
MONTANARO ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010



MONTANARO ASSET MANAGEMENT LIMITED

COMPANY INFORMATION

DIRECTORS

C G B Montanaro
D Harlow (resigned 25 January 2010)
R Singleton
J G Tregoning
S Cohen (resigned 31 March 2010)

COMPANY SECRETARY

Mrs G C Edwardes Ker

COMPANY NUMBER

03246931

REGISTERED OFFICE

53 Threadneedle Street
London
EC2R 8AR

AUDITOR

Hillier Hopkins LLP
Chartered Accountants & Statutory Auditor
64 Clarendon Road
Watford
Herts
WD17 1DA

MONTANARO ASSET MANAGEMENT LIMITED

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MONTANARO ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The Directors present their report and the financial statements for the year ended 31 December 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

PRINCIPAL ACTIVITIES

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

The Directors are of the opinion that the state of the Company's affairs at 31 December 2010 was satisfactory.

BUSINESS REVIEW

Despite the continuing recession in certain sectors of the UK economy, it was an outstanding year for investors in both UK and European SmallCap where Montanaro outperformed in both markets. Montanaro increased funds under management by 44% to £1 280m (2009 £892m). The Board expects SmallCap to continue to outperform both MidCap and LargeCap in 2011.

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.

During 2010 the turnover increased 252% to £24 789m (2009 £7 035m). Total assets stood at £29 115m at 31 12 10 (2009 £11 589m). The Board monitors the Company's performance through the use of regular financial information and management reports. The Board particularly focuses on the Company's levels of profitability and financial strength.

MONTANARO ASSET MANAGEMENT LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010**

RESULTS

The profit for the year, after taxation, amounted to £12,470,092 (2009 - £521,484)

DIRECTORS

The Directors who served during the year were

C G B Montanaro
D Harlow (resigned 25 January 2010)
R Singleton
J G Tregoning
S Cohen (resigned 31 March 2010)

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the Company made charitable contributions of £2,000 (2009 £1,250)

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

2 June '11

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 2010, 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 Statement of Directors' Responsibilities, 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.

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 2010 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 remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Hillier Hopkins LLP

Simon Speller ACA (Senior statutory auditor)

for and on behalf of
Hillier Hopkins LLP

Chartered Accountants
Statutory Auditor

64 Clarendon Road
Watford
Herts

WD17 1DA

Date *7 JUNE '11*

MONTANARO ASSET MANAGEMENT LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £	2009 £
TURNOVER	1,2	24,789,246	7,035,461
Cost of sales		(3,387,894)	(1,621,408)
GROSS PROFIT		21,401,352	5,414,053
Administrative expenses		(4,144,219)	(4,606,920)
OPERATING PROFIT		17,257,133	807,133
Income from other fixed asset investments		66,040	97,372
Interest receivable and similar income	6	21,656	18,148
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		17,344,829	922,653
Tax on profit on ordinary activities	7	(4,874,737)	(401,169)
PROFIT FOR THE FINANCIAL YEAR	15	12,470,092	521,484

All amounts relate to continuing operations

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

MONTANARO ASSET MANAGEMENT LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010	2009
	£	£
PROFIT FOR THE FINANCIAL YEAR	12,470,092	521,484
Unrealised surplus/(deficit) on revaluation of current asset investments	1,266,710	969,083
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	13,736,802	1,490,567

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 2010

	Note	£	2010 £	£	2009 £
FIXED ASSETS					
Tangible assets	8		303,809		384,914
CURRENT ASSETS					
Debtors	10	16,591,021		3,231,042	
Investments	11	4,472,427		3,165,941	
Cash at bank		7,748,103		4,807,076	
		<u>28,811,551</u>		<u>11,204,059</u>	
CREDITORS amounts falling due within one year	12	(6,156,251)		(2,366,666)	
NET CURRENT ASSETS			<u>22,655,300</u>		<u>8,837,393</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>22,959,109</u>		<u>9,222,307</u>
PROVISIONS FOR LIABILITIES					
Deferred tax	13		(697)		(697)
NET ASSETS			<u>22,958,412</u>		<u>9,221,610</u>
CAPITAL AND RESERVES					
Called-up share capital	14		550,000		550,000
Revaluation reserve	15		1,579,039		312,329
Profit and loss account	15		20,829,373		8,359,281
SHAREHOLDERS' FUNDS	16		<u>22,958,412</u>		<u>9,221,610</u>

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

2 June 11



C G B Montanaro
Director

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

MONTANARO ASSET MANAGEMENT LIMITED
REGISTERED NUMBER 03246931

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	£	2010 £	£	2009 £
FIXED ASSETS					
Tangible assets	8		303,809		384,914
Investments	9		50,000		50,000
			<u>353,809</u>		<u>434,914</u>
CURRENT ASSETS					
Debtors	10	16,591,019		3,167,083	
Investments	11	4,472,427		3,165,941	
Cash at bank		7,722,710		4,350,347	
		<u>28,786,156</u>		<u>10,683,371</u>	
CREDITORS amounts falling due within one year	12	(7,180,353)		(3,893,890)	
NET CURRENT ASSETS			<u>21,605,803</u>		<u>6,789,481</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>21,959,612</u>		<u>7,224,395</u>
PROVISIONS FOR LIABILITIES					
Deferred tax	13		(697)		(697)
NET ASSETS			<u><u>21,958,915</u></u>		<u><u>7,223,698</u></u>
CAPITAL AND RESERVES					
Called-up share capital	14		550,000		550,000
Revaluation reserve	15		1,579,039		312,329
Profit and loss account	15		19,829,876		6,361,369
SHAREHOLDERS' FUNDS	16		<u><u>21,958,915</u></u>		<u><u>7,223,698</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

2 June 11

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

MONTANARO ASSET MANAGEMENT LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £	2009 £
Net cash flow from operating activities	18	3,755,775	513,373
Returns on investments and servicing of finance	19	87,696	115,520
Taxation		(855,283)	(150,172)
Capital expenditure and financial investment	19	(7,386)	109,578
Equity dividends paid		-	(1,000,000)
CASH INFLOW/(OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES		2,980,802	(411,701)
Management of liquid resources	19	(39,775)	(61,601)
INCREASE/(DECREASE) IN CASH IN THE YEAR		2,941,027	(473,302)

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010 £	2009 £
Increase/(Decrease) in cash in the year	2,941,027	(473,302)
Cash outflow from decrease in liquid resources	39,775	61,601
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	2,980,802	(411,701)
Other non-cash changes	1,266,711	969,082
MOVEMENT IN NET DEBT IN THE YEAR	4,247,513	557,381
Net funds at 1 January 2010	7,973,017	7,415,636
NET FUNDS AT 31 DECEMBER 2010	12,220,530	7,973,017

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 2010

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	-	Over 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 2010

1 ACCOUNTING POLICIES (continued)

1 7 Deferred taxation

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

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

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

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

Deferred tax assets and liabilities are not discounted

1 8 Foreign currencies

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

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

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

1 9 Pensions

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

1 10 Share Options

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

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

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

2 TURNOVER

The geographical analysis of turnover is as follows

	2010 £	2009 £
United Kingdom	3,616,255	2,542,689
Europe	21,161,024	4,443,407
Rest of the World	11,967	49,365
	<u>24,789,246</u>	<u>7,035,461</u>

3. AUDITORS' REMUNERATION

	2010 £	2009 £
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	13,000	19,000
Fees payable to the Company's Auditor in respect of other services	<u>4,575</u>	<u>4,867</u>

4 STAFF COSTS

Staff costs, including Directors' remuneration, were as follows

	2010 £	2009 £
Wages and salaries	2,347,209	2,747,049
Social security costs	277,209	389,223
Other pension costs	230,500	200,000
	<u>2,854,918</u>	<u>3,336,272</u>

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

	2010 No.	2009 No
	<u>20</u>	<u>20</u>

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

5. DIRECTORS' REMUNERATION

	2010	2009
	£	£
Emoluments	756,932	1,655,839
Company pension contributions to defined contribution pension schemes	57,500	200,000

During the year retirement benefits were accruing to 1 Director (2009 - 1) in respect of defined contribution pension schemes

The highest paid Director received remuneration of £386,342 (2009 - £1,191,101)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £57,500 (2009 - £200,000)

6 INTEREST RECEIVABLE

	2010	2009
	£	£
Bank interest receivable	21,656	18,148

7. TAXATION

	2010	2009
	£	£
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	4,874,737	280,163
Deferred tax (see note 13)		
Origination and reversal of timing differences	-	121,006
Tax on profit on ordinary activities	4,874,737	401,169

MONTANARO ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

7 TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2009 - *higher than*) the standard rate of corporation tax in the UK of 28% (2009 - 28%) The differences are explained below

	2010 £	2009 £
Profit on ordinary activities before tax	17,344,829	922,653
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%)	4,856,552	258,343
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	49,361	23,325
Capital allowances for year in excess of depreciation	(12,685)	31,192
Dividends and distributions received	(18,491)	(24,914)
Other differences leading to an increase (decrease) in the tax charge	-	(7,783)
Current tax charge for the year (see note above)	4,874,737	280,163

