

Registered number: 03246931

MONTANARO ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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MONTANARO ASSET MANAGEMENT LIMITED

COMPANY INFORMATION

DIRECTORS	C G B Montanaro R Singleton J G Tregoning
COMPANY SECRETARY	Mrs G C Edwardes Ker
COMPANY NUMBER	03246931
REGISTERED OFFICE	53 Threadneedle Street London EC2R 8AR
AUDITOR	Hillier Hopkins LLP Chartered Accountants & Statutory Auditor 64 Clarendon Road Watford Herts WD17 1DA

MONTANARO ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The Directors present their report and the financial statements for the year ended 31 December 2011

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES

The principal activity of the Company in the year under review continued to be that of investment management. The Company is authorised and regulated by the Financial Services Authority.

The Directors are of the opinion that the state of the Company's affairs at 31 December 2011 was satisfactory.

BUSINESS REVIEW

Against a subdued economic background, concerns about sovereign debt and the long-term viability of the Euro, investors in Pan-European SmallCap equity markets saw negative returns in 2011 after a strong performance in 2010. The Company's relative performance against various benchmark indices was broadly positive. Overall assets under management declined by 18% to £1,054m (2010: £1,280m). The Board expects Pan-European SmallCap to produce positive returns in 2012.

The decline in profit in 2011 reflected the absence of exceptional performance fees received in 2010.

The Board carefully considers the principal risks for the Company and seeks to mitigate these risks through continual and regular reviews. The balance sheet shows significant levels of cash, sufficient to cover fixed overheads for several years even without any further revenues. In 2011, the Company made a significant investment in Charles River IMS for the long-term benefit of the business.

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.

MONTANARO ASSET MANAGEMENT LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011**

RESULTS

The profit for the year, after taxation, amounted to £5,709,681 (2010 - £12,470,092)

DIRECTORS

The Directors who served during the year were

C G B Montanaro
R Singleton
J G Tregoning

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the Company made charitable contributions of £12,115 (2010 £2,000)

PROVISION OF INFORMATION TO AUDITOR

Each of the persons who is a Director at the time when this Directors' Report is approved has confirmed that

- so far as that Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- that 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 and the Group's auditor in connection with preparing its report and to establish that the Company and the Group's auditor is aware of that information

AUDITOR

The auditor, Hillier Hopkins LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

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

10th April 2012



C G B Montanaro
Director

MONTANARO ASSET MANAGEMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MONTANARO ASSET MANAGEMENT LIMITED

We have audited the Group and Parent Company financial statements of Montanaro Asset Management Limited for the year ended 31 December 2011 set out on pages 5 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2011 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

MONTANARO ASSET MANAGEMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MONTANARO ASSET MANAGEMENT LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Hillier Hopkins LLP

Simon Speller ACA (Senior Statutory Auditor)

for and on behalf of
Hillier Hopkins LLP

Chartered Accountants
Statutory Auditor

64 Clarendon Road
Watford
Herts

WD17 1DA

Date *16 April 2012*

MONTANARO ASSET MANAGEMENT LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 £	2010 £
TURNOVER	1,2	15,710,412	24,789,246
Cost of sales		<u>(3,346,498)</u>	<u>(3,387,894)</u>
GROSS PROFIT		12,363,914	21,401,352
Administrative expenses		<u>(4,792,556)</u>	<u>(4,144,219)</u>
OPERATING PROFIT		7,571,358	17,257,133
Income from other fixed asset investments		76,830	66,040
Interest receivable and similar income	6	104,509	21,656
Interest payable and similar charges	7	<u>(10,955)</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,741,742	17,344,829
Tax on profit on ordinary activities	8	<u>(2,032,061)</u>	<u>(4,874,737)</u>
PROFIT FOR THE FINANCIAL YEAR	16	<u>5,709,681</u>	<u>12,470,092</u>

All amounts relate to continuing operations

The notes on pages 10 to 22 form part of these financial statements

MONTANARO ASSET MANAGEMENT LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2011**

	2011 £	2010 £
PROFIT FOR THE FINANCIAL YEAR	5,709,681	12,470,092
Unrealised (deficit)/surplus on revaluation of current asset investments	(1,058,272)	1,266,710
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	4,651,409	13,736,802

The notes on pages 10 to 22 form part of these financial statements

MONTANARO ASSET MANAGEMENT LIMITED
REGISTERED NUMBER 03246931

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	£	2011 £	£	2010 £
FIXED ASSETS					
Tangible assets	9		320,874		303,809
CURRENT ASSETS					
Debtors	11	3,057,269		16,591,018	
Investments	12	4,345,479		4,472,427	
Cash at bank and in hand		19,904,894		7,748,103	
		<u>27,307,642</u>		<u>28,811,548</u>	
CREDITORS. amounts falling due within one year	13	<u>(4,721,198)</u>		<u>(6,156,251)</u>	
NET CURRENT ASSETS			<u>22,586,444</u>		<u>22,655,297</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>22,907,318</u>		<u>22,959,106</u>
PROVISIONS FOR LIABILITIES					
Deferred tax	14		-		(697)
NET ASSETS			<u>22,907,318</u>		<u>22,958,409</u>
CAPITAL AND RESERVES					
Called-up share capital	15		550,000		550,000
Revaluation reserve	16		520,767		1,579,039
Profit and loss account	16		<u>21,836,551</u>		<u>20,829,370</u>
SHAREHOLDERS' FUNDS	17		<u>22,907,318</u>		<u>22,958,409</u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by

10th April 2012



C G B Montanaro
Director

The notes on pages 10 to 22 form part of these financial statements

MONTANARO ASSET MANAGEMENT LIMITED
REGISTERED NUMBER: 03246931

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	£	2011 £	£	2010 £
FIXED ASSETS					
Tangible assets	9		320,874		303,809
Investments	10		50,000		50,000
			370,874		353,809
CURRENT ASSETS					
Debtors	11	3,057,270		16,591,019	
Investments	12	4,345,479		4,472,427	
Cash at bank and in hand		19,899,916		7,722,710	
		27,302,665		28,786,156	
CREDITORS amounts falling due within one year	13	(5,250,238)		(7,180,353)	
NET CURRENT ASSETS			22,052,427		21,605,803
TOTAL ASSETS LESS CURRENT LIABILITIES			22,423,301		21,959,612
PROVISIONS FOR LIABILITIES					
Deferred tax	14		-		(697)
NET ASSETS			22,423,301		21,958,915
CAPITAL AND RESERVES					
Called-up share capital	15		550,000		550,000
Revaluation reserve	16		520,767		1,579,039
Profit and loss account	16		21,352,534		19,829,876
SHAREHOLDERS' FUNDS	17		22,423,301		21,958,915

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by


C G B Montanaro
 Director

10th April 2012

The notes on pages 10 to 22 form part of these financial statements

MONTANARO ASSET MANAGEMENT LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 £	2010 £
Net cash flow from operating activities	19	23,179,906	3,755,775
Returns on investments and servicing of finance	20	170,384	87,696
Taxation		(5,442,924)	(855,283)
Capital expenditure and financial investment	20	(116,750)	(7,386)
Equity dividends paid		(4,702,500)	-
CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES		13,088,116	2,980,802
Management of liquid resources	20	(931,325)	(39,775)
INCREASE IN CASH IN THE YEAR		12,156,791	2,941,027

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 DECEMBER 2011**

	2011 £	2010 £
Increase in cash in the year	12,156,791	2,941,027
Cash outflow from decrease in liquid resources	931,325	39,775
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	13,088,116	2,980,802
Other non-cash changes	(1,058,273)	1,266,711
MOVEMENT IN NET DEBT IN THE YEAR	12,029,843	4,247,513
Net funds at 1 January 2011	12,220,530	7,973,017
NET FUNDS AT 31 DECEMBER 2011	24,250,373	12,220,530

The notes on pages 10 to 22 form part of these financial statements

MONTANARO ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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 Basis of consolidation

The financial statements consolidate the accounts of Montanaro Asset Management Limited and all of its subsidiary undertakings ('subsidiaries')

1.3 Turnover

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

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

L/Term Leasehold Property	-	Over 10 years
Fixtures & Fittings	-	Over 4 years
Office Equipment	-	3-4 years

1.5 Investments

(i) Investments in subsidiaries are valued at cost less provision for impairment

(ii) Other investments

The current asset investments are valued at current cost, being the lower of net current replacement cost and recoverable amount, and changes in value are treated as revaluation surpluses or deficits and taken to the revaluation reserve. Deficits in excess of the revaluation reserve are written off to the Profit and Loss Account when the fall in value is expected to be permanent

1.6 Operating leases

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

MONTANARO ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES (continued)

1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and Loss Account

1.9 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year. During the year the company also contributed to self invested pension plans on behalf of its employees

1.10 Share Options

The company's EMI share option scheme is accounted for in accordance with FRS20

Benefits accruing are charged to the profit and loss account each period and held within a share option reserve. The benefit charged is recognised where the fair value of the shares exceeds the exercise price payable, spread over the future term of the service period. Deferred tax is recognised on the benefit charged in respect of the deferred tax relief available

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

2. TURNOVER

The geographical analysis of turnover is as follows

	2011 £	2010 £
United Kingdom	5,443,842	3,616,255
Europe	10,266,570	21,161,024
Rest of the World	-	11,967
	<u>15,710,412</u>	<u>24,789,246</u>

