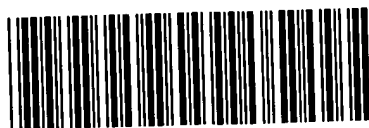


Registered number: 03246931

MONTANARO ASSET MANAGEMENT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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MONTANARO ASSET MANAGEMENT LIMITED

COMPANY INFORMATION

Directors	C G B Montanaro C P R H Durant Des Aulnois D J Gamble J G Tregoning (resigned 30 September 2020) J P Grime (appointed 30 September 2020) M E Rogers (appointed 30 September 2020)
Company secretary	Mrs G C Edwardes Ker
Registered number	03246931
Registered office	53 Threadneedle Street London EC2R 8AR
Independent auditor	Hillier Hopkins LLP Chartered Accountants & Statutory Auditor Radius House 51 Clarendon Road Watford Herts WD17 1HP

MONTANARO ASSET MANAGEMENT LIMITED

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The following pages do not form part of the statutory financial statements:

Unaudited Pilled 3 Risk Disclosure and Remuneration Policy Disclosure

Appendix 1

MONTANARO ASSET MANAGEMENT LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

Montanaro Asset Management Limited ("MAM") is an asset management company specialising in quoted Small and MidCap equities.

MAM provides the following services:

- Discretionary management of pooled investment vehicles (Investment Trusts and OEICs);
- Discretionary management of segregated mandates primarily for institutional clients.

MAM trades on an agency basis. It does not hold client assets or cash. All clients have independent custodians. It only invests in liquid equity securities traded on recognised stock exchanges.

Business review

As at 31 December 2020, MAM's funds under management were £3.8 billion, up 45% compared to the previous year. MAM won three new segregated mandates during the year, bringing the total to six.

Principal risks and uncertainties

The main risks to MAM are a loss of client assets or a decline in Stock Markets (as most fee income is based on portfolio valuations), either or both of which would result in reduced revenues. This might impact the ability to invest in MAM as required and to retain staff.

Since the end of February 2020, global financial markets have seen considerable disruption due to the rapid spread of the Coronavirus (COVID-19). All employees of MAM have been working from home since 18 March 2020. The Company's Business Continuity Plan was activated on the same day and operations have continued as normal since. Similarly, all of MAM's key service providers have enacted their respective Business Continuity Plans and continued to operate as normal. There have been no issues of note.

On 1 January 2021, the UK left the European Union after a year of transition. Although a trade agreement between the parties was agreed in the final days of 2020, there remains considerable uncertainty around the future relationship between the UK and the EU, in particular in relation to the financial services sector. However, the signing of a Memorandum of Understanding ("MoU") between ESMA and the FCA is a significantly positive development for MAM in that it can continue to provide investment management services to Montanaro Smaller Companies Plc in Ireland. Overall, the Directors believe that the risks posed to the business by Brexit are limited.

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

MAM is managed conservatively and has no bank debt or debt due to other external third parties. Furthermore, it maintains significant cash balances.

MAM's ICAAP financial analysis shows that MAM could continue to operate with the existing fixed cost structure for at least 5 years with no revenue.

MAM far exceeds its basic regulatory capital requirements which are necessary for the prudential running of its business. This is because of the following factors:

- MAM holds cash balances many times greater than its fixed overhead requirement;
- Within its regulated activities, MAM assumes no market risk;
- MAM has a diverse and growing client base; and
- MAM's clients are geographically well diversified.

MONTANARO ASSET MANAGEMENT LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Objectives

MAM has remained a specialist manager in quoted Small and MidCap equities since its foundation in 1991. There are no plans to invest into other asset classes.

MAM aims to continue growing its assets under management by growing its UK and Irish-domiciled open-ended funds and accepting a small number of additional segregated mandates.

The Board believes that MAM has plenty of capacity left to grow. Most of this capacity lies in MAM's range of Global Funds.

Financial key performance indicators

During the year under review, turnover increased by 5% (2019: +30%). Performance fees earned were £10.4 million (2019: £13.6 million).

The strength of the Balance Sheet of the Company improved with an increase in Net Asset Value of 19% (2019: +9%)

Other key performance indicators

Employees

Staff retention and the stability of the team are important to MAM. The number of employees increased from twenty eight in 2019 to thirty in 2020.

MAM may appoint additional employees over the course of 2021.

Future developments

In January 2020, MAM launched a UK-domiciled range of open-ended funds in order to cater to the needs of UK investors after the UK's departure from the European Union. Significant progress was made in growing these Funds, which were close to £100 million by the end of the Financial Year.

MAM is also actively pursuing its strategy to diversify its client base geographically. In 2019, the Company appointed Selinca to help distribute its Funds in Italy, and in 2020 it entered into distribution agreements with Hexagone in France and Atrium in Denmark. Further distribution partnerships are under consideration.

MONTANARO ASSET MANAGEMENT LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Directors' statement of compliance with duty to promote the success of the Group

Section 172 of the Companies Act 2006 (the "Act") requires directors to act in good faith and in a way that is the most likely to promote the success of the company. In doing so, directors must take into consideration the interests of the various stakeholders of the Company, the impact the Company has on the community and the environment, take a long-term view on consequences of the decisions they make as well as aim to maintain a reputation for high standards of business conduct and fair treatment between members of the Company.

Fulfilling this duty naturally supports the Company in achieving its goals and helps to ensure that all decisions are made in a responsible and sustainable way. The Board explains how the Directors have individually and collectively discharged their duties under section 172 of the Act over the course of the reporting period.

To ensure that the Directors are aware of, and understand, their duties they are provided with a tailored induction, including details of all relevant regulatory and legal duties as a Director of a UK private limited company, when they first join the Board, and continue to receive regular and ongoing updates and training on relevant legislative and regulatory developments. They also have continued access to the advice and services of the Company Secretary, and when deemed necessary, the Directors can seek independent professional advice.

MAM became a certified "B Corporation" in June 2019. In June 2020, MAM's Articles of Association were amended accordingly. "B Corps" are businesses that meet the highest standards of verified social and environmental performance, public transparency and legal accountability to balance profit and loss.

There are just a handful of UK Asset Managers who are "B Corps". The certification process is both arduous and rigorous. Certification is measured across five categories: Governance; Workers; Community; Environment; and Customers.

Montanaro is also a signatory to the UN's Principles for Responsible Investing ("PRI"), the UK Stewardship Code, the Carbon Disclosure Project, the LGPS Code of Transparency and the Montreal Pledge.

Engagement with Employees:

MAM firmly believes that the work environment should be enjoyable and that staff should have a healthy work / home life balance. It actively promotes this with generous holiday and sabbatical entitlements. Management also conducts anonymous surveys every two years to ensure that all employees have an opportunity to express their views.

In 2020, MAM:

- conducted an internal survey aimed at understanding how the Company could best support its employees with the mental and physical challenges of working from home;
- increased the maximum authorised holiday rollover from 5 to 8 days in response to the COVID pandemic;
- set up a temporary holiday buy-back scheme for employees with unused holidays; and
- it awarded all members of staff a 3-year deferred Loyalty Bonus.

Engagement with suppliers, customers and others

The Board seeks to understand the needs and priorities of the Company's stakeholders and these are taken into account during all its discussions and as part of its decision-making. Its key stakeholders include:

Customers:

The Directors review the Company's list of clients and meetings at each Board Meeting to ensure that all clients have recently been contacted. All of MAM's clients have a dedicated relationship manager who is responsible for keeping them informed of any developments relating to the product(s) they have invested in. In 2020, MAM held more than 480 virtual meetings with clients.

MONTANARO ASSET MANAGEMENT LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Suppliers:

The Company's key suppliers include Charles River (trading and investment platform), Bloomberg (financial terminals) and several professional services firms including Dickson Minto (legal), Compliancy Services (compliance advisory), Thames Computers (IT support) and Iomart (business continuity). The Directors regularly review the Company's list of suppliers to ensure that it is consistent with the needs and objectives of the business. MAM pays all of its suppliers on time.

The Community:

MAM supports Tribal Survival, a UK registered charity, which aims to promote the wellbeing of indigenous people across the world by providing access to medicines otherwise not available to them. Charles Montanaro regularly accompanies a group of doctors to deliver medicines to tribes such as the Korowai of West Papua.

Every year, MAM also organises a voluntary Charity Day which allows staff to work for a range of charities such as soup kitchens, old people's centres and other social work. This was not possible in 2020 due to the pandemic but the intention is to resume in 2021 or as soon as the conditions allow it.

MAM also runs a Charity Matching Scheme, where donations raised by employees for charitable causes are matched by the Company. Staff are also supported in the extra-curricular roles they take in society, such as a School Governor.

The Environment

MAM encourages its staff to take practical sustainability into their own hands during their time at Montanaro and in their lives beyond. The Company communicates the benefits of its approach to new joiners at their welcome induction.

MAM is committed to offsetting its Carbon Footprint on a quarterly basis and works towards a reduction of its annual Carbon Footprint over time. It recognises that some intensive use of carbon - such as air travel - is unavoidable in a business such as asset management. This is why the Company offsets its Carbon Emissions each quarter via ClimateCare, an environmental and social impact company which helps to fund projects such as the development of clean air sources. MAM is also a signatory to the Carbon Disclosure Project ("CDP").

Although little travel occurred in 2020 due to the pandemic, travel is expected to remain a necessary part of MAM's business in future. The Investment Team spends time visiting companies in situ and the Marketing team travels across the world to meet with the Company's clients. MAM encourages its employees to think about their use of transport for these trips. Where possible, trains are used instead of planes and if cars or taxis are used, the Company attempts to use those powered by hybrid or electrical power. Video and teleconferences are increasingly offered to companies or clients as an alternative to face-to-face meetings.

Impact Report

During the year, MAM embarked on a journey to reduce its carbon footprint. This began in 2019 when the Company committed to achieving Net Zero Carbon at the UN Climate Change Conference (COP 25) alongside other "B Corporations". In 2020, MAM appointed Green Element to calculate its carbon footprint for the first time. This will help define a roadmap to reach carbon neutrality by 2030.

In turn, MAM has been actively engaging with its investee companies to encourage them to reduce their own carbon footprint and ideally commit to being carbon neutral by the end of the decade. In particular, the Montanaro Better World Fund has publicly pledged to have at least 10% of Net Zero Carbon investments by 2030.

By supporting City Harvest, a registered UK charity, MAM is helping to alleviate food poverty in London. The pandemic has had a devastating impact on thousands of vulnerable Londoners who have been thrust into financial hardship. In particular, UNICEF declared that the pandemic was the most urgent crisis affecting British

MONTANARO ASSET MANAGEMENT LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

children since the Second World War. With MAM's help, City Harvest were able to deliver 7.9 million meals in 2020, more than twice as many as the previous year.

This report was approved by the Board and signed on its behalf.



C G B Montanaro
Director

Date: 7 April 2021

MONTANARO ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and the financial statements for the year ended 31 December 2020.

Directors' responsibilities statement

The Directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to 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.

RESULTS

The profit for the year, after taxation, amounted to £12,198,364 (2019 - £17,050,845).

During the year, dividends paid totalled £3,183,125 (2019: £11,885,000).

Directors

The Directors who served during the year were:

C G B Montanaro
C P R H Durant Des Aulnois
D J Gamble
J G Tregoning (resigned 30 September 2020)
J P Grime (appointed 30 September 2020)
M E Rogers (appointed 30 September 2020)

MONTANARO ASSET MANAGEMENT LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Greenhouse gas emissions, energy consumption and energy efficiency action

The Group's greenhouse gas emissions and energy consumption for the year was as follows:

	Consumption	Consumption per £ 1,000 in Turnover
Electricity	48,883 KWh	1.97 KWh
Gas	35,056 KWh	1.41 KWh
TOTAL Energy	83,939 KWh	3.38 KWh

The Company's electricity consumption represents direct metered usage only. 96.6% of the electricity consumed was from renewable sources.

Gas consumption represents the Company's share of the building's gas consumption. All gas consumed is natural gas.

In 2020, MAM appointed Green Element to help calculate its total carbon footprint for the first time. This represents the first stage towards the Company's target of reaching carbon neutrality by 2030.

	Tons of CO2 equivalent emissions (2020)	Tons of CO2 equivalent emissions (2019)
Scope 1	6.47	5.92
Scope 2	13.84	16.03
Scope 3	8.77	145.57
Scopes, 1, 2 and 3	29.07	167.54

Scope 1 emissions are those from sources owned or controlled by the company.

Scope 2 emissions are those caused by the generation of electricity purchased by the company.

Scope 3 emissions cover air and rail travel, hotel accommodation, computers, paper and detergent usage.

The significant reduction in Scope 3 emissions in 2020 can be attributed to the impact of COVID, which halted all travel from March 2020.

Disclosure of information to auditor

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

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

MONTANARO ASSET MANAGEMENT LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Auditor

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

This report was approved by the Board and signed on its behalf.



C G B Montanaro
Director

Date: 7 April 2021

MONTANARO ASSET MANAGEMENT LIMITED

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

Opinion

We have audited the financial statements of Montanaro Asset Management Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

MONTANARO ASSET MANAGEMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONTANARO ASSET MANAGEMENT LIMITED (CONTINUED)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

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

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

MONTANARO ASSET MANAGEMENT LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONTANARO ASSET MANAGEMENT
LIMITED (CONTINUED)**

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

MONTANARO ASSET MANAGEMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONTANARO ASSET MANAGEMENT LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which they are capable of detecting irregularities, including fraud is detailed below:

- the nature of the industry and sector, control environment and business performance including the remuneration incentives and pressures of key management;
- the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. We consider the results of our enquiries of management about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations, including FCA compliance and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

We also obtained an understanding of the legal and regulatory frameworks that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006, Financial Conduct Authority regulations and relevant tax legislation.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance.

The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

MONTANARO ASSET MANAGEMENT LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONTANARO ASSET MANAGEMENT
LIMITED (CONTINUED)**

Use of our report

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.

Simon Speller

Simon Speller FCA (Senior Statutory Auditor)

for and on behalf of
Hillier Hopkins LLP

Chartered Accountants
Statutory Auditor

Radius House
51 Clarendon Road
Watford
Herts
WD17 1HP
Date: 09/04/2021

MONTANARO ASSET MANAGEMENT LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Turnover	4	30,355,639	28,797,584
Cost of sales		(5,554,098)	(4,250,182)
Gross profit		24,801,541	24,547,402
Administrative expenses		(18,106,333)	(20,004,976)
Fair value movements		3,686,619	12,815,317
Operating profit	5	10,381,827	17,357,743
Income from investments		624,084	730,049
Profit on disposal of investments		7,966,438	25,675
Interest receivable and similar income	10	84,246	188,860
Profit before taxation		19,056,595	18,302,327
Tax on profit	11	(6,858,231)	(1,251,482)
Profit for the financial year		12,198,364	17,050,845
Increase in share option reserve		(442,249)	68,448
Other comprehensive income for the year		(442,249)	68,448
Total comprehensive income for the year		11,756,115	17,119,293
Profit for the year attributable to:			
Owners of the parent Company		12,198,364	17,050,845
		12,198,364	17,050,845
Total comprehensive income for the year attributable to:			
Owners of the parent Company		11,756,115	17,119,293
		11,756,115	17,119,293

The notes on pages 24 to 38 form part of these financial statements.

MONTANARO ASSET MANAGEMENT LIMITED
REGISTERED NUMBER: 03246931

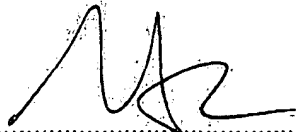
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	13	1,155,787	29,803
		<u>1,155,787</u>	<u>29,803</u>
Current assets			
Debtors: amounts falling due within one year	15	16,047,866	10,605,673
Current asset investments	16	61,409,685	51,884,565
Cash at bank and in hand	17	25,327,952	32,363,923
		<u>102,785,503</u>	<u>94,854,161</u>
Creditors: amounts falling due within one year	18	(23,003,264)	(30,119,542)
Net current assets		<u>79,782,239</u>	<u>64,734,619</u>
Total assets less current liabilities		<u>80,938,026</u>	<u>64,764,422</u>
Creditors: amounts falling due after more than one year	19	(5,502,212)	(3,025,798)
Provisions for liabilities			
Deferred taxation	21	(1,847,749)	-
		<u>(1,847,749)</u>	<u>-</u>
Net assets		<u><u>73,588,065</u></u>	<u><u>61,738,624</u></u>
Capital and reserves			
Called up share capital	22	577,500	550,000
Share premium account	23	1,805,100	-
Other reserves	23	5,965,961	6,408,210
Profit and loss account	23	65,239,504	54,780,414
Equity attributable to owners of the parent Company		<u><u>73,588,065</u></u>	<u><u>61,738,624</u></u>
		<u><u>73,588,065</u></u>	<u><u>61,738,624</u></u>

MONTANARO ASSET MANAGEMENT LIMITED
REGISTERED NUMBER: 03246931

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020

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



.....
C G B Montanaro
Director

Date: 7 April 2021

The notes on pages 24 to 38 form part of these financial statements.

MONTANARO ASSET MANAGEMENT LIMITED
REGISTERED NUMBER: 03246931

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	13	1,155,787	29,803
Investments	14	50,000	50,000
		<u>1,205,787</u>	<u>79,803</u>
Current assets			
Debtors: amounts falling due within one year	15	16,047,866	10,605,673
Current asset investments	16	61,409,685	51,884,565
Cash at bank and in hand	17	25,323,063	32,359,034
		<u>102,780,614</u>	<u>94,849,272</u>
Creditors: amounts falling due within one year	18	(23,532,393)	(30,648,671)
Net current assets		<u>79,248,221</u>	<u>64,200,601</u>
Total assets less current liabilities		<u>80,454,008</u>	<u>64,280,404</u>
Creditors: amounts falling due after more than one year	19	(5,502,212)	(3,025,798)
Provisions for liabilities			
Deferred taxation	21	(1,847,749)	-
		<u>(1,847,749)</u>	<u>-</u>
Net assets		<u><u>73,104,047</u></u>	<u><u>61,254,606</u></u>
Capital and reserves			
Called up share capital	22	577,500	550,000
Share premium account	23	1,805,100	-
Share option reserve	23	5,965,961	6,408,210
Profit and loss account	23	64,755,486	54,296,396
		<u><u>73,104,047</u></u>	<u><u>61,254,606</u></u>

MONTANARO ASSET MANAGEMENT LIMITED
REGISTERED NUMBER: 03246931

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020

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



.....
C G B Montanaro
Director

Date: 7 April 2021

The notes on pages 24 to 38 form part of these financial statements.

