the year ended 31 December 2007</b>			
		2007 £	2006 £
(Loss) for the year before gains and losses on sale of investments		(4,763)	(11,555)
Realised gains on historical cost method		-	-
		<u>-</u>	<u>-</u>
Historical cost (loss) for the period		<u><u>(4,763)</u></u>	<u><u>(11,555)</u></u>

# Montanaro Growth and Income Fund Limited Partnership No: 2

## Balance sheet at 31 December 2007

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Investments	3	5,216,856	5,051,608
<b>Current assets</b>			
Short term cash deposits	4	4,092	4,374
Sundry debtors	5	7,542	7,542
		<u>11,634</u>	<u>11,916</u>
<b>Current liabilities</b>			
Creditors amounts falling due within one year	6	<u>(678,337)</u>	<u>(617,071)</u>
<b>Net current (liabilities)</b>		<u>(666,703)</u>	<u>(605,155)</u>
<b>Total assets less current liabilities</b>		<u><u>4,550,153</u></u>	<u><u>4,446,453</u></u>
Represented by			
Loan - Limited Partner	7a	2,082,593	2,082,593
Capital contributions	7b	2,084	2,084
Income accounts	7c	(569,680)	(508,132)
Unrealised movement in investments portfolio	7d	<u>3,035,156</u>	<u>2,869,908</u>
		<u><u>4,550,153</u></u>	<u><u>4,446,453</u></u>

The financial statements on pages 3 to 10 were approved by the General Partner on

28 April 2008



C G B Montanaro  
Director

## Montanaro Growth and Income Fund Limited Partnership No: 2

### Cash flow statement for the year ended 31 December 2007

	Notes	2007 £	2006 £
<b>Net cash inflow from operating activities</b>	<b>8</b>	<u>56,503</u>	<u>202,251</u>
<b>Financing</b>			
Drawings		<u>(56,785)</u>	<u>(211,071)</u>
		(56,785)	(211,071)
<b>Management of liquid resources</b>			
Decrease in cash in year		<u>(282)</u>	<u>(8,820)</u>
Decrease in short term deposits		<u>(282)</u>	<u>(8,820)</u>

## Montanaro Growth and Income Fund Limited Partnership No: 2

### Notes to the financial statements for the year ended 31 December 2007

---

#### 1 Accounting policies

##### Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed asset investments and in accordance with applicable accounting standards

##### Investments

The year-end market value of quoted investments is based on the middle market price quotation on the London Stock Exchange

##### Investment income

Income from investments is accounted for on a receivable basis net of any tax credit

Realised gains or losses on disposals of investments are included in the income account and the realisation of previously recognised unrealised gains or losses is reflected in the Partners' income accounts

#### 2 Expenses

	2007 £	2006 £
Auditors' remuneration - audit services	637	1,756
Accounts production fees	953	1,066
Investors committee	3390	8,969
Total	<u>4,980</u>	<u>11,791</u>

#### 3 Investments

Investments at 31 December 2007 were as follows

Investment	Number of Shares	Cost £	Value 2007 £	Value 2006 £
Montanaro European Small Companies Fund plc	2,160,099	<u>2,181,700</u>	<u>5,216,856</u>	<u>5,051,608</u>



**Montanaro Growth and Income Fund Limited Partnership No: 2****Notes to the financial statements  
for the year ended 31 December 2007****3 Investments (continued)**

The movement on investments during the year was as follows

	<b>2007</b>		<b>2006</b>	
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Market value at 1 January 2007		5,051,608		3,740,859
Purchases	-		-	
Sale proceeds	-		-	
Realised gains on sales	-		-	
Change in unrealised gains	-		-	
Unrealised gains for the year	<u>165,248</u>	165,248	<u>1,310,749</u>	1,310,749
Market value at 31 December 2007		<u>5,216,856</u>		<u>5,051,608</u>

**4 Short term cash deposits**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
At 1 January 2007	4,374	13,194
Net cash outflow	(282)	(8,820)
At 31 December 2007	<u>4,092</u>	<u>4,374</u>

**5 Debtors**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Dividends receivable	7,542	7,542
	<u>7,542</u>	<u>7,542</u>

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

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Other creditors	130,132	126,065
Accruals	548,205	491,006
	<u>678,337</u>	<u>617,071</u>

## Montanaro Growth and Income Fund Limited Partnership No: 2

### Notes to the financial statements for the year ended 31 December 2007

#### 7 Partners' loan, capital, income and unrealised movement on investment accounts

The general partner is entitled to receive a profit share equivalent to 1% per annum (plus VAT) on the NAV of the fund, calculated quarterly and paid semi annually. If the net annual total returns are negative the second half year fee will not be paid.

The general partner is also entitled to carried interest of 20% of any increase in NAV above that earned by the 10 year gilt plus 3% capped at 3%.

The total commitment of the Limited Partner is £2,084,677 (2006 £2,084,677) of which £2,082,593 (2006 £2,082,593) is in the form of a loan facility.

The loan is interest free and is repayable by distribution of partnership income and capital realisation subject to the prior payment of partnership expenses and the General Partner's profit share.

The movement on partners' loan, capital contribution, income and unrealised movement on investment accounts are set out below.

##### a) Loan accounts:

	2007 £	2006 £
AXA UK Pension Trustees Corporation	<u>2,082,593</u>	<u>2,082,593</u>

##### b) Capital contribution accounts:

	2007 £	2006 £
AXA UK Pension Trustees Corporation	<u>2,084</u>	<u>2,084</u>

##### c) Income accounts:

	Balance brought forward £	Income for year £	Drawings during the period £	31 December 2007 £	31 December 2006 £
Montanaro Fund Managers Limited	-	56,785	(56,785)	-	-
AXA UK Pension Trustees Corporation	(508,132)	(61,548)	-	(569,680)	(508,132)
	<u>(508,132)</u>	<u>(4,763)</u>	<u>(56,785)</u>	<u>(569,680)</u>	<u>(508,132)</u>

##### d) Unrealised movement on investments

	Brought forward £	Unrealised movement £	31 December 2007 £	31 December 2006 £
AXA UK Pension Trustees Corporation	<u>2,869,908</u>	<u>165,248</u>	<u>3,035,156</u>	<u>2,869,908</u>

## Montanaro Growth and Income Fund Limited Partnership No: 2

### Notes to the financial statements for the year ended 31 December 2007

#### 8 Reconciliation of operating income to net cash inflow from operating activities

	2007	2006
	£	£
Net (loss) for the year	(4,763)	(11,555)
Decrease in debtors	-	143
Increase in creditors	61,266	213,663
	<u>56,503</u>	<u>202,251</u>

#### 9 Related party transactions

The profit share paid to Montanaro Fund Managers Limited is shown in note 7c to the financial statements

Included in other creditors is an amount of £97,023 (2006 £97,023) owing to Charles Montanaro, who controls Montanaro Fund Managers Limited

#### 10 Financial instruments

a)

The Partnership's financial instruments comprise investments, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income

The Partnership has little exposure to credit, cash flow or interest rate risk. There are no borrowings or unlisted securities and no foreign currency translations or holdings and therefore little exposure to liquidity or foreign exchange risk. The main risk it faces arising from its financial instruments is market price risk being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate.

These risks are monitored by the General Partner. Adherence to the Partnership Agreement mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in note 3.

#### b) Interest Rate Risk Profile of Financial Assets and Liabilities

The interest rate risk profile of financial assets and liabilities at the balance sheet date was as follows

	Total Market Value	Floating Rate *
	£	£
Short term cash deposits	<u>4,092</u>	<u>4,092</u>

\* Changes in the base rate will cause movements in the interest rate on cash balances.

The interest rate risk profile of financial assets and liabilities at 31 December 2006 was as follows

	Total Market Value	Floating Rate *
	£	£
Short term cash deposits	<u>4,374</u>	<u>4,374</u>

#### c) Fair Value

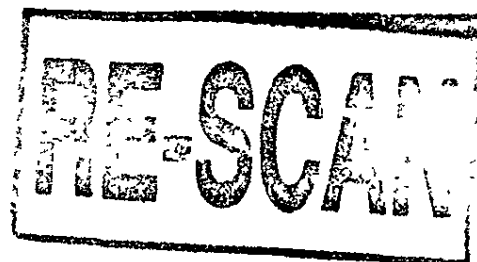
Fixed asset investments are included at middle market price quotation, which approximates to their fair value

#### d) Short Term Debtors and Creditors

Short term debtors and creditors have been excluded from the disclosures of financial instruments, as permitted by FRS 13

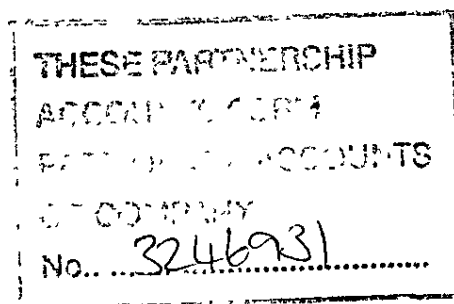
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Registered number: LP009424



Montanaro Growth and Income Fund Limited  
Partnership No: 3

Report and Financial Statements  
31 December 2007



SATURDAY

## **Montanaro Growth and Income Fund Limited Partnership No: 3**

### **Independent Auditors' Report**

### **to the members of Montanaro Growth and Income Fund Limited Partnership No: 3**

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We have audited the Partnership's financial statements for the year ended 31 December 2007 which comprise the Income account, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profit and Losses, Balance Sheet, Cash Flow Statement, Reconciliation of net cash flow to movement in net debt and the related notes 1 to 10. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Partners of the Partnership, as a body, in accordance with The Partnership and Unlimited Companies (Accounts) Regulations 1993. Our audit work has been undertaken so that we might state to the partners 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 Partnership and the Partners as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the General Partner and auditors**

As described in the Statement of Responsibilities on page 2, the General Partner is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Partnership Agreement and The Partnership and Unlimited Companies (Accounts) Regulations 1993. We also report to you if, in our opinion, the Partnership has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Partners in the preparation of the financial statements and of whether the accounting policies are appropriate to the Partnership'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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Partnership as at 31 December 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Partnership Agreement and the Partnerships and Unlimited Companies (Accounts) Regulations 1993.



Hillier Hopkins LLP  
Chartered Accountants  
Registered Auditor  
Charter Court  
Midland Road  
Hempstead  
Herts HP2 5GE

Date 28 April 2008

## Montanaro Growth and Income Fund Limited Partnership No: 3

### Annual report

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The General Partner presents his report and financial statements for the year ended 31 December 2007

#### Principal activities and review of the business

The principal activity of the limited partnership in the year under review continued to be that of investment

The General Partner is of the opinion that the state of the limited partnership's affairs at 31 December 2007 was satisfactory

#### Statement of responsibilities in respect of the financial statements

The Partnership Agreement dated 1 April 2004 among Montanaro Fund Managers Limited ("the General Partner") and East Riding of Yorkshire Council ("The Limited Partner") requires the General Partner to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the income and expenditure and cash flows for the year. In preparing those financial statements, the General Partner is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 partnership will continue in business

The General Partner is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to enable that the financial statements comply with the Partnership Agreement. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The General Partner has exclusive responsibility for the management and control of the business and affairs of the Partnership and has the power and authority to do all that is necessary to carry out the objectives of the Partnership. The Limited Partner takes no part in the management or control of the business and affairs of the Partnership, but has access to and the right to inspect the partnership assets including all books and financial statements of the Partnership.

Each of the persons who are partners at the time when this Annual Report is approved has confirmed that

- so far as that Partner is aware, there is no relevant audit information of which the Partner's auditors are unaware, and
- each Partner has taken all the steps that ought to have been taken as a partner in order to be aware of any information needed by the Partnership's auditors in connection with preparing their report and to establish that the Partnership's auditors are aware of that information

On behalf of the General Partner



C G B Montanaro  
Director

Date 28 April 2008

**Montanaro Growth and Income Fund Limited Partnership No: 3**

**Income Account  
for the year ended 31 December 2007**

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	Notes	2007 £	2006 £
<b>Income</b>			
Dividend income from listed investments		25,513	10,358
Interest income		9,149	3,939
Expenses	2	<u>(13,193)</u>	<u>(16,326)</u>
<b>Net income/(expenditure) for the year</b>		21,469	(2,029)
Realised gains on sale of investments		<u>438,216</u>	<u>50,687</u>
<b>Profit for the year</b>		<u>459,685</u>	<u>48,658</u>

# **Montanaro Growth and Income Fund Limited Partnership No: 3**

## **Statement of total recognised gains and losses for the year ended 31 December 2007**

	Notes	2007 £	2006 £
<b>Non distributable gains and losses</b>			
Unrealised (losses)/gains on investments	3	<u>(65,449)</u>	<u>1,012,593</u>
<b>Distributable gains and losses</b>			
Gain for the year		459,685	48,658
Change in unrealised gains on sale of investments	3	(535,196)	(104,711)
Distribution to General Partner as Profit Share	7c	<u>(44,687)</u>	<u>(176,852)</u>
		<u>(120,198)</u>	<u>(232,905)</u>
<b>Total recognised (losses) and gains for the year</b>		<u><u>(185,647)</u></u>	<u><u>779,688</u></u>

## **Note of historical cost profit and losses for the year ended 31 December 2007**

	2007 £	2006 £
Profit/(loss) for the year before gains and losses on sale of investments	21,469	(2,029)
Realised gains on historical cost method	<u>438,216</u>	<u>50,687</u>
Historical cost profit for the period	<u><u>459,685</u></u>	<u><u>48,658</u></u>



## Montanaro Growth and Income Fund Limited Partnership No: 3

### Balance sheet at 31 December 2007

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Investments	3	3,583,983	3,837,262
<b>Current assets</b>			
Short term cash deposits	4	7,011	74,643
Sundry debtors	5	2,778	1,380
		<u>9,789</u>	<u>76,023</u>
<b>Current liabilities</b>			
Creditors amounts falling due within one year	6	<u>(62,527)</u>	<u>(196,393)</u>
<b>Net current liabilities</b>		<u>(52,738)</u>	<u>(120,370)</u>
<b>Total assets less current liabilities</b>		<u><u>3,531,245</u></u>	<u><u>3,716,892</u></u>
Represented by			
Loan - Limited Partner	7a	2,054,677	2,054,677
Capital contributions	7b	2,057	2,057
Income accounts	7c	195,819	(219,179)
Unrealised movement in investments portfolio	7d	<u>1,278,692</u>	<u>1,879,337</u>
		<u><u>3,531,245</u></u>	<u><u>3,716,892</u></u>

The financial statements on pages 3 to 11 were approved by the General Partner on

28 April 2008



C G B Montanaro  
Director

**Montanaro Growth and Income Fund Limited Partnership No: 3****Cash flow statement  
for the year ended 31 December 2007**