3. AUDITORS' REMUNERATION

	2011 £	2010 £
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	20,000	13,000
Fees payable to the Company's Auditor in respect of other services	<u>13,750</u>	<u>4,575</u>

4. STAFF COSTS

Staff costs, including Directors' remuneration, were as follows

	2011 £	2010 £
Wages and salaries	2,700,347	2,347,209
Social security costs	378,289	277,209
Other pension costs	240,000	230,500
	<u>3,318,636</u>	<u>2,854,918</u>

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

	2011 No.	2010 No.
	<u>20</u>	<u>20</u>

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

5. DIRECTORS' REMUNERATION

	2011	2010
	£	£
Emoluments	585,548	756,932
Company pension contributions to defined contribution pension schemes	100,000	57,500

During the year retirement benefits were accruing to 1 Director (2010 - 1) in respect of defined contribution pension schemes

The highest paid Director received remuneration of £396,306 (2010 - £386,342)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £100,000 (2010 - £57,500)

6 INTEREST RECEIVABLE

	2011	2010
	£	£
Bank interest receivable	104,509	21,656

7. INTEREST PAYABLE

	2011	2010
	£	£
Other interest payable	10,955	-

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

8 TAXATION

	2011 £	2010 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	2,216,250	4,874,737
Deferred tax (see note 14)		
Origination and reversal of timing differences	(184,189)	-
Tax on profit on ordinary activities	<u>2,032,061</u>	<u>4,874,737</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2010 - *higher than*) the standard rate of corporation tax in the UK of 26% (2010 - 28%) The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before tax	<u>7,741,742</u>	<u>17,344,829</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2010 - 28%)	2,012,853	4,856,552
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	214,973	49,361
Capital allowances for year in excess of depreciation	8,400	(12,685)
Dividends and distributions received	(19,976)	(18,491)
Current tax charge for the year (see note above)	<u>2,216,250</u>	<u>4,874,737</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

9. TANGIBLE FIXED ASSETS

Group and Company	L/Term Leasehold Property £	Fixtures, fittings and equipment £	Total £
Cost or valuation			
At 1 January 2011	453,599	174,270	627,869
Additions	-	116,750	116,750
At 31 December 2011	453,599	291,020	744,619
Depreciation			
At 1 January 2011	180,144	143,916	324,060
Charge for the year	45,360	54,325	99,685
At 31 December 2011	225,504	198,241	423,745
Net book value			
At 31 December 2011	228,095	92,779	320,874
At 31 December 2010	273,455	30,354	303,809

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

10 FIXED ASSET INVESTMENTS

Company	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2011 and 31 December 2011	<u>50,000</u>
Net book value	
At 31 December 2011	<u>50,000</u>
At 31 December 2010	<u>50,000</u>

11 DEBTORS

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade debtors	574,382	95,652	574,383	95,653
Other debtors	11,544	2,908	11,544	2,908
Prepayments and accrued income	2,287,851	16,492,458	2,287,851	16,492,458
Deferred tax asset (see note 14)	183,492	-	183,492	-
	<u>3,057,269</u>	<u>16,591,018</u>	<u>3,057,270</u>	<u>16,591,019</u>

12. CURRENT ASSET INVESTMENTS

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Listed investments	<u>4,345,479</u>	<u>4,472,427</u>	<u>4,345,479</u>	<u>4,472,427</u>

Group and company listed investments

The cost of the listed investments at 31 December 2011 was £3,824,712 (2010 £2,893 387)

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

13. CREDITORS.

Amounts falling due within one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade creditors	29,555	32,492	29,557	32,492
Amounts owed to group undertakings	-	-	529,039	1,024,522
Corporation tax	725,164	3,951,838	725,164	3,951,417
Social security and other taxes	130,112	101,302	130,112	101,302
Other creditors	2,011,128	693,021	2,011,127	693,021
Accruals and deferred income	1,825,239	1,377,598	1,825,239	1,377,599
	4,721,198	6,156,251	5,250,238	7,180,353

14. DEFERRED TAXATION

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
At beginning of year	(697)	(697)	(697)	(697)
Released during the year	184,189	-	184,189	-
At end of year	183,492	(697)	183,492	(697)

The deferred taxation balance is made up as follows

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Other timing differences	233,648	697	233,648	697
Advance corporation tax	(50,156)	-	(50,156)	-
	183,492	697	183,492	697

15. SHARE CAPITAL

	2011	2010
	£	£
Allotted, called up and fully paid		
550,000 Ordinary shares of £1 each	550,000	550,000

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

16 RESERVES

	Revaluation reserve £	Profit and loss account £
Group		
At 1 January 2011	1,579,039	20,829,370
Profit for the year		5,709,681
Dividends Equity capital		(4,702,500)
Surplus on revaluation of current asset investments	(1,058,272)	
	<u>520,767</u>	<u>21,836,551</u>
At 31 December 2011		
	<u>520,767</u>	<u>21,836,551</u>
Company		
At 1 January 2011	1,579,039	19,829,876
Profit for the year		6,225,158
Dividends Equity capital		(4,702,500)
Surplus on revaluation of current asset investments	(1,058,272)	
	<u>520,767</u>	<u>21,352,534</u>
At 31 December 2011		
	<u>520,767</u>	<u>21,352,534</u>

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £	2010 £
Group		
Opening shareholders' funds	22,958,409	9,221,607
Profit for the year	5,709,681	12,470,092
Dividends (Note 18)	(4,702,500)	-
Other recognised gains and losses during the year	(1,058,272)	1,266,710
	<u>22,907,318</u>	<u>22,958,409</u>
Closing shareholders' funds		
	<u>22,907,318</u>	<u>22,958,409</u>
Company		
Opening shareholders' funds	21,958,915	7,223,698
Profit for the year	6,225,158	13,468,507
Dividends (Note 18)	(4,702,500)	-
Other recognised gains and losses during the year	(1,058,272)	1,266,710
	<u>22,423,301</u>	<u>21,958,915</u>
Closing shareholders' funds		
	<u>22,423,301</u>	<u>21,958,915</u>

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and Loss Account

The profit for the year dealt with in the accounts of the Company was £6,225,158 (2010 - £13,468,507)

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

18. DIVIDENDS

	2011 £	2010 £
Dividends paid on equity capital	4,702,500	-

At a meeting of the Directors on 10 April 2012, a dividend of £4 28 per share was declared and approved, and payment of the dividend totalling £2,354,000 was made on 10 April 2012

19. NET CASH FLOW FROM OPERATING ACTIVITIES

	2011 £	2010 £
Operating profit	7,571,358	17,257,133
Depreciation of tangible fixed assets	99,685	88,491
Decrease/(increase) in debtors	13,717,241	(13,479,456)
Increase/(decrease) in creditors	1,791,622	(110,393)
Net cash inflow from operating activities	23,179,906	3,755,775

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2011 £	2010 £
Returns on investments and servicing of finance		
Interest received	104,509	21,656
Interest paid	(10,955)	-
Dividends received	76,830	66,040
Net cash inflow from returns on investments and servicing of finance	170,384	87,696

	2011 £	2010 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(116,750)	(7,386)

	2011 £	2010 £
Management of liquid resources		
Purchase of short-term listed investments	(931,325)	(39,775)

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

21. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2011 £	Cash flow £	Other non-cash changes £	31 December 2011 £
Cash at bank and in hand	7,748,103	12,156,791	-	19,904,894
Liquid resources:				
Current asset investments	<u>4,472,427</u>	<u>931,325</u>	<u>(1,058,273)</u>	<u>4,345,479</u>
Net funds	<u><u>12,220,530</u></u>	<u><u>13,088,116</u></u>	<u><u>(1,058,273)</u></u>	<u><u>24,250,373</u></u>

MONTANARO ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

22. PENSION COMMITMENTS

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £100,000 (2010: £Nil).

During the year the Company contributed to self-invested pension plans on behalf of its employees of £140,000 (2010: £230,500).

23. OPERATING LEASE COMMITMENTS

At 31 December 2011 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2011	2010
	£	£
Group and Company		
Expiry date:		
Between 2 and 5 years	233,300	233,300

24. CONTROLLING PARTY

The Company is controlled by C G B Montanaro.

25. PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding	Description
Montanaro Holdings Limited	England & Wales	100	Dormant
Montanaro Investment Managers Limited	England & Wales	100	Dormant

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

26. 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, Warwickshire, CV23 0RJ

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 Millbank, 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 2006

MONTANARO ASSET MANAGEMENT LIMITED

Pillar 3 Risk Disclosure (Unaudited)

Disclosure Policy

The Pillar 3 rules in BIPRU 11 set out the need for firms to have a formal disclosure policy. In accordance with the rules of the Financial Services Authority ("FSA") Montanaro Asset Management Limited (MAM) will disclose the information set out in BIPRU 11 (the Pillar 3 rule) on at least an annual basis. The Pillar 3 disclosure will be made as part of the annual accounts.

MAM may omit information it deems as immaterial, in accordance with the rules. Materiality is based on the criterion that the omission or misstatement of any information would be likely to change or influence the decision of a reader relying on that information. Accordingly, where the Firm has considered an item to be immaterial it has not been disclosed.

In addition, if the required information is deemed to be proprietary or confidential then the Firm may take the decision to exclude it from the disclosure. In the Firm's view, proprietary information is that which, if it were shared, would undermine its competitive position. Information is considered to be confidential where there are obligations binding the Firm to confidentiality with our customers, suppliers or counterparties. Where information is omitted for either of these reasons this is stated in the relevant section of the disclosure, along with the jurisdiction.

Summary

MAM is authorised and regulated by the FSA.

Key points relevant to this statement are:

- MAM is involved in the business of investment management, specialising in SmallCap
- MAM takes no positions in any securities apart from investments in the funds it manages
- MAM handles no client monies

Background

MAM was founded in 1996. In 2009 the investment management and advisory businesses of the Montanaro companies were absorbed into MAM to bring all the group businesses into one company.

Capital Position

MAM is run conservatively and has no bank debt or debt to external investors. Furthermore, it does not have, nor require, an overdraft facility and it maintains significant cash balances.

Capital Adequacy

MAM believes that the basic regulatory requirement, although exceeded, is greater than that necessary for prudential running of its business. This is because of the following factors:

- MAM holds cash balances many times greater than our fixed overhead requirement
- Within our regulated activities we assume no market risk
- We have a diverse and growing client base
- Our clients are geographically diversified across Europe, including the UK

There are no plans to change the broad nature of our business in the future. The following risk types are now addressed:

Credit Risk

There are no long term loans outstanding nor does MAM currently trade in derivatives. It is not considered that there is exposure to counterparty risk.

Market Risk

MAM holds investments in funds it manages which are listed and liquid.

MONTANARO ASSET MANAGEMENT LIMITED

Pillar 3 Risk Disclosure (Unaudited)

Operational Risk

We have limited operational risk in activities. Those that exist largely relate to continuity issues relating to infrastructure, including power and IT. MAM addresses these by using off-site back-up and disaster recovery services. Operational risk is significantly reduced by the implementation of Charles River IMS.

Liquidity Risk

MAM has chosen to retain high levels of cash and liquid securities to ensure liquidity risk is immaterial.

Insurance Risk

Our insurance covers legal requirements.

Wholesale and Unsecured Funding Risk

We use no external funding.

Concentration Risk

MAM specialise in European SmallCap (including UK) which provides a broad geographical spread.

In addition, MAM now manage a broad range of products (open and closed end funds, UK and Pan-European) reducing risk to a single asset class and to a single revenue source.

Currency Risk

We carry a small currency risk only to the extent that some of our cash balances may be in Euros or US dollars. This risk is modest in the context of our overall balance sheet.

Securitisation Risk

Not relevant. MAM has no positions and is not involved in bundling of securities.

Interest Rate Risk

There are no long term borrowings outstanding.

Pension Obligation Risk

There are no pension schemes in place.

Registered number: LP011356

Montanaro Growth and Income Fund Limited
Partnership No: 1

Report and Financial Statements
31 December 2011

THESE ACCOUNTS
FORM PART OF THE
GROUP ACCOUNTS
OF COMPANY
No. 324693L.....



COMPANIES HOUSE

[illegible]

Montanaro Growth and Income Fund Limited Partnership No: 1

Independent Auditor's Report to the members of Montanaro Growth and Income Fund Limited Partnership No: 1

We have audited the financial statements of the Montanaro Growth and Income Fund Limited Partnership No 1 for the period ended 31 December 2011 which comprise the Income Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of members and auditor

The members' responsibilities for preparing the Annual Report and 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 Members' 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). This report, including the opinion, has been prepared for and only for the members of the Partnership and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 United Kingdom Generally Accepted Accounting Practice.

In addition we report to you if, in our opinion, the Partnership has not kept adequate accounting records, or if we have not received all the information and explanations we require for our audit.

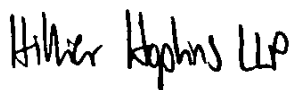
Basis of audit opinion

We conducted our audit in accordance with International Standards 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 members 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 the Partnership's affairs as at 31 December 2011 and of the results for the period then ended.



Hillier Hopkins LLP

Chartered Accountants and Statutory Auditor

64 Clarendon Road
Watford
WD17 1DA

Date

16 April 2012

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 2011

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 2011 was satisfactory

Statement of responsibilities in respect of the financial statements

The Partnership Agreement dated 1 June 2006 among Montanaro Asset Management 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 Partnership'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

Montanaro Asset Management Limited- General Partner

Date 10 H April 2012

Montanaro Growth and Income Fund Limited Partnership No: 1

**Income Account
for the year ended 31 December 2011**

	Notes	2011 £	2010 £
Income			
Dividend income from listed investments		8,506	10,796
Interest income		1	19
Expenses	2	<u>(4,048)</u>	<u>(4,087)</u>
Net income for the year		4,459	6,728
Realised gains/(losses) on sale of investments		<u>2,787</u>	<u>(17,686)</u>
Profit/(loss) for the year		<u>7,246</u>	<u>(10,958)</u>

Montanaro Growth and Income Fund Limited Partnership No: 1

**Statement of total recognised gains and losses
for the year ended 31 December 2011**

	Notes	2011 £	2010 £
Non distributable gains and losses			
Unrealised (losses)/gains on investments	3	<u>(81,015)</u>	<u>158,937</u>
Distributable gains and losses			
Gain/(loss) for the year		7,246	(10,958)
Change in unrealised (losses)/gains on sale of investments	3	(10,037)	11,161
Distribution to General Partner as Profit Share	7c	(7,772)	(6,992)
		<u>(10,563)</u>	<u>(6,789)</u>
Total recognised (losses)/gains for the year		<u><u>(91,578)</u></u>	<u><u>152,148</u></u>

**Note of historical cost profit and losses
for the year ended 31 December 2011**

	2011 £	2010 £
Profit for the year before gains and losses on sale of investments	4,459	6,728
Realised gains/(losses) on historical cost method	2,787	(17,686)
	<u>7,246</u>	<u>(10,958)</u>
Historical cost profit/(loss) for the year	<u><u>7,246</u></u>	<u><u>(10,958)</u></u>

Montanaro Growth and Income Fund Limited Partnership No: 1

Balance sheet at 31 December 2011

	Notes	2011 £	2010 £
Fixed assets			
Investments	3	597,143	664,107
Current assets			
Short term cash deposits	4	2,161	26,871
Sundry debtors	5	1,060	463
		<u>3,221</u>	<u>27,334</u>
Current liabilities			
Creditors amounts falling due within one year	6	<u>(10,077)</u>	<u>(9,576)</u>
Net current (liabilities)/assets		<u>(6,856)</u>	<u>17,758</u>
Total assets less current liabilities		<u>590,287</u>	<u>681,865</u>
 Represented by			
Loan - Limited Partner	7a	499,500	499,500
Capital contributions	7b	500	500
Income accounts	7c	(17,143)	(16,617)
Unrealised movement in investments portfolio	7d	<u>107,430</u>	<u>198,482</u>
		<u>590,287</u>	<u>681,865</u>

The financial statements on pages 3 to 12 were approved by the General Partner on 10th April 2012



C G B Montanaro
Director
Montanaro Asset Management Limited- General Partner

Montanaro Growth and Income Fund Limited Partnership No: 1

**Cash flow statement
for the year ended 31 December 2011**

	Notes	2011 £	2010 £
Net cash inflow from operating activities	8	<u>4,363</u>	<u>9,083</u>
Capital expenditure and financial investment			
Payments to acquire investments		(58,833)	(129,692)
Receipt from sales of investments		<u>37,532</u>	<u>146,782</u>
		(21,301)	17,090
Financing			
Drawings		<u>(7,772)</u>	<u>(6,992)</u>
		(7,772)	(6,992)
Management of liquid resources			
(Decrease)/increase in cash in year		<u>(24,710)</u>	<u>19,181</u>
(Decrease)/increase in short term deposits		<u>(24,710)</u>	<u>19,181</u>

Montanaro Growth and Income Fund Limited Partnership No: 1

Notes to the financial statements for the year ended 31 December 2011

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

	2011 £	2010 £
Auditors' remuneration - audit services	711	628
Custodian expenses	3,000	2,183
Accounts production fees and tax fees	312	1,036
Legal fees	-	220
Bank charges	25	20
Total	<u>4,048</u>	<u>4,087</u>

Montanaro Growth and Income Fund Limited Partnership No: 1

Notes to the financial statements for the year ended 31 December 2011

3 Investments

Investments at 31 December 2011 were as follows

Share investment	Number of Shares	Cost £	Value 2011 £	Value 2010 £
Albermarle & Bond Holdings	3,800	6,120	12,597	11,989
Aquarius Platinum	3,000	9,207	4,701	10,560
Barr (A G) Plc	1,000	9,018	12,130	10,920
Bovis Homes Group	2,000	8,161	8,784	8,278
Carclo PLC	-	-	-	10,868
Chemring Group	-	-	-	8,712
Consort Medical	4,500	23,573	24,300	-
Dechra Pharmaceuticals plc	2,000	4,594	10,380	10,000
Dignity PLC	1,366	7,763	11,215	9,835
Dialight	2,000	3,223	13,980	15,420
Domino Printing	5,120	9,494	12,800	16,250
DTZ Holdings PLC	-	-	-	8,010
Enquest PLC	7,000	10,046	6,472	-
Fenner PLC	3,000	10,302	12,018	-
Fisher J & Sons	2,500	10,141	12,725	12,625
Genus plc	1,000	5,237	10,430	8,580
Immunodiagnostic	1,000	7,724	4,600	9,230
James Halstead	2,600	5,630	11,310	9,653
Latchways plc	1,400	10,362	15,435	14,812
MP Evans Group	2,000	7,492	8,700	9,920
Mears Group	3,800	9,912	8,360	-
Montanaro European Small Cos Fund	132,749	252,445	318,598	377,008
Mothercare	-	-	-	7,356
NCC Group	2,000	7,211	16,695	15,746
Phoenix IT Group	3,500	10,839	5,635	9,336
RPS Group	4,500	8,265	8,100	10,368
Severfield-Rowen	4,000	8,277	6,660	12,320
Shaftsbury Plc	2,000	7,508	9,344	8,960
Transense Technologies Plc	277,777	10,040	10,416	5,700
Victrex Plc	1,000	8,836	10,960	14,316
Wilmington	5,000	10,222	4,250	7,750
WSP Group	2,700	8,071	5,548	9,585
Zytronic plc	-	-	-	-
		<u>489,713</u>	<u>597,143</u>	<u>664,107</u>