MONTANARO ASSET MANAGEMENT LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £	Share premium account £	Share option reserve £	Profit and loss account £	Total equity £
At 1 January 2019	550,000	-	6,339,762	49,614,569	56,504,331
Profit for the year	-	-	-	17,050,845	17,050,845
Share option reserve movement	-	-	68,448	-	68,448
Dividends: Equity capital	-	-	-	(11,885,000)	(11,885,000)
At 1 January 2020	550,000	-	6,408,210	54,780,414	61,738,624
Profit for the year	-	-	-	12,198,364	12,198,364
Net share option reserve movement and transfer to profit and loss	-	-	(442,249)	1,443,851	1,001,602
Dividends: Equity capital	-	-	-	(3,183,125)	(3,183,125)
Shares issued during the year	27,500	1,805,100	-	-	1,832,600
At 31 December 2020	577,500	1,805,100	5,965,961	65,239,504	73,588,065

The notes on pages 24 to 38 form part of these financial statements.

MONTANARO ASSET MANAGEMENT LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £	Share premium account £	Share option reserve £	Profit and loss account £	Total equity £
At 1 January 2019	550,000	-	6,339,762	49,130,551	56,020,313
Profit for the year	-	-	-	17,050,845	17,050,845
Share option reserve movement	-	-	68,448	-	68,448
Dividends: Equity capital	-	-	-	(11,885,000)	(11,885,000)
At 1 January 2020	550,000	-	6,408,210	54,296,396	61,254,606
Profit for the year	-	-	-	12,198,364	12,198,364
Net share option reserve movement and transfer to profit and loss	-	-	(442,249)	1,443,851	1,001,602
Dividends: Equity capital	-	-	-	(3,183,125)	(3,183,125)
Shares issued during the year	27,500	1,805,100	-	-	1,832,600
At 31 December 2020	577,500	1,805,100	5,965,961	64,755,486	73,104,047

The notes on pages 24 to 38 form part of these financial statements.

MONTANARO ASSET MANAGEMENT LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	12,198,364	17,050,845
Adjustments for:		
Depreciation of tangible assets	48,250	16,299
Interest and dividends received	(708,330)	(918,909)
Taxation charge	6,858,231	1,251,482
(Increase)/decrease in debtors	(7,782,798)	2,125,767
(Decrease)/increase in creditors	(4,460,455)	19,483,027
Net fair value (gains) recognised in P&L	(3,686,619)	(12,815,317)
Corporation tax (paid)	(2,849,283)	(2,004,820)
Share Option Movement	(442,249)	68,448
Profit on disposal of investments	(7,966,438)	(25,675)
Net cash generated from operating activities	<u>(8,791,327)</u>	<u>24,231,147</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(1,174,235)	(7,881)
Purchase of short term listed investments	(19,656,368)	(1,654,032)
Sale of short term listed investments	15,261,716	91,339
Interest received	84,246	188,860
Dividends received	624,084	730,049
Profit on disposal of investments	7,966,438	25,675
Net cash from investing activities	<u>3,105,881</u>	<u>(625,990)</u>

MONTANARO ASSET MANAGEMENT LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £	2019 £
Cash flows from financing activities		
Issue of ordinary shares	1,832,600	-
Dividends paid	(3,183,125)	(11,885,000)
Net cash used in financing activities	<u>(1,350,525)</u>	<u>(11,885,000)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(7,035,971)</u>	<u>11,720,157</u>
Cash and cash equivalents at beginning of year	32,363,923	20,643,766
Cash and cash equivalents at the end of year	<u>25,327,952</u>	<u>32,363,923</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	25,327,952	32,363,923
	<u>25,327,952</u>	<u>32,363,923</u>

MONTANARO ASSET MANAGEMENT LIMITED

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	At 1 January 2020 £	Cash flows £	Acquisition and disposal of investments £	Other non- cash changes £	At 31 December 2020 £
Cash at bank and in hand	32,363,923	(7,035,971)	-	-	25,327,952
Debt due within 1 year	(16,999,596)	8,460,052	-	(3,025,000)	(11,564,544)
Liquid investments	51,884,565	-	9,525,120	-	61,409,685
	<u>67,248,892</u>	<u>1,424,081</u>	<u>9,525,120</u>	<u>(3,025,000)</u>	<u>75,173,093</u>

The notes on pages 24 to 38 form part of these financial statements.

MONTANARO ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

Montanaro Asset Management Limited is a company incorporated in the UK. Its registered office address and principal place of business is 53 Threadneedle Street, London, EC2R 8AR. The principal activity of the company is asset management.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

2.3 Going concern

The Directors consider it appropriate to prepare the financial statements on the going concern basis. The Directors have considered the impact of Brexit and the COVID-19 pandemic in making their assessment.

2.4 Revenue

Revenue represents amounts receivable for investment management services provided net of VAT.

Revenue is recognised when the right to that income is earned.

2.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in shares and units publicly available are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in the Profit and Loss Account for the period.

2.6 Tangible fixed assets

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:

The estimated useful lives are as follows:

L/Term Leasehold Property	- Over 15 years
Fixtures & Fittings	- 4 to 15 years
Office Equipment	- 3 to 4 years

MONTANARO ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.7 Debtors

Short term debtors are measured at transaction price.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans to related parties and investments in shares and units that are publicly available.

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Current asset investments in shares and units are either listed or publicly available and measured at fair value with changes recognised in the Profit and Loss Account.

2.10 Creditors

Short term creditors are measured at the transaction price.

2.11 Foreign currency translation

Functional and presentational currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account.

2.12 Dividends

Equity dividends are recognised when they become legally payable.

MONTANARO ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.13 Operating leases: Lessee

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

2.14 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.15 Interest income

Interest income is recognised in the Profit and Loss Account using the effective interest method.

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

2.17 Share options

The company's unapproved share option scheme is accounted for in accordance with FRS102.

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 as set out in note 24. 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 2020

2. Accounting policies (continued)

2.18 Loyalty bonus

A fully discretionary, deferred loyalty bonus can be awarded to certain employees in certain years. Amounts allocated under the loyalty bonus are charged to the Profit and Loss Account in the year that they are awarded. Payment of the loyalty bonus is dependent upon certain conditions being met. Once these conditions are met, the Company is required to make the payment to the employee or director. Should the conditions for payment not be met, the loyalty bonus ceases to be an obligation and it is recredited to the Profit and Loss Account.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements in conformity with generally accepted accounting principles requires the Directors to make estimations and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results in the future could differ from those estimates. In this regard, the Directors believe that the critical accounting policies where judgements or estimations are necessarily applied are summarised below.