	Notes	2007 £	2006 £
<b>Net cash (outflow)/inflow from operating activities</b>	<b>8</b>	<u>(113,795)</u>	<u>39,161</u>
<b>Capital expenditure and financial investment</b>			
Payments to acquire investments		(1,071,782)	(150,772)
Receipt from sales of investments		<u>1,162,632</u>	<u>263,122</u>
		90,850	112,350
<b>Financing</b>			
Drawings		<u>(44,687)</u>	<u>(176,852)</u>
		(44,687)	(176,852)
<b>Management of liquid resources</b>			
Decrease in cash in year		<u>(67,632)</u>	<u>(25,341)</u>
Decrease in short term deposits		<u>(67,632)</u>	<u>(25,341)</u>

## Montanaro Growth and Income Fund Limited Partnership No: 3

### Notes to the financial statements for the year ended 31 December 2007

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#### 1 Accounting policies

##### Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed asset investments and in accordance with applicable accounting standards

##### Investments

The year-end market value of quoted investments is based on the middle market price quotation on the London Stock Exchange

##### Investment income

Income from investments is accounted for on a receivable basis net of any tax credit

Realised gains or losses on disposals of investments are included in the income account and the realisation of previously recognised unrealised gains or losses is reflected in the Partners' income accounts

#### 2 Expenses

	2007 £	2006 £
Auditors' remuneration - audit services	2,817	1,735
Custodian expenses	5,345	4,686
Accounts production fees	1,684	1,051
Investors committee	3,347	8,854
Total	<u>13,193</u>	<u>16,326</u>

## Montanaro Growth and Income Fund Limited Partnership No: 3

### Notes to the financial statements for the year ended 31 December 2007

#### 3 Investments

Investments at 31 December 2007 were as follows

Share investment	Number of Shares	Cost £	Value 2007 £	Value 2006 £
Abbot Group	15,000	45,285	59,171	-
BPP Holdings	9,200	28,861	57,132	48,576
BSS Group	14,000	25,932	54,285	60,585
Care UK	9,000	26,362	33,997	58,500
Chloride Group plc	31,000	48,036	54,870	-
Coda	29,400	28,265	51,303	47,628
Cranswick plc	6,000	57,883	51,300	-
Croda International	8,300	23,845	48,223	48,555
Dana Petroleum PLC	4,000	11,835	55,680	50,120
Dignity PLC	7,000	19,334	50,855	45,885
Domino's Pizza	25,600	53,412	45,312	-
DTZ Holdings	12,500	39,247	32,500	62,625
Dyson Grp	10,000	25,705	14,250	-
EAGA PLC	22,551	40,817	37,998	-
Fisher J & Sons	7,400	30,017	48,618	44,770
Genus	10,000	55,935	82,500	-
Hornby plc	13,500	40,676	32,130	-
Latchways plc	8,800	101,548	77,880	-
London and Associate Properties	24,500	26,014	21,009	15,750
Micogen PLC	69,961	39,455	32,532	-
Montanaro European Small Cos Fund	850,000	1,022,615	2,052,835	3,040,180
MTL Instruments	11,000	61,539	74,800	-
Noble Investments (UK)	22,000	42,315	39,050	-
Ocean Wilson Holdings	5,500	46,804	43,588	-
Phoenix IT Group	15,500	50,982	49,445	-
Scott Wilson	30,000	47,400	78,600	90,150
Shaftesbury	5,000	13,563	25,100	62,720
Stanley Gibbons Group	30,000	52,790	63,600	-
Superglass Holdings	28,433	51,179	48,336	-
Ulster Television	14,000	51,318	33,390	-
Vanco plc	-	-	-	26,100
VP PLC	14,800	32,916	49,469	41,470
Wilmington Group PLC	25,000	26,713	52,375	58,938
Zytronic	13,000	36,693	31,850	34,710
		<u>2,305,291</u>	<u>3,583,983</u>	<u>3,837,262</u>

# **Montanaro Growth and Income Fund Limited Partnership No: 3**

## **Notes to the financial statements for the year ended 31 December 2007**

### **3 Investments (continued)**

The movement on investments during the year was as follows

	<b>2007</b>		<b>2006</b>	
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Market value at 1 January 2007		3,837,262		2,991,043
Purchases	1,071,782		150,772	
Sale proceeds	(1,162,632)		(263,122)	
Realised gains on sales	438,216		50,687	
Change in unrealised gains	(535,196)		(104,711)	
		(187,830)		(166,374)
Unrealised (losses)/gains for the year	(65,449)	(65,449)	1,012,593	1,012,593
Market value at 31 December 2007		<u>3,583,983</u>		<u>3,837,262</u>

### **4 Short term cash deposits**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
At 1 January 2007	74,643	99,984
Net cash (outflow)	(67,632)	(25,341)
At 31 December 2007	<u>7,011</u>	<u>74,643</u>

### **5 Debtors**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Dividends receivable	2,778	1,380
	<u>2,778</u>	<u>1,380</u>

### **6 Creditors: amounts falling due within one year**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Other creditors	4,015	11,470
Accruals	58,512	184,923
	<u>62,527</u>	<u>196,393</u>

## Montanaro Growth and Income Fund Limited Partnership No: 3

### Notes to the financial statements for the year ended 31 December 2007

#### 7 Partners' loan, capital, income and unrealised movement on investment accounts

The general partner is entitled to receive a profit share equivalent to 1% per annum (plus VAT) on the NAV of the fund, calculated quarterly and paid semi annually. If the net annual total returns are negative the second half year fee will not be paid. The general partner is also entitled to carried interest of 20% of any increase in NAV above that earned by the 10 year gilt plus 3% capped at 3%.

The total commitment of the Limited Partner is £2,056,734 (2006 £2,056,734) of which £2,054,677 (2006 £2,054,677) is in the form of a loan facility.

The loan is interest free and is repayable by distribution of partnership income and capital realisation subject to the prior payment of partnership expenses and the General Partner's profit share.

##### a) Loan accounts:

	2007 £	2006 £
East Riding of Yorkshire Council	<u>2,054,677</u>	<u>2,054,677</u>

##### b) Capital contribution accounts:

	2007 £	2006 £
East Riding of Yorkshire Council	<u>2,057</u>	<u>2,057</u>

##### c) Income accounts:

	Balance brought forward £	Income for year £	Drawings during the period £	31 December 2007 £	31 December 2006 £
Montanaro Fund Managers Limited	-	44,687	(44,687)	-	-
East Riding of Yorkshire Council	(219,179)	414,998	-	195,819	(219,179)
	<u>(219,179)</u>	<u>459,685</u>	<u>(44,687)</u>	<u>195,819</u>	<u>(219,179)</u>

##### d) Unrealised movement on investments

	Brought forward £	Realised in period £	Unrealised movement £	31 December 2007 £	31 December 2006 £
East Riding of Yorkshire Council	<u>1,879,337</u>	<u>(535,196)</u>	<u>(65,449)</u>	<u>1,278,692</u>	<u>1,879,337</u>

## Montanaro Growth and Income Fund Limited Partnership No: 3

### Notes to the financial statements for the year ended 31 December 2007

#### 8 Reconciliation of operating income to net cash inflow from operating activities

	2007	2006
	£	£
Net profit/(loss) for the year	21,469	(2,029)
(Increase)/decrease in debtors	(1,398)	1,483
Decrease/(increase) in creditors	(133,866)	39,707
	<u>(113,795)</u>	<u>39,161</u>

#### 9 Related party transactions

The profit share paid to Montanaro Fund Managers Limited is shown in note 7c to the financial statements

#### 10 Financial instruments

a)

The Partnership's financial instruments comprise investments, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income

The Partnership has little exposure to credit, cash flow or interest rate risk. There are no borrowings or unlisted securities and no foreign currency translations or holdings and therefore little exposure to liquidity or foreign exchange risk. The main risk it faces arising from its financial instruments is market price risk being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate.