Montanaro Growth and Income Fund Limited Partnership No: 1

Notes to the financial statements for the year ended 31 December 2011

3 Investments (continued)

The movement on investments during the year was as follows

	2011	2010
	£	£
Market value at 1 January 2011	664,107	528,785
Purchases	58,833	129,692
Sale proceeds	(37,532)	(146,782)
Realised gains/(losses) on sales	2,787	(17,686)
Change in unrealised (losses)/gains	(10,037)	11,161
	14,051	(23,615)
Unrealised (losses)/gains for the year	(81,015)	158,937
	(81,015)	158,937
Market value at 31 December 2011	597,143	664,107

4 Short term cash deposits

	2011	2010
	£	£
At 1 January 2011	26,871	7,690
Net cash (outflow)/inflow	(24,710)	19,181
	2,161	26,871
At 31 December 2011	2,161	26,871

5 Debtors

	2011	2010
	£	£
Dividends receivable	1,060	463
	1,060	463

6 Creditors: amounts falling due within one year

	2011	2010
	£	£
Accruals	10,077	9,576
	10,077	9,576

Montanaro Growth and Income Fund Limited Partnership No: 1

Notes to the financial statements for the year ended 31 December 2011

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

The total commitment of the Limited Partner is £500,000 (2010 £500,000) of which £499,500(2010 £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 £	2011 £	2010 £
The Ricardo Supplementary Pension Scheme (No 1)	499,500	499,500	499,500

b) Capital contribution accounts:

	2011 £	2010 £
The Ricardo Supplementary Pension Scheme (No 1)	500	500

c) Income accounts:

	Balance brought forward £	Income for year £	Drawings during the year £	31 December 2011 £
Montanaro Asset Management Limited	-	7,772	(7,772)	-
The Ricardo Supplementary Pension Scheme (No 1)	(16,617)	(526)	-	(17,143)
	<u>(16,617)</u>	<u>7,246</u>	<u>(7,772)</u>	<u>(17,143)</u>

d) Unrealised movement on investments

	Brought forward £	Realised in year £	Unrealised movement £	31 December 2011 £
The Ricardo Supplementary Pension Scheme (No 1)	198,482	(10,037)	(81,015)	107,430

Montanaro Growth and Income Fund Limited Partnership No: 1

Notes to the financial statements for the year ended 31 December 2011

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

	2011 £	2010 £
Net profit for the year	4,459	6,728
(Increase)/decrease in debtors	(597)	623
Increase in creditors	501	1,732
	<u>4,363</u>	<u>9,083</u>

9 Related party transactions

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

Included in accruals is an amount of £7,772 (2010 £6,992) in respect of profit share due to Montanaro Asset Management Limited

10 Financial instruments

a) General

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>2,161</u>	<u>2,161</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 2010 was as follows

	Total Market Value £	Floating Rate * £
Short term cash deposits	<u>26,871</u>	<u>26,871</u>

Montanaro Growth and Income Fund Limited Partnership No: 1

**Notes to the financial statements
for the year ended 31 December 2011**

10 Financial instruments (continued)

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

Registered number: LP009250

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

**Report and Financial Statements
31 December 2011**

THESE ACCOUNTS
FORM PART OF THE
GROUP ACCOUNTS
OF COMPANY
No. 3246931

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 financial statements of the Montanaro Growth and Income Fund Limited Partnership No 2 for the period ended 31 December 2011 which comprise the Income Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of members and auditor

The members' responsibilities for preparing the Annual Report and 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 Members' 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). This report, including the opinion, has been prepared for and only for the members of the Partnership and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 United Kingdom Generally Accepted Accounting Practice.

In addition we report to you if, in our opinion, the Partnership has not kept adequate 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 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 members 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 the Partnership's affairs as at 31 December 2011 and of the results for the period then ended.



Hilier Hopkins LLP

Chartered Accountants and Statutory Auditor

64 Clarendon Road
Watford
WD17 1DA

Date 16 April 2012

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 2011

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 2011 was satisfactory

Statement of responsibilities in respect of the financial statements

The Partnership Agreement dated 31 December 2003 (as subsequently amended) among Montanaro Asset Management 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 Partnership'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

Montanaro Asset Management Limited- General Partner

Date 10th April 2012

Montanaro Growth and Income Fund Limited Partnership No: 2

**Income Account
for the year ended 31 December 2011**

	Notes	2011 £	2010 £
Income			
Interest income		2	76
Dividends received		-	40,153
		<u>2</u>	<u>40,229</u>
 Expenses	 2	 <u>(4,660)</u>	 <u>(9,629)</u>
Net (loss)/income for the year		(4,658)	30,600
 Realised gains on sale of investments		 <u>-</u>	 <u>448,027</u>
(Loss)/profit for the year		<u>(4,658)</u>	<u>478,627</u>

Montanaro Growth and Income Fund Limited Partnership No: 2

**Statement of total recognised gains and losses
for the year ended 31 December 2011**

	Notes	2011 £	2010 £
Non distributable gains and losses			
Unrealised (losses)/gains on investments	3	<u>(787,524)</u>	<u>1,360,270</u>
Distributable gains and losses			
(Loss) / Profit for the year		(4,658)	478,627
Distribution to General Partner as Profit Share	7c	(53,723)	(228,434)
Change in unrealised losses on sale of investments		<u>-</u>	<u>(396,189)</u>
		<u>(58,381)</u>	<u>(145,996)</u>
Total recognised (losses)/gains for the year		<u><u>(845,905)</u></u>	<u><u>1,214,274</u></u>

**Note of historical cost profit and losses
for the year ended 31 December 2011**

	2011 £	2010 £
(Loss)/profit for the year before gains and losses on sale of investments	(4,658)	30,600
Realised gains on historical cost method	-	448,027
	<u>-</u>	<u>448,027</u>
Historical cost (loss)/ profit for the year	<u><u>(4,658)</u></u>	<u><u>478,627</u></u>

Montanaro Growth and Income Fund Limited Partnership No: 2

Balance sheet at 31 December 2011

	Notes	2011 £	2010 £
Fixed assets			
Investments	3	4,295,590	5,083,114
Current assets			
Short term cash deposits	4	4,727	4,784
Sundry debtors	5	58	-
		<u>4,785</u>	<u>4,784</u>
Current liabilities			
Creditors amounts falling due within one year	6	<u>(292,053)</u>	<u>(233,671)</u>
Net current liabilities		<u>(287,268)</u>	<u>(228,887)</u>
Total assets less current liabilities		<u>4,008,322</u>	<u>4,854,227</u>
Represented by			
Loan - Limited Partner	7a	2,082,593	2,082,593
Capital contributions	7b	2,084	2,084
Income accounts	7c	(564,219)	(505,838)
Unrealised movement in investments portfolio	7d	<u>2,487,864</u>	<u>3,275,388</u>
		<u>4,008,322</u>	<u>4,854,227</u>

The financial statements on pages 3 to 11 were approved by the General Partner on 10th April 2012



C G B Montanaro
Director
Montanaro Asset Management Limited- General Partner

Montanaro Growth and Income Fund Limited Partnership No: 2

**Cash flow statement
for the year ended 31 December 2011**

	Notes	2011 £	2010 £
Net cash inflow/(outflow) from operating activities	8	<u>53,666</u>	<u>(594,670)</u>
Capital expenditure and financial investment			
Receipt from sales of investments		<u>-</u>	<u>822,001</u>
		-	822,001
Financing			
Drawings		<u>(53,723)</u>	<u>(228,434)</u>
		(53,723)	(228,434)
Management of liquid resources			
(Decrease) in cash in year		<u>(57)</u>	<u>(1,103)</u>
(Decrease) in short term deposits		<u>(57)</u>	<u>(1,103)</u>

Montanaro Growth and Income Fund Limited Partnership No: 2

Notes to the financial statements for the year ended 31 December 2011

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

	2011 £	2010 £
Auditors' remuneration - audit services	2,985	2,679
Accounts production and tax fees	1,675	5,731
Custodian fees	-	1,177
Bank charges	-	42
	-	-
Total	<u>4,660</u>	<u>9,629</u>

3 Investments

Investments at 31 December 2011 were as follows

Investment	Number of Shares	Cost £	Value 2011 £	Value 2010 £
Montanaro European Small Companies Fund plc	1,789,829	<u>1,807,726</u>	<u>4,295,590</u>	<u>5,083,114</u>