Depreciation, amortisation and residual values

The Directors have reviewed the asset lives and associated residual values of all fixed asset classes, and have concluded that asset lives and residual values are appropriate.

Deferred taxation

Deferred tax assets are raised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Assessment of future taxable profit is performed at every reporting date, in the form of future cash flows using a suitable growth rate.

Valuation of share based payments

The Directors estimate the expected value of equity settled share based payments and this is charged to the Profit and Loss Account over the vesting periods of the relevant payments. The cost is estimated using the difference between the net asset value per existing share at year end and the exercise price of the share option multiplied by the number of options. This method of estimating the value of the share based payments is intended to ensure that the actual value transferred to employees is provided in the share option reserve, disclosed within other reserves, by the time the payments are made or shares are issued. When it is known that share options are to be taken as cash, they are transferred from the share option reserve into creditors.

MONTANARO ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4. Turnover

An analysis of turnover by class of business is as follows:

	2020 £	2019 £
Investment management services	30,355,639	28,797,584

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	6,343,243	3,664,115
Rest of Europe	24,012,396	25,133,469
	30,355,639	28,797,584

5. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Exchange differences	334,014	123,909
Operating lease rentals	244,640	239,280

6. Auditor's remuneration

	2020 £	2019 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	19,375	18,820

Fees payable to the Group's auditor and its associates in respect of:

Taxation compliance services	2,475	2,400
All other services	475	10,475
	2,950	12,875

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

7. Employees

Staff costs, including Directors' remuneration, were as follows:

	Group 2020 £	<i>Group 2019 £</i>	Company 2020 £	<i>Company 2019 £</i>
Wages and salaries	13,891,671	15,838,126	13,891,671	15,838,126
Social security costs	1,335,867	1,485,426	1,335,867	1,485,426
Cost of defined contribution scheme	145,249	137,761	145,249	137,761
	<u>15,372,787</u>	<u>17,461,313</u>	<u>15,372,787</u>	<u>17,461,313</u>

During the year, Key Management personnel received remuneration of £4,350,000 (2019: £6,476,000), rounded to the nearest thousand.

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

	2020 No.	<i>2019 No.</i>
Employees	<u>30</u>	<u>28</u>

8. Directors' remuneration

	2020 £	<i>2019 £</i>
Directors' emoluments	2,332,956	3,097,111
Company contributions to defined contribution pension schemes	9,967	13,271
	<u>2,342,923</u>	<u>3,110,382</u>

During the year, retirement benefits were accruing to 2 Directors (2019 - 1) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £1,350,000 (2019 - £2,700,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £9,042 (2019 - £13,271).

During the year, Director fees of £24,750 (2019 - £43,000) were invoiced to a company under the control of a director.

MONTANARO ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

9. Income from investments

	2020 £	2019 £
Dividend income from current asset investments	624,084	730,049

10. Interest receivable

	2020 £	2019 £
Other interest receivable	84,246	188,860

11. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	2,670,393	2,090,974
Adjustments in respect of previous periods	(516)	1,164
	2,669,877	2,092,138
Total current tax	2,669,877	2,092,138
Deferred tax		
Origination and reversal of timing differences	4,188,354	(840,656)
Total deferred tax	4,188,354	(840,656)
Taxation on profit on ordinary activities	6,858,231	1,251,482

MONTANARO ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - *lower than*) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	19,056,595	18,302,327
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	3,620,753	3,477,442
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	5,723	119,465
Capital allowances for year in excess of depreciation	20,423	521
Adjustments to tax charge in respect of prior periods	(516)	1,164
Differences on investment treatment	3,792,129	(2,434,910)
Charitable donations	-	(232)
Capital gains	-	(164)
Changes in provisions leading to an increase (decrease) in the tax charge	(187,373)	226,905
Dividends from UK companies	(118,576)	(138,709)
Tax deduction arising from exercise of employee options	(274,332)	-
Total tax charge for the year	6,858,231	1,251,482

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Dividends

	2020 £	2019 £
Dividends on B Ordinary Shares	3,025,000	11,885,000
Dividends on Ordinary Shares	158,125	-
	3,183,125	11,885,000

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

13. Tangible fixed assets

Group and Company

	L/Term Leasehold Property £	Fixtures & fittings £	Total £
Cost or valuation			
At 1 January 2020	475,978	1,355,918	1,831,896
Additions	182,130	992,105	1,174,235
Disposals	(453,599)	(220,823)	(674,422)
At 31 December 2020	<u>204,509</u>	<u>2,127,200</u>	<u>2,331,709</u>
Depreciation			
At 1 January 2020	463,669	1,338,424	1,802,093
Charge for the year on owned assets	7,062	41,188	48,250
Disposals	(453,598)	(220,823)	(674,421)
At 31 December 2020	<u>17,133</u>	<u>1,158,789</u>	<u>1,175,922</u>
Net book value			
At 31 December 2020	<u>187,376</u>	<u>968,411</u>	<u>1,155,787</u>
At 31 December 2019	<u>12,309</u>	<u>17,494</u>	<u>29,803</u>

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2020	50,000
At 31 December 2020	<u>50,000</u>

Investments in subsidiary companies included the following:

	Class of shares	Holding	Principal activity	Aggregate of shares and reserves £	Profit or (loss) for the year £
Direct subsidiary undertakings of the company					
Montanaro Holdings Limited	Ordinary	100%	Dormant	534,018	- -
Indirect subsidiary undertakings of the company					
Montanaro Investment Managers Limited	Ordinary	100%	Dormant	1	- -

Name	Holding
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MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

15. Debtors

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade debtors	424,616	25,102	424,616	25,102
Other debtors	3,942,783	11,261	3,942,783	11,261
Prepayments and accrued income	11,680,467	8,228,705	11,680,467	8,228,705
Deferred taxation	-	2,340,605	-	2,340,605
	<u>16,047,866</u>	<u>10,605,673</u>	<u>16,047,866</u>	<u>10,605,673</u>

16. Current asset investments

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Shares and units publicly available	<u>61,409,685</u>	<u>51,884,565</u>	<u>61,409,685</u>	<u>51,884,565</u>

17. Cash and cash equivalents

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Cash at bank and in hand	<u>25,327,952</u>	<u>32,363,923</u>	<u>25,323,063</u>	<u>32,359,034</u>

18. Creditors: Amounts falling due within one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade creditors	589,501	161,574	589,501	161,574
Amounts owed to group undertakings	-	-	529,129	529,129
Corporation tax	910,851	1,090,257	910,851	1,090,257
Other taxation and social security	151,996	118,651	151,996	118,651
Other creditors	14,809,835	21,331,148	14,809,835	21,331,148
Accruals and deferred income	6,541,081	7,417,912	6,541,081	7,417,912
	<u>23,003,264</u>	<u>30,119,542</u>	<u>23,532,393</u>	<u>30,648,671</u>

MONTANARO ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

19. Creditors: Amounts falling due after more than one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Accruals	<u>5,502,212</u>	<u>3,025,798</u>	<u>5,502,212</u>	<u>3,025,798</u>

20. Financial instruments

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Financial assets				
Financial assets measured at fair value through profit or loss	<u>64,822,816</u>	<u>51,884,564</u>	<u>64,822,816</u>	<u>51,884,564</u>

Financial assets measured at fair value through profit or loss comprises current asset investments and other debtors related to listed investments.