These risks are monitored by the General Partner. Adherence to the Partnership Agreement mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in note 3.

#### b) Interest Rate Risk Profile of Financial Assets and Liabilities

The interest rate risk profile of financial assets and liabilities at the balance sheet date was as follows

	Total Market Value	Floating Rate *
	£	£
Short term cash deposits	<u>7,011</u>	<u>7,011</u>

\* Changes in the base rate will cause movements in the interest rate on cash balances

The interest rate risk profile of financial assets and liabilities at 31 December 2006 was as follows

	Total Market Value	Floating Rate *
	£	£
Short term cash deposits	<u>74,643</u>	<u>74,643</u>

#### c) Fair Value

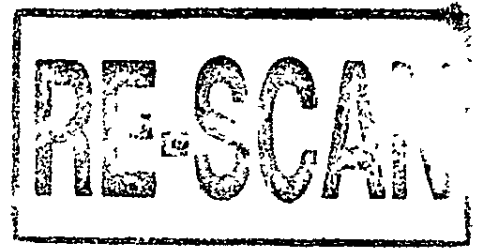
Fixed asset investments are included at middle market price quotation, which approximates to their fair value

#### d) Short Term Debtors and Creditors

Short term debtors and creditors have been excluded from the disclosures of financial instruments, as permitted by FRS 13

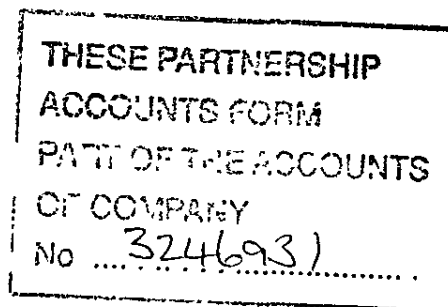
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Registered number: LP009248



Montanaro Growth and Income Fund Limited  
Partnership No: 4

Report and Financial Statements  
31 December 2007



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## **Montanaro Growth and Income Fund Limited Partnership No: 4**

### **Independent Auditors' Report**

#### **to the members of Montanaro Growth and Income Fund Limited Partnership No: 4**

---

We have audited the Partnership's financial statements for the year ended 31 December 2007 which comprise the Income account, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profit and Losses, Balance Sheet, Cash Flow Statement, Reconciliation of net cash flow to movement in net debt and the related notes 1 to 10. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Partners of the Partnership, as a body, in accordance with The Partnership and Unlimited Companies (Accounts) Regulations 1993. Our audit work has been undertaken so that we might state to the partners 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 Partnership and the Partners as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the General Partner and auditors**

As described in the Statement of Responsibilities on page 2, the General Partner is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Partnership Agreement and The Partnership and Unlimited Companies (Accounts) Regulations 1993. We also report to you if, in our opinion, the Partnership has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

#### **Basis of audit opinion**

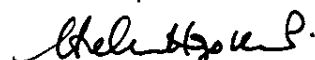
We conducted our audit in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Partners in the preparation of the financial statements and of whether the accounting policies are appropriate to the Partnership'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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Partnership as at 31 December 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Partnership Agreement and the Partnerships and Unlimited Companies (Accounts) Regulations 1993.



Hillier Hopkins LLP  
Chartered Accountants  
Registered Auditor  
Charter Court  
Midland Road  
Hempstead  
Herts HP2 5GE

Date 28 April 2008

## **Montanaro Growth and Income Fund Limited Partnership No: 4**

### **Annual report**

---

The General Partner presents his report and financial statements for the year ended 31 December 2007

#### **Principal activities and review of the business**

The principal activity of the limited partnership in the year under review continued to be that of investment

The General Partner is of the opinion that the state of the limited partnership's affairs at 31 December 2007 was satisfactory

#### **Statement of responsibilities in respect of the financial statements**

The Partnership Agreement dated 1 January 2004 among Montanaro Fund Managers Limited ("the General Partner") and the Church Commissioners for England ("The Limited Partner") requires the General Partner to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the income and expenditure and cash flows for the year. In preparing those financial statements, the General Partner is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 partnership will continue in business

The General Partner is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to enable that the financial statements comply with the Partnership Agreement. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The General Partner has exclusive responsibility for the management and control of the business and affairs of the Partnership and has the power and authority to do all that is necessary to carry out the objectives of the Partnership. The Limited Partner takes no part in the management or control of the business and affairs of the Partnership, but has access to and the right to inspect the partnership assets including all books and financial statements of the Partnership.

Each of the persons who are partners at the time when this Annual Report is approved has confirmed that

- so far as that Partner is aware, there is no relevant audit information of which the Partner's auditors are unaware, and
- each Partner has taken all the steps that ought to have been taken as a partner in order to be aware of any information needed by the Partnership's auditors in connection with preparing their report and to establish that the Partnership's auditors are aware of that information

On behalf of the General Partner



C G B Montanaro  
Director

Date 28 April 2008

## Montanaro Growth and Income Fund Limited Partnership No: 4

### Income Account for the year ended 31 December 2007

	Notes	2007 £	2006 £
<b>Income</b>			
Dividend income from listed investments		116,407	97,264
Interest income		<u>7,367</u>	<u>19,603</u>
		123,774	116,867
 Expenses	 2	 <u>(19,978)</u>	 <u>(26,495)</u>
<b>Net income for the year</b>		103,796	90,372
 Realised gains on sale of investments		 <u>12,118</u>	 <u>674,618</u>
 <b>Profit for the year</b>		 <u>115,914</u>	 <u>764,990</u>

## Montanaro Growth and Income Fund Limited Partnership No: 4

### Statement of total recognised gains and losses for the year ended 31 December 2007

	Notes	2007 £	2006 £
<b>Non distributable gains and losses</b>			
Unrealised (losses)/ gains on investments	3	<u>(296,381)</u>	<u>1,368,792</u>
<b>Distributable gains and losses</b>			
Gain for the year		115,914	764,990
Change in unrealised losses on sale of investments	3	(353,533)	(488,362)
Distribution to General Partner as Profit Share	7c	(61,404)	(54,987)
		<u>(299,023)</u>	<u>221,641</u>
<b>Total recognised (losses) and gains for the year</b>		<u><u>(595,404)</u></u>	<u><u>1,590,433</u></u>

### Note of historical cost profit and losses for the year ended 31 December 2007

	2007 £	2006 £
Profit for the year before gains and losses on sale of investments	103,796	90,372
Realised gains on historical cost method	12,118	674,618
	<u>115,914</u>	<u>764,990</u>
Historical cost profit for the period	<u><u>115,914</u></u>	<u><u>764,990</u></u>

## Montanaro Growth and Income Fund Limited Partnership No: 4

### Balance sheet at 31 December 2007

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Investments	3	5,877,494	6,520,906
<b>Current assets</b>			
Short term cash deposits	4	176,168	116,945
Sundry debtors	5	12,930	20,351
		<u>189,098</u>	<u>137,296</u>
<b>Current liabilities</b>			
Creditors amounts falling due within one year	6	<u>(96,321)</u>	<u>(92,526)</u>
<b>Net current assets</b>		<u>92,777</u>	<u>44,770</u>
<b>Total assets less current liabilities</b>		<u><u>5,970,271</u></u>	<u><u>6,565,676</u></u>
Represented by			
Loan - Limited Partner	7a	3,162,389	3,162,389
Capital contributions	7b	3,166	3,166
Income accounts	7c	1,383,163	1,328,653
Unrealised movement in investments portfolio	7d	<u>1,421,553</u>	<u>2,071,467</u>
		<u><u>5,970,271</u></u>	<u><u>6,565,675</u></u>

The financial statements on pages 3 to 12 were approved by the General Partner on

28 April 2008



C G B Montanaro  
Director

**Montanaro Growth and Income Fund Limited Partnership No: 4****Cash flow statement  
for the year ended 31 December 2007**

	Notes	2007 £	2006 £
<b>Net cash inflow from operating activities</b>	<b>8</b>	<u>115,012</u>	<u>102,966</u>
<b>Capital expenditure and financial investment</b>			
Payments to acquire investments		(1,233,112)	(2,216,617)
Receipt from sales of investments		<u>1,238,727</u>	<u>1,982,390</u>
		5,615	(234,227)
<b>Financing</b>			
Drawings		<u>(61,404)</u>	<u>(54,987)</u>
		(61,404)	(54,987)
<b>Management of liquid resources</b>			
Increase/(decrease) in cash in year		<u>59,223</u>	<u>(186,248)</u>
Increase/(decrease) in short term deposits		<u>59,223</u>	<u>(186,248)</u>

## Montanaro Growth and Income Fund Limited Partnership No: 4

### Notes to the financial statements for the year ended 31 December 2007

---

#### 1 Accounting policies

##### Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed asset investments and in accordance with applicable accounting standards

##### Investments

The year-end market value of quoted investments is based on the middle market price quotation on the London Stock Exchange

##### Investment income

Income from investments is accounted for on a receivable basis net of any tax credit

Realised gains or losses on disposals of investments are included in the income account and the realisation of previously recognised unrealised gains or losses is reflected in the Partners' income accounts

#### 2 Expenses

	2007 £	2006 £
Auditors' remuneration - audit services	3,556	2,660
Custodian expenses	8,202	8,614
Accounts production fees	3,084	1,614
Investors committee	5,136	13,587
Miscellaneous	-	20
Total	<u>19,978</u>	<u>26,495</u>

## Montanaro Growth and Income Fund Limited Partnership No: 4

### Notes to the financial statements for the year ended 31 December 2007

#### 3 Investments

Investments at 31 December 2007 were as follows

Share investment	Number of Shares	Cost £	Value 2007 £	Value 2006 £
Abbot Group	33,000	67,951	125,977	104,940
Albermarle & Bond Hldgs	25,000	58,869	59,375	-
BPP Holdings	23,500	84,874	145,935	124,080
Brewin Dolhin	55,000	107,085	90,750	102,162
BSS Group	30,000	48,234	116,325	129,825
Carlco plc	75,000	89,877	71,250	-
Care UK	18,000	54,774	67,995	117,000
Carter & Carter Group	-	-	-	51,450
Chloride Group	89,000	40,820	157,530	140,620
Consort Medical	17,000	97,597	102,595	106,930
Coda	81,000	77,718	141,345	131,220
Cranswick plc	2,900	27,838	24,795	-
Croda International	16,000	43,224	92,960	93,600
Dana Petroleum plc	-	-	-	137,830
Datamonitor plc	-	-	-	214,000
Dechra Pharmaceutical	46,500	86,272	170,539	122,527
Detica Group	32,590	83,246	71,698	119,605
Dignity PLC	21,000	63,039	152,565	137,655
Domino's Pizza	41,600	79,268	73,632	47,680
Domino Print	35,000	114,486	103,250	-
DTZ Holdings	26,500	61,139	68,900	179,525
Dyson	40,000	84,674	57,000	87,000
EAGA PLC	28,188	51,020	47,497	-
Erinnaceous Group	-	-	-	100,485
European Motor Holdings	-	-	-	75,612
Fenner	50,000	98,504	121,250	108,250
Fisher (J) & Sons PLC	32,100	111,024	210,897	194,205
Genus	30,500	92,203	251,625	162,870
Gooch & Housego	15,000	50,945	60,750	59,850
Gibbs & Dandy	-	-	-	57,275
Hargreaves	19,000	110,127	96,045	-
Hill & Smith	25,747	74,282	85,609	-
Holidaybreak	14,500	90,793	98,600	112,375
Hornby	43,200	111,923	102,816	98,370
Huntleigh Technology	-	-	-	90,868
IBS Opensystems	40,000	73,548	65,600	73,000
International Greetings	-	-	-	90,300
Isotron	-	-	-	127,920
Latchways PLC	14,671	94,405	129,838	170,404
Lock'nStore	50,000	90,722	98,500	113,000
London and Associates Properties	110,000	90,727	94,325	144,375
Microgen	-	-	-	57,225
MTL Instruments	26,500	69,903	180,200	117,263
NCC Group	42,500	109,382	160,437	118,362
Carried forward		2,690,493	3,698,405	4,219,658



## Montanaro Growth and Income Fund Limited Partnership No: 4

### Notes to the financial statements for the year ended 31 December 2007

#### 3 Investments

Investments at 31 December 2007 were as follows

Share investment	Number of Shares	Cost £	Value 2007 £	Value 2006 £
Brought forward		2,690,493	3,698,405	4,219,658
Noble Investments	45,000	86,574	79,875	-
Northgate Info	-	-	-	94,600
Northgate PLC	8,500	83,838	65,365	102,510
Ocean Wilson Holdings	7,500	63,503	59,438	-
Phoenix IT Group	37,102	111,958	118,355	113,161
Primary Health Properties	28,000	110,416	95,130	149,870
Raymarine plc	10,500	48,292	30,634	49,508
Renew Holdings	125,000	76,862	120,625	98,750
Rensburg	7,735	39,414	52,289	65,206
Ricardo	30,500	78,813	99,735	100,879
RPS Group	33,000	36,924	105,600	89,100
Scisys	-	-	-	76,384
Scott Wilson	60,000	94,800	157,200	180,300
Severfield-Rowen	19,200	99,626	88,320	-
Shaftesbury	15,000	40,688	75,300	117,600
Stanley Gibbons	50,000	88,678	106,000	86,250
Superglass Holdings	32,000	57,600	54,400	-
Tullow Oil PLC	26,000	31,123	169,390	103,480
Ultra Electric Holdings	23,000	92,319	54,855	84,122
	-	-	-	87,000
Victrex	15,000	101,307	108,000	120,525
VP PLC	35,000	80,173	116,988	111,650
White Young Green PLC	25,000	89,017	88,375	114,000
Wilmington Group PLC	64,000	88,949	134,080	150,880
WSP Group	20,500	73,506	118,285	117,363
Zytronic	33,000	91,067	80,850	88,110
		<u>4,455,940</u>	<u>5,877,494</u>	<u>6,520,906</u>