Montanaro Growth and Income Fund Limited Partnership No: 2

Notes to the financial statements for the year ended 31 December 2011

3 Investments (continued)

The movement on investments during the year was as follows

	2011		2010	
	£	£	£	£
Market value at 1 January 2011		5,083,114		4,493,007
Purchases	-		-	
Sale proceeds	-		(822,001)	
Realised gains on sales	-		448,027	
Change in unrealised gains	-		(396,189)	
		-		(770,163)
Unrealised (losses)/gains for the year	(787,524)	(787,524)	1,360,270	1,360,270
Market value at 31 December 2011		<u>4,295,590</u>		<u>5,083,114</u>

4 Short term cash deposits

	2011 £	2010 £
At 1 January 2011	4,784	5,887
Net cash (outflow)	(57)	(1,103)
At 31 December 2011	<u>4,727</u>	<u>4,784</u>

5 Debtors

	2011 £	2010 £
Other debtors	58	-
	<u>58</u>	<u>-</u>

6 Creditors: amounts falling due within one year

	2011 £	2010 £
Other creditors	233,903	-
Accruals	58,150	233,671
	<u>292,053</u>	<u>233,671</u>

Montanaro Growth and Income Fund Limited Partnership No: 2

Notes to the financial statements for the year ended 31 December 2011

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

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%. 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 £2,084,677 (2010 £2,084,677) of which £2,082,593 (2010 £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:

	2011 £	2010 £
AXA UK Pension Trustees Corporation	<u>2,082,593</u>	<u>2,082,593</u>

b) Capital contribution accounts:

	2011 £	2010 £
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 2010 £
Montanaro Asset Management Limited	-	53,723	(53,723)	-
AXA UK Pension Trustees Corporation	(505,838)	(58,381)	-	(564,219)
	<u>(505,838)</u>	<u>(4,658)</u>	<u>(53,723)</u>	<u>(564,219)</u>

d) Unrealised movement on investments

	Brought forward £	Realised in year £	Unrealised movement £	31 December 2011 £
AXA UK Pension Trustees Corporation	<u>3,275,388</u>	-	<u>(787,524)</u>	<u>2,487,864</u>

Montanaro Growth and Income Fund Limited Partnership No: 2

Notes to the financial statements for the year ended 31 December 2011

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

	2011 £	2010 £
Net (loss)/gain for the year	(4,658)	30,600
(Increase)/decrease in debtors	(58)	40,376
Increase/(decrease) in creditors	58,382	(665,646)
	<u>53,666</u>	<u>(594,670)</u>

9 Related party transactions

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

Included in accruals is an amount of £53,723 (2010: £228,434) in respect of profit share due to Montanaro Asset Management Limited

Included in sundry creditors is an amount of £228,434 (2010: £nil) in respect of the prior year profit share due to Montanaro Asset Management Limited

10 Financial instruments

a) General

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>4,727</u>	<u>4,727</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 2010 was as follows

	Total Market Value £	Floating Rate * £
Short term cash deposits	<u>4,784</u>	<u>4,784</u>

c) Fair Value

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

Montanaro Growth and Income Fund Limited Partnership No: 2

**Notes to the financial statements
for the year ended 31 December 2011**

10 Financial instruments (continued)

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

Registered number: LP009424

Montanaro Growth and Income Fund Limited
Partnership No: 3

Report and Financial Statements
31 December 2011

THESE ACCOUNTS
FORM PART OF THE
GROUP ACCOUNTS
OF COMPANY
No. ...3246931...

WEDNESDAY

30/12/2012
COMPANIES HOUSE

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JUL 10 1964
U.S. DEPARTMENT OF COMMERCE
WASHINGTON, D.C.

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

We have audited the financial statements of the Montanaro Growth and Income Fund Limited Partnership No 3 for the period ended 31 December 2011 which comprise the Income Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of members and auditor

The members' responsibilities for preparing the Annual Report and 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 Members' 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). This report, including the opinion, has been prepared for and only for the members of the Partnership and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 United Kingdom Generally Accepted Accounting Practice.

In addition we report to you if, in our opinion, the Partnership has not kept adequate accounting records, or if we have not received all the information and explanations we require for our audit.

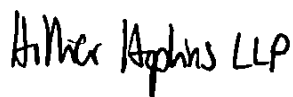
Basis of audit opinion

We conducted our audit in accordance with International Standards 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 members 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 the Partnership's affairs as at 31 December 2011 and of the results for the period then ended.



Hillier Hopkins LLP
Chartered Accountants and Statutory Auditor

64 Clarendon Road
Watford
WD17 1DA

Date 16 April 2012

Montanaro Growth and Income Fund Limited Partnership No: 3

Annual report

The General Partner presents his report and financial statements for the year ended 31 December 2011

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 2011 was satisfactory

Statement of responsibilities in respect of the financial statements

The Partnership Agreement dated 1 April 2004 among Montanaro Asset Management 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

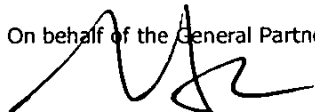
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare 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 Partnership'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

Montanaro Asset Management Limited- General Partner

Date 10th April 2012

Montanaro Growth and Income Fund Limited Partnership No: 3**Income Account
for the year ended 31 December 2011**

	Notes	2011 £	2010 £
Income			
Dividend income from listed investments		47,209	62,836
Interest income		85	89
Expenses	2	<u>(7,625)</u>	<u>(11,271)</u>
Net income for the year		39,669	51,654
Realised gains on sale of investments		<u>121,451</u>	<u>163,489</u>
Profit for the year		<u>161,120</u>	<u>215,143</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

**Statement of total recognised gains and losses
for the year ended 31 December 2011**

	Notes	2011 £	2010 £
Non distributable gains and losses			
Unrealised (losses)/gains on investments	3	<u>(384,272)</u>	<u>999,376</u>
Distributable gains and losses			
Gain for the year		161,120	215,143
Change in unrealised (losses) on sale of investments	3	(140,886)	(19,240)
Distribution to General Partner as Profit Share	7c	(46,320)	(188,732)
		<u>(26,086)</u>	<u>7,171</u>
Total recognised (losses)/gains for the year		<u><u>(410,358)</u></u>	<u><u>1,006,547</u></u>
Note of historical cost profit and losses for the year ended 31 December 2011			
		2011 £	2010 £
Profit for the year before gains and losses on sale of investments		39,669	51,654
Realised gains on historical cost method		121,451	163,489
		<u>161,120</u>	<u>215,143</u>
Historical cost profit for the period		<u><u>161,120</u></u>	<u><u>215,143</u></u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Balance sheet at 31 December 2011

	Notes	2011 £	2010 £
Fixed assets			
Investments	3	3,537,868	3,985,379
Current assets			
Short term cash deposits	4	99,469	207,546
Sundry debtors	5	2,684	665
		<u>102,153</u>	<u>208,211</u>
Current liabilities			
Creditors amounts falling due within one year	6	<u>(51,439)</u>	<u>(194,650)</u>
Net current assets		<u>50,714</u>	<u>13,561</u>
Total assets less current liabilities		<u><u>3,588,582</u></u>	<u><u>3,998,940</u></u>
Represented by			
Loan - Limited Partner	7a	2,054,677	2,054,677
Capital contributions	7b	2,057	2,057
Income accounts	7c	376,671	261,871
Unrealised movement in investments portfolio	7d	<u>1,155,177</u>	<u>1,680,335</u>
		<u><u>3,588,582</u></u>	<u><u>3,998,940</u></u>

The financial statements on pages 3 to 12 were approved by the General Partner on 10 H April 2012



C G B Montanaro
Director
Montanaro Asset Management Limited- General Partner

Montanaro Growth and Income Fund Limited Partnership No: 3**Cash flow statement
for the year ended 31 December 2011**

	Notes	2011 £	2010 £
Net cash (outflow)/inflow from operating activities	8	<u>(105,561)</u>	<u>63,230</u>
Capital expenditure and financial investment			
Payments to acquire investments		(807,846)	(934,511)
Receipt from sales of investments		<u>851,650</u>	<u>1,234,988</u>
		43,804	300,477
Financing			
Drawings		<u>(46,320)</u>	<u>(188,732)</u>
		(46,320)	(188,732)
Management of liquid resources			
(Decrease)/increase in cash in year		<u>(108,077)</u>	<u>174,975</u>
(Decrease)/increase in short term deposits		<u>(108,077)</u>	<u>174,975</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Notes to the financial statements for the year ended 31 December 2011

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

	2011 £	2010 £
Auditors' remuneration - audit services	2,947	2,601
Custodian expenses	3,000	5,876
Accounts production and tax fees	1,653	1,861
Legal fees	-	913
Bank charges	25	20
Total	<u>7,625</u>	<u>11,271</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Notes to the financial statements for the year ended 31 December 2011