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

21. Deferred taxation

Group

	2020 £
At beginning of year	2,340,605
Charged to the profit or loss	(4,188,354)
At end of year	(1,847,749)

The deferred taxation balance is made up as follows:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Accelerated capital allowances	(40,305)	1,589	(40,305)	1,589
Unrealised fair value movements	(4,586,626)	-	(4,586,626)	-
Provisions	2,779,182	2,339,016	2,779,182	2,339,016
	<u>(1,847,749)</u>	<u>2,340,605</u>	<u>(1,847,749)</u>	<u>2,340,605</u>

22. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
27,500 (2019 - Nil) Ordinary shares of £1.00 each	27,500	-
3,135,000 (2019 - 3,135,000) Deferred Ordinary shares of £0.10 each	313,500	313,500
1,375,000 (2019 - 1,375,000) B Ordinary shares of £0.10 each	137,500	137,500
990,000 (2019 - 990,000) Deferred 2024 shares of £0.10 each	99,000	99,000
	<u>577,500</u>	<u>550,000</u>

On 1 September 2020, the Company issued 27,500 ordinary shares at £1 each, with £1,805,100 of share premium recognised.

MONTANARO ASSET MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

23. Reserves

Share option reserve

Share option reserve represents the expected cost of share options which have not yet been exercised. When it is known that share options are to be taken as cash, they are transferred from the share option reserve into creditors.

Share premium account

The share premium reserve included any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit & loss account

Profit and Loss Account includes all current and prior year retained profits and losses, less dividends paid.

24. Share based payments

The expense recognised for employee services during the year, which is reflected in administrative expenses on the Profit and Loss Account. The expense arising from the unapproved share option scheme for the year was £3,675,752 (2019: £4,400,000).

	Weighted average exercise price (pence) 2020	Number 2020	<i>Weighted average exercise price (pence) 2019</i>	<i>Number 2019</i>
Outstanding at the beginning of the year	7,536	246,125	7,474	240,625
Granted during the year	11,225	107,250	10,274	5,500
Exercised during the year	(6,664)	(110,000)		-
Outstanding at the end of the year	9,556	243,375	7,536	246,125

25. Pension commitments

The Company operates a defined contribution 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 £145,249 (2019: £137,761). Contributions totalling £Nil (2019: £Nil) were payable to the fund at the balance sheet date.

MONTANARO ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

26. Commitments under operating leases

At 31 December 2020, the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Not later than 1 year	306,306	310,026	306,306	310,026
Later than 1 year and not later than 5 years	1,223,610	1,235,666	1,223,610	1,235,666
Later than 5 years	2,987,655	153,745	2,987,655	153,745
	<u>4,517,571</u>	<u>1,699,437</u>	<u>4,517,571</u>	<u>1,699,437</u>

27. Related party transactions

There have been no related party transactions during the financial year other than group company transactions.

28. Qualifying undertakings

The name and registered office of the qualifying undertaking of which the Company is a member is as follows:

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

A copy of the latest accounts of the above undertaking is appended to a copy of the Company accounts sent to the Registrar under section 242 of the Companies Act 2006.

29. Controlling party

The Company is controlled by C G B Montanaro.

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 Conduct Authority ("FCA") Montanaro Asset Management Limited (MAM) will disclose the information set out in BIPRU 11 (the Pillar 3 rule) on at least an annual basis. The Pillar 3 disclosure will be made as part of the annual accounts.

MAM may omit information it deems as immaterial, in accordance with the rules. Materiality is based on the criterion that the omission or misstatement of any information would be likely to change or influence the decision of a reader relying on that information. Accordingly, where MAM 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 MAM may take the decision to exclude it from the disclosure. In MAM'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 MAM to confidentiality with its customers, suppliers or counterparties. Where information is omitted for either of these reasons, this is stated in the relevant section of the disclosure, along with the jurisdiction.

Summary

MAM is authorised and regulated by the FCA.

Key points relevant to this statement are:

- MAM is involved in the business of investment management, specialising in quoted Global Small and MidCap.
- MAM takes no positions in any securities but may invest 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 managed 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 requirements, although exceeded, are greater than those necessary for prudential running of its business. This is because of the following factors:

- MAM holds cash balances many times greater than its' fixed overhead requirement;
- Within MAM's regulated activities it assumes no market risk;
- MAM has a diverse client base;
- MAM's clients are geographically diversified across Europe, including the UK.

There are no plans to change the broad nature of MAM's business in the future.

Credit and Counterparty 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 as all security trading is undertaken on a Delivery vs Payment ("DVP") basis.

Market Risk

MAM holds investments in the funds it manages, which are invested in quoted companies with reasonable liquidity.

Liquidity Risk

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

MONTANARO ASSET MANAGEMENT LIMITED

Pillar 3 Risk Disclosure (Unaudited)

Operational Risk

MAM has limited operational risk in its activities. Those that exist largely relate to continuity issues relating to infrastructure, including power and IT. MAM addresses these by using off-site back-up and disaster recovery services. Operational risk is significantly reduced by the use of Charles River IMS. MAM has both Professional Indemnity and Directors' & Officers' insurance with an excess of £50,000.

Insurance Risk

MAM's insurance covers legal requirements.

Wholesale and Unsecured Funding Risk

MAM uses no external funding.

Concentration Risk

MAM specialises in Global Small and MidCap which provides a broad geographical spread.

In addition, MAM now manages a broad range of products (open and closed-ended funds and segregated mandates; UK, Continental, Pan-European and Global) reducing risk to a single asset class and to a single revenue source.