The movement on investments during the year was as follows

	2007 £	2006 £
Market value at 1 January 2007	6,520,906	4,731,631
Purchases	1,233,112	2,216,617
Sale proceeds	(1,238,727)	(1,982,390)
Realised gains on sales	12,117	674,618
Change in unrealised gains	<u>(353,533)</u>	<u>(488,362)</u>
	(347,031)	420,483
Unrealised (losses)/gains for the year	<u>(296,381)</u>	<u>1,368,792</u>
	(296,381)	1,368,792
Market value at 31 December 2007	<u>5,877,494</u>	<u>6,520,906</u>

## Montanaro Growth and Income Fund Limited Partnership No: 4

### Notes to the financial statements for the year ended 31 December 2007

---

#### 4 Short term cash deposits

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
At 1 January 2007	116,945	303,193
Net cash inflow/(outflow)	59,223	(186,248)
	<hr/>	<hr/>
At 31 December 2007	<u>176,168</u>	<u>116,945</u>

#### 5 Debtors

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Dividends receivable	12,930	20,351
Prepayments	-	-
	<hr/>	<hr/>
	<u>12,930</u>	<u>20,351</u>

#### 6 Creditors: amounts falling due within one year

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Other creditors	6,161	80,141
Accruals	90,160	12,385
	<hr/>	<hr/>
	<u>96,321</u>	<u>92,526</u>

## Montanaro Growth and Income Fund Limited Partnership No: 4

### Notes to the financial statements for the year ended 31 December 2007

#### 7 Partners' loan, capital, income and unrealised movement on investment accounts

The general partner is entitled to receive a profit share equivalent to 0.8% per annum (plus VAT) on the NAV of the fund, calculated quarterly and paid semi annually. If the net annual total returns are negative the second half year fee will not be paid.

The total commitment of the Limited Partner is £3,165,555 (2006: £3,165,555) of which £3,162,389 (2006: £3,162,389) is in the form of a loan facility.

The loan is interest free and is repayable by distribution of partnership income and capital realisation subject to the prior payment of partnership expenses and the General Partner's profit share.

##### a) Loan accounts:

	2007 £	2006 £
The Church Commissioners for England	<u>3,162,389</u>	<u>3,162,389</u>

##### b) Capital contribution accounts:

	2007 £	2006 £
The Church Commissioners for England	<u>3,166</u>	<u>3,166</u>

##### c) Income accounts:

	Balance brought forward £	Income during the period £	Drawings during the period £	31 December 2007 £	31 December 2006 £
Montanaro Fund Managers Limited	-	61,404	(61,404)	-	-
The Church Commissioners for England	1,328,653	54,510	-	1,383,163	1,328,653
	<u>1,328,653</u>	<u>115,914</u>	<u>(61,404)</u>	<u>1,383,163</u>	<u>1,328,653</u>

##### d) Unrealised movement on investments

	Brought forward £	Realised in period £	Unrealised movement £	31 December 2007 £	31 December 2006 £
The Church Commissioners for England	<u>2,071,467</u>	<u>(353,533)</u>	<u>(296,381)</u>	<u>1,421,553</u>	<u>2,071,467</u>

## Montanaro Growth and Income Fund Limited Partnership No: 4

### Notes to the financial statements for the year ended 31 December 2007

#### 8 Reconciliation of operating income to net cash inflow from operating activities

	2007	2006
	£	£
Net gain for the year	103,796	90,372
Decrease/(increase) in debtors	7,421	(3,193)
Increase in creditors	3,795	15,787
	<u>115,012</u>	<u>102,966</u>

#### 9 Related party transactions

The profit share paid to Montanaro Fund Managers Limited is shown in note 7c to the financial statements

#### 10 Financial instruments

##### a)

The Partnership's financial instruments comprise investments, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income

The Partnership has little exposure to credit, cash flow or interest rate risk. There are no borrowings or unlisted securities and no foreign currency translations or holdings and therefore little exposure to liquidity or foreign exchange risk. The main risk it faces arising from its financial instruments is market price risk being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate.

These risks are monitored by the General Partner. Adherence to the Partnership Agreement mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in note 3.

##### b) Interest Rate Risk Profile of Financial Assets and Liabilities

The interest rate risk profile of financial assets and liabilities at the balance sheet date was as follows

	Total Market Value	Floating Rate *
	£	£
Short term cash deposits	<u>176,168</u>	<u>176,168</u>

\* Changes in the base rate will cause movements in the interest rate on cash balances

The interest rate risk profile of financial assets and liabilities at 31 December 2006 was as follows

	Total Market Value	Floating Rate *
	£	£
Short term cash deposits	<u>116,945</u>	<u>116,945</u>

##### c) Fair Value

Fixed asset investments are included at middle market price quotation, which approximates to their fair value

##### d) Short Term Debtors and Creditors

Short term debtors and creditors have been excluded from the disclosures of financial instruments, as permitted by FRS 13

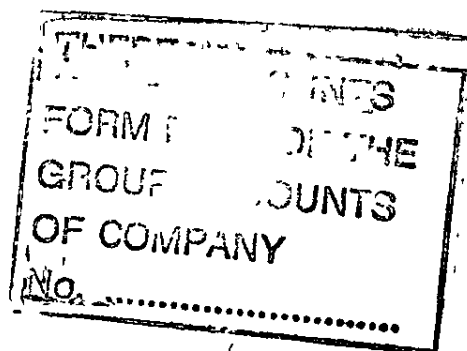
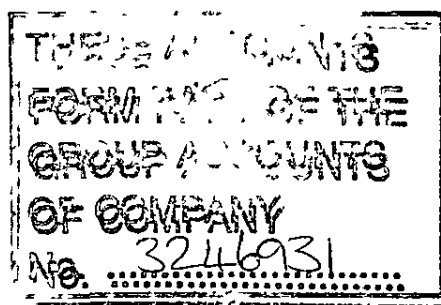
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Registered number: LP009249



Montanaro Growth and Income Fund Limited  
Partnership No: 5

Report and Financial Statements  
31 December 2007



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## **Montanaro Growth and Income Fund Limited Partnership No: 5**

### **Independent Auditors' Report**

### **to the members of Montanaro Growth and Income Fund Limited Partnership No: 5**

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We have audited the Partnership's financial statements for the year ended 31 December 2007 which comprise the Income account, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profit and Losses, Balance Sheet, Cash Flow Statement, Reconciliation of net cash flow to movement in net debt and the related notes 1 to 10. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Partners of the Partnership, as a body, in accordance with The Partnership and Unlimited Companies (Accounts) Regulations 1993. Our audit work has been undertaken so that we might state to the partners 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 Partnership and the Partners as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the General Partner and auditors**

As described in the Statement of Responsibilities on page 2, the General Partner is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Partnership Agreement and The Partnership and Unlimited Companies (Accounts) Regulations 1993. We also report to you if, in our opinion, the Partnership has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Partners in the preparation of the financial statements and of whether the accounting policies are appropriate to the Partnership'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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Partnership as at 31 December 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Partnership Agreement and the Partnerships and Unlimited Companies (Accounts) Regulations 1993.