3 Investments

Investments at 31 December 2011 were as follows

Share investment	Number of Shares	Cost £	Value 2011 £	Value 2010 £
Abcam Plc	12,327	43,220	44,994	-
Advanced Medical Solutions	40,669	32,682	37,416	-
Albermarle & Bond Hdgs	13,011	48,342	43,132	-
Andor Technology	6,669	38,502	39,681	-
Ashmore Group plc	7,574	18,992	25,297	50,265
Aveva Grp	2,157	28,143	30,845	24,210
Barr (A G) plc	3,334	31,706	40,441	27,300
Booker	54,925	23,959	40,645	45,187
Brammer	18,700	49,486	44,973	-
Bovis Homes Group	-	-	-	27,317
Brewin Dolphin	35,800	46,527	49,046	31,760
Brooks MacDonald	2,204	24,202	24,035	9,635
Cardco plc	11,304	19,646	32,782	54,338
Chemring Group	8,539	42,178	34,147	29,040
Consort medical	-	-	-	2,437
City of London Inv Grp	12,450	47,036	40,323	-
Clarkson	3,834	42,800	44,014	-
Croda International	2,138	19,917	38,570	64,640
Dechra Pharmaceuticals	9,568	38,145	49,658	37,500
Derwent London PLC	-	-	-	31,220
Devro plc	18,198	34,950	46,914	51,865
Dialight plc	4,106	11,068	28,701	42,749
Dignity PLC	6,142	33,832	50,426	44,222
Domino's Pizza	12,409	36,005	49,946	55,150
Domino Print	8,859	36,026	45,358	69,875
DTZ Holdings	-	-	-	22,250
Fenner Plc	13,665	38,119	54,742	50,092
Fisher J & Sons	5,866	25,481	29,858	50,500
Genus	4,355	26,618	45,423	47,190
Hamworthy plc	-	-	-	46,915
Helical Bar	-	-	-	4,275
Immunodiagnosics Sys	3,030	23,218	13,938	48,458
ITE Group Plc	25,124	45,501	51,253	-
James Halstead Plc	10,000	24,270	43,500	37,125
Latchways plc	3,538	30,945	39,006	52,900
Microgen Plc	20,596	32,583	26,620	-
M P Evans	-	-	-	27,776
Marshall's	-	-	-	23,569
Mears Group	-	-	-	30,300
Montanaro European Small Cos Fund	738,181	894,232	1,771,634	2,096,433
Mothercare	-	-	-	24,520
NCC Group Plc	8,701	33,465	72,632	55,250
Ocean Wilson Holdings	2,199	18,713	23,419	48,300
Phoenix IT Group	-	-	-	53,350
Premier Oil Plc	13,000	37,629	47,190	63,375
Primary Health Properties plc	-	-	-	30,150
Renishaw plc	4,989	46,453	50,139	19,065
Ricardo	12,920	46,623	47,724	43,725
Rightmove	3,492	43,942	43,441	-
Rotork plc	3,146	48,892	60,718	27,420
RPS Group	17,099	30,736	30,778	46,080
SDL plc	10,234	52,018	68,056	48,750
Severfield-Rowen	-	-	-	38,500
Shaftesbury	-	-	-	51,520
Supergroup Plc	4,310	46,027	21,873	-
Ultra Electric Holdings Plc	3,150	36,560	46,557	53,424
Victrix plc	4,144	32,275	45,418	71,532
Wilmington Group PLC	-	-	-	34,875
WSP GRP	11,000	21,027	22,605	39,050
		<u>2,382,691</u>	<u>3,537,868</u>	<u>3,985,379</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Notes to the financial statements for the year ended 31 December 2011

3 Investments (continued)

The movement on investments during the year was as follows

	2011		2010	
	£	£	£	£
Market value at 1 January 2011		3,985,379		3,142,231
Purchases	807,846		934,511	
Sale proceeds	(851,650)		(1,234,988)	
Realised gains on sales	121,451		163,489	
Change in unrealised (losses)	(140,886)		(19,240)	
		(63,239)		(156,228)
Unrealised (losses)/gains for the year	(384,272)	(384,272)	999,376	999,376
Market value at 31 December 2011		<u>3,537,868</u>		<u>3,985,379</u>

4 Short term cash deposits

	2011	2010
	£	£
At 1 January 2011	207,546	32,571
Net cash (outflow)/inflow	(108,077)	174,975
At 31 December 2011	<u>99,469</u>	<u>207,546</u>

5 Debtors

	2011	2010
	£	£
Dividends receivable	2,684	665
	<u>2,684</u>	<u>665</u>

6 Creditors: amounts falling due within one year

	2011	2010
	£	£
Accruals	51,439	194,650
	<u>51,439</u>	<u>194,650</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Notes to the financial statements for the year ended 31 December 2011

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. 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%. 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 £2,056,734 (2010 £2,056,734) of which £2,054,677 (2010 £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:

	2011 £	2010 £
East Riding of Yorkshire Council	<u>2,054,677</u>	<u>2,054,677</u>

b) Capital contribution accounts:

	2011 £	2010 £
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 2011 £
Montanaro Asset Management Limited	-	46,320	(46,320)	-
East Riding of Yorkshire Council	261,871	114,800	-	376,671
	<u>261,871</u>	<u>161,120</u>	<u>(46,320)</u>	<u>376,671</u>

d) Unrealised movement on investments

	Brought forward £	Realised in period £	Unrealised movement £	31 December 2011 £
East Riding of Yorkshire Council	<u>1,680,335</u>	<u>(140,886)</u>	<u>(384,272)</u>	<u>1,155,177</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Notes to the financial statements for the year ended 31 December 2011

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

	2011	2010
	£	£
Net profit for the year	39,669	51,654
(Increase)/decrease in debtors	(2,019)	1,808
(Decrease)/increase in creditors	(143,211)	9,768
	<u>(105,561)</u>	<u>63,230</u>

9 Related party transactions

The profit share paid to Montanaro Asset Management Limited is shown in note 7c to the financial statements.

Included in accruals is an amount of £46,320 (2010 £188,732) in respect of profit share due to Montanaro Asset Management Limited

10 Financial instruments

a) General

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>99,469</u>	<u>99,469</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 2010 was as follows

	Total Market Value	Floating Rate *
	£	£
Short term cash deposits	<u>207,546</u>	<u>207,546</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

**Notes to the financial statements
for the year ended 31 December 2011**

10 Financial instruments (continued)

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

Registered number: LP009248

Montanaro Growth and Income Fund Limited
Partnership No: 4

Report and Financial Statements
31 December 2011

THESE ACCOUNTS
FORM PART OF THE
GROUP ACCOUNTS
OF COMPANY
No. 3286931



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 financial statements of the Montanaro Growth and Income Fund Limited Partnership No 4 for the period ended 31 December 2011 which comprise the Income Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of members and auditor

The members' responsibilities for preparing the Annual Report and 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 Members' 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). This report, including the opinion, has been prepared for and only for the members of the Partnership and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 United Kingdom Generally Accepted Accounting Practice.

In addition we report to you if, in our opinion, the Partnership has not kept adequate accounting records, or if we have not received all the information and explanations we require for our audit.

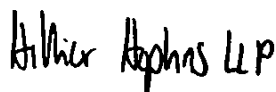
Basis of audit opinion

We conducted our audit in accordance with International Standards 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 members 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 the Partnership's affairs as at 31 December 2011 and of the results for the period then ended.



Hillier Hopkins LLP

Chartered Accountants and Statutory Auditor

64 Clarendon Road
Watford
WD17 1DA

Date

16 April 2012

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 2011

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 2011 was satisfactory

Statement of responsibilities in respect of the financial statements

The Partnership Agreement dated 1 January 2004 among Montanaro Asset Management 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 Partnership'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

Montanaro Asset Management Limited- General Partner

Date 10th April 2012

Montanaro Growth and Income Fund Limited Partnership No: 4**Income Account
for the year ended 31 December 2011**

	Notes	2011 £	2010 £
Income			
Dividend income from listed investments		-	72,913
Interest income		<u>116</u>	<u>196</u>
		116	73,109
Expenses	2	<u>(7,084)</u>	<u>(14,859)</u>
Net (loss)/income for the year		(6,968)	58,250
Rebate of management fees	11	106,694	391,406
Realised gains on sale of investments		<u>-</u>	<u>1,106,658</u>
Profit for the year		<u>99,726</u>	<u>1,556,314</u>

Montanaro Growth and Income Fund Limited Partnership No: 4

**Statement of total recognised gains and losses
for the year ended 31 December 2011**

	Notes	2011 £	2010 £
Non distributable gains and losses			
Unrealised (losses)/gains on investments	3	<u>(349,187)</u>	<u>1,425,142</u>
Distributable gains and losses			
Gains for the year		99,726	1,556,314
Change in unrealised (losses) on sale of investments	3	-	(889,802)
Distribution to General Partner as Profit Share	7c	<u>(69,848)</u>	<u>(59,889)</u>
		<u>29,878</u>	<u>606,623</u>
Total recognised (losses)/gains for the year		<u><u>(319,309)</u></u>	<u><u>2,031,765</u></u>
Note of historical cost profit and losses for the year ended 31 December 2011			
		2011 £	2010 £
Profit for the year before gains and losses on sale of investments		99,726	449,656
Realised gains on historical cost method		-	1,106,658
Historical cost profit for the period		<u><u>99,726</u></u>	<u><u>1,556,314</u></u>