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 2010**

8 TANGIBLE FIXED ASSETS

	L/Term Leasehold Property £	Fixtures, fittings and equipment £	Total £
Group and Company			
Cost or valuation			
At 1 January 2010	453,599	166,884	620,483
Additions	-	7,386	7,386
At 31 December 2010	<u>453,599</u>	<u>174,270</u>	<u>627,869</u>
Depreciation			
At 1 January 2010	134,784	100,785	235,569
Charge for the year	45,360	43,131	88,491
At 31 December 2010	<u>180,144</u>	<u>143,916</u>	<u>324,060</u>
Net book value			
At 31 December 2010	<u>273,455</u>	<u>30,354</u>	<u>303,809</u>
<i>At 31 December 2009</i>	<u>318,815</u>	<u>66,099</u>	<u>384,914</u>
	L/Term Leasehold Property £	Fixtures, fittings and equipment £	Total £
Company			
Cost or valuation			
At 1 January 2010	453,599	166,884	620,483
Additions	-	7,386	7,386
At 31 December 2010	<u>453,599</u>	<u>174,270</u>	<u>627,869</u>
Depreciation			
At 1 January 2010	134,784	100,785	235,569
Charge for the year	45,360	43,131	88,491
At 31 December 2010	<u>180,144</u>	<u>143,916</u>	<u>324,060</u>
Net book value			
At 31 December 2010	<u>273,455</u>	<u>30,354</u>	<u>303,809</u>
<i>At 31 December 2009</i>	<u>318,815</u>	<u>66,099</u>	<u>384,914</u>

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

9 FIXED ASSET INVESTMENTS

Company	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2010 and 31 December 2010	<u>50,000</u>
Net book value	
At 31 December 2010	<u>50,000</u>
At 31 December 2009	<u>50,000</u>

10. DEBTORS

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Trade debtors	95,655	393,709	95,653	393,708
Other debtors	2,908	253,631	2,908	189,173
Prepayments and accrued income	16,492,458	2,583,702	16,492,458	2,584,202
	<u>16,591,021</u>	<u>3,231,042</u>	<u>16,591,019</u>	<u>3,167,083</u>

11. CURRENT ASSET INVESTMENTS

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Listed investments	<u>4,472,427</u>	<u>3,165,941</u>	<u>4,472,427</u>	<u>3,165,941</u>

Group and company listed investments

The cost of the listed investments at 31 December 2010 was £2,893,387 (2009 £2,853,611)

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

12. CREDITORS.

Amounts falling due within one year

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Trade creditors	32,492	25,479	32,492	25,286
Amounts owed to group undertakings	-	-	1,024,522	1,694,273
Corporation tax	3,951,838	51,862	3,951,417	-
Social security and other taxes	101,302	172,033	101,302	57,039
Other creditors	693,021	258,388	693,021	258,388
Accruals and deferred income	1,377,598	1,858,904	1,377,599	1,858,904
	6,156,251	2,366,666	7,180,353	3,893,890

13 DEFERRED TAXATION

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
At beginning of year	697	(120,309)	697	(63,221)
Charge for the year	-	121,006	-	63,918
At end of year	697	697	697	697

The provision for deferred taxation is made up as follows

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Other timing differences	697	697	697	697

14 SHARE CAPITAL

	2010	2009
	£	£
Allotted, called up and fully paid		
550,000 Ordinary shares of £1 each	550,000	550,000

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

15. RESERVES

	Revaluation reserve £	Profit and loss account £
Group		
At 1 January 2010	312,329	8,359,281
Profit for the year		12,470,092
Surplus on revaluation of current asset investments	1,266,710	
	<u>1,579,039</u>	<u>20,829,373</u>
At 31 December 2010		
	<u>1,579,039</u>	<u>20,829,373</u>
Company		
At 1 January 2010	312,329	6,361,369
Profit for the year		13,468,507
Surplus on revaluation of current asset investments	1,266,710	
	<u>1,579,039</u>	<u>19,829,876</u>
At 31 December 2010		
	<u>1,579,039</u>	<u>19,829,876</u>

16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2010 £	2009 £
Group		
Opening shareholders' funds	9,221,610	8,731,043
Profit for the year	12,470,092	521,484
Dividends (Note 17)	-	(1,000,000)
Other recognised gains and losses during the year	1,266,710	969,083
	<u>22,958,412</u>	<u>9,221,610</u>
Closing shareholders' funds		
	<u>22,958,412</u>	<u>9,221,610</u>
Company		
Opening shareholders' funds	7,223,698	5,346,540
Profit for the year	13,468,507	2,215,638
Dividends (Note 17)	-	(1,000,000)
Shares issued during the year	-	50,000
Other recognised gains and losses during the year	1,266,710	611,520
	<u>21,958,915</u>	<u>7,223,698</u>
Closing shareholders' funds		
	<u>21,958,915</u>	<u>7,223,698</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 £13,468,507 (2009 - £2,215,638)

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

17 DIVIDENDS

	2010	2009
	£	£
Dividends paid on equity capital	-	1,000,000

At a meeting of the Directors on 31 January 2011, a dividend of £5 70 per share was declared and approved, and payment of the dividend totalling £3,135,000 was made on 14 March 2011

18 NET CASH FLOW FROM OPERATING ACTIVITIES

	2010	2009
	£	£
Operating profit	17,257,133	807,133
Depreciation of tangible fixed assets	88,491	153,731
Loss on disposal of tangible fixed assets	-	13,552
Increase in debtors	(13,479,456)	(526,571)
(Decrease)/increase in creditors	(110,393)	65,528
Net cash inflow from operating activities	3,755,775	513,373

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

	2010	2009
	£	£
Returns on investments and servicing of finance		
Interest received	21,656	18,148
Dividends received	66,040	97,372
Net cash inflow from returns on investments and servicing of finance	87,696	115,520
	2010	2009
	£	£
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(7,386)	(15,081)
Sale of tangible fixed assets	-	124,659
Net cash (outflow)/inflow from capital expenditure	(7,386)	109,578
	2010	2009
	£	£
Management of liquid resources		
Purchase of short term listed investments	(39,775)	(61,601)

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

20. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2010 £	Cash flow £	Other non-cash changes £	31 December 2010 £
Cash at bank and in hand	4,807,076	2,941,027	-	7,748,103
Liquid resources.				
Current asset investments	3,165,941	39,775	1,266,711	4,472,427
Net funds	<u>7,973,017</u>	<u>2,980,802</u>	<u>1,266,711</u>	<u>12,220,530</u>

MONTANARO ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

21 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 (2009 £200,000).

During the year the company contributed to self invested pension plans on behalf of its employees of £230,500 (2009 Nil).

22. OPERATING LEASE COMMITMENTS

At 31 December 2010 the Group had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2010	2009
	£	£
Group and Company		
Expiry date:		
Within 1 year	-	108,323
Between 2 and 5 years	233,300	233,300

23. CONTROLLING PARTY

The Company is controlled by C G B Montanaro

24. 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 2010**

25 QUALIFYING UNDERTAKINGS

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

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

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

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

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

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

Copies of the latest accounts of the above undertakings are to be appended to the copy of the Company's accounts sent to the Registrar under section 242 of the Companies Act 2006

MONTANARO ASSET MANAGEMENT LIMITED

Pillar 3 Risk Disclosure (Unaudited)

Disclosure Policy

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

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

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

Summary

MAM is authorised and regulated by the FSA.

Key points relevant to this statement are:

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

Background

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

Capital Position

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

Capital Adequacy

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

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

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

Credit Risk

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

MONTANARO ASSET MANAGEMENT LIMITED

Pillar 3 Risk Disclosure (Unaudited)

Market Risk

MAM holds investments in funds it manages, these are quoted and liquid

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.

Liquidity Risk

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

Insurance Risk

Our insurance covers legal requirements.

Wholesale and Unsecured Funding Risk

We use no external funding.

Concentration Risk

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

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

Currency Risk

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

Securitisation Risk

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

Interest Rate Risk

There are no long term borrowings outstanding.

Pension Obligation Risk

There are no pension schemes in place.

Registered number: LP011356

Montanaro Growth and Income Fund Limited
Partnership No: 1

Report and Financial Statements
31 December 2010

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

THURSDAY

COMPANIES HOUSE

Montanaro Growth and Income Fund Limited Partnership No: 1

Independent Auditors' Report

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

We have audited the Partnership's financial statements for the year ended 31 December 2010 which comprise the Income account, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profit and Losses, Balance Sheet, Cash Flow Statement, Reconciliation of net cash flow to movement in net debt and the related notes 1 to 10. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Partners of the Partnership, as a body, in accordance with the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the partners those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Partnership and the Partners as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the General Partner and auditors

As described in the Statement of Responsibilities on page 2, the General Partner is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with 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 Partnership's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Partners, and the overall presentation of the financial statements.