Hillier Hopkins LLP  
Chartered Accountants  
Registered Auditor  
Charter Court  
Midland Road  
Hempstead  
Herts HP2 5GE

Date 28 April 2008

## **Montanaro Growth and Income Fund Limited Partnership No: 5**

### **Annual report**

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The General Partner presents his report and financial statements for the year ended 31 December 2007

#### **Principal activities**

The principal activity of the limited partnership in the year under review continued to be that of investment

The General Partner is of the opinion that the state of the limited partnership's affairs at 31 December 2007 was satisfactory

#### **Statement of responsibilities in respect of the financial statements**

The Partnership Agreement dated 31 December 2003 among Montanaro Fund Managers Limited ("the General Partner") and the South Yorkshire Pensions Authority ("The Limited Partner") requires the General Partner to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the income and expenditure and cash flows for the year. In preparing those financial statements, the General Partner is required to

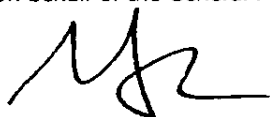
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the partnership will continue in business

The General Partner is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to enable that the financial statements comply with the Partnership Agreement. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The General Partner has exclusive responsibility for the management and control of the business and affairs of the Partnership and has the power and authority to do all that is necessary to carry out the objectives of the Partnership. The Limited Partner takes no part in the management or control of the business and affairs of the Partnership, but has access to and the right to inspect the partnership assets including all books and financial statements of the Partnership.

Each of the persons who are partners at the time when this Annual Report is approved has confirmed that

- so far as that Partner is aware, there is no relevant audit information of which the Partner's auditors are unaware, and
- each Partner has taken all the steps that ought to have been taken as a partner in order to be aware of any information needed by the Partnership's auditors in connection with preparing their report and to establish that the Partnership's auditors are aware of that information

On behalf of the General Partner



C G B Montanaro  
Director

Date 28 April 2008

## Montanaro Growth and Income Fund Limited Partnership No: 5

### Income Account for the year ended 31 December 2007

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	Notes	2007 £	2006 £
<b>Income</b>			
Dividend income from listed investments		13,965	12,104
Interest income		<u>6,879</u>	<u>5,432</u>
		20,844	17,536
Expenses	2	<u>(7,119)</u>	<u>(9,106)</u>
<b>Net income for the year</b>		13,725	8,430
Realised gains on sale of investments		<u>323,578</u>	<u>34,168</u>
<b>Profit for the year</b>		<u>337,303</u>	<u>42,598</u>



# **Montanaro Growth and Income Fund Limited Partnership No: 5**

## **Statement of total recognised gains and losses for the year ended 31 December 2007**

	Notes	2007 £	2006 £
<b>Non distributable gains and losses</b>			
Unrealised (losses)/ gains on investments	3	<u>(33,536)</u>	<u>514,900</u>
<b>Distributable gains and losses</b>			
Gain for the year		337,303	42,598
Change in unrealised gains/ (losses) on sale of investments	3	(267,463)	(47,595)
Distribution to General Partner as Profit Share	7c	(24,737)	(94,329)
		<u>45,103</u>	<u>(99,326)</u>
<b>Total recognised gains for the year</b>		<u><u>11,567</u></u>	<u><u>415,574</u></u>

## **Note of historical cost profit and losses for the year ended 31 December 2007**

	2007 £	2006 £
Profit for the year before gains and losses on sale of investments	13,725	8,430
Realised gains on historical cost method	323,578	34,168
	<u>337,303</u>	<u>42,598</u>
Historical cost profit for the period	<u><u>337,303</u></u>	<u><u>42,598</u></u>

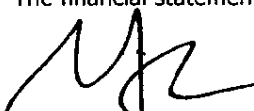
# **Montanaro Growth and Income Fund Limited Partnership No: 5**

## **Balance sheet at 31 December 2007**

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Investments	3	1,755,619	2,065,612
<b>Current assets</b>			
Short term cash deposits	4	271,584	19,286
Sundry debtors	5	1,309	2,540
		<u>272,893</u>	<u>21,826</u>
<b>Current liabilities</b>			
Creditors amounts falling due within one year	6	<u>(34,041)</u>	<u>(104,534)</u>
<b>Net current assets/ (liabilities)</b>		<u>238,852</u>	<u>(82,708)</u>
<b>Total assets less current liabilities</b>		<u><u>1,994,471</u></u>	<u><u>1,982,904</u></u>
Represented by			
Loan - Limited Partner	7a	1,076,915	1,076,915
Capital contributions	7b	1,078	1,078
Income accounts	7c	220,477	(92,089)
Unrealised movement in investments portfolio	7d	<u>696,001</u>	<u>997,000</u>
		<u><u>1,994,471</u></u>	<u><u>1,982,904</u></u>

The financial statements on pages 3 to 12 were approved by the General Partner on

28 April 2008

  
C G B Montanaro  
Director

## Montanaro Growth and Income Fund Limited Partnership No: 5

### Cash flow statement for the year ended 31 December 2007

	Notes	2007 £	2006 £
<b>Net cash inflow from operating activities</b>	<b>8</b>	<u>(55,537)</u>	<u>30,109</u>
<b>Capital expenditure and financial investment</b>			
Payments to acquire investments		(301,512)	(250,946)
Receipt from sales of investments		<u>634,084</u>	<u>217,724</u>
		332,572	(33,222)
<b>Financing</b>			
Drawings		<u>(24,737)</u>	<u>(94,329)</u>
		(24,737)	(94,329)
<b>Management of liquid resources</b>			
Increase/(decrease) in cash in year		<u>252,298</u>	<u>(97,442)</u>
Increase/(decrease) in short term deposits		<u>252,298</u>	<u>(97,442)</u>

## Montanaro Growth and Income Fund Limited Partnership No: 5

### Notes to the financial statements for the year ended 31 December 2007

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#### 1 Accounting policies

##### Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed asset investments and in accordance with applicable accounting standards

##### Investments

The year-end market value of quoted investments is based on the middle market price quotation on the London Stock Exchange

##### Investment income

Income from investments is accounted for on a receivable basis net of any tax credit

Realised gains or losses on disposals of investments are included in the income account and the realisation of previously recognised unrealised gains or losses is reflected in the Partners' income accounts

#### 2 Expenses

	2007 £	2006 £
Auditors' remuneration - audit services	1,208	902
Custodian expenses	2,788	3,035
Accounts production fees	1,377	550
Investors committee	1,746	4,619
Total	<u>7,119</u>	<u>9,106</u>

## Montanaro Growth and Income Fund Limited Partnership No: 5

### Notes to the financial statements for the year ended 31 December 2007

#### 3 Investments

Investments at 31 December 2007 were as follows

Share investment	Number of Shares	Cost £	Value 2007 £	Value 2006 £
Abbot Group	6,500	14,452	24,814	12,720
Barr (AG) plc	1,500	19,769	16,125	-
BBP Holdings	3,300	11,776	20,493	20,064
BSS Group	3,500	5,627	13,571	25,965
Care UK	2,500	7,689	9,444	26,000
Chemring Group plc	1,000	20,381	20,560	-
Chloride Group	11,000	5,045	19,470	33,180
Coda	16,200	16,126	28,269	26,244
Consort Medical	3,300	18,943	19,916	20,757
Croda International	3,000	8,105	17,430	23,400
Dana Petroleum PLC	1,800	5,160	25,056	35,084
Datamonitor	-	-	-	24,075
Dechra Pharmaceuticals	5,000	17,354	18,338	-
Detica Group	5,000	15,074	11,000	22,020
Dignity PLC	3,111	7,156	22,601	20,393
Domino's Pizza UK & IRL	2,800	4,344	4,956	23,840
Domino Printing Services plc	5,000	17,531	14,750	-
DTZ Holdings	3,500	5,590	9,100	37,575
EAGA PLC	7,500	16,751	12,638	-
Ernaceous Group	-	-	-	13,860
European Motor Holdings	-	-	-	26,744
Fenner plc	7,500	18,750	18,187	-
Fisher (J) & Sons PLC	3,000	10,145	19,710	36,300
Genus	4,500	12,136	37,125	24,030
Gibbs & Dandy	-	-	-	13,825
Hamworthy plc	2,750	17,651	11,653	-
Hargreaves Services plc	2,750	17,900	13,901	-
Hill & Smith Holdings plc	4,500	17,543	14,962	-
Holidaybreak	2,500	16,078	17,000	19,375
Hornby plc	7,500	18,807	17,850	20,493
IBS Opensystems	9,000	18,018	14,760	-
International Greetings	4,000	17,718	5,240	17,200
Latchways	1,700	12,583	15,045	31,360
London and Associates Properties	18,000	11,860	15,435	23,625
MTL Instruments	3,500	7,127	23,800	22,125
Montanaro European Small Cos Fund	375,000	405,000	905,663	1,169,300
Mouchel	4,500	19,645	21,150	20,002
NCC Group	5,000	12,504	18,875	22,280
Carried forward		850,338	1,478,887	1,811,836