Currency Risk

MAM carries a small currency risk to the extent that some of its cash balances and investments may be denominated in Euros, US dollars or SEK. This risk is modest in the context of its overall balance sheet.

Securitisation Risk

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

Interest Rate Risk

There are no long-term borrowings outstanding.

Pension Obligation Risk

MAM had a defined contribution pension scheme during the year. The maximum contribution from MAM was 6% of base salaries.

Capital Requirement

The Pillar 1 Capital requirement for the coming year is £1,791,402. This has been determined by reference to MAM's fixed overhead requirement and calculated in accordance with the FCA's General Prudential Sourcebook ("GENPRU"). The fixed overhead requirement exceeded both the base and the sum of the market risk and credit risk capital requirement.

Compliance with the rules in BIPRU and Pillar 2 Rule Requirements

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

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

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

- Its base capital requirement of €50k; or
- The sum of the market risk and credit risk capital requirements; or
- Its Fixed Overhead Requirement.

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

MONTANARO ASSET MANAGEMENT LIMITED

Remuneration Policy Disclosure (Unaudited)

Montanaro Asset Management Limited (MAM) is within scope of the FCA's Remuneration Code (the "Code") which governs the application of remuneration policies and practices within the firm in order to promote sound and effective risk management.

MAM adopts a conservative approach towards remuneration. The Remuneration Committee is responsible for overseeing and approving the remuneration of Code Staff within MAM. The Remuneration Policy is designed to avoid any conflicts of interest and to ensure alignment of the interests of investors in the funds managed by MAM.

The Remuneration Policy is reviewed and approved by the Remuneration Committee. Salaries are set at a level to attract and retain skilled staff. Bonuses are paid annually on a purely discretionary basis and are designed to reflect the performance of the individual, subject to the profitability of MAM. No bonuses will be paid unless there is sufficient retained profit, after bonuses, as determined by the Remuneration Committee.

MAM's Remuneration Policy is available at www.montanaro.co.uk.

Aggregate Remuneration of Code Staff:

Within the scope of the UCITS Remuneration Code, there are seven Code Staff.

Year end 31.12.2020

	£000s	%
Total remuneration	6,685	100
Base salary	1,507	23
Variable remuneration	5,178	77

Of the variable remuneration, £1,588,000 (31%) is deferred for between 3 and 5 years.

Registered number: LP009424

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

**Report and Financial Statements
31 December 2020**

Montanaro Growth and Income Fund Limited Partnership No: 3

Independent Auditors' Report

to the partners of Montanaro Growth and Income Fund Limited Partnership No: 3

Opinion

We have audited the financial statements of Montanaro Growth and Income Fund Limited Partnership No: 3 for the year ended 31 December 2020 which comprise the Income Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the limited partnership's affairs as at 31 December 2020 and of its profit/loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the provisions of the Limited Partnership Agreement.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the limited partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and the provisions available for small entities, in the circumstances set out in notes to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) requires us to report to you where:

- the partners' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the partners have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the limited partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The partners are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of partners

As explained more fully in the partners' responsibilities statement, the partners are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the partners determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the partners are responsible for assessing the limited partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the partners either intend to liquidate the limited partnership or to cease operations, or have no realistic alternative but to do so.

Montanaro Growth and Income Fund Limited Partnership No: 3

Independent Auditors' Report

to the partners of Montanaro Growth and Income Fund Limited Partnership No: 3

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- the nature of the industry and sector, control environment and business performance including the remuneration incentives and pressures of key management;
- the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the limited partnership and management. We consider the results of our enquiries of management, about their own identification and assessment of the risks of irregularities;
- the matters discussed among the audit engagement team, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override, including testing journals and evaluating whether there was evidence of bias by the partners that represented a risk of material misstatement due to fraud.

We also obtained an understanding of the legal and regulatory frameworks that the limited partnership operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and relevant tax legislation.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website. This description forms part of our auditor's report.

Montanaro Growth and Income Fund Limited Partnership No: 3

Independent Auditors' Report

to the partners of Montanaro Growth and Income Fund Limited Partnership No: 3

Use of the audit report

This report is made solely to the limited partnership's partners, as a body, in accordance with the Limited Partnership Agreement. Our audit work has been undertaken so that we might state to the limited partnership's partners 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 limited partnership and the members' limited partnership's partners as a body, for our audit work, for this report, or for the opinions we have formed.



Hillier Hopkins LLP

Chartered Accountants and Statutory Auditor

Radius House
51 Clarendon Road
Watford
WD17 1HP

Date: 09/04/2021

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 2020.

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 2020 was satisfactory.

Statement of responsibilities in respect of the financial statements

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

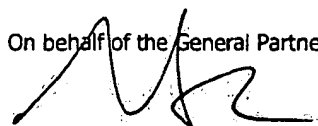
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare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

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

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

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

On behalf of the General Partner



C G B Montanaro

Director

Montanaro Asset Management Limited - General Partner

Date: 7 April 2021

Montanaro Growth and Income Fund Limited Partnership No: 3

Income Account for the year ended 31 December 2020

	Notes	2020 £	2019 £
Income			
Dividend income from listed investments		73,995	241,396
Interest income		0	9
Expenses	2	<u>(7,121)</u>	<u>(7,147)</u>
Net income for the year		66,874	234,258
Realised gains on sale of investments		<u>0</u>	<u>9,355</u>
Profit for the year		<u>66,874</u>	<u>243,613</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Statement of total recognised gains and losses for the year ended 31 December 2020

	Notes	2020 £	2019 £
Non distributable gains and losses			
Unrealised gains on investments	3	<u>4,308,463</u>	<u>3,781,777</u>
Distributable gains and losses			
Profit for the year		66,874	243,613
Change in unrealised (losses) on sale of investments	3	0	(9,203)
Distribution to General Partner as Profit Share	6c	(32,022)	(28,680)
		<u>34,852</u>	<u>205,730</u>
Total recognised gains for the year		<u><u>4,343,315</u></u>	<u><u>3,987,507</u></u>
Note of historical cost profit and losses for the year ended 31 December 2020			
		2020 £	2019 £
Profit for the year before gains and losses on sale of investments		66,874	234,258
Realised gains on historical cost method		-	9,355
		<u>66,874</u>	<u>243,613</u>
Historical cost profit for the period		<u><u>66,874</u></u>	<u><u>243,613</u></u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Balance sheet at 31 December 2020