Opinion on financial statements

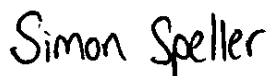
In our opinion the financial statements

- give a true and fair view of the state of the Partnership's affairs as at 31 December 2010 and of its results for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been properly prepared in accordance with the requirements of the Partnership Agreement and the Companies Act 2006, as applied to qualifying partnerships by the Regulations.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to if, in our opinion

- adequate accounting records have not been kept,
- the financial statements are not in agreement with the accounting records and returns, 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

Date 14/06/2011

Chartered Accountants
Statutory Auditor

64 Clarendon Road
Watford
Hertfordshire
WD17 1DA

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 2010

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 2010 was satisfactory

Statement of responsibilities in respect of the financial statements

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

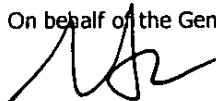
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare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

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

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

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

On behalf of the General Partner



C G B Montanaro

Director

Montanaro Asset Management Limited- General Partner

Date 13 June 2011

Montanaro Growth and Income Fund Limited Partnership No: 1

Income Account for the year ended 31 December 2010

	Notes	2010 £	2009 £
Income			
Dividend income from listed investments		10,796	7,355
Interest income		19	266
Expenses	2	<u>(4,087)</u>	<u>(1,978)</u>
Net income for the year		6,728	5,643
Realised (losses)/gains on sale of investments		<u>(17,686)</u>	<u>5,556</u>
(Loss)/profit for the year		<u>(10,958)</u>	<u>11,199</u>

Montanaro Growth and Income Fund Limited Partnership No: 1**Statement of total recognised gains and losses
for the year ended 31 December 2010**

	Notes	2010 £	2009 £
Non distributable gains and losses			
Unrealised gains on investments	3	<u>158,937</u>	<u>135,462</u>
Distributable gains and losses			
(Loss)/gain for the year		(10,958)	11,119
Change in unrealised gains on sale of investments	3	11,161	1,757
Distribution to General Partner as Profit Share	7c	<u>(6,992)</u>	<u>(5,408)</u>
		<u>(6,789)</u>	<u>7,468</u>
Total recognised gains for the year		<u><u>152,148</u></u>	<u><u>142,930</u></u>
Note of historical cost profit and losses for the year ended 31 December 2010			
		2010 £	2009 £
Profit for the year before gains and losses on sale of investments		6,728	5,643
Realised (losses)/gains on historical cost method		<u>(17,686)</u>	<u>5,556</u>
Historical cost (loss)/profit for the year		<u><u>(10,958)</u></u>	<u><u>11,199</u></u>

Montanaro Growth and Income Fund Limited Partnership No: 1

Balance sheet at 31 December 2010

	Notes	2010 £	2009 £
Fixed assets			
Investments	3	664,107	528,785
Current assets			
Short term cash deposits	4	26,871	7,690
Sundry debtors	5	463	1,086
		<u>27,334</u>	<u>8,776</u>
Current liabilities			
Creditors amounts falling due within one year	6	<u>(9,576)</u>	<u>(7,844)</u>
Net current assets		<u>17,758</u>	<u>932</u>
Total assets less current liabilities		<u><u>681,865</u></u>	<u><u>529,717</u></u>
Represented by			
Loan - Limited Partner	7a	499,500	499,500
Capital contributions	7b	500	500
Income accounts	7c	(16,617)	1,333
Unrealised movement in investments portfolio	7d	<u>198,482</u>	<u>28,384</u>
		<u><u>681,865</u></u>	<u><u>529,717</u></u>

The financial statements on pages 3 to 12 were approved by the General Partner on 13 June 2011



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 2010**

	Notes	2010 £	2009 £
Net cash inflow from operating activities	8	<u>9,083</u>	<u>4,178</u>
Capital expenditure and financial investment			
Payments to acquire investments		(129,692)	(60,767)
Receipt from sales of investments		<u>146,782</u>	<u>15,500</u>
		17,090	(45,267)
Financing			
Drawings		<u>(6,992)</u>	<u>(5,408)</u>
		(6,992)	(5,408)
Management of liquid resources			
Increase/(decrease) in cash in year		<u>19,181</u>	<u>(46,497)</u>
Increase/(decrease) in short term deposits		<u>19,181</u>	<u>(46,497)</u>

Montanaro Growth and Income Fund Limited Partnership No: 1

Notes to the financial statements for the year ended 31 December 2010

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

	2010 £	2009 £
Auditors' remuneration - audit services	628	629
Custodian expenses	2,183	863
Accounts production fees and tax fees	1,036	486
Legal fees	220	-
Bank charges	20	-
Total	<u>4,087</u>	<u>1,978</u>

Montanaro Growth and Income Fund Limited Partnership No: 1

Notes to the financial statements for the year ended 31 December 2010

3 Investments

Investments at 31 December 2010 were as follows

Share investment	Number of Shares	Cost £	Value 2010 £	Value 2009 £
Albermarle & Bond Holdings	3,800	6,120	11,989	13,175
Aquarius Platinum	3,000	9,207	10,560	-
Barr (A G) Plc	1,000	9,018	10,920	-
Bovis Homes Group	2,000	8,161	8,278	-
Care UK PLC	-	-	-	9,240
Cardo PLC	4,500	4,015	10,868	18,850
Chemring Group	300	6,280	8,712	16,154
Consort Medical	-	-	-	6,715
Dechra Pharmaceuticals plc	2,000	4,593	10,000	15,990
Dignity PLC	1,366	7,763	9,835	9,675
Dialight	3,000	4,834	15,420	14,235
Domino Printing	2,500	9,494	16,250	-
DTZ Holdings PLC	18,000	12,245	8,010	-
EAGA PLC	-	-	-	8,095
Education Development	-	-	-	15,342
Fisher J & Sons	2,500	10,141	12,625	11,125
Genus plc	1,000	5,237	8,580	13,480
Hargreaves	-	-	-	10,350
Holidaybreak plc	-	-	-	4,859
Hornby plc	-	-	-	5,320
Immunodiagnostic	1,000	7,724	9,230	-
James Halstead	1,300	5,630	9,653	14,500
Latchways plc	1,400	10,363	14,812	9,380
London & Associated Properties	-	-	-	3,841
MP Evans Group	2,000	7,492	9,920	-
Montanaro European Small Cos Fund	132,749	252,446	377,008	273,684
Mothercare	1,200	7,528	7,356	-
NCC Group	2,850	10,275	15,746	11,329
Phoenix IT Group	3,500	10,839	9,336	9,275
Primary Health Properties	-	-	-	8,670
RPS Group	4,500	8,265	10,368	-
Severfield-Rowen	4,000	8,277	12,320	-
Shaftsbury Plc	2,000	7,508	8,960	-
Transense Technologies Plc	111,111	5,040	5,700	-
VP PLC	-	-	-	5,728
Victrex Plc	1,000	8,837	14,316	-
Wilmington	5,000	10,222	7,750	6,000
WSP Group	2,700	8,071	9,585	4,323
Zytronic plc	-	-	-	9,450
		<u>465,625</u>	<u>664,107</u>	<u>528,785</u>

Montanaro Growth and Income Fund Limited Partnership No: 1

Notes to the financial statements for the year ended 31 December 2010

3 Investments (continued)

The movement on investments during the year was as follows

	2010		2009	
	£	£	£	£
Market value at 1 January 2010		528,785		340,743
Purchases	129,692		60,767	
Sale proceeds	(146,782)		(15,500)	
Realised (losses)/gains on sales	(17,686)		5,556	
Change in unrealised gains	11,161		1,757	
		(23,615)		52,580
Unrealised gains for the year	158,937	158,937	135,462	135,462
Market value at 31 December 2010		664,107		528,785

4 Short term cash deposits

	2010	2009
	£	£
At 1 January 2010	7,690	54,187
Net cash inflow/(outflow)	19,181	(46,497)
At 31 December 2010	26,871	7,690

5 Debtors

	2010	2009
	£	£
Dividends receivable	463	1,086
	463	1,086

6 Creditors: amounts falling due within one year

	2010	2009
	£	£
Accruals	9,576	7,844
	9,576	7,844

Montanaro Growth and Income Fund Limited Partnership No: 1

Notes to the financial statements for the year ended 31 December 2010

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 (2009 £500,000) of which £499,500 (2009 £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 £	2010 £	2009 £
The Ricardo Supplementary Pension Scheme (No 1)	499,500	499,500	499,500

b) Capital contribution accounts:

	2010 £	2009 £
The Ricardo Supplementary Pension Scheme (No 1)	500	500

c) Income accounts:

	Balance brought forward £	Income for year £	Drawings during the year £	31 December 2010 £
Montanaro Asset Management Limited	-	6,992	(6,992)	-
The Ricardo Supplementary Pension Scheme (No 1)	1,333	(17,950)	-	(16,617)
	<u>1,333</u>	<u>(10,958)</u>	<u>(6,992)</u>	<u>(16,617)</u>

d) Unrealised movement on investments

	Brought forward £	Realised in year £	Unrealised movement £	31 December 2010 £
The Ricardo Supplementary Pension Scheme (No 1)	28,384	11,161	158,937	198,482

Montanaro Growth and Income Fund Limited Partnership No: 1

Notes to the financial statements for the year ended 31 December 2010

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

	2010 £	2009 £
Net profit for the year	6,728	5,643
Decrease in debtors	623	298
Increase/(decrease) in creditors	1,732	(1,763)
	<u>9,083</u>	<u>4,178</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 £6,992 (2009 £5,408) 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>26,871</u>	<u>26,871</u>

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

The interest rate risk profile of financial assets and liabilities at 31 December 2010 was as follows

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

Montanaro Growth and Income Fund Limited Partnership No: 1

Notes to the financial statements for the year ended 31 December 2010

10 Financial instruments (continued)

c) Fair Value

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

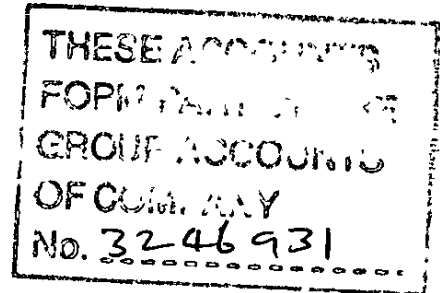
d) Short Term Debtors and Creditors

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 2010



A40

COMPANIES HOUSE

Montanaro Growth and Income Fund Limited Partnership No: 2

Independent Auditors' Report

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

We have audited the Partnership's financial statements for the year ended 31 December 2010 which comprise the Income account, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profit and Losses, Balance Sheet, Cash Flow Statement, Reconciliation of net cash flow to movement in net debt and the related notes 1 to 10. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Partners of the Partnership, as a body, in accordance with the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the partners those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Partnership and the Partners as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the General Partner and auditors

As described in the Statement of Responsibilities on page 2, the General Partner is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with 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 Partnership's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Partners, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Partnership's affairs as at 31 December 2010 and of its results for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been properly prepared in accordance with the requirements of the Partnership Agreement and the Companies Act 2006, as applied to qualifying partnerships by the Regulations.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to if, in our opinion.

- adequate accounting records have not been kept,
- the financial statements are not in agreement with the accounting records and returns, or
- we have not received all the information and explanations we require for our audit.

Simon Speller

Simon Speller ACA (Senior statutory auditor)

For and on behalf of
Hillier Hopkins LLP

Date 14/06/2011

Chartered Accountants
Statutory Auditor

Chartered Accountants
Statutory Auditor
64 Clarendon Road
Watford
Hertfordshire
WD17 1DA

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 2010

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 2010 was satisfactory

Statement of responsibilities in respect of the financial statements

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

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

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

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

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

On behalf of the General Partner



C G B Montanaro

Director

Montanaro Asset Management Limited- General Partner

Date 13 June 2011

Montanaro Growth and Income Fund Limited Partnership No: 2

Income Account for the year ended 31 December 2010

	Notes	2010 £	2009 £
Income			
Interest income		76	65
Dividends received		<u>40,153</u>	<u>32,833</u>
		40,229	32,898
Expenses	2	<u>(9,629)</u>	<u>(4,681)</u>
Net income for the year		30,600	28,217
Realised gains on sale of investments		<u>448,027</u>	<u>-</u>
Profit for the year		<u>478,627</u>	<u>28,217</u>

Montanaro Growth and Income Fund Limited Partnership No: 2

Statement of total recognised gains and losses for the year ended 31 December 2010

	Notes	2010 £	2009 £
Non distributable gains and losses			
Unrealised gains on investments	3	<u>1,360,270</u>	<u>1,215,705</u>
Distributable gains and losses			
Profit for the year		478,627	28,217
Distribution to General Partner as Profit Share	7c	(228,434)	(170,651)
Change in unrealised gains on sale of investments		<u>(396,189)</u>	<u>-</u>
		<u>(145,996)</u>	<u>(142,434)</u>
Total recognised gains for the year		<u><u>1,214,274</u></u>	<u><u>1,073,271</u></u>

Note of historical cost profit and losses for the year ended 31 December 2010

	2010 £	2009 £
Gains for the year before gains and losses on sale of investments	30,600	28,217
Realised gains on historical cost method	448,027	-
	<u>478,627</u>	<u>28,217</u>
Historical cost profit for the year	<u><u>478,627</u></u>	<u><u>28,217</u></u>

Montanaro Growth and Income Fund Limited Partnership No: 2

Balance sheet at 31 December 2010

	Notes	2010 £	2009 £
Fixed assets			
Investments	3	5,083,114	4,493,007
Current assets			
Short term cash deposits	4	4,784	5,887
Sundry debtors	5	-	40,376
		<u>4,784</u>	<u>46,263</u>
Current liabilities			
Creditors amounts falling due within one year	6	<u>(233,671)</u>	<u>(899,317)</u>
Net current liabilities		<u>(228,887)</u>	<u>(853,054)</u>
Total assets less current liabilities		<u>4,854,227</u>	<u>3,639,953</u>
 Represented by			
Loan - Limited Partner	7a	2,082,593	2,082,593
Capital contributions	7b	2,084	2,084
Income accounts	7c	(505,838)	(756,031)
Unrealised movement in investments portfolio	7d	<u>3,275,388</u>	<u>2,311,307</u>
		<u>4,854,227</u>	<u>3,639,953</u>

The financial statements on pages 3 to 11 were approved by the General Partner on 13 June 2011



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 2010

	Notes	2010 £	2009 £
Net cash (outflow)/inflow from operating activities	8	<u>(594,670)</u>	<u>170,716</u>
Capital expenditure and financial investment			
Receipt from sales of investments		<u>822,001</u>	<u>-</u>
		822,001	-
Financing			
Drawings		<u>(228,434)</u>	<u>(170,651)</u>
		(228,434)	(170,651)
Management of liquid resources			
(Decrease)/increase in cash in year		<u>(1,103)</u>	<u>65</u>
(Decrease)/increase in short term deposits		<u>(1,103)</u>	<u>65</u>

Montanaro Growth and Income Fund Limited Partnership No: 2

Notes to the financial statements for the year ended 31 December 2010

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

	2010 £	2009 £
Auditors' remuneration - audit services	2,679	2,643
Accounts production and tax fees	5,731	2,038
Custodian fees	1,177	-
Bank charges	42	-
Total	<u>9,629</u>	<u>4,681</u>

3 Investments

Investments at 31 December 2010 were as follows

Investment	Number of Shares	Cost £	Value 2010 £	Value 2009 £
Montanaro European Small Companies Fund plc	1,789,829	<u>1,807,727</u>	<u>5,083,114</u>	<u>4,493,007</u>

Montanaro Growth and Income Fund Limited Partnership No: 2

Notes to the financial statements for the year ended 31 December 2010

3 Investments (continued)

The movement on investments during the year was as follows

	2010		2009	
	£	£	£	£
Market value at 1 January 2010		4,493,007		3,277,302
Purchases	-		-	
Sale proceeds	(822,001)		-	
Realised gains on sales	448,027		-	
Change in unrealised gains	(396,189)		-	
		(770,163)		-
Unrealised gains for the year	1,360,270	1,360,270	1,215,705	1,215,705
Market value at 31 December 2010		5,083,114		4,493,007

4 Short term cash deposits

	2010	2009
	£	£
At 1 January 2010	5,887	5,822
Net cash (outflow)/inflow	(1,103)	65
At 31 December 2010	4,784	5,887

5 Debtors

	2010	2009
	£	£
Dividends receivable	-	40,376
	-	40,376

6 Creditors: amounts falling due within one year

	2010	2009
	£	£
Other creditors	-	137,439
Accruals	233,671	761,878
	233,671	899,317

Montanaro Growth and Income Fund Limited Partnership No: 2

Notes to the financial statements for the year ended 31 December 2010

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 (2009 £2,084,677) of which £2,082,593 (2009 £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:

	2010 £	2009 £
AXA UK Pension Trustees Corporation	<u>2,082,593</u>	<u>2,082,593</u>

b) Capital contribution accounts:

	2010 £	2009 £
AXA UK Pension Trustees Corporation	<u>2,084</u>	<u>2,084</u>

c) Income accounts:

	Balance brought forward £	Income for year £	Drawings during the period £	31 December 2010 £
Montanaro Asset Management Limited	-	228,434	(228,434)	-
AXA UK Pension Trustees Corporation	(756,031)	250,193	-	(505,838)
	<u>(756,031)</u>	<u>478,627</u>	<u>(228,434)</u>	<u>(505,838)</u>

d) Unrealised movement on investments

	Brought forward £	Realised in year £	Unrealised movement £	31 December 2010 £
AXA UK Pension Trustees Corporation	<u>2,311,307</u>	<u>(396,189)</u>	<u>1,360,270</u>	<u>3,275,388</u>

Montanaro Growth and Income Fund Limited Partnership No: 2

Notes to the financial statements for the year ended 31 December 2010

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

	2010 £	2009 £
Net gain for the year	30,600	28,217
Decrease/(increase) in debtors	40,376	(32,833)
(Decrease)/increase in creditors	<u>(665,646)</u>	<u>175,332</u>
	<u>(594,670)</u>	<u>170,716</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 £228,434 (2009 £97,023) 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>4,784</u>	<u>4,784</u>

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

The interest rate risk profile of financial assets and liabilities at 31 December 2010 was as follows

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

c) Fair Value

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

Montanaro Growth and Income Fund Limited Partnership No: 2

**Notes to the financial statements
for the year ended 31 December 2010**

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 2010

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

COMPANIES HOUSE

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 Partnership's financial statements for the year ended 31 December 2010 which comprise the Income account, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profit and Losses, Balance Sheet, Cash Flow Statement, Reconciliation of net cash flow to movement in net debt and the related notes 1 to 10. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Partners of the Partnership, as a body, in accordance with the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the partners those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Partnership and the Partners as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the General Partner and auditors

As described in the Statement of Responsibilities on page 2, the General Partner is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with 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 Partnership's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Partners, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Partnership's affairs as at 31 December 2010 and of its results for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been properly prepared in accordance with the requirements of the Partnership Agreement and the Companies Act 2006, as applied to qualifying partnerships by the Regulations.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to if, in our opinion

- adequate accounting records have not been kept,
- the financial statements are not in agreement with the accounting records and returns, or
- we have not received all the information and explanations we require for our audit.

Simon Speller

Simon Speller ACA (Senior statutory auditor)

For and on behalf of
Hillier Hopkins LLP

Date 14/06/2011

Chartered Accountants
Statutory Auditor
Chartered Accountants
Statutory Auditor
64 Clarendon Road
Watford
Hertfordshire
WD17 1DA

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 2010

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 2010 was satisfactory

Statement of responsibilities in respect of the financial statements

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

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

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

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

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

On behalf of the General Partner



C G B Montanaro

Director

Montanaro Asset Management Limited- General Partner

Date 13 June 2011

Montanaro Growth and Income Fund Limited Partnership No: 3

Income Account for the year ended 31 December 2010

	Notes	2010 £	2009 £
Income			
Dividend income from listed investments		62,836	48,049
Interest income		89	425
Expenses	2	<u>(11,271)</u>	<u>(10,205)</u>
Net income for the year		51,654	38,269
Realised gains on sale of investments		<u>163,489</u>	<u>17,515</u>
Profit for the year		<u>215,143</u>	<u>55,784</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Statement of total recognised gains and losses for the year ended 31 December 2010

	Notes	2010 £	2009 £
Non distributable gains and losses			
Unrealised gains on investments	3	<u>999,376</u>	<u>822,493</u>
Distributable gains and losses			
Gain for the year		215,143	55,784
Change in unrealised (losses)/gains on sale of investments	3	(19,240)	40,910
Distribution to General Partner as Profit Share	7c	<u>(188,732)</u>	<u>(141,383)</u>
		<u>7,171</u>	<u>(44,689)</u>
Total recognised gains for the year		<u><u>1,006,547</u></u>	<u><u>777,804</u></u>

Note of historical cost profit and losses for the year ended 31 December 2009

	2010 £	2009 £
Profit for the year before gains and losses on sale of investments	51,654	38,269
Realised gains on historical cost method	<u>163,489</u>	<u>17,515</u>
Historical cost profit for the period	<u><u>215,143</u></u>	<u><u>55,784</u></u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Balance sheet at 31 December 2010

	Notes	2010 £	2009 £
Fixed assets			
Investments	3	3,985,379	3,142,231
Current assets			
Short term cash deposits	4	207,546	32,571
Sundry debtors	5	665	2,473
		<u>208,211</u>	<u>35,044</u>
Current liabilities			
Creditors amounts falling due within one year	6	<u>(194,650)</u>	<u>(184,882)</u>
Net current assets/(liabilities)		<u>13,561</u>	<u>(149,838)</u>
Total assets less current liabilities		<u><u>3,998,940</u></u>	<u><u>2,992,393</u></u>
Represented by			
Loan - Limited Partner	7a	2,054,677	2,054,677
Capital contributions	7b	2,057	2,057
Income accounts	7c	261,871	235,460
Unrealised movement in investments portfolio	7d	<u>1,680,335</u>	<u>700,199</u>
		<u><u>3,998,940</u></u>	<u><u>2,992,393</u></u>

The financial statements on pages 3 to 12 were approved by the General Partner on 13 June 2011



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 2010**

	Notes	2010 £	2009 £
Net cash inflow from operating activities	8	<u>63,230</u>	<u>177,342</u>
Capital expenditure and financial investment			
Payments to acquire investments		(934,511)	(347,978)
Receipt from sales of investments		<u>1,234,988</u>	<u>288,051</u>
		300,477	(59,927)
Financing			
Drawings		<u>(188,732)</u>	<u>(141,383)</u>
		(188,732)	(141,383)
Management of liquid resources			
Increase/(decrease) in cash in year		<u>174,975</u>	<u>(23,968)</u>
Increase/(decrease) in short term deposits		<u>174,975</u>	<u>(23,968)</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Notes to the financial statements for the year ended 31 December 2010

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

	2010 £	2009 £
Auditors' remuneration - audit services	2,601	2,609
Custodian expenses	5,876	5,584
Accounts production and tax fees	1,861	2,012
Legal fees	913	-
Bank charges	20	-
Total	<u>11,271</u>	<u>10,205</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Notes to the financial statements for the year ended 31 December 2010

3 Investments

Investments at 31 December 2010 were as follows

Share investment	Number of Shares	Cost £	Value 2010 £	Value 2009 £
Ashmore Group plc	15,000	37,612	50,265	-
Aveva Grp	1,500	18,278	24,210	-
Barr (A G) plc	2,500	22,179	27,300	-
Booker	75,000	32,716	45,187	-
BSS Group	-	-	-	27,120
Bovis Homes Group	6,600	30,707	27,317	28,690
Brewin Dolphin	20,000	25,610	31,760	45,540
Brooks MacDonald	1,000	8,982	9,635	-
Cardco plc	22,500	36,552	54,338	-
Chemring Group	1,000	23,162	29,040	48,754
Consort medical	500	2,371	2,437	-
Chloride Group plc	-	-	-	31,680
Croda International	4,000	37,264	64,640	-
Dana Petroleum PLC	-	-	-	23,520
Dechra Pharmaceuticals	7,500	27,925	37,500	44,280
Derwent London PLC	2,000	29,003	31,220	-
Devro plc	20,500	39,371	51,865	-
Dialight plc	8,317	22,418	42,749	-
Dignity PLC	6,142	33,832	44,222	59,486
Domino's Pizza	10,000	22,254	55,150	71,222
Domino Print	10,750	39,252	69,875	-
DTZ Holdings	50,000	64,657	22,250	8,219
Fenner Plc	14,000	34,188	50,092	-
Fisher J & Sons	10,000	43,439	50,500	49,172
Genus	5,500	33,616	47,190	72,118
Hamworthy plc	11,000	30,845	46,915	43,542
Helical Bar	1,500	4,317	4,275	-
Holidaybreak Plc	-	-	-	54,094
Immunodiagnosics Sys	5,250	40,230	48,458	-
James Halstead Plc	5,000	24,270	37,125	52,200
Kenmare Resources Plc	-	-	-	38,720
Latchways plc	5,000	43,732	52,900	66,129
Lok'n'Store Group	-	-	-	24,921
London and Associate Properties	-	-	-	10,815
London Capital	-	-	-	28,930
M P Evans	5,600	23,963	27,776	38,997
Marshall's	22,500	21,959	23,569	-
Mears Group	10,000	31,031	30,300	-
Montanaro European Small Cos Fund	738,181	894,233	2,096,433	1,620,320
Mothercare	4,000	25,226	24,520	-
NCC Group Plc	10,000	38,462	55,250	-
Ocean Wilson Holdings	3,500	29,784	48,300	47,575
Phoeix IT Group	20,000	60,033	53,350	53,000
Premier Oil Plc	3,250	37,629	63,375	-
Primary Health Properties plc	9,000	27,033	30,150	-
Renishaw plc	1,550	11,330	19,065	-
Ricardo	15,000	28,323	43,725	51,900
Rotork plc	1,500	21,820	27,420	-
RPS Group	20,000	35,951	46,080	-
Salamander Energy plc	-	-	-	71,380
Scott Wilson	-	-	-	27,750
SDL plc	7,500	35,189	48,750	-
Senior plc	-	-	-	82,500
Severfield-Rowen	12,500	25,511	38,500	-
Shaftesbury	11,500	32,418	51,520	32,798
Ultra Electric Holdings Plc	3,150	36,560	53,424	52,250
Victrix plc	5,000	31,649	71,532	89,910
VP PLC	-	-	-	51,674
Wilmington Group PLC	22,500	27,131	34,875	33,240
WSP GRP	11,000	21,027	39,050	-
Workspace Group Plc	-	-	-	7,440
Zytronic	-	-	-	52,345
		<u>2,305,044</u>	<u>3,985,379</u>	<u>3,142,231</u>

Montanaro Growth and Income Fund Limited Partnership No: 3**Notes to the financial statements
for the year ended 31 December 2010****3 Investments (continued)**

The movement on investments during the year was as follows

	2010		2009	
	£	£	£	£
Market value at 1 January 2010		3,142,231		2,201,387
Purchases	934,511		347,978	
Sale proceeds	(1,234,988)		(288,051)	
Realised gains on sales	163,489		17,514	
Change in unrealised (losses)/gains	(19,240)		40,910	
		(156,228)		118,351
Unrealised gains for the year	999,376		822,493	
		999,376		822,493
Market value at 31 December 2010		<u>3,985,379</u>		<u>3,142,231</u>

4 Short term cash deposits

	2010	2009
	£	£
At 1 January 2010	32,571	56,539
Net cash inflow/(outflow)	174,975	(23,968)
At 31 December 2010	<u>207,546</u>	<u>32,571</u>

5 Debtors

	2010	2009
	£	£
Dividends receivable	665	2,473
	<u>665</u>	<u>2,473</u>

6 Creditors: amounts falling due within one year

	2010	2009
	£	£
Accruals	194,650	184,882
	<u>194,650</u>	<u>184,882</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Notes to the financial statements for the year ended 31 December 2010

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 (2009 £2,056,734) of which £2,054,677 (2009 £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:

	2010 £	2009 £
East Riding of Yorkshire Council	<u>2,054,677</u>	<u>2,054,677</u>

b) Capital contribution accounts:

	2010 £	2009 £
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 2010 £
Montanaro Asset Management Limited	-	188,732	(188,732)	-
East Riding of Yorkshire Council	235,460	26,411	-	261,871
	<u>235,460</u>	<u>215,143</u>	<u>(188,732)</u>	<u>261,871</u>

d) Unrealised movement on investments

	Brought forward £	Realised in period £	Unrealised movement £	31 December 2010 £
East Riding of Yorkshire Council	<u>700,199</u>	<u>(19,240)</u>	<u>999,376</u>	<u>1,680,335</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Notes to the financial statements for the year ended 31 December 2010

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

	2010	2009
	£	£
Net profit for the year	51,654	38,269
Decrease in debtors	1,808	4,298
Increase in creditors	9,768	134,775
	<u>63,230</u>	<u>177,342</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 £188,732 (2009 £141,383) 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>207,546</u>	<u>207,546</u>

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

The interest rate risk profile of financial assets and liabilities at 31 December 2010 was as follows

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

Montanaro Growth and Income Fund Limited Partnership No: 3

Notes to the financial statements for the year ended 31 December 2010

10 Financial instruments (continued)

c) Fair Value

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

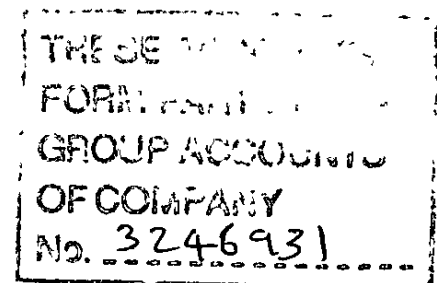
d) Short Term Debtors and Creditors

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

Registered number: LP009248

Montanaro Growth and Income Fund Limited
Partnership No: 4

Report and Financial Statements
31 December 2010



COMPANIES HOUSE

Montanaro Growth and Income Fund Limited Partnership No: 4

Independent Auditors' Report

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

We have audited the Partnership's financial statements for the year ended 31 December 2010 which comprise the Income account, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profit and Losses, Balance Sheet, Cash Flow Statement, Reconciliation of net cash flow to movement in net debt and the related notes 1 to 10. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Partners of the Partnership, as a body, in accordance with the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the partners those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Partnership and the Partners as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the General Partner and auditors

As described in the Statement of Responsibilities on page 2, the General Partner is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with 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 Partnership's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Partners, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Partnership's affairs as at 31 December 2010 and of its results for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been properly prepared in accordance with the requirements of the Partnership Agreement and the Companies Act 2006, as applied to qualifying partnerships by the Regulations.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to if, in our opinion

- adequate accounting records have not been kept,
- the financial statements are not in agreement with the accounting records and returns, or
- we have not received all the information and explanations we require for our audit.

Simon Speller

Simon Speller ACA (Senior statutory auditor)

For and on behalf of
Hillier Hopkins LLP

Date 14/06/2011

Chartered Accountants
Statutory Auditor

64 Clarendon Road
Watford
Hertfordshire
WD17 1DA

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 2010

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 2010 was satisfactory

Statement of responsibilities in respect of the financial statements

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

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

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

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

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

On behalf of the General Partner



C G B Montanaro

Director

Montanaro Asset Management Limited- General Partner

Date 13 June 2011

Montanaro Growth and Income Fund Limited Partnership No: 4

Income Account for the year ended 31 December 2010

	Notes	2010 £	2009 £
Income			
Dividend income from listed investments		72,913	149,956
Interest income		<u>196</u>	<u>1,367</u>
		73,109	151,323
Expenses	2	<u>(14,859)</u>	<u>(14,791)</u>
Net income for the year		58,250	136,532
Rebate of management fees	11	391,406	-
Realised gains on sale of investments		<u>1,106,658</u>	<u>(428,451)</u>
Profit/(loss) for the year		<u>1,556,314</u>	<u>(291,919)</u>

Montanaro Growth and Income Fund Limited Partnership No: 4

Statement of total recognised gains and losses for the year ended 31 December 2010

	Notes	2010 £	2009 £
Non distributable gains and losses			
Unrealised gains on investments	3	<u>1,425,142</u>	<u>1,491,265</u>
Distributable gains and losses			
Gains/(losses) for the year		1,556,314	(291,919)
Change in unrealised (losses)/gains on sale of investments	3	(889,802)	494,412
Distribution to General Partner as Profit Share	7c	(59,889)	(44,414)
		<u>606,623</u>	<u>158,079</u>
Total recognised gains for the year		<u><u>2,031,765</u></u>	<u><u>1,649,344</u></u>

Note of historical cost profit and losses for the year ended 31 December 2010

	2009 £	2009 £
Profit for the year before gains and losses on sale of investments	449,656	136,532
Realised gains/(losses) on historical cost method	1,106,658	(428,451)
	<u>1,556,314</u>	<u>(291,919)</u>
Historical cost profit/(loss) for the period	<u><u>1,556,314</u></u>	<u><u>(291,919)</u></u>

Montanaro Growth and Income Fund Limited Partnership No: 4

Balance sheet at 31 December 2010

	Notes	2010 £	2009 £
Fixed assets			
Investments	3	6,974,378	5,471,394
Current assets			
Short term cash deposits	4	219,917	64,398
Sundry debtors	5	391,406	17,765
		<u>611,323</u>	<u>82,163</u>
Current liabilities			
Creditors amounts falling due within one year	6	<u>(67,821)</u>	<u>(67,442)</u>
Net current assets		<u>543,502</u>	<u>14,721</u>
Total assets less current liabilities		<u><u>7,517,880</u></u>	<u><u>5,486,115</u></u>
Represented by			
Loan - Limited Partner	7a	3,162,389	3,162,389
Capital contributions	7b	3,166	3,166
Income accounts	7c	2,927,183	1,430,758
Unrealised movement in investments portfolio	7d	<u>1,425,142</u>	<u>889,802</u>
		<u><u>7,517,880</u></u>	<u><u>5,486,115</u></u>

The financial statements on pages 3 to 13 were approved by the General Partner on 13 June 2011



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 2010**

	Notes	2010 £	2009 £
Net cash inflow from operating activities	8	<u>76,394</u>	<u>121,412</u>
Capital expenditure and financial investment			
Payments to acquire investments		(7,345,167)	(962,457)
Receipts from sale of investments		<u>7,484,181</u>	<u>599,136</u>
		139,014	(363,321)
Financing			
Drawings		<u>(59,889)</u>	<u>(44,414)</u>
		(59,889)	(44,414)
Management of liquid resources			
Increase/(decrease) in cash in year		<u>155,519</u>	<u>(286,323)</u>
Increase/(decrease) in short term deposits		<u>155,519</u>	<u>(286,323)</u>

Montanaro Growth and Income Fund Limited Partnership No: 4

Notes to the financial statements for the year ended 31 December 2010

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

	2010 £	2009 £
Auditors' remuneration - audit services	3,991	4,003
Custodian expenses	6,591	7,700
Accounts production and tax fees	2,856	3,088
Legal fees	1,401	-
Bank charges	20	-
Total	<u>14,859</u>	<u>14,791</u>

Montanaro Growth and Income Fund Limited Partnership No: 4

Notes to the financial statements for the year ended 31 December 2010

3 Investments

Investments at 31 December 2010 were as follows

Share investment	Number of Shares	Cost £	Value 2010 £	Value 2009 £
Albermarle & Bond Hldgs	-	-	-	100,130
Barr (A G)	-	-	-	151,127
Booker	-	-	-	138,000
BPP Holdings	-	-	-	-
Bramer plc	-	-	-	-
Brewin Dolhin	-	-	-	75,900
BSS Group	-	-	-	72,000
Carlco plc	-	-	-	162,400
Care UK	-	-	-	-
Caretech Holdings	-	-	-	109,375
Chloride Group	-	-	-	113,400
Cineworld Group	-	-	-	90,000
Consort Medical	-	-	-	67,150
Croda International	-	-	-	128,000
Dechra Pharmaceutical	-	-	-	159,162
Devro Plc	-	-	-	90,409
Dialight Plc	-	-	-	131,400
Dignity PLC	-	-	-	127,470
Domino's Pizza	-	-	-	-
Domino Print	-	-	-	115,255
EAGA PLC	-	-	-	54,838
Education Development	-	-	-	121,125
Fenner	-	-	-	-
Fisher (J) & Sons PLC	-	-	-	116,145
Genus	-	-	-	148,280
Gooch & Housego	-	-	-	-
Goals Soccer	-	-	-	99,326
Hargreaves	-	-	-	131,100
Hill & Smith	-	-	-	116,090
Holidaybreak	-	-	-	114,989
Hornby	-	-	-	-
James Halstead Plc	-	-	-	165,300
Kewill Systems Plc	-	-	-	151,525
Latchways PLC	-	-	-	171,996
Lok'n'Store	-	-	-	54,870
London and Associates Properties	-	-	-	48,557
London Capital plc	-	-	-	-
Marshalls	-	-	-	47,979
Montanaro Focus Fund	4,311	5,549,337	6,974,378	-
Mothercare plc	-	-	-	163,680
NCC Group	-	-	-	168,938
Carried forward		5,549,337	6,974,378	3,868,366

Montanaro Growth and Income Fund Limited Partnership No: 4

Notes to the financial statements for the year ended 31 December 2010

3 Investments (continued)

Investments at 31 December 2010 were as follows.

Share investment	Number of Shares	Cost £	Value 2010 £	Value 2009 £
Brought forward		5,549,337	6,974,378	3,868,366
Noble Investments	-	-	-	-
Ocean Wilson Holdings	-	-	-	64,875
Phoenix IT Group	-	-	-	98,320
Premier Oil Plc	-	-	-	88,400
Primary Health Properties	-	-	-	97,104
Rensburg	-	-	-	70,263
Ricardo	-	-	-	79,147
RPS Group	-	-	-	71,610
Salamander Energy plc	-	-	-	-
Scott Wilson	-	-	-	55,500
Senior plc	-	-	-	93,750
Shaftesbury	-	-	-	98,400
Stanley Gibbons Group	-	-	-	67,750
Superglass Holdings plc	-	-	-	18,682
Tullow Oil PLC	-	-	-	130,500
UK Mail Group	-	-	-	79,750
UTV Media plc	-	-	-	-
Vertu Motors Plc	-	-	-	76,000
Victrex	-	-	-	121,500
VP PLC	-	-	-	62,650
White Young Green PLC	-	-	-	-
Wilmington Group PLC	-	-	-	76,800
WSP Group	-	-	-	56,477
Zytronic	-	-	-	95,550
		<u>5,549,337</u>	<u>6,974,378</u>	<u>5,471,394</u>

The movement on investments during the year was as follows

	2010		2009	
	£	£	£	£
Market value at 1 January 2010		5,471,394		3,550,847
Purchases	7,345,167		962,457	
Sale proceeds	(7,484,181)		(599,136)	
Realised gains/(losses) on sales	1,106,658		(428,451)	
Change in unrealised (losses)/gains	<u>(889,802)</u>		<u>494,412</u>	
		77,842		429,282
Unrealised gains for the year	<u>1,425,142</u>		<u>1,491,265</u>	
		1,425,142		1,491,265
Market value at 31 December 2010		<u>6,974,378</u>		<u>5,471,394</u>

Montanaro Growth and Income Fund Limited Partnership No: 4

Notes to the financial statements for the year ended 31 December 2010

4 Short term cash deposits

	2010 £	2009 £
At 1 January 2010	64,398	350,721
Net cash inflow/(outflow)	155,519	(286,323)
	<hr/>	<hr/>
At 31 December 2010	<u>219,917</u>	<u>64,398</u>

5 Debtors

	2010 £	2009 £
Dividends receivable	-	17,765
Rebate of management fees receivable	391,406	-
	<hr/>	<hr/>
	<u>391,406</u>	<u>17,765</u>

6 Creditors: amounts falling due within one year

	2010 £	2009 £
Accruals	67,821	67,442
	<hr/>	<hr/>
	<u>67,821</u>	<u>67,442</u>

Montanaro Growth and Income Fund Limited Partnership No: 4

Notes to the financial statements for the year ended 31 December 2010

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 (2009 £3,165,555) of which £3,162,389 (2009 £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:

	2010 £	2009 £
The Church Commissioners for England	<u>3,162,389</u>	<u>3,162,389</u>

b) Capital contribution accounts:

	2010 £	2009 £
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 2010 £
Montanaro Asset Management Limited	-	59,889	(59,889)	-
The Church Commissioners for England	1,430,758	1,496,425	-	2,927,183
	<u>1,430,758</u>	<u>1,556,314</u>	<u>(59,889)</u>	<u>2,927,183</u>

d) Unrealised movement on investments

	Brought forward £	Realised in period £	Unrealised movement £	31 December 2010 £
The Church Commissioners for England	<u>889,802</u>	<u>(889,802)</u>	<u>1,425,142</u>	<u>1,425,142</u>

Montanaro Growth and Income Fund Limited Partnership No: 4

Notes to the financial statements for the year ended 31 December 2010

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

	2010	2009
	£	£
Net gain for the year	449,656	136,532
(Increase) in debtors	(373,641)	(3,527)
Increase/(decrease) in creditors	379	(11,593)
	<u>76,394</u>	<u>121,412</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 £59,889 (2009 £44,414) 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>219,917</u>	<u>219,917</u>

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

The interest rate risk profile of financial assets and liabilities at 31 December 2010 was as follows

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

Montanaro Growth and Income Fund Limited Partnership No: 4

Notes to the financial statements for the year ended 31 December 2010

10 Financial instruments (continued)

c) Fair Value

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

d) Short Term Debtors and Creditors

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

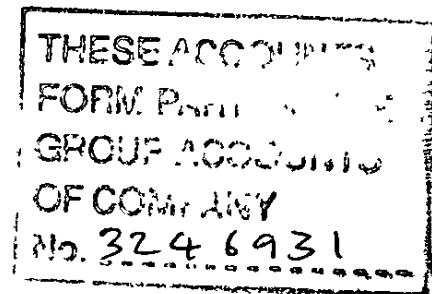
11 Management fee rebate

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

Registered number: LP009249

Montanaro Growth and Income Fund Limited
Partnership No: 5

Report and Financial Statements
31 December 2010



COMPANIES HOUSE

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 Partnership's financial statements for the year ended 31 December 2010 which comprise the Income account, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profit and Losses, Balance Sheet, Cash Flow Statement, Reconciliation of net cash flow to movement in net debt and the related notes 1 to 10. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Partners of the Partnership, as a body, in accordance with the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the partners those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Partnership and the Partners as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the General Partner and auditors

As described in the Statement of Responsibilities on page 2, the General Partner is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with 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 Partnership's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Partners, and the overall presentation of the financial statements.

Opinion on financial statements

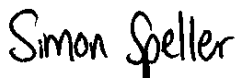
In our opinion the financial statements

- give a true and fair view of the state of the Partnership's affairs as at 31 December 2010 and of its results for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been properly prepared in accordance with the requirements of the Partnership Agreement and the Companies Act 2006, as applied to qualifying partnerships by the Regulations.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to if, in our opinion:

- adequate accounting records have not been kept,
- the financial statements are not in agreement with the accounting records and returns, 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

Date. 14/06/2011

Chartered Accountants
Statutory Auditor

64 Clarendon Road
Watford
Hertfordshire
WD17 1DA

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 2010

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 2010 was satisfactory

Statement of responsibilities in respect of the financial statements

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

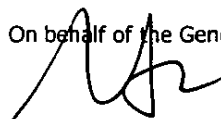
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare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

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

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

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

On behalf of the General Partner



C G B Montanaro

Director

Montanaro Asset Management Limited- General Partner

Date 13 June 2011

Montanaro Growth and Income Fund Limited Partnership No: 5

Income Account for the year ended 31 December 2010

	Notes	2010 £	2009 £
Income			
Dividend income from listed investments		38,078	29,318
Interest income		<u>64</u>	<u>386</u>
		38,142	29,704
Expenses	2	<u>(7,806)</u>	<u>(6,517)</u>
Net income for the year		30,336	23,187
Realised gains on sale of investments		<u>83,618</u>	<u>9,107</u>
Profit for the year		<u>113,954</u>	<u>32,294</u>

Montanaro Growth and Income Fund Limited Partnership No: 5**Statement of total recognised gains and losses
for the year ended 31 December 2010**

	Notes	2010 £	2009 £
Non distributable gains and losses			
Unrealised gains on investments	3	<u>602,369</u>	<u>480,469</u>
Distributable gains and losses			
Gain for the year		113,954	32,294
Change in unrealised (losses)/gains on sale of investments	3	(30,770)	23,169
Distribution to General Partner as Profit Share	7c	(110,704)	(84,035)
		<u>(27,520)</u>	<u>(28,572)</u>
Total recognised gains for the year		<u><u>574,849</u></u>	<u><u>451,897</u></u>

**Note of historical cost profit and losses
for the year ended 31 December 2010**

	2010 £	2009 £
Profit for the year before gains and losses on sale of investments	30,336	23,187
Realised gains on historical cost method	83,618	9,107
	<u>113,954</u>	<u>32,294</u>
Historical cost profit for the period	<u><u>113,954</u></u>	<u><u>32,294</u></u>

Montanaro Growth and Income Fund Limited Partnership No: 5

Balance sheet at 31 December 2010

	Notes	2010 £	2009 £
Fixed assets			
Investments	3	2,454,590	1,865,467
Current assets			
Short term cash deposits	4	12,528	20,436
Sundry debtors	5	363	1,573
		<u>12,891</u>	<u>22,009</u>
Current liabilities			
Creditors amounts falling due within one year	6	<u>(114,151)</u>	<u>(108,995)</u>
Net current (liabilities)		<u>(101,260)</u>	<u>(86,986)</u>
Total assets less current liabilities		<u><u>2,353,330</u></u>	<u><u>1,778,481</u></u>
Represented by			
Loan - Limited Partner	7a	1,076,915	1,076,915
Capital contributions	7b	1,078	1,078
Income accounts	7c	279,734	276,484
Unrealised movement in investments portfolio	7d	<u>995,603</u>	<u>424,004</u>
		<u><u>2,353,330</u></u>	<u><u>1,778,481</u></u>

The financial statements on pages 3 to 12 were approved by the General Partner on 13 June 2011



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 2010**

	Notes	2010 £	2009 £
Net cash inflow from operating activities	8	<u>36,702</u>	<u>105,971</u>
Capital expenditure and financial investment			
Payments to acquire investments		(630,610)	(226,616)
Receipt from sales of investments		<u>696,704</u>	<u>158,384</u>
		66,094	(68,232)
Financing			
Drawings		<u>(110,704)</u>	<u>(84,035)</u>
		(110,704)	(84,035)
Management of liquid resources			
Decrease in cash in year		<u>(7,908)</u>	<u>(46,296)</u>
Decrease in short term deposits		<u>(7,908)</u>	<u>(46,296)</u>

Montanaro Growth and Income Fund Limited Partnership No: 5

Notes to the financial statements for the year ended 31 December 2010

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

	2010 £	2009 £
Auditors' remuneration - audit services	1,356	1,361
Custodian expenses	4,982	4,106
Accounts production and tax fees	971	1,050
Legal fees	476	-
Bank charges	21	-
Total	<u>7,806</u>	<u>6,517</u>

Montanaro Growth and Income Fund Limited Partnership No: 5

Notes to the financial statements for the year ended 31 December 2010

3 Investments

Investments at 31 December 2010 were as follows

Share investment	Number of Shares	Cost £	Value 2010 £	Value 2009 £
Ashmore Group	7,500	18,807	25,132	-
AVEVA Group	1,500	17,322	24,210	-
Barr(A G) plc	2,000	20,243	21,840	-
Booker	40,000	17,449	24,100	-
Bovis Homes Group PLC	3,900	18,145	16,142	16,953
Brewin Dolphin	20,000	26,807	31,760	31,740
BSS Group	-	-	-	14,880
Cardo plc	15,000	24,064	36,225	-
Chemring Group plc	1,040	21,863	30,202	30,545
Chloride Group	-	-	-	18,540
Consort Medical	4,500	24,703	21,938	13,035
Croda International	2,000	18,632	32,320	-
Dana Petroleum PLC	-	-	-	10,584
Dechra Pharmaceuticals	4,500	15,868	22,500	28,044
Derwent London PLC	1,000	14,502	15,610	-
Devro plc	12,000	24,101	30,360	-
Dialight plc	5,407	13,694	27,792	-
Dignity PLC	4,000	23,237	28,800	37,094
Domino's Pizza UK & IRL	7,000	15,054	38,605	43,508
Domino Printing Services plc	6,000	23,192	39,000	-
DTZ Holdings	20,000	19,049	8,900	2,301
Fenner plc	10,000	22,890	35,780	-
Fisher (J) & Sons PLC	6,000	26,153	30,300	30,482
Genus	3,000	14,188	25,740	45,495
Hamworthy plc	5,000	16,770	21,325	27,214
Helical Bar Plc	7,500	20,974	21,375	-
Holidaybreak plc	-	-	-	33,687
Immunodiagnosics System	2,500	18,882	23,075	-
James Halstead Plc	3,500	16,899	25,987	31,900
Kenmare Resources Plc	-	-	-	23,540
Latchways	4,000	21,245	42,320	41,741
Lok'n'Store Group	-	-	-	14,634
London and Associates Properties	-	-	-	7,945
London Capital plc	-	-	-	17,095
Marshall's	17,500	16,976	18,331	-
Mears Group plc	6,000	18,619	18,180	-
Montanaro European Small Cos Fund	419,787	525,449	1,192,195	927,680
Mothercare	2,500	15,767	15,325	-
M P Evans	7,400	31,412	36,704	22,903
NCC Group	6,500	26,925	35,912	-
Ocean Wilson Holdings plc	2,000	17,809	27,600	17,300
Phoenix IT Group	6,000	17,989	16,005	31,800
Premier Oil plc	2,000	28,880	39,000	-
Carried forward		1,214,559	2,100,590	1,520,640

Montanaro Growth and Income Fund Limited Partnership No: 5

Notes to the financial statements for the year ended 31 December 2010

3 Investments (continued)

Investments at 31 December 2010 were as follows

Share investment	Number of Shares	Cost £	Value 2010 £	Value 2009 £
Brought forward		1,214,559	2,100,590	1,520,640
Primary Health Properties PLC	7,000	21,079	23,450	-
Renishaw plc	2,000	17,170	24,600	-
Ricardo	10,000	18,882	29,150	31,140
Rotork plc	1,500	22,608	27,420	-
RPS Group	15,000	27,777	34,560	-
SDL plc	5,000	24,651	32,500	-
Salamander Energy	-	-	-	46,004
Scott Wilson	-	-	-	14,800
Senior plc	-	-	-	51,000
Severfield-Rowen	8,000	17,233	24,640	-
Shaftesbury	5,833	13,344	26,132	22,959
Ultra Electric Holdings	1,850	20,079	31,376	33,000
Victrex plc	3,500	21,972	50,072	55,890
VP PLC	-	-	-	33,237
Wilmington Group PLC	14,000	21,020	21,700	19,320
Workspace Group	-	-	-	4,417
WSP Group	8,000	18,613	28,400	33,060
		<u>1,458,987</u>	<u>2,454,590</u>	<u>1,865,467</u>

The movement on investments during the year was as follows

	2010 £	2009 £
Market value at 1 January 2010	1,865,467	1,284,490
Purchases	630,610	226,616
Sale proceeds	(696,704)	(158,384)
Realised gains on sales	83,618	9,107
Change in unrealised (losses)/gains	(30,770)	23,169
	<u>(13,246)</u>	<u>100,508</u>
Unrealised gains for the year	<u>602,369</u>	<u>480,469</u>
	<u>602,369</u>	<u>480,469</u>
Market value at 31 December 2010	<u>2,454,590</u>	<u>1,865,467</u>

Montanaro Growth and Income Fund Limited Partnership No: 5

Notes to the financial statements for the year ended 31 December 2010

4 Short term cash deposits

	2010 £	2009 £
At 1 January 2010	20,436	66,732
Net cash outflow	(7,908)	(46,296)
	<u>12,528</u>	<u>20,436</u>
At 31 December 2010	<u>12,528</u>	<u>20,436</u>

5 Debtors

	2010 £	2009 £
Dividends receivable	363	1,573
	<u>363</u>	<u>1,573</u>

6 Creditors: amounts falling due within one year

	2010 £	2009 £
Accruals	114,151	108,995
	<u>114,151</u>	<u>108,995</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 earned 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 (2009: £1,077,993) of which £1,076,915 (2009: £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 2010

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

a) Loan accounts:

	2010 £	2009 £
The South Yorkshire Pensions Authority	<u>1,076,915</u>	<u>1,076,915</u>

b) Capital contribution accounts:

	2010 £	2009 £
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 2010 £
Montanaro Asset Management Limited	-	110,704	(110,704)	-
The South Yorkshire Pensions Authority	276,484	3,250	-	279,734
	<u>276,484</u>	<u>113,954</u>	<u>(110,704)</u>	<u>279,734</u>

d) Unrealised movement on investments

	Brought forward £	Realised in period £	Unrealised movement £	31 December 2010 £
The South Yorkshire Pensions Authority	<u>424,004</u>	<u>(30,770)</u>	<u>602,369</u>	<u>995,603</u>

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

	2010 £	2009 £
Net gain for the year	30,336	23,187
Decrease in debtors	1,210	2,195
Increase in creditors	5,156	80,589
	<u>36,702</u>	<u>105,971</u>

Montanaro Growth and Income Fund Limited Partnership No: 5

Notes to the financial statements for the year ended 31 December 2010

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 £110,704 (2009 £84,035) 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>12,528</u>	<u>12,528</u>

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

The interest rate risk profile of financial assets and liabilities at 31 December 2010 was as follows

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

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

c) Fair Value

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

d) Short Term Debtors and Creditors

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