Montanaro Growth and Income Fund Limited Partnership No: 4

**Balance sheet
at 31 December 2011**

	Notes	2011 £	2010 £
Fixed assets			
Investments	3	7,125,243	6,974,378
Current assets			
Short term cash deposits	4	43,189	219,917
Sundry debtors	5	106,694	391,406
		<u>149,883</u>	<u>611,323</u>
Current liabilities			
Creditors amounts falling due within one year	6	<u>(76,555)</u>	<u>(67,821)</u>
Net current assets		<u>73,328</u>	<u>543,502</u>
Total assets less current liabilities		<u><u>7,198,571</u></u>	<u><u>7,517,880</u></u>
Represented by			
Loan - Limited Partner	7a	3,162,389	3,162,389
Capital contributions	7b	3,166	3,166
Income accounts	7c	2,957,061	2,927,183
Unrealised movement in investments portfolio	7d	<u>1,075,955</u>	<u>1,425,142</u>
		<u><u>7,198,571</u></u>	<u><u>7,517,880</u></u>

The financial statements on pages 3 to 11 were approved by the General Partner on 10th April 2012



C G B Montanaro
Director
Montanaro Asset Management Limited- General Partner

Montanaro Growth and Income Fund Limited Partnership No: 4

**Cash flow statement
for the year ended 31 December 2011**

	Notes	2011 £	2010 £
Net cash inflow from operating activities	8	<u>393,172</u>	<u>76,394</u>
Capital expenditure and financial investment			
Payments to acquire investments		(500,052)	(7,345,167)
Receipts from sale of investments		<u>-</u>	<u>7,484,181</u>
		(500,052)	139,014
Financing			
Drawings		<u>(69,848)</u>	<u>(59,889)</u>
		(69,848)	(59,889)
Management of liquid resources			
(Decrease)/increase in cash in year		<u>(176,728)</u>	<u>155,519</u>
(Decrease)/increase in short term deposits		<u>(176,728)</u>	<u>155,519</u>

Montanaro Growth and Income Fund Limited Partnership No: 4

Notes to the financial statements for the year ended 31 December 2011

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

	2011 £	2010 £
Auditors' remuneration - audit services	4,522	3,991
Custodian expenses	-	6,591
Accounts production and tax fees	2,537	2,856
Legal fees	-	1,401
Bank charges	25	20
Total	<u>7,084</u>	<u>14,859</u>

3 Investments

Investments at 31 December 2011 were as follows

Share investment	Number of Shares	Cost £	Value 2011 £	Value 2010 £
Montanaro Focus Fund	4,626	<u>6,049,288</u>	<u>7,125,243</u>	<u>6,974,378</u>

Montanaro Growth and Income Fund Limited Partnership No: 4

Notes to the financial statements for the year ended 31 December 2011

3 Investments (continued)

The movement on investments during the year was as follows

	2011	2010
	£	£
Market value at 1 January 2011	6,974,378	5,471,394
Purchases	500,052	7,345,167
Sale proceeds	-	(7,484,181)
Realised gains on sales	-	1,106,658
Change in unrealised (losses)	-	(889,802)
	500,052	77,842
Unrealised (losses)/gains for the year	(349,187)	1,425,142
	(349,187)	1,425,142
Market value at 31 December 2011	7,125,243	6,974,378

4 Short term cash deposits

	2011	2010
	£	£
At 1 January 2011	219,917	64,398
Net cash (outflow)/inflow	(176,728)	155,519
At 31 December 2011	43,189	219,917

5 Debtors

	2011	2010
	£	£
Rebate of management fees receivable	106,694	391,406
	106,694	391,406

6 Creditors: amounts falling due within one year

	2011	2010
	£	£
Accruals	76,555	67,821
	76,555	67,821

Montanaro Growth and Income Fund Limited Partnership No: 4

Notes to the financial statements for the year ended 31 December 2011

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

The total commitment of the Limited Partner is £3,165,555 (2010: £3,165,555) of which £3,162,389 (2010: £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:

	2011 £	2010 £
The Church Commissioners for England	<u>3,162,389</u>	<u>3,162,389</u>

b) Capital contribution accounts:

	2011 £	2010 £
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 2011 £
Montanaro Asset Management Limited	-	69,848	(69,848)	-
The Church Commissioners for England	2,927,183	29,878	-	2,957,061
	<u>2,927,183</u>	<u>99,726</u>	<u>(69,848)</u>	<u>2,957,061</u>

d) Unrealised movement on investments

	Brought forward £	Realised in period £	Unrealised movement £	31 December 2011 £
The Church Commissioners for England	<u>1,425,142</u>	-	<u>(349,187)</u>	<u>1,075,955</u>

Montanaro Growth and Income Fund Limited Partnership No: 4

Notes to the financial statements for the year ended 31 December 2011

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

	2011	2010
	£	£
Net gain for the year	99,726	449,656
Decrease/(increase) in debtors	284,712	(373,641)
Increase in creditors	8,734	379
	<u>393,172</u>	<u>76,394</u>

9 Related party transactions

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

Included in accruals is an amount of £69,848 (2010 £59,889) in respect of profit share due to Montanaro Asset Management Limited

10 Financial instruments

a) General

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>43,189</u>	<u>43,189</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 2010 was as follows

	Total Market Value	Floating Rate *
	£	£
Short term cash deposits	<u>219,917</u>	<u>219,917</u>

Montanaro Growth and Income Fund Limited Partnership No: 4

Notes to the financial statements for the year ended 31 December 2011

10 Financial instruments (continued)

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

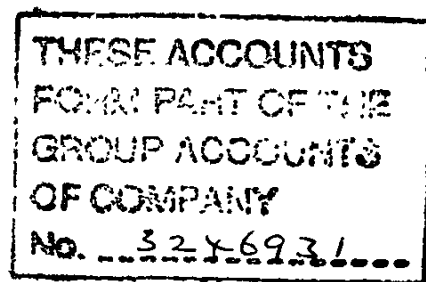
11 Management fee rebate

The Montanaro Growth and Income Fund Limited Partnership No 4 invests solely in the Montanaro Focus Fund. The Montanaro Focus Fund is managed by Montanaro Asset Management Limited and under the terms of the partnership deed Montanaro Asset Management Limited are not permitted to earn fees from investments in funds that it directly manages. As such Montanaro Asset Management Limited has rebated the element of its management fee directly related to the Montanaro Growth and Income Fund Limited Partnership No 4. This rebate will be used to re-invest in the Montanaro Focus Fund.

Registered number: LP009249

Montanaro Growth and Income Fund Limited
Partnership No: 5

Report and Financial Statements
31 December 2011



WEDNESDAY

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STANDARD
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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

We have audited the financial statements of the Montanaro Growth and Income Fund Limited Partnership No 5 for the period ended 31 December 2011 which comprise the Income Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of members and auditor

The members' responsibilities for preparing the Annual Report and 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 Members' 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). This report, including the opinion, has been prepared for and only for the members of the Partnership and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 United Kingdom Generally Accepted Accounting Practice.

In addition we report to you if, in our opinion, the Partnership has not kept adequate 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 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 members 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 the Partnership's affairs as at 31 December 2011 and of the results for the period then ended.



Hillier Hopkins LLP

Chartered Accountants and Statutory Auditor

64 Clarendon Road
Watford
WD17 1DA

Date 16 April 2012

Montanaro Growth and Income Fund Limited Partnership No: 5

Annual report

The General Partner presents his report and financial statements for the year ended 31 December 2011

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 2011 was satisfactory

Statement of responsibilities in respect of the financial statements

The Partnership Agreement dated 31 December 2003 among Montanaro Asset Management 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

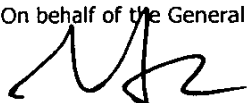
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare 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 Partnership'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

Montanaro Asset Management Limited- General Partner

Date 10th April 2012

Montanaro Growth and Income Fund Limited Partnership No: 5

**Income Account
for the year ended 31 December 2011**

	Notes	2011 £	2010 £
Income			
Dividend income from listed investments		31,232	38,078
Interest income		<u>16</u>	<u>64</u>
		31,248	38,142
 Expenses	 2	 <u>(5,424)</u>	 <u>(7,806)</u>
Net income for the year		25,824	30,336
 Realised gains on sale of investments		 <u>50,518</u>	 <u>83,618</u>
Profit for the year		<u>76,342</u>	<u>113,954</u>

Montanaro Growth and Income Fund Limited Partnership No: 5

**Statement of total recognised gains and losses
for the year ended 31 December 2011**

	Notes	2011 £	2010 £
Non distributable gains and losses			
Unrealised (losses)/gains on investments	3	<u>(211,100)</u>	<u>602,369</u>
Distributable gains and losses			
Gain for the year		76,342	113,954
Change in unrealised (losses) on sale of investments	3	(101,743)	(30,770)
Distribution to General Partner as Profit Share	7c	(27,244)	(110,704)
		<u>(52,645)</u>	<u>(27,520)</u>
Total recognised (losses)/gains for the year		<u><u>(263,745)</u></u>	<u><u>574,849</u></u>

**Note of historical cost profit and losses
for the year ended 31 December 2011**

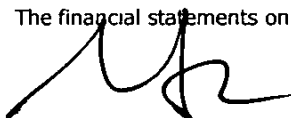
	2011 £	2010 £
Profit for the year before gains and losses on sale of investments	25,824	30,336
Realised gains on historical cost method	50,518	83,618
	<u>76,342</u>	<u>113,954</u>
Historical cost profit for the period	<u><u>76,342</u></u>	<u><u>113,954</u></u>

Montanaro Growth and Income Fund Limited Partnership No: 5

Balance sheet at 31 December 2011

	Notes	2011 £	2010 £
Fixed assets			
Investments	3	2,082,743	2,454,590
Current assets			
Short term cash deposits	4	35,247	12,528
Sundry debtors	5	1,870	363
		<u>37,117</u>	<u>12,891</u>
Current liabilities			
Creditors amounts falling due within one year	6	<u>(30,275)</u>	<u>(114,151)</u>
Net current assets/(liabilities)		<u>6,842</u>	<u>(101,260)</u>
Total assets less current liabilities		<u><u>2,089,585</u></u>	<u><u>2,353,330</u></u>
Represented by			
Loan - Limited Partner	7a	1,076,915	1,076,915
Capital contributions	7b	1,078	1,078
Income accounts	7c	328,832	279,734
Unrealised movement in investments portfolio	7d	<u>682,760</u>	<u>995,603</u>
		<u><u>2,089,585</u></u>	<u><u>2,353,330</u></u>

The financial statements on pages 3 to 12 were approved by the General Partner on 10th April 2012



C G B Montanaro
Director
Montanaro Asset Management Limited- General Partner

Montanaro Growth and Income Fund Limited Partnership No: 5**Cash flow statement
for the year ended 31 December 2011**

	Notes	2011 £	2010 £
Net cash (outflow)/inflow from operating activities	8	<u>(59,559)</u>	<u>36,702</u>
Capital expenditure and financial investment			
Payments to acquire investments		(460,064)	(630,610)
Receipt from sales of investments		<u>569,586</u>	<u>696,704</u>
		109,522	66,094
Financing			
Drawings		<u>(27,244)</u>	<u>(110,704)</u>
		(27,244)	(110,704)
Management of liquid resources			
Increase/(decrease) in cash in year		<u>22,719</u>	<u>(7,908)</u>
Increase/(decrease) in short term deposits		<u>22,719</u>	<u>(7,908)</u>

Montanaro Growth and Income Fund Limited Partnership No: 5

Notes to the financial statements for the year ended 31 December 2011

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

	2011 £	2010 £
Auditors' remuneration - audit services	1,537	1,356
Custodian expenses	3,000	4,982
Accounts production and tax fees	862	971
Legal fees	-	476
Bank charges	25	21
Total	<u>5,424</u>	<u>7,806</u>

Montanaro Growth and Income Fund Limited Partnership No: 5

Notes to the financial statements for the year ended 31 December 2011

3 Investments

Investments at 31 December 2011 were as follows

Share investment	Number of Shares	Cost £	Value 2011 £	Value 2010 £
Abcam Plc	7,860	26,344	28,689	-
Aberdeen Asset Management	12,200	25,347	25,864	-
Andor Technology	2,500	14,535	14,875	-
Ashmore Group	9,550	26,614	31,897	25,132
AVEVA Group	1,500	17,322	21,450	24,210
Barr(A G) plc	1,500	15,182	18,195	21,840
Booker	21,300	9,292	15,762	24,100
Bovis Homes Group PLC		-	-	16,142
Brammer	5,700	17,585	13,709	-
Brewin Dolphin		-	-	31,760
Brooks Macdonald	3,470	40,193	37,840	-
Carclo plc		-	-	36,225
Chemring Group plc	6,300	27,400	25,194	30,202
Consort Medical		-	-	21,938
Craneware PLC	1,800	10,855	8,910	-
Croda International	2,000	18,632	36,080	32,320
Dechra Pharmaceuticals	4,500	15,868	23,355	22,500
Derwent London PLC		-	-	15,610
Devro plc	13,800	29,351	35,576	30,360
Dialight plc	3,507	8,882	24,514	27,792
Dignity PLC	3,020	17,544	24,794	28,800
Domino's Pizza UK & IRL	5,991	15,993	24,114	38,605
Domino Printing Services plc	7,040	29,427	36,045	39,000
DTZ Holdings		-	-	8,900
Enquest Plc	17,000	18,857	15,717	-
Fenner plc	9,800	25,909	39,259	35,780
Fidessa Group Plc	1,170	19,838	17,702	-
Fisher (J) & Sons PLC	6,000	26,153	30,540	30,300
Genus	2,340	11,066	24,406	25,740
Halma	4,900	16,840	16,190	-
Hamworthy plc		-	-	21,325
Hargreaves Lansdown	5,900	30,172	25,399	-
Helical Bar Plc	13,600	32,231	25,330	21,375
ITE Group	6,000	11,979	12,240	-
Immunodiagnosics System		-	-	23,075
James Halstead Plc	7,000	16,899	30,450	25,987
Kenmare Resources Plc		-	-	-
Latchways	3,090	16,412	34,067	42,320
Marshalls		-	-	18,331
Mears Group plc		-	-	18,180
Montanaro European Small Cos Fund	419,787	525,449	1,007,489	1,192,195
Mothercare		-	-	15,325
M P Evans		-	-	36,704
NCC Group	5,140	21,291	42,906	35,912
Ocean Wilson Holdings plc	2,400	23,723	25,560	27,600
Phoenix IT Group		-	-	16,005
Premier Oil plc	9,900	36,624	35,937	39,000
Carried forward		1,199,809	1,830,055	2,100,590

Montanaro Growth and Income Fund Limited Partnership No: 5

Notes to the financial statements for the year ended 31 December 2011

3 Investments (continued)

Investments at 31 December 2011 were as follows

Share investment	Number of Shares	Cost £	Value 2011 £	Value 2010 £
Brought forward		1,199,809	1,830,055	2,100,590
Primary Health Properties PLC			-	23,450
Renishaw plc	3,400	35,964	34,170	24,600
Ricardo	10,000	18,882	36,938	29,150
Rightmove PLC	1,320	16,313	16,421	
Rotork plc	2,014	31,737	38,870	27,420
RPS Group	17,800	33,548	32,040	34,560
SDL plc	4,045	19,943	26,899	32,500
Salamander Energy			-	-
Scott Wilson			-	-
Senior plc			-	-
Severfield-Rowen			-	24,640
Shaftesbury	7,073	24,137	33,045	26,132
Ultra Electric Holdings			-	31,376
Victrex plc	3,130	19,649	34,305	50,072
VP PLC			-	-
Wilmington Group PLC			-	21,700
Workspace Group			-	-
WSP Group			-	28,400
		<u>1,399,982</u>	<u>2,082,743</u>	<u>2,454,590</u>

The movement on investments during the year was as follows

	2011		2010	
	£	£	£	£
Market value at 1 January 2011		2,454,590		1,865,467
Purchases	460,064		630,610	
Sale proceeds	(569,586)		(696,704)	
Realised gains on sales	50,518		83,618	
Change in unrealised (losses)	(101,743)		(30,770)	
		<u>(160,747)</u>		<u>(13,246)</u>
Unrealised (losses)/gains for the year	<u>(211,100)</u>		<u>602,369</u>	
		(211,100)		602,369
Market value at 31 December 2011		<u>2,082,743</u>		<u>2,454,590</u>

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Notes to the financial statements for the year ended 31 December 2011

4 Short term cash deposits

	2011 £	2010 £
At 1 January 2011	12,528	20,436
Net cash inflow/(outflow)	22,719	(7,908)
	<hr/>	<hr/>
At 31 December 2011	<u>35,247</u>	<u>12,528</u>

5 Debtors

	2011 £	2010 £
Dividends receivable	1,870	363
	<hr/>	<hr/>
	<u>1,870</u>	<u>363</u>

6 Creditors: amounts falling due within one year

	2011 £	2010 £
Accruals	30,275	114,151
	<hr/>	<hr/>
	<u>30,275</u>	<u>114,151</u>

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. 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%. 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 £1,077,993 (2010 £1,077,993) of which £1,076,915 (2010 £1,076,915) 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.

Montanaro Growth and Income Fund Limited Partnership No: 5

Notes to the financial statements for the year ended 31 December 2011

7 Partners' loan, capital, income and unrealised movement on investment accounts (continued)

a) Loan accounts:

	2011 £	2010 £
The South Yorkshire Pensions Authority	<u>1,076,915</u>	<u>1,076,915</u>

b) Capital contribution accounts:

	2011 £	2010 £
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 2011 £
Montanaro Asset Management Limited	-	27,244	(27,244)	-
The South Yorkshire Pensions Authority	279,734	49,098	-	328,832
	<u>279,734</u>	<u>76,342</u>	<u>(27,244)</u>	<u>328,832</u>

d) Unrealised movement on investments

	Brought forward £	Realised in period £	Unrealised movement £	31 December 2011 £
The South Yorkshire Pensions Authority	<u>995,603</u>	<u>(101,743)</u>	<u>(211,100)</u>	<u>682,760</u>

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

	2011 £	2010 £
Net gain for the year	25,824	30,336
(Increase)/decrease in debtors	(1,507)	1,210
(Decrease)/increase in creditors	<u>(83,876)</u>	<u>5,156</u>
	<u>(59,559)</u>	<u>36,702</u>

Montanaro Growth and Income Fund Limited Partnership No: 5

Notes to the financial statements for the year ended 31 December 2011

9 Related party transactions

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

Included in accruals is an amount of £27,244 (2010 £110,704) in respect of profit share due to Montanaro Asset Management Limited

10 Financial instruments

a) General

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>35,247</u>	<u>35,247</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 2010 was as follows

	Total Market Value	Floating Rate *
	£	£
Short term cash deposits	<u>12,528</u>	<u>12,528</u>

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

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