	Notes	2020 £	2019 £
Fixed assets			
Investments	3	22,242,337	17,861,573
Current assets			
Short term cash deposits	4	7,156	8,512
		<u>7,156</u>	<u>8,512</u>
Current liabilities			
Creditors: amounts falling due within one year	5	<u>(69,601)</u>	<u>(33,508)</u>
Net current (liabilities)		<u>(62,445)</u>	<u>(24,996)</u>
Total assets less current liabilities		<u>22,179,892</u>	<u>17,836,577</u>
Represented by:			
Loan - Limited Partner	6a	7,249,477	7,249,477
Capital contributions	6b	7,257	7,257
Income accounts	6c	1,853,421	1,818,569
Unrealised movement in investments portfolio	6d	<u>13,069,737</u>	<u>8,761,274</u>
		<u>22,179,892</u>	<u>17,836,577</u>

The financial statements on pages 4 to 14 were approved by the General Partner on 7 April 2021



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 2020

	Notes	2020 £	2019 £
Net cash inflow from operating activities	7	<u>102,967</u>	<u>185,130</u>
Capital expenditure and financial investment			
Payments to acquire investments		(5,109,261)	(239,553)
Receipt from sales of investments		<u>5,036,960</u>	<u>17,682</u>
		(72,301)	(221,871)
Financing			
Drawings		<u>(32,022)</u>	<u>(28,680)</u>
		(32,022)	(28,680)
Management of liquid resources			
(Decrease) in cash in year		<u>(1,356)</u>	<u>(65,421)</u>
(Decrease) in short term deposits		<u>(1,356)</u>	<u>(65,421)</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Notes to the financial statements for the year ended 31 December 2020

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.

Foreign currency translation

The functional and presentational currency is GBP.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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.

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

	2020 £	2019 £
Auditors' remuneration - audit services	1,200	1,200
Custodian expenses	3,000	3,000
Accounts production and tax fees	2,793	2,793
Sundry	78	84
Bank charges	50	70
Total	<u>7,121</u>	<u>7,147</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Notes to the financial statements for the year ended 31 December 2020

3 Investments

Investments at 31 December 2020 were as follows:

Share investment	Number of Shares	Cost £	Value 2020 £	Value 2019 £
Montanaro UK Income Seed GB Fund	15,643	35,332	33,053	5,906,154
Montanaro European MidCap Fund	2,745,153	1,966,845	6,872,818	8,880,226
Montanaro Select Fund GBP Dist Class	1,864,830	2,066,160	3,656,932	2,993,052
Montanaro Better World Fund GBP Dist Class	6,922,187	5,073,929	11,587,741	0
NCC Group Plc	36,426	30,333	91,793	82,141
		<u>9,172,599</u>	<u>22,242,337</u>	<u>17,861,573</u>

The movement on investments during the year was as follows:

	2020 £	2019 £
Market value at 1 January 2020	17,861,573	13,857,773
Purchases and switches	5,109,261	239,553
Sale proceeds and switches	(5,036,960)	(17,682)
Realised gains on sales	0	9,355
Change in unrealised (losses)	<u>0</u>	<u>(9,203)</u>
	72,301	222,023
Unrealised gains for the year	<u>4,308,463</u>	<u>3,781,777</u>
	<u>4,308,463</u>	<u>3,781,777</u>
Market value at 31 December 2020	<u>22,242,337</u>	<u>17,861,573</u>

For the year ended 31 December 2020, included within purchases and sales proceeds is £5,036,960 relating to a switch between funds, from the Montanaro UK Income Seed GB Fund and the Montanaro European MidCap Fund into the Montanaro Better Word Fund GBP Dist Class.

Montanaro Growth and Income Fund Limited Partnership No: 3

**Notes to the financial statements
for the year ended 31 December 2020**

4 Short term cash deposits

	2020	2019
	£	£
At 1 January 2020	8,512	73,933
Net cash (outflow)	(1,356)	(65,421)
	<hr/>	<hr/>
At 31 December 2020	<u>7,156</u>	<u>8,512</u>

5 Creditors: amounts falling due within one year

	2020	2019
	£	£
Accruals	69,601	33,508
	<hr/>	<hr/>
	<u>69,601</u>	<u>33,508</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Notes to the financial statements for the year ended 31 December 2020

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

The General Partner is entitled to receive a profit share equivalent to 0.85% 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 MSCI Europe Small Cap Index capped at 3%.

The total commitment of the Limited Partner is £7,256,734 (2019: £7,256,734) of which £7,249,477 (2019: £7,249,477) 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:

	2020 £	2019 £
East Riding of Yorkshire Council	<u>7,249,477</u>	<u>7,249,477</u>

b) Capital contribution accounts:

	2020 £	2019 £
East Riding of Yorkshire Council	<u>7,257</u>	<u>7,257</u>

c) Income accounts:

	Balance brought forward £	Income for year £	Drawings during the period £	31 December 2020 £
Montanaro Asset Management Limited	-	32,022	(32,022)	-
East Riding of Yorkshire Council	1,818,569	34,852	-	1,853,421
	<u>1,818,569</u>	<u>66,874</u>	<u>(32,022)</u>	<u>1,853,421</u>

d) Unrealised movement on investments

	Brought forward £	Realised in period £	Unrealised movement £	31 December 2020 £
East Riding of Yorkshire Council	<u>8,761,274</u>	<u>0</u>	<u>4,308,463</u>	<u>13,069,737</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Notes to the financial statements for the year ended 31 December 2020

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

	2020	2019
	£	£
Net profit for the year	66,874	234,258
Decrease in debtors	-	-
Increase/(Decrease) in creditors	36,093	(49,128)
	<u>102,967</u>	<u>185,130</u>

8 Related party transactions

The profit share paid to Montanaro Asset Management Limited is shown in note 6c to the financial statements.

Included in accruals is an amount of £32,022 (2019: £28,680) in respect of profit share due to Montanaro Asset Management Limited.

9 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>7,156</u>	<u>7,156</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 2019 was as follows:

	Total Market Value	Floating Rate *
	£	£
Short term cash deposits	<u>8,512</u>	<u>8,512</u>

Montanaro Growth and Income Fund Limited Partnership No: 3

Notes to the financial statements for the year ended 31 December 2020

9 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 102.

10 General information

Montanaro Growth and Income Fund Limited Partnership No: 3 (the "Partnership") is a limited partnership.

Its registered office is Po Box 118, Church Street, Goole, DN14 5YU