## Montanaro Growth and Income Fund Limited Partnership No: 5

### Notes to the financial statements for the year ended 31 December 2007

#### 3 Investments

Investments at 31 December 2007 were as follows

Share investment	Number of Shares	Cost £	Value 2007 £	Value 2006 £
Brought forward		850,338	1,478,887	1,811,836
Ocean Wilson Holdings plc	2000	17,809	15,850	-
Phoenix IT Group	4000	16,941	12,760	-
Primary Health Properties PLC	5,000	22,202	16,988	21,410
RPS Group	5,500	6,154	17,600	21,600
Scott Wilson	8,000	12,640	20,960	24,040
Shaftesbury	3,500	9,261	17,570	27,440
Stanley Gibbons Group	7,500	17,732	15,900	-
Superglass Holdings plc	7,500	16,147	12,750	-
Tullow Oil PLC	4,500	5,387	29,317	27,860
Ultra Electric Holdings	1,900	13,418	26,125	20,653
Vanco PLC	-	-	-	21,750
Victrex plc	2,500	17,732	18,000	-
VP PLC	5,000	10,202	16,712	22,330
Wilmington Group PLC	10,000	11,977	20,950	23,575
WSP Group	2,500	8,965	14,425	25,763
Zytronic	8,500	22,713	20,825	17,355
		<u>1,059,618</u>	<u>1,755,619</u>	<u>2,065,612</u>

The movement on investments during the year was as follows

	2007		2006	
	£	£	£	£
Market value at 1 January 2007		2,065,612		1,530,918
Purchases	301,512		250,946	
Sale proceeds	(634,084)		(217,724)	
Realised gains on sales	323,578		34,167	
Change in unrealised gains	(267,463)		(47,595)	
		<u>(276,457)</u>		<u>19,794</u>
Unrealised (losses)/gains for the year	<u>(33,536)</u>		<u>514,900</u>	
		<u>(33,536)</u>		<u>514,900</u>
Market value at 31 December 2007		<u>1,755,619</u>		<u>2,065,612</u>

## Montanaro Growth and Income Fund Limited Partnership No: 5

### Notes to the financial statements for the year ended 31 December 2007

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#### 4 Short term cash deposits

	2007 £	2006 £
At 1 January 2007	19,286	116,728
Net cash inflow/ (outflow)	252,298	(97,442)
	<hr/>	<hr/>
At 31 December 2007	<u>271,584</u>	<u>19,286</u>

#### 5 Debtors

	2007 £	2006 £
Dividends receivable	1,309	2,540
	<hr/>	<hr/>
	<u>1,309</u>	<u>2,540</u>

#### 6 Creditors: amounts falling due within one year

	2007 £	2006 £
Other creditors	2,094	5,996
Accruals	31,947	98,538
	<hr/>	<hr/>
	<u>34,041</u>	<u>104,534</u>

## Montanaro Growth and Income Fund Limited Partnership No: 5

### Notes to the financial statements for the year ended 31 December 2007

#### 7 Partners' loan, capital, income and unrealised movement on investment accounts

The general partner is entitled to receive a profit share equivalent to 1% per annum (plus VAT) on the NAV of the fund, calculated quarterly and paid semi annually. If the net annual total returns are negative the second half year fee will not be paid. The general partner is also entitled to carried interest of 20% of any increase in NAV above that earned by the 10 year gilt plus 3% capped at 3%.

The total commitment of the Limited Partner is £1,077,993 (2006 £1,077,993) of which £1,076,015 (2006 £1,076,015) is in the form of a loan facility.

The loan is interest free and is repayable by distribution of partnership income and capital realisation subject to the prior payment of partnership expenses and the General Partner's profit share.

##### a) Loan accounts:

	2007 £	2006 £
The South Yorkshire Pensions Authority	<u>1,076,915</u>	<u>1,076,915</u>

##### b) Capital contribution accounts:

	2007 £	2006 £
The South Yorkshire Pensions Authority	<u>1,078</u>	<u>1,078</u>

##### c) Income accounts:

	Balance brought forward £	Income during the period £	Drawings during the period £	31 December 2007 £	31 December 2006 £
Montanaro Fund Managers Limited	-	24,737	(24,737)	-	-
The South Yorkshire Pensions Authority	(92,089)	312,566	-	220,477	(92,089)
	<u>(92,089)</u>	<u>337,303</u>	<u>(24,737)</u>	<u>220,477</u>	<u>(92,089)</u>

##### d) Unrealised movement on investments

	Brought forward £	Realised in period £	Unrealised movement £	31 December 2007 £	31 December 2006 £
The South Yorkshire Pensions Authority	<u>997,000</u>	<u>(267,463)</u>	<u>(33,536)</u>	<u>696,001</u>	<u>997,000</u>



## Montanaro Growth and Income Fund Limited Partnership No: 5

### Notes to the financial statements for the year ended 31 December 2007

#### 8 Reconciliation of operating income to net cash inflow from operating activities

	2007	2006
	£	£
Net gain for the year	13,725	8,430
Decrease in debtors	1,231	864
(Decrease)/increase in creditors	(70,493)	20,815
	<u>(55,537)</u>	<u>30,109</u>

#### 9 Related party transactions

The profit share paid to Montanaro Fund Managers Limited is shown in note 7c to the financial statements

#### 10 Financial instruments

##### a)

The Partnership's financial instruments comprise investments, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income

The Partnership has little exposure to credit, cash flow or interest rate risk. There are no borrowings or unlisted securities and no foreign currency translations or holdings and therefore little exposure to liquidity or foreign exchange risk. The main risk it faces arising from its financial instruments is market price risk being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate.

These risks are monitored by the General Partner. Adherence to the Partnership Agreement mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in note 3.

##### b) Interest Rate Risk Profile of Financial Assets and Liabilities

The interest rate risk profile of financial assets and liabilities at the balance sheet date was as follows

	Total Market Value	Floating Rate *
	£	£
Short term cash deposits	<u>271,584</u>	<u>271,584</u>

\* Changes in the base rate will cause movements in the interest rate on cash balances

The interest rate risk profile of financial assets and liabilities at 31 December 2006 was as follows

	Total Market Value	Floating Rate *
	£	£
Short term cash deposits	<u>19,286</u>	<u>19,286</u>

##### c) Fair Value

Fixed asset investments are included at middle market price quotation, which approximates to their fair value

##### d) Short Term Debtors and Creditors

Short term debtors and creditors have been excluded from the disclosures of financial instruments, as permitted by FRS 13