

MONTAGU HOLDINGS LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006



Registered in England No 04464887

Montagu Holdings Limited
Annual Report and Financial Statements for the year ended
31 December 2006

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Montagu Holdings Limited

Directors' Report

The Directors present their Report to the members together with the audited financial statements for the year ended 31 December 2006 which were approved by them on 11 May 2007

Principal activities and business review

The principal activity of the company is to act as an investment holding company. The principal activity of the group is that of managing private equity investments. A review of the performance of the Group and of the Company is set out in the Business Review on page 5.

Results and dividends

The results for the year are set out in the profit and loss account on page 8. The directors have paid an A share dividend of £12,600,000 (2005 - £6,700,000) and a B share dividend of £2,518,830 (2005 - £ nil).

Liability insurance

The Company has professional indemnity insurance in place in respect of the duties of the Directors.

Financial Risk Management

As the majority of the group's income is now receivable in Euros, the company has a policy of hedging future income receipts. This enables the group to manage its exposure to foreign currency fluctuations.

At 31 December 2006 a contract to sell €6 million on 19 January 2007 at a rate of €1.4118 : £1 was in place. The €6 million related to income receivable in January 2007 that was not accrued at 31 December 2006. The fair value of this contract as at 31 December 2006 was £210,034.

Directors

The directors of the Company who served during the year were as follows:

C M Masterson	(Managing Director)
N D Hammond	(Resigned 29 September 2006)
V G O'Brien	
M P Dunfoy	
S F Pooler	
A G Shinder	
C P Gill	
D A J Leroy	(Resigned 26 October 2006)
S J E Roddis	
C J Gatenby	
M J Guillemain	(Resigned 29 May 2006)
D H Burnett	(Resigned 17 May 2006)
G Hislop	
W Stokhuyzen	(Appointed 15 June 2006)
S Berger-Duquene	
N Helling	
P Kroha	
T Chaloner	(Appointed 15 March 2006)
M W Lyons	

Restructuring

On 1 April 2007 the business and assets of the Company's subsidiary Montagu Oldco Limited were transferred in their entirety to Montagu Private Equity LLP.

Montagu Holdings Limited

Directors' Report

Donations

During the year the group made various charitable donations of £1 614 (2005 £31 000)

Interests of directors

The interests of the Directors in office at 31 December 2006 in the share capital of Montagu Management Limited the ultimate parent company all of which are fully paid are set out in the notes to the financial statements

Independent auditors

KPMG Audit Plc have indicated willingness to continue as auditors of the company

Supplier payment policy

The company subscribes to the Better Payment Practice Code, the four principles of which are to agree payment terms at the outset and stick to them, explain payment procedures to suppliers, pay bills in accordance with any contract agreed with the supplier or as required by law and tell suppliers without delay when an invoice is contested and settle disputes quickly

Information regarding this code can be obtained from the Better Payment Practice Group's website at www.payontime.co.uk

The amount due to the company's trade creditors at 31 December represents 19 days average daily purchases of goods and services received from those creditors calculated in accordance with the Companies Act 1985 as amended by Statutory Instrument 1997/571

Disclosure of information to auditors

The directors who held office at the date of this directors' report confirm that so far as they are each aware there is no relevant audit information of which the company's auditors are unaware and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the Board



S M Haworth
Secretary

11 May 2007

Registered Office
2 More London Riverside
London
SE1 2AP

Montagu Holdings Limited

Business Review

Background

Montagu Private Equity is a private equity fund management company whose main focus is providing investment management and advisory services in private equity specialising in management buy outs with a transaction value of between €150million and €1billion. We focus exclusively on the UK, France, Germany and the Nordic region. In 2006 we had an average of 54 employees based in 4 offices servicing these regions.

Montagu Private Equity advises on one fund that is currently active, Montagu III. It closed with over €2.2 billion of commitments in July 2005. In addition to Montagu III, a number of investments made by Montagu I and Montagu II remain in our portfolio and will continue to be divested over the next two to three years.

Montagu Management Limited (MML) is the ultimate parent undertaking and is 100% owned by the owner / directors. MML in turn owns 80.1% of Montagu Holdings Limited (MHL) with HSBC owning the balance of 19.9%. MHL owns 100% of Montagