
MONTANARO ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012



MONTANARO ASSET MANAGEMENT LIMITED

COMPANY INFORMATION

DIRECTORS	C G B Montanaro R Singleton (resigned 18 December 2012) J G Tregoning
COMPANY SECRETARY	Mrs G C Edwardes Ker
REGISTERED NUMBER	03246931
REGISTERED OFFICE	53 Threadneedle Street London EC2R 8AR
INDEPENDENT AUDITOR	Hillier Hopkins LLP Chartered Accountants & Statutory Auditor 64 Clarendon Road Watford Herts WD17 1DA

MONTANARO ASSET MANAGEMENT LIMITED

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MONTANARO ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors present their report and the financial statements for the year ended 31 December 2012

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 accounting 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. During the year and up until 31 March 2013 the Company was authorised and regulated by the Financial Services Authority. As from 1 April 2013 it is authorised and regulated by the Financial Conduct Authority.

The Directors are of the opinion that the state of the Company's affairs at 31 December 2012 was satisfactory.

BUSINESS REVIEW

Against a subdued economic background in both the UK and Europe, investors in European SmallCap equity markets saw positive returns in 2012 in the range of 25% - 30%. This was in marked contrast to the negative returns of 2011. It was a strong year for SmallCap investors and the Company's relative outperformance against various benchmark indices was pleasing.

Overall assets under management increased by 55% to £1.6bn (2010: £1bn) as a result of strong inflows into existing Funds, the launch of 3 new sub-funds and rising stock markets. The outlook for European SmallCap in 2013 appears encouraging.

The increase in profit during the year was a result of the above.

The Board carefully considers the principal risks for the Company and seeks to mitigate these risks through continual and regular reviews. The Company retains cash in good years and hence the balance sheet shows significant levels of cash, sufficient to cover fixed overheads for several years even without any further revenues.

MONTANARO ASSET MANAGEMENT LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012**

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 and looks to the future with confidence.

RESULTS

The profit for the year, after taxation, amounted to £7,065,458 (2011 - £5,709,681)

DIRECTORS

The Directors who served during the year were

C G B Montanaro
R Singleton (resigned 18 December 2012)
J G Tregoning

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the Company made charitable contributions of £850 (2011 £12,115)

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



C G B Montanaro
Director

Date 8th April 2013

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 2012, 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 2012 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



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 10th April 2013

MONTANARO ASSET MANAGEMENT LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £	2011 £
TURNOVER	1,2	18,907,801	15,710,412
Cost of sales		<u>(4,418,953)</u>	<u>(3,346,498)</u>
GROSS PROFIT		14,488,848	12,363,914
Administrative expenses		<u>(5,358,081)</u>	<u>(4,792,556)</u>
OPERATING PROFIT	3	9,130,767	7,571,358
Income from other fixed asset investments		100,138	76,830
Interest receivable and similar income	7	156,830	104,509
Interest payable and similar charges	8	<u>-</u>	<u>(10,955)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		9,387,735	7,741,742
Tax on profit on ordinary activities	9	<u>(2,322,277)</u>	<u>(2,032,061)</u>
PROFIT FOR THE FINANCIAL YEAR	17	<u>7,065,458</u>	<u>5,709,681</u>

All amounts relate to continuing operations

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

MONTANARO ASSET MANAGEMENT LIMITED

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2012**

	2012	2011
	£	£
PROFIT FOR THE FINANCIAL YEAR	7,065,458	5,709,681
Unrealised surplus/ (deficit) on revaluation of current asset investments	<u>1,386,206</u>	<u>(1,058,272)</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u><u>8,451,664</u></u>	<u><u>4,651,409</u></u>

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 2012

	Note	£	2012 £	£	2011 £
FIXED ASSETS					
Tangible assets	10		245,685		320,874
CURRENT ASSETS					
Debtors	12	6,293,408		3,057,270	
Investments	13	10,405,063		4,345,479	
Cash at bank and in hand		17,077,949		19,904,894	
		<u>33,776,420</u>		<u>27,307,643</u>	
CREDITORS amounts falling due within one year	14	(5,017,122)		(4,721,198)	
NET CURRENT ASSETS			<u>28,759,298</u>		<u>22,586,445</u>
NET ASSETS			<u>29,004,983</u>		<u>22,907,319</u>
CAPITAL AND RESERVES					
Called-up share capital	16		550,000		550,000
Revaluation reserve	17		1,906,974		520,768
Profit and loss account	17		26,548,009		21,836,551
SHAREHOLDERS' FUNDS	18		<u>29,004,983</u>		<u>22,907,319</u>

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



C G B Montanaro
Director

Date 8th April 2013

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 2012

	Note	£	2012 £	£	2011 £
FIXED ASSETS					
Tangible assets	10		245,685		320,874
Investments	11		50,000		50,000
			<u>295,685</u>		<u>370,874</u>
CURRENT ASSETS					
Debtors	12	6,293,408		3,057,269	
Investments	13	10,405,063		4,345,479	
Cash at bank and in hand		17,073,000		19,899,916	
		<u>33,771,471</u>		<u>27,302,664</u>	
CREDITORS amounts falling due within one year	14	(5,546,191)		(5,250,236)	
NET CURRENT ASSETS			<u>28,225,280</u>		<u>22,052,428</u>
NET ASSETS			<u><u>28,520,965</u></u>		<u><u>22,423,302</u></u>
CAPITAL AND RESERVES					
Called-up share capital	16		550,000		550,000
Revaluation reserve	17		1,906,974		520,768
Profit and loss account	17		26,063,991		21,352,534
SHAREHOLDERS' FUNDS	18		<u><u>28,520,965</u></u>		<u><u>22,423,302</u></u>

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



C G B Montanaro
Director

Date 8 H April 2013

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

MONTANARO ASSET MANAGEMENT LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £	2011 £
Net cash flow from operating activities	20	5,887,872	23,179,906
Returns on investments and servicing of finance	21	256,968	170,384
Taxation		(1,927,206)	(5,442,924)
Capital expenditure and financial investment	21	(17,202)	(116,750)
Equity dividends paid		(2,354,000)	(4,702,500)
CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES		1,846,432	13,088,116
Management of liquid resources	21	(4,673,377)	(931,325)
(DECREASE)/INCREASE IN CASH IN THE YEAR		(2,826,945)	12,156,791

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	2012 £	2011 £
(Decrease)/Increase in cash in the year	(2,826,945)	12,156,791
Cash outflow from decrease in liquid resources	4,673,377	931,325
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	1,846,432	13,088,116
Other non-cash changes	1,386,207	(1,058,273)
MOVEMENT IN NET DEBT IN THE YEAR	3,232,639	12,029,843
Net funds at 1 January 2012	24,250,373	12,220,530
NET FUNDS AT 31 DECEMBER 2012	27,483,012	24,250,373

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 2012

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 2012

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

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 2012**

2. TURNOVER

The geographical analysis of turnover is as follows

	2012 £	2011 £
United Kingdom	4,868,002	5,443,842
Europe	14,039,799	10,266,570
	<u>18,907,801</u>	<u>15,710,412</u>

3 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2012 £	2011 £
Depreciation of tangible fixed assets		
- owned by the group	92,550	99,685
Operating lease rentals		
- other operating leases	142,657	187,882
Difference on foreign exchange	26,876	123,338
	<u>261,083</u>	<u>410,905</u>

4. AUDITORS' REMUNERATION

	2012 £	2011 £
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	20,990	20,000
Fees payable to the Company's Auditor in respect of Other services	15,286	13,750
	<u>36,276</u>	<u>33,750</u>

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

5 STAFF COSTS

Staff costs, including Directors' remuneration, were as follows

	2012 £	2011 £
Wages and salaries	3,313,042	2,700,347
Social security costs	443,403	378,289
Other pension costs	48,000	240,000
	<u>3,804,445</u>	<u>3,318,636</u>

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

	2012 No.	2011 No
	<u>21</u>	<u>20</u>

6 DIRECTORS' REMUNERATION

	2012 £	2011 £
Emoluments	<u>678,682</u>	<u>585,548</u>
Company pension contributions to defined contribution pension schemes	<u>-</u>	<u>100,000</u>

During the year retirement benefits were accruing to 1 Director (2011 - 1) in respect of defined contribution pension schemes

The highest paid Director received remuneration of £414,664 (2011 - £396,306)

The value of the company's contributions to a defined contribution pension scheme in respect of the highest paid Director amounted to £nil (2011 - £100,000)

7. INTEREST RECEIVABLE

	2012 £	2011 £
Bank interest receivable	<u>156,830</u>	<u>104,509</u>

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

8 INTEREST PAYABLE

	2012 £	2011 £
Other interest payable	-	10,955

9. TAXATION

	2012 £	2011 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	2,377,588	2,216,250
Deferred tax (see note 15)		
Origination and reversal of timing differences	(55,311)	(184,189)
Tax on profit on ordinary activities	2,322,277	2,032,061

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2011 - *higher than*) the standard rate of corporation tax in the UK of 24.5% (2011 - 26%). The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	9,387,735	7,741,742
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 - 26%)	2,299,995	2,012,853
Effects of		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	89,526	214,973
Capital allowances for year in excess of depreciation	12,601	8,400
Dividends and distributions received	(24,534)	(19,976)
Current tax charge for the year (see note above)	2,377,588	2,216,250

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 2012**

10. TANGIBLE FIXED ASSETS

Group and Company	L/Term Leasehold Property £	Fixtures, fittings and equipment £	Total £
Cost or valuation			
At 1 January 2012	453,599	291,020	744,619
Additions	-	19,118	19,118
Disposals	-	(1,833)	(1,833)
At 31 December 2012	<u>453,599</u>	<u>308,305</u>	<u>761,904</u>
Depreciation			
At 1 January 2012	225,504	198,241	423,745
Charge for the year	45,360	47,190	92,550
On disposals	-	(76)	(76)
At 31 December 2012	<u>270,864</u>	<u>245,355</u>	<u>516,219</u>
Net book value			
At 31 December 2012	<u>182,735</u>	<u>62,950</u>	<u>245,685</u>
<i>At 31 December 2011</i>	<u>228,095</u>	<u>92,779</u>	<u>320,874</u>

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

11. FIXED ASSET INVESTMENTS

Company	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2012 and 31 December 2012	50,000
Net book value	
At 31 December 2012	50,000
At 31 December 2011	50,000

12. DEBTORS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade debtors	339,820	574,383	339,820	574,382
Other debtors	5,535	11,544	5,535	11,544
Prepayments and accrued income	5,709,250	2,287,851	5,709,250	2,287,851
Deferred tax asset (see note 15)	238,803	183,492	238,803	183,492
	6,293,408	3,057,270	6,293,408	3,057,269

13. CURRENT ASSET INVESTMENTS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Listed investments	10,405,063	4,345,479	10,405,063	4,345,479

Group and company listed investments

The cost of the listed investments at 31 December 2012 was £8,498,089 (2011 £3,824,712)

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

14. CREDITORS

Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	2012	2011	2012	2011
	£	£	£	£
Trade creditors	49,094	29,555	49,094	29,555
Amounts owed to group undertakings	-	-	529,069	529,039
Corporation tax	1,175,546	725,164	1,175,546	725,164
Social security and other taxes	183,135	130,112	183,135	130,112
Other creditors	974,127	2,011,128	974,127	2,011,127
Accruals and deferred income	2,635,220	1,825,239	2,635,220	1,825,239
	<u>5,017,122</u>	<u>4,721,198</u>	<u>5,546,191</u>	<u>5,250,236</u>

15 DEFERRED TAX ASSET

	<u>Group and Company</u>	
	2012	2011
	£	£
At beginning of year	183,492	(697)
Released during the year	55,311	184,189
	<u>238,803</u>	<u>183,492</u>

The deferred tax asset is made up as follows

	<u>Group and Company</u>	
	2012	2011
	£	£
Accelerated capital allowances	(33,935)	(50,156)
Other timing differences	272,738	233,648
	<u>238,803</u>	<u>183,492</u>

16 SHARE CAPITAL

	2012	2011
	£	£
Allotted, called up and fully paid		
550,000 Ordinary shares of £1 each	-	550,000
1,567,500 Deferred Ordinary shares of £0 10 each	156,750	-
3,932,500 B Ordinary shares of £0 10 each	393,250	-
	<u>550,000</u>	<u>550,000</u>

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

16 SHARE CAPITAL (continued)

On 2 July 2012 a special resolution was passed to reclassify 550,000 Ordinary shares of £1 each as 5,500 000 Ordinary shares of £0 10 each

On 2 July 2012 5,500,000 Ordinary shares were reclassified into 1,567,500 Deferred Ordinary shares of £0 10 each and 3,932,500 B Ordinary shares of £0 10 each

17. RESERVES

Group	Revaluation reserve £	Profit and loss account £
At 1 January 2012	520,768	21,836,551
Profit for the year		7,065,458
Dividends Equity capital		(2,354,000)
Surplus on revaluation of current asset investments	1,386,206	
	<u>1,906,974</u>	<u>26,548,009</u>
At 31 December 2012		
Company	Revaluation reserve £	Profit and loss account £
At 1 January 2012	520,768	21,352,534
Profit for the year		7,065,457
Dividends Equity capital		(2,354,000)
Surplus on revaluation of current asset investments	1,386,206	
	<u>1,906,974</u>	<u>26,063,991</u>
At 31 December 2012		

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Group		
Opening shareholders' funds	22,907,319	22,958,410
Profit for the year	7,065,458	5,709,681
Dividends (Note 19)	(2,354,000)	(4,702,500)
Other recognised gains and losses during the year	1,386,206	(1,058,272)
	<u>29,004,983</u>	<u>22,907,319</u>
Closing shareholders' funds		
	<u>29,004,983</u>	<u>22,907,319</u>
	2012 £	2011 £
Company		
Opening shareholders' funds	22,423,302	21,958,916
Profit for the year	7,065,457	6,225,158
Dividends (Note 19)	(2,354,000)	(4,702,500)
Other recognised gains and losses during the year	1,386,206	(1,058,272)
	<u>28,520,965</u>	<u>22,423,302</u>
Closing shareholders' funds		
	<u>28,520,965</u>	<u>22,423,302</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 £7,065,457 (2011 - £6,225,158)

19. DIVIDENDS

	2012 £	2011 £
Dividends paid on equity capital	<u>2,354,000</u>	<u>4,702,500</u>

At a meeting of the Directors on 8 April 2013, a dividend of £0.8 per B Ordinary share was declared and approved, and payment of the dividend totalling £3,146,000 was made on 8 April 2013

20. NET CASH FLOW FROM OPERATING ACTIVITIES

	2012 £	2011 £
Operating profit	9,130,767	7,571,358
Depreciation of tangible fixed assets	92,550	99,685
Profit on disposal of tangible fixed assets	(159)	-
(Increase)/decrease in debtors	(3,180,827)	13,717,241
(Decrease)/increase in creditors	(154,459)	1,791,622
	<u>5,887,872</u>	<u>23,179,906</u>
Net cash inflow from operating activities		
	<u>5,887,872</u>	<u>23,179,906</u>

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

21 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2012 £	2011 £
Returns on investments and servicing of finance		
Interest received	156,830	104,509
Interest paid	-	(10,955)
Dividends received	100,138	76,830
Net cash inflow from returns on investments and servicing of finance	<u>256,968</u>	<u>170,384</u>
	2012 £	2011 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(19,118)	(116,750)
Sale of tangible fixed assets	1,916	-
Net cash outflow from capital expenditure	<u>(17,202)</u>	<u>(116,750)</u>
	2012 £	2011 £
Management of liquid resources		
Purchase of short term listed investments	(4,673,377)	-
Sale of short term listed investments	-	(931,325)
Net cash outflow from management of liquid resources	<u>(4,673,377)</u>	<u>(931,325)</u>

22 ANALYSIS OF CHANGES IN NET DEBT

	1 January 2012 £	Cash flow £	Other non-cash changes £	31 December 2012 £
Cash at bank and in hand	19,904,894	(2,826,945)	-	17,077,949
Liquid resources				
Current asset investments	4,345,479	4,673,377	1,386,207	10,405,063
Net funds	<u>24,250,373</u>	<u>1,846,432</u>	<u>1,386,207</u>	<u>27,483,012</u>

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

23. 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 £nil (2011: £100,000).

During the year the Company contributed to self-invested pension plans on behalf of its employees of £48,000 (2011: £140,000).

24. OPERATING LEASE COMMITMENTS

At 31 December 2012 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		2012	Other
	2012	2011		
Group and Company	£	£	£	£
Expiry date				
Within 1 year	-	58,325	133,284	-
Between 2 and 5 years	233,300	-	-	-

25. CONTROLLING PARTY

The Company is controlled by C G B Montanaro.

26. 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 2012**

27. 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 ("FCA") 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 FCA.

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 prudent 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.

Capital Requirement

The Pillar 1 Capital requirement for the coming year is £873,990. This has been determined by reference to the Firm's fixed overhead requirement and calculated in accordance with the FCA's General Prudential Sourcebook ("GENPRU"). The fixed overhead requirement exceeded both the base and the sum of the market risk and credit risk capital requirement.

Compliance with the rules in BIPRU and Pillar 2 Rule Requirements

The Firm's overall approach to assessing the adequacy of our internal capital is set out in our Internal Capital Adequacy Assessment Process ("ICAAP").

The ICAAP process involves separate consideration of risks to our capital combined with stress testing analysis to determine whether any additional capital is required for Pillar 2.

The Firm is a limited license €50k firm and as such its capital requirements are the greater of

- Its base capital requirement of Eur050k, or
- The sum of the market risk and credit risk capital requirements, or
- Its Fixed Overhead Requirement

The Firm has calculated its capital requirement in accordance with the relevant FCA rules and the final level of capital is calculated as the Fixed Overhead Requirement. On completion of the ICAAP process it was concluded that no additional Pillar 2 capital is required.

MONTANARO ASSET MANAGEMENT LIMITED

Remuneration Policy Disclosure

The Remuneration Policy is prepared by the Management Committee for review and approval by the Remuneration Committee. Salaries are set at a level to attract and retain skilled staff. Bonuses are paid annually on a purely discretionary basis and are designed to reflect the performance of the individual, subject to the profitable performance of the company. No bonuses will be paid unless there is sufficient retained profit, after bonuses, as decided by the Remuneration Committee. This ensures continued improvement to the capital base of the Company.

Aggregate Remuneration of Code Staff

There are 3 Code Staff, they are all senior management

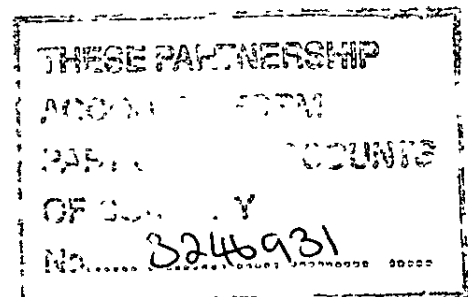
Year end 31 12 2012

	£000s	%
Total Remuneration	764	100
Base salary	552	72
Severance payment	100	13
Variable remuneration	112	15

Registered number: LP011356

Montanaro Growth and Income Fund Limited
Partnership No: 1

Report and Financial Statements
31 December 2012



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 2012 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.

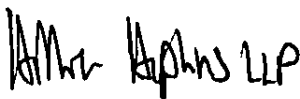
Basis of audit opinion

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 2012 and of the results for the period then ended.



Hillier Hopkins LLP

Chartered Accountants and Statutory Auditor

64 Clarendon Road
Watford
WD17 1DA

Date

24 April 2013

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 2012

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 2012 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, balance sheet 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 8 April 2013

Montanaro Growth and Income Fund Limited Partnership No: 1

Income Account for the year ended 31 December 2012

	Notes	2012 £	2011 £
Income			
Dividend income from listed investments		9,489	8,506
Interest income		2	1
Expenses	2	<u>(3,956)</u>	<u>(4,048)</u>
Net income for the year		5,535	4,459
Realised (losses)/gains on sale of investments		<u>(7,985)</u>	<u>2,787</u>
(Loss)/profit for the year		<u>(2,450)</u>	<u>7,246</u>

Montanaro Growth and Income Fund Limited Partnership No: 1

Statement of total recognised gains and losses for the year ended 31 December 2012

	Notes	2012 £	2011 £
Non distributable gains and losses			
Unrealised gains/(losses) on investments	3	<u>150,033</u>	<u>(81,015)</u>
Distributable gains and losses			
(Losses)/gains for the year		(2,450)	7,246
Change in unrealised gains/(losses) on sale of investments	3	11,528	(10,037)
Distribution to General Partner as Profit Share	7c	(8,430)	(7,772)
		<u>648</u>	<u>(10,563)</u>
Total recognised gains/(losses) for the year		<u><u>150,681</u></u>	<u><u>(91,578)</u></u>

Note of historical cost profit and losses for the year ended 31 December 2012


	2012 £	2011 £
Profit for the year before gains and losses on sale of investments	5,535	4,459
Realised (losses)/gains on historical cost method	(7,985)	2,787
	<u>(2,450)</u>	<u>7,246</u>
Historical cost (loss)/profit for the year	<u><u>(2,450)</u></u>	<u><u>7,246</u></u>

Montanaro Growth and Income Fund Limited Partnership No: 1

Balance sheet at 31 December 2012

	Notes	2012 £	2011 £
Fixed assets			
Investments	3	743,759	597,143
Current assets			
Short term cash deposits	4	9,914	2,161
Sundry debtors	5	422	1,060
		<u>10,336</u>	<u>3,221</u>
Current liabilities			
Creditors amounts falling due within one year	6	<u>(13,127)</u>	<u>(10,077)</u>
Net current (liabilities)		<u>(2,791)</u>	<u>(6,856)</u>
Total assets less current liabilities		<u><u>740,968</u></u>	<u><u>590,287</u></u>
Represented by			
Loan - Limited Partner	7a	499,500	499,500
Capital contributions	7b	500	500
Income accounts	7c	(28,023)	(17,143)
Unrealised movement in investments portfolio	7d	<u>268,991</u>	<u>107,430</u>
		<u><u>740,968</u></u>	<u><u>590,287</u></u>

The financial statements on pages 3 to 12 were approved by the General Partner on 8 April 2013



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 2012**

	Notes	2012 £	2011 £
Net cash inflow from operating activities	8	<u>9,223</u>	<u>4,363</u>
Capital expenditure and financial investment			
Payments to acquire investments		(26,192)	(58,833)
Receipt from sales of investments		<u>33,152</u>	<u>37,532</u>
		6,960	(21,301)
Financing			
Drawings		<u>(8,430)</u>	<u>(7,772)</u>
		(8,430)	(7,772)
Management of liquid resources			
Increase/(decrease) in cash in year		<u>7,753</u>	<u>(24,710)</u>
Increase/(decrease) in short term deposits		<u>7,753</u>	<u>(24,710)</u>

Montanaro Growth and Income Fund Limited Partnership No: 1

Notes to the financial statements for the year ended 31 December 2012

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

	2012 £	2011 £
Auditors' remuneration - audit services	618	711
Custodian expenses	3,000	3,000
Accounts production fees and tax fees	314	312
Bank charges	24	25
Total	<u>3,956</u>	<u>4,048</u>

Montanaro Growth and Income Fund Limited Partnership No: 1

Notes to the financial statements for the year ended 31 December 2012

3 Investments

Investments at 31 December 2012 were as follows

Share investment	Number of Shares	Cost £	Value 2012 £	Value 2011 £
Acta S p A	50,000	2,500	2,875	-
Albermarble & Bond Holdings	3,800	6,119	8,156	12,597
Aquarius Platinum	-	-	-	4,701
Barr (A G) Plc	3,000	9,018	14,859	12,130
Bovis Homes Group	2,000	8,161	11,500	8,784
Brammer	5,000	12,105	15,600	-
Consort Medical	3,000	15,715	23,160	24,300
Dechra Pharmaceuticals plc	2,600	6,394	15,639	10,380
Dignity PLC	1,366	7,763	14,889	11,215
Dialight	2,000	3,223	21,260	13,980
Domino Printing	2,500	9,494	14,575	12,800
Enquest PLC	7,000	10,046	8,400	6,472
Fenner PLC	3,000	10,302	11,889	12,018
Fisher J & Sons	2,500	10,142	20,250	12,725
Genus plc	1,000	5,237	13,970	10,430
Immunodiagnostic	-	-	-	4,600
James Halstead	2,600	5,630	15,600	11,310
Latchways plc	1,400	10,363	13,930	15,435
MP Evans Group	2,000	7,492	9,750	8,700
Mears Group	3,800	9,912	12,464	8,360
Montanaro European Small Cos Fund	133,496	254,469	396,482	318,598
NCC Group	12,000	7,211	18,330	16,695
Phoenix IT Group	3,500	10,839	6,440	5,635
Renishaw	500	7,764	10,350	-
RPS Group	4,500	8,265	9,536	8,100
Severfield-Rowen	-	-	-	6,660
Shaftsbury Plc	2,000	7,508	11,240	9,344
Transense Technologies Plc	277,777	10,040	18,750	10,416
Victrex Plc	1,000	8,836	16,190	10,960
Wilmington	5,000	10,222	7,675	4,250
WSP Group	-	-	-	5,548
		<u>474,770</u>	<u>743,759</u>	<u>597,143</u>

Montanaro Growth and Income Fund Limited Partnership No: 1

Notes to the financial statements for the year ended 31 December 2012

3 Investments (continued)

The movement on investments during the year was as follows

	2012		2011
	£	£	£
Market value at 1 January 2012		597,143	664,107
Purchases	26,192		58,833
Sale proceeds	(33,152)		(37,532)
Realised (losses)/gains on sales	(7,985)		2,787
Change in unrealised gains/ (losses)	11,528		(10,037)
		(3,417)	14,051
Unrealised gains/ (losses) for the year	150,033	150,033	(81,015)
Market value at 31 December 2012		743,759	597,143

4 Short term cash deposits

	2012		2011
	£	£	£
At 1 January 2012	2,161		26,871
Net cash inflow/(outflow)	7,753		(24,710)
At 31 December 2012	9,914		2,161

5 Debtors

	2012		2011
	£	£	£
Dividends receivable	422		1,060
	422		1,060

6 Creditors: amounts falling due within one year

	2012		2011
	£	£	£
Accruals	13,127		10,077
	13,127		10,077

Montanaro Growth and Income Fund Limited Partnership No: 1

Notes to the financial statements for the year ended 31 December 2012

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 (2011 £500,000) of which £499,500 (2011 £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 £	2012 £	2011 £
The Ricardo Supplementary Pension Scheme (No 1)	499,500	499,500	499,500

b) Capital contribution accounts:

	2012 £	2011 £
The Ricardo Supplementary Pension Scheme (No 1)	500	500

c) Income accounts:

	Balance brought forward £	Income for year £	Drawings during the year £	31 December 2012 £
Montanaro Asset Management Limited	-	8,430	(8,430)	-
The Ricardo Supplementary Pension Scheme (No 1)	(17,143)	(10,880)	-	(28,023)
	<u>(17,143)</u>	<u>(2,450)</u>	<u>(8,430)</u>	<u>(28,023)</u>

d) Unrealised movement on investments

	Brought forward £	Realised in year £	Unrealised movement £	31 December 2012 £
The Ricardo Supplementary Pension Scheme (No 1)	107,430	11,528	150,033	268,991

Montanaro Growth and Income Fund Limited Partnership No: 1

Notes to the financial statements for the year ended 31 December 2012

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

	2012 £	2011 £
Net profit for the year	5,535	4,459
Decrease/(increase) in debtors	638	(597)
Increase in creditors	3,050	501
	<u>9,223</u>	<u>4,363</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 £8,430 (2011 £7,772) 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>9,914</u>	<u>9,914</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 2011 was as follows

	Total Market Value £	Floating Rate * £
Short term cash deposits	<u>2,161</u>	<u>2,161</u>

Montanaro Growth and Income Fund Limited Partnership No: 1

Notes to the financial statements for the year ended 31 December 2012

10 Financial instruments (continued)

c) Fair Value

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

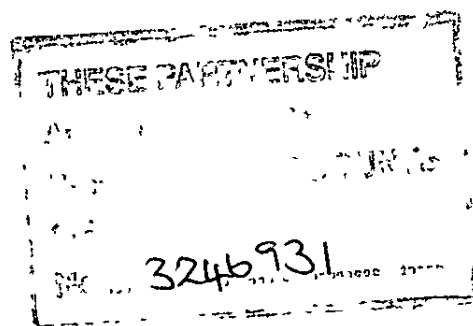
d) Short Term Debtors and Creditors

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 2012



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 2012 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.

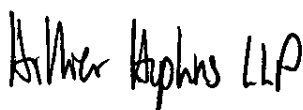
Basis of audit opinion

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 2012 and of the results for the period then ended.



Hillier Hopkins LLP

Chartered Accountants and Statutory Auditor

64 Clarendon Road
Watford
WD17 1DA

Date

24 April 2013

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 2012

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 2012 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, balance sheet and cash flows for the year. In preparing those financial statements, the General Partner is required to

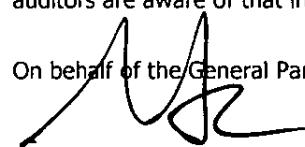
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare 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 8 April 2013

Montanaro Growth and Income Fund Limited Partnership No: 2

Income Account for the year ended 31 December 2012

	Notes	2012 £	2011 £
Income			
Interest income		1	2
Dividends received		<u>27,284</u>	<u>-</u>
		27,285	2
 Expenses	 2	 <u>(3,920)</u>	 <u>(4,660)</u>
Net income/(loss) for the year		<u>23,365</u>	<u>(4,658)</u>
 Realised gains on sale of investments		 <u>-</u>	 <u>-</u>
 Profit/(loss) for the year		 <u>23,365</u>	 <u>(4,658)</u>

Montanaro Growth and Income Fund Limited Partnership No: 2

Statement of total recognised gains and losses for the year ended 31 December 2012

	Notes	2012 £	2011 £
Non distributable gains and losses			
Unrealised gains/(losses) on investments	3	<u>1,066,284</u>	<u>(787,524)</u>
Distributable gains and losses			
Profit/(loss) for the year		23,365	(4,658)
Distribution to General Partner as Profit Share	7c	<u>(237,977)</u>	<u>(53,723)</u>
		<u>(214,612)</u>	<u>(58,381)</u>
Total recognised gains/(losses) for the year		<u><u>851,672</u></u>	<u><u>(845,905)</u></u>
Note of historical cost profit and losses for the year ended 31 December 2012			
		2012 £	2011 £
Profit/(loss) for the year before gains and losses on sale of investments		<u>23,365</u>	<u>(4,658)</u>
Historical cost profit/(loss) for the year		<u><u>23,365</u></u>	<u><u>(4,658)</u></u>

Montanaro Growth and Income Fund Limited Partnership No: 2

Balance sheet at 31 December 2012

	Notes	2012 £	2011 £
Fixed assets			
Investments	3	5,389,158	4,295,590
Current assets			
Short term cash deposits	4	421	4,727
Sundry debtors	5	-	58
		<u>421</u>	<u>4,785</u>
Current liabilities			
Creditors amounts falling due within one year	6	<u>(529,585)</u>	<u>(292,053)</u>
Net current liabilities		<u>(529,164)</u>	<u>(287,268)</u>
Total assets less current liabilities		<u><u>4,859,994</u></u>	<u><u>4,008,322</u></u>
Represented by			
Loan - Limited Partner	7a	2,082,593	2,082,593
Capital contributions	7b	2,084	2,084
Income accounts	7c	(778,831)	(564,219)
Unrealised movement in investments portfolio	7d	<u>3,554,148</u>	<u>2,487,864</u>
		<u><u>4,859,994</u></u>	<u><u>4,008,322</u></u>

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

8 April 2013



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 2012

	Notes	2012 £	2011 £
Net cash inflow from operating activities	8	<u>260,955</u>	<u>53,666</u>
Capital expenditure and financial investment			
Payments to acquire investments		<u>(27,284)</u>	<u>-</u>
		(27,284)	-
Financing			
Drawings		<u>(237,977)</u>	<u>(53,723)</u>
		(237,977)	(53,723)
Management of liquid resources			
(Decrease) in cash in year		<u>(4,306)</u>	<u>(57)</u>
(Decrease) in short term deposits		<u>(4,306)</u>	<u>(57)</u>

Montanaro Growth and Income Fund Limited Partnership No: 2

Notes to the financial statements for the year ended 31 December 2012

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

	2012 £	2011 £
Auditors' remuneration - audit services	2,596	2,985
Accounts production and tax fees	1,320	1,675
Bank charges	4	-
Total	<u>3,920</u>	<u>4,660</u>

3 Investments

Investments at 31 December 2012 were as follows

Investment	Number of Shares	Cost £	Value 2012 £	Value 2011 £
Montanaro European Small Companies Fund plc	-	-	-	4,295,590
Montanaro European MidCap Fund	5,874,613	<u>1,835,010</u>	<u>5,389,158</u>	<u>-</u>

During the year the Partnership re-invested its shareholding in the Montanaro European Small Companies Fund plc into the Montanaro European MidCap Fund as part of an exchange of funds at valuation. As an exchange in investment, managed by the General Partner, this has not been disclosed as either a sale or purchase in the accounts

Montanaro Growth and Income Fund Limited Partnership No: 2

Notes to the financial statements for the year ended 31 December 2012

3 Investments (continued)

The movement on investments during the year was as follows

	2012	2011
	£	£
Market value at 1 January 2012	4,295,590	5,083,114
Purchases	<u>27,284</u>	<u>-</u>
	27,284	-
Unrealised gains/(losses) for the year	<u>1,066,284</u>	<u>(787,524)</u>
	1,066,284	(787,524)
Market value at 31 December 2012	<u>5,389,158</u>	<u>4,295,590</u>

4 Short term cash deposits

	2012	2011
	£	£
At 1 January 2012	4,727	4,784
Net cash (outflow)	(4,306)	(57)
At 31 December 2012	<u>421</u>	<u>4,727</u>

5 Debtors

	2012	2011
	£	£
Other debtors	-	58
	<u>-</u>	<u>58</u>

6 Creditors: amounts falling due within one year

	2012	2011
	£	£
Other creditors	233,903	233,903
Accruals	295,682	58,150
	<u>529,585</u>	<u>292,053</u>

Montanaro Growth and Income Fund Limited Partnership No: 2

Notes to the financial statements for the year ended 31 December 2012

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 (2011 £2,084,677) of which £2,082,593 (2011 £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:

	2012 £	2011 £
AXA UK Pension Trustees Corporation	<u>2,082,593</u>	<u>2,082,593</u>

b) Capital contribution accounts:

	2012 £	2011 £
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 2012 £
Montanaro Asset Management Limited	-	237,977	(237,977)	-
AXA UK Pension Trustees Corporation	(564,219)	(214,612)	-	(778,831)
	<u>(564,219)</u>	<u>23,365</u>	<u>(237,977)</u>	<u>(778,831)</u>

d) Unrealised movement on investments

	Brought forward £	Realised in year £	Unrealised movement £	31 December 2012 £
AXA UK Pension Trustees Corporation	<u>2,487,864</u>	<u>-</u>	<u>1,066,284</u>	<u>3,554,148</u>

Montanaro Growth and Income Fund Limited Partnership No: 2

Notes to the financial statements for the year ended 31 December 2012

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

	2012 £	2011 £
Net gain/(loss) for the year	23,365	(4,658)
Decrease/(Increase) in debtors	58	(58)
Increase in creditors	<u>237,532</u>	<u>58,382</u>
	<u>260,955</u>	<u>53,666</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 £291,700 (2011 £53,723) in respect of profit share due to Montanaro Asset Management Limited

Included in sundry creditors is an amount of £228,434 (2011 £228,434) 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>421</u>	<u>421</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 2011 was as follows

	Total Market Value £	Floating Rate * £
Short term cash deposits	<u>4,727</u>	<u>4,727</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 2012**

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 2012

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 2012 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.

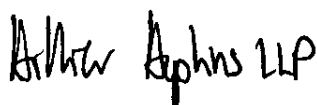
Basis of audit opinion

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 2012 and of the results for the period then ended.



Hillier Hopkins LLP

Chartered Accountants and Statutory Auditor

64 Clarendon Road
Watford
WD17 1DA

Date

24 April 2013

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 2012

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 2012 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, balance sheet and cash flows for the year. In preparing those financial statements, the General Partner is required to

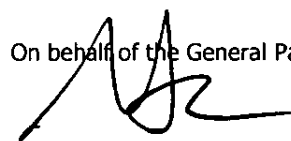
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare 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 8 April 2013

Montanaro Growth and Income Fund Limited Partnership No: 3

Income Account for the year ended 31 December 2012

	Notes	2012 £	2011 £
Income			
Dividend income from listed investments		60,468	47,209
Interest income		14	85
Expenses	2	<u>(6,890)</u>	<u>(7,625)</u>
Net income for the year		53,592	39,669
Realised gains on sale of investments		<u>17,120</u>	<u>121,451</u>
Profit for the year		<u>70,712</u>	<u>161,120</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Statement of total recognised gains and losses for the year ended 31 December 2012

	Notes	2012 £	2011 £
Non distributable gains and losses			
Unrealised gains/(losses) on investments	3	<u>655,757</u>	<u>(384,272)</u>
Distributable gains and losses			
Gain for the year		70,712	161,120
Change in unrealised gains/(losses) on sale of investments	3	18,536	(140,886)
Distribution to General Partner as Profit Share	7c	<u>(199,094)</u>	<u>(46,320)</u>
		<u>(109,846)</u>	<u>(26,086)</u>
Total recognised gains/(losses) for the year		<u><u>545,911</u></u>	<u><u>(410,358)</u></u>

Note of historical cost profit and losses for the year ended 31 December 2012

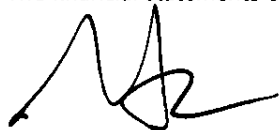
	2012 £	2011 £
Profit for the year before gains and losses on sale of investments	53,592	39,669
Realised gains on historical cost method	<u>17,120</u>	<u>121,451</u>
Historical cost profit for the period	<u><u>70,712</u></u>	<u><u>161,120</u></u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Balance sheet at 31 December 2012

	Notes	2012 £	2011 £
Fixed assets			
Investments	3	4,303,387	3,537,868
Current assets			
Short term cash deposits	4	32,264	99,469
Sundry debtors	5	2,617	2,684
		<u>34,881</u>	<u>102,153</u>
Current liabilities			
Creditors amounts falling due within one year	6	<u>(203,775)</u>	<u>(51,439)</u>
Net current (liabilities)/assets		<u>(168,894)</u>	<u>50,714</u>
Total assets less current liabilities		<u><u>4,134,493</u></u>	<u><u>3,588,582</u></u>
Represented by			
Loan - Limited Partner	7a	2,054,677	2,054,677
Capital contributions	7b	2,057	2,057
Income accounts	7c	248,289	376,671
Unrealised movement in investments portfolio	7d	<u>1,829,470</u>	<u>1,155,177</u>
		<u><u>4,134,493</u></u>	<u><u>3,588,582</u></u>

The financial statements on pages 3 to 12 were approved by the General Partner on 8 April 2013



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 2012**

	Notes	2012 £	2011 £
Net cash inflow/ (outflow) from operating activities	8	<u>205,995</u>	<u>(105,561)</u>
Capital expenditure and financial investment			
Payments to acquire investments		(547,024)	(807,846)
Receipt from sales of investments		<u>472,918</u>	<u>851,650</u>
		(74,106)	43,804
Financing			
Drawings		<u>(199,094)</u>	<u>(46,320)</u>
		(199,094)	(46,320)
Management of liquid resources			
(Decrease) in cash in year		<u>(67,205)</u>	<u>(108,077)</u>
(Decrease) in short term deposits		<u>(67,205)</u>	<u>(108,077)</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Notes to the financial statements for the year ended 31 December 2012

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

	2012 £	2011 £
Auditors' remuneration - audit services	2,563	2,947
Custodian expenses	3,000	3,000
Accounts production and tax fees	1,303	1,653
Bank charges	24	25
Total	<u>6,890</u>	<u>7,625</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Notes to the financial statements for the year ended 31 December 2012

3 Investments

Investments at 31 December 2012 were as follows

Share investment	Number of Shares	Cost £	Value 2012 £	Value 2011 £
Abcam Plc	13,000	46,436	50,082	44,994
Aberdeen Asset Management PLC	19,000	53,024	69,749	-
Advanced Medical Solutions	-	-	-	37,416
Albermarle & Bond Hdgs	13,011	48,342	27,925	43,132
Andor Technology	6,669	38,502	26,109	39,681
Ashmore Group plc	-	-	-	25,297
Aveva Grp	2,800	40,952	61,096	30,845
Barr (A G) plc	-	-	-	40,441
Booker	54,925	23,959	53,634	40,645
Brammer	18,700	49,486	58,344	44,973
Brewin Dolphin	20,800	27,032	42,952	49,046
Brooks MacDonald	4,444	50,727	57,550	24,035
Cargico plc	11,304	19,647	45,499	32,782
Chemring Group	-	-	-	34,147
Consort medical	4,000	30,836	30,880	-
City of London Inv Grp	-	-	-	40,323
Clarkson	3,834	42,800	46,008	44,014
Croda International	2,138	19,917	50,799	38,570
Dechra Pharmaceuticals	12,438	46,755	74,815	49,658
Derwent London PLC	1,300	26,943	27,378	-
Devro plc	18,198	34,950	56,214	46,914
Dialight plc	4,106	11,068	43,647	28,701
Dignity PLC	6,142	33,832	66,948	50,426
Domino's Pizza	12,409	36,005	61,722	49,946
Domino Print	8,859	36,026	51,648	45,358
Enquest PLC	44,000	52,367	52,800	-
Fenner Plc	13,665	38,119	54,154	54,742
Fisher J & Sons	5,866	25,481	47,515	29,858
Genus	4,355	26,618	60,839	45,423
Hunting	6,000	47,408	47,430	-
Immunodiagnosics Sys	-	-	-	13,938
ITE Group Plc	25,124	45,501	61,880	51,253
James Halstead Plc	7,000	16,989	42,000	43,500
Latchways plc	3,538	30,945	35,203	39,006
Microgen Plc	-	-	-	26,620
M P Evans	4,700	25,910	22,912	-
Montanaro European MidCap Fund	2,354,877	905,486	2,155,027	-
Montanaro European Small Cos Fund	-	-	-	1,771,634
NCC Group Plc	52,206	33,466	79,745	72,632
Ocean Wilson Holdings	-	-	-	23,419
Premier Oil Plc	13,000	37,629	43,745	47,190
Rathbone Brothers PLC	3,000	39,234	38,970	-
Renishaw plc	3,200	29,795	66,240	50,139
Ricardo	6,000	21,651	22,500	47,724
Rightmove	3,492	43,942	50,145	43,441
Rotork plc	3,146	48,892	80,066	60,718
RPS Group	-	-	-	30,778
SDL plc	10,234	52,018	52,449	68,056
Senior plc	25,000	50,101	49,900	-
Shaftesbury	5,200	28,310	29,224	-
Spirax-Sarco Engineering	1,100	23,561	24,948	-
Supergroup Plc	-	-	-	21,873
Telecty Group PLC	6,200	52,967	48,763	-
Ultra Electric Holdings Plc	3,150	36,560	52,416	46,557
Victrex plc	5,035	43,727	81,517	45,418
WSP GRP	-	-	-	22,605
		<u>2,473,916</u>	<u>4,303,387</u>	<u>3,537,868</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Notes to the financial statements for the year ended 31 December 2012

3 Investments (continued)

The movement on investments during the year was as follows

	2012	2011
	£	£
Market value at 1 January 2012	3,537,868	3,985,379
Purchases	547,024	807,846
Sale proceeds	(472,918)	(851,650)
Realised gains on sales	17,120	121,451
Change in unrealised gains/(losses)	18,536	(140,886)
	<u>109,762</u>	<u>(63,239)</u>
Unrealised gains/(losses) for the year	<u>655,757</u>	<u>(384,272)</u>
	655,757	(384,272)
Market value at 31 December 2012	<u><u>4,303,387</u></u>	<u><u>3,537,868</u></u>

4 Short term cash deposits

	2012	2011
	£	£
At 1 January 2012	99,469	207,546
Net cash (outflow)	(67,205)	(108,077)
	<u>32,264</u>	<u>99,469</u>
At 31 December 2012	<u><u>32,264</u></u>	<u><u>99,469</u></u>

5 Debtors

	2012	2011
	£	£
Dividends receivable	2,617	2,684
	<u>2,617</u>	<u>2,684</u>

6 Creditors: amounts falling due within one year

	2012	2011
	£	£
Accruals	203,775	51,439
	<u>203,775</u>	<u>51,439</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Notes to the financial statements for the year ended 31 December 2012

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 (2011 £2,056,734) of which £2,054,677 (2011 £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:

	2012 £	2011 £
East Riding of Yorkshire Council	<u>2,054,677</u>	<u>2,054,677</u>

b) Capital contribution accounts:

	2012 £	2011 £
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 2012 £
Montanaro Asset Management Limited	-	199,094	(199,094)	-
East Riding of Yorkshire Council	376,671	(128,382)	-	248,289
	<u>376,671</u>	<u>70,712</u>	<u>(199,094)</u>	<u>248,289</u>

d) Unrealised movement on investments

	Brought forward £	Realised in period £	Unrealised movement £	31 December 2012 £
East Riding of Yorkshire Council	<u>1,155,177</u>	<u>18,536</u>	<u>655,757</u>	<u>1,829,470</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Notes to the financial statements for the year ended 31 December 2012

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

	2012	2011
	£	£
Net profit for the year	53,592	39,669
Decrease/(increase) in debtors	67	(2,019)
Increase/(decrease) in creditors	152,336	(143,211)
	<u>205,995</u>	<u>(105,561)</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 £199,094 (2011 £46,320) 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>32,264</u>	<u>32,264</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 2011 was as follows

	Total Market Value	Floating Rate *
	£	£
Short term cash deposits	<u>99,469</u>	<u>99,469</u>

Registered number: LP009248

Montanaro Growth and Income Fund Limited
Partnership No: 4

Report and Financial Statements
31 December 2012

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 2012 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.

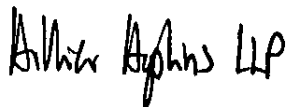
Basis of audit opinion

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 2012 and of the results for the period then ended.



Hillier Hopkins LLP

Chartered Accountants and Statutory Auditor

64 Clarendon Road
Watford
WD17 1DA

Date 24 April 2013

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 2012

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 2012 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, balance sheet and cash flows for the year. In preparing those financial statements, the General Partner is required to

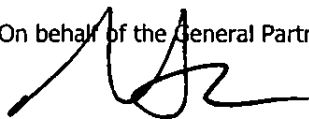
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare 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 8 April 2013

Montanaro Growth and Income Fund Limited Partnership No: 4

Income Account for the year ended 31 December 2012

	Notes	2012 £	2011 £
Income			
Dividend income from listed investments		233	-
Interest income		<u>22</u>	<u>116</u>
		255	116
Expenses	2	<u>(5,956)</u>	<u>(7,084)</u>
Net (loss) for the year		(5,701)	(6,968)
Rebate of management fees	11	134,958	106,694
Profit for the year		<u>129,257</u>	<u>99,726</u>

Montanaro Growth and Income Fund Limited Partnership No: 4**Statement of total recognised gains and losses
for the year ended 31 December 2012**

	Notes	2012 £	2011 £
Non distributable gains and losses			
Unrealised gains/(losses) on investments	3	<u>1,693,310</u>	<u>(349,187)</u>
Distributable gains and losses			
Gains for the year		129,257	99,726
Distribution to General Partner as Profit Share	7c	<u>(80,914)</u>	<u>(69,848)</u>
		<u>48,343</u>	<u>29,878</u>
Total recognised gains/(losses) for the year		<u><u>1,741,653</u></u>	<u><u>(319,309)</u></u>

**Note of historical cost profit and losses
for the year ended 31 December 2012**

	2012 £	2011 £
Profit for the year before gains and losses on sale of investments	<u>129,257</u>	<u>99,726</u>
Historical cost profit for the period	<u><u>129,257</u></u>	<u><u>99,726</u></u>

Montanaro Growth and Income Fund Limited Partnership No: 4

Balance sheet at 31 December 2012

	Notes	2012 £	2011 £
Fixed assets			
Investments	3	8,818,787	7,125,243
Current assets			
Short term cash deposits	4	176,110	43,189
Sundry debtors	5	32,275	106,694
		<u>208,385</u>	<u>149,883</u>
Current liabilities			
Creditors amounts falling due within one year	6	<u>(86,948)</u>	<u>(76,555)</u>
Net current assets		<u>121,437</u>	<u>73,328</u>
Total assets less current liabilities		<u><u>8,940,224</u></u>	<u><u>7,198,571</u></u>
Represented by			
Loan - Limited Partner	7a	3,162,389	3,162,389
Capital contributions	7b	3,166	3,166
Income accounts	7c	3,005,404	2,957,061
Unrealised movement in investments portfolio	7d	<u>2,769,265</u>	<u>1,075,955</u>
		<u><u>8,940,224</u></u>	<u><u>7,198,571</u></u>

The financial statements on pages 3 to 11 were approved by the General Partner on 8 April 2013



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 2012**

	Notes	2012 £	2011 £
Net cash inflow from operating activities	8	<u>214,069</u>	<u>393,172</u>
Capital expenditure and financial investment			
Payments to acquire investments		(234)	(500,052)
		<u>(234)</u>	<u>(500,052)</u>
Financing			
Drawings		<u>(80,914)</u>	<u>(69,848)</u>
		(80,914)	(69,848)
Management of liquid resources			
Increase/(decrease) in cash in year		<u>132,921</u>	<u>(176,728)</u>
Increase/(decrease) in short term deposits		<u>132,921</u>	<u>(176,728)</u>

Montanaro Growth and Income Fund Limited Partnership No: 4

Notes to the financial statements for the year ended 31 December 2012

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

	2012 £	2011 £
Auditors' remuneration - audit services	3,932	4,522
Accounts production and tax fees	2,000	2,537
Bank charges	24	25
Total	<u>5,956</u>	<u>7,084</u>

3 Investments

Investments at 31 December 2012 were as follows

Share investment	Number of Shares	Cost £	Value 2012 £	Value 2011 £
Montanaro Focus Fund	-	-	-	7,125,243
Montanaro UK Smaller Companies Fund	8,083,214	<u>6,049,288</u>	<u>8,818,787</u>	<u>-</u>

Montanaro Growth and Income Fund Limited Partnership No: 4

Notes to the financial statements for the year ended 31 December 2012

3 Investments (continued)

The movement on investments during the year was as follows

	2012		2011	
	£	£	£	£
Market value at 1 January 2012		7,125,243		6,974,378
Purchases	<u>234</u>	234	<u>500,052</u>	500,052
Unrealised gains/(losses) for the year	<u>1,693,310</u>	1,693,310	<u>(349,187)</u>	(349,187)
Market value at 31 December 2012		<u>8,818,787</u>		<u>7,125,243</u>

4 Short term cash deposits

	2012		2011	
	£		£	
At 1 January 2012		43,189		219,917
Net cash inflow/(outflow)		132,921		(176,728)
		<u>176,110</u>		<u>43,189</u>
At 31 December 2012		<u>176,110</u>		<u>43,189</u>

5 Debtors

	2012		2011	
	£		£	
Rebate of management fees receivable		32,275		106,694
		<u>32,275</u>		<u>106,694</u>

6 Creditors: amounts falling due within one year

	2012		2011	
	£		£	
Accruals		86,948		76,555
		<u>86,948</u>		<u>76,555</u>

Montanaro Growth and Income Fund Limited Partnership No: 4

Notes to the financial statements for the year ended 31 December 2012

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 (2011 £3,165,555) of which £3,162,389 (2011 £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:

	2012 £	2011 £
The Church Commissioners for England	<u>3,162,389</u>	<u>3,162,389</u>

b) Capital contribution accounts:

	2012 £	2011 £
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 2012 £
Montanaro Asset Management Limited	-	80,914	(80,914)	-
The Church Commissioners for England	2,957,061	48,343	-	3,005,404
	<u>2,957,061</u>	<u>129,257</u>	<u>(80,914)</u>	<u>3,005,404</u>

d) Unrealised movement on investments

	Brought forward £	Realised in period £	Unrealised movement £	31 December 2012 £
The Church Commissioners for England	<u>1,075,955</u>	<u>-</u>	<u>1,693,310</u>	<u>2,769,265</u>

Montanaro Growth and Income Fund Limited Partnership No: 4

Notes to the financial statements for the year ended 31 December 2012

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

	2012	2011
	£	£
Net gain for the year	129,257	99,726
Decrease in debtors	74,419	284,712
Increase in creditors	10,393	8,734
	<u>214,069</u>	<u>393,172</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 £80,914 (2011 £69,848) 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>176,110</u>	<u>176,110</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 2011 was as follows

	Total Market Value	Floating Rate *
	£	£
Short term cash deposits	<u>43,189</u>	<u>43,189</u>

Montanaro Growth and Income Fund Limited Partnership No: 4

Notes to the financial statements for the year ended 31 December 2012

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 Montanro UK Smaller Companies Fund (previously The Montanaro Focus Fund). The Montanaro UK Smaller Companies 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 UK Smaller Companies Fund.

Registered number: LP009249

Montanaro Growth and Income Fund Limited
Partnership No: 5

Report and Financial Statements
31 December 2012

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 2012 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.

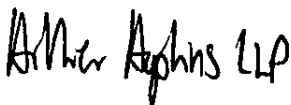
Basis of audit opinion

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 2012 and of the results for the period then ended.



Hillier Hopkins LLP

Chartered Accountants and Statutory Auditor

64 Clarendon Road
Watford
WD17 1DA

Date 24 April 2013

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 2012

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 2012 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, balance sheet and cash flows for the year. In preparing those financial statements, the General Partner is required to

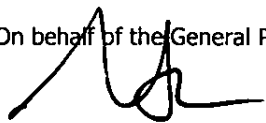
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare 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 8 April 2013

Montanaro Growth and Income Fund Limited Partnership No: 5

Income Account for the year ended 31 December 2012

	Notes	2012 £	2011 £
Income			
Dividend income from listed investments		35,560	31,232
Interest income		<u>10</u>	<u>16</u>
		35,570	31,248
Expenses	2	<u>(5,039)</u>	<u>(5,424)</u>
Net income for the year		30,531	25,824
Realised gains on sale of investments		<u>11,570</u>	<u>50,518</u>
Profit for the year		<u>42,101</u>	<u>76,342</u>

Montanaro Growth and Income Fund Limited Partnership No: 5

Statement of total recognised gains and losses for the year ended 31 December 2012

	Notes	2012 £	2011 £
Non distributable gains and losses			
Unrealised gains/(losses) on investments	3	<u>473,889</u>	<u>(211,100)</u>
Distributable gains and losses			
Gain for the year		42,101	76,342
Change in unrealised (losses) on sale of investments	3	(13,190)	(101,743)
Distribution to General Partner as Profit Share	7c	(121,308)	(27,244)
		<u>(92,397)</u>	<u>(52,645)</u>
Total recognised gains/(losses) for the year		<u><u>381,492</u></u>	<u><u>(263,745)</u></u>

Note of historical cost profit and losses for the year ended 31 December 2012

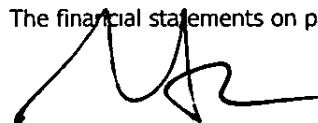
	2012 £	2011 £
Profit for the year before gains and losses on sale of investments	30,531	25,824
Realised gains on historical cost method	11,570	50,518
	<u>42,101</u>	<u>76,342</u>
Historical cost profit for the period	<u><u>42,101</u></u>	<u><u>76,342</u></u>

Montanaro Growth and Income Fund Limited Partnership No: 5

Balance sheet at 31 December 2012

	Notes	2012 £	2011 £
Fixed assets			
Investments	3	2,583,833	2,082,743
Current assets			
Short term cash deposits	4	10,486	35,247
Sundry debtors	5	866	1,870
		<u>11,352</u>	<u>37,117</u>
Current liabilities			
Creditors amounts falling due within one year	6	<u>(124,108)</u>	<u>(30,275)</u>
Net current (liabilities)/assets		<u>(112,756)</u>	<u>6,842</u>
Total assets less current liabilities		<u><u>2,471,077</u></u>	<u><u>2,089,585</u></u>
Represented by			
Loan - Limited Partner	7a	1,076,915	1,076,915
Capital contributions	7b	1,078	1,078
Income accounts	7c	249,625	328,832
Unrealised movement in investments portfolio	7d	<u>1,143,459</u>	<u>682,760</u>
		<u><u>2,471,077</u></u>	<u><u>2,089,585</u></u>

The financial statements on pages 3 to 12 were approved by the General Partner on 8 April 2013



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 2012

	Notes	2012 £	2011 £
Net cash inflow/(outflow) from operating activities	8	<u>125,368</u>	<u>(59,559)</u>
Capital expenditure and financial investment			
Payments to acquire investments		(159,109)	(460,064)
Receipt from sales of investments		<u>130,288</u>	<u>569,586</u>
		(28,821)	109,522
Financing			
Drawings		<u>(121,308)</u>	<u>(27,244)</u>
		(121,308)	(27,244)
Management of liquid resources			
(Decrease)/increase in cash in year		<u>(24,761)</u>	<u>22,719</u>
(Decrease)/increase in short term deposits		<u>(24,761)</u>	<u>22,719</u>

Montanaro Growth and Income Fund Limited Partnership No: 5

Notes to the financial statements for the year ended 31 December 2012

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

	2012 £	2011 £
Auditors' remuneration - audit services	1,336	1,537
Custodian expenses	3,000	3,000
Accounts production and tax fees	679	862
Bank charges	24	25
Total	<u>5,039</u>	<u>5,424</u>

Montanaro Growth and Income Fund Limited Partnership No: 5

Notes to the financial statements for the year ended 31 December 2012

3 Investments

Investments at 31 December 2012 were as follows

Share investment	Number of Shares	Cost £	Value 2012 £	Value 2011 £
Abcam Plc	7,860	26,344	30,281	28,689
Aberdeen Asset Management	12,200	25,347	44,786	25,864
Andor Technology	-	-	-	14,875
Ashmore Group	11,250	32,372	40,433	31,897
AVEVA Group	1,830	23,762	39,931	21,450
Barr(A G) plc	4,500	15,182	22,288	18,195
Booker	13,500	5,889	13,183	15,762
Brammer	13,900	44,290	43,368	13,709
Brooks Macdonald	3,067	36,028	39,718	37,840
Carclo plc	5,800	25,019	23,345	-
Chemring Group plc	-	-	-	25,194
Craneware PLC	-	-	-	8,910
Croda International	1,350	12,577	32,076	36,080
Dechra Pharmaceuticals	4,500	12,206	27,067	23,355
Devro plc	9,844	20,937	30,408	35,576
Dialight plc	3,507	8,882	37,279	24,514
Dignity PLC	3,764	23,763	41,028	24,794
Domino's Pizza UK & IRL	7,426	22,191	36,937	24,114
Domino Printing Services plc	7,040	29,427	41,043	36,045
Enquest Plc	30,000	34,482	36,000	15,717
Fenner plc	11,670	32,645	46,248	39,259
Fidessa Group Plc	1,170	19,837	17,690	17,702
Fisher (J) & Sons PLC	4,820	21,009	39,042	30,540
Genus	2,340	11,066	32,690	24,406
Halma	4,900	16,840	22,511	16,190
Hargreaves Lansdown	4,100	20,967	27,921	25,399
Helical Bar Plc	13,600	32,231	31,314	25,330
ITE Group	9,300	18,939	22,906	12,240
James Halstead Plc	7,000	16,899	42,000	30,450
Latchways	3,090	16,412	30,745	34,067
Montanaro European Small Cos Fund	422,148	531,848	1,253,780	1,007,489
NCC Group	24,606	16,987	37,586	42,906
Ocean Wilson Holdings plc	3,153	31,759	30,584	25,560
Premier Oil plc	9,900	36,624	33,313	35,937
Carried forward		1,222,761	2,247,501	1,830,055

Montanaro Growth and Income Fund Limited Partnership No: 5

Notes to the financial statements for the year ended 31 December 2012

3 Investments (continued)

Investments at 31 December 2012 were as follows

Share investment	Number of Shares	Cost £	Value 2012 £	Value 2011 £
Brought forward		1,222,761	2,247,501	1,830,055
Rathbone Brothers	1,200	16,153	15,588	-
Renishaw plc	2,939	31,087	60,837	34,170
Ricardo	10,000	18,882	37,500	36,938
Rightmove PLC	1,320	16,316	18,955	16,421
Rotork plc	2,014	31,737	51,256	38,870
RPS Group	17,800	33,548	37,718	32,040
SDL plc	4,045	19,943	20,731	26,899
Shaftesbury	5,173	17,653	29,072	33,045
Telecity	1,780	12,645	14,000	-
Victrex plc	3,130	19,649	50,675	34,305
		<u>1,440,374</u>	<u>2,583,833</u>	<u>2,082,743</u>

The movement on investments during the year was as follows

	2012 £	2011 £
Market value at 1 January 2012	2,082,743	2,454,590
Purchases	159,109	460,064
Sale proceeds	(130,288)	(569,586)
Realised gains on sales	11,570	50,518
Change in unrealised (losses)	(13,190)	(101,743)
	<u>27,201</u>	<u>(160,747)</u>
Unrealised gains/(losses) for the year	<u>473,889</u>	<u>(211,100)</u>
	473,889	(211,100)
Market value at 31 December 2012	<u>2,583,833</u>	<u>2,082,743</u>

Montanaro Growth and Income Fund Limited Partnership No: 5

Notes to the financial statements for the year ended 31 December 2012

4 Short term cash deposits

	2012 £	2011 £
At 1 January 2012	35,247	12,528
Net cash (outflow)/inflow	(24,761)	22,719
	<hr/>	<hr/>
At 31 December 2012	<u>10,486</u>	<u>35,247</u>

5 Debtors

	2012 £	2011 £
Dividends receivable	866	1,870
	<hr/>	<hr/>
	<u>866</u>	<u>1,870</u>

6 Creditors: amounts falling due within one year

	2012 £	2011 £
Accruals	124,108	30,275
	<hr/>	<hr/>
	<u>124,108</u>	<u>30,275</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 (2011: £1,077,993) of which £1,076,915 (2011: £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 2012

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

a) Loan accounts:

	2012	2011
	£	£
The South Yorkshire Pensions Authority	<u>1,076,915</u>	<u>1,076,915</u>

b) Capital contribution accounts:

	2012	2011
	£	£
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	-	121,308	(121,308)	-
The South Yorkshire Pensions Authority	328,832	(79,207)	-	249,625
	<u>328,832</u>	<u>42,101</u>	<u>(121,308)</u>	<u>249,625</u>

d) Unrealised movement on investments

	Brought forward £	Realised in period £	Unrealised movement £	31 December 2012 £
The South Yorkshire Pensions Authority	<u>682,760</u>	<u>-</u>	<u>1,143,459</u>	<u>1,826,219</u>

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

	2012	2011
	£	£
Net gain for the year	30,531	25,824
Decrease/(increase) in debtors	1,004	(1,507)
Increase/(decrease) in creditors	<u>93,833</u>	<u>(83,876)</u>
	<u>125,368</u>	<u>(59,559)</u>

Montanaro Growth and Income Fund Limited Partnership No: 5

Notes to the financial statements for the year ended 31 December 2012

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 £121,308 (2011 £27,244) 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>10,486</u>	<u>10,486</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 2011 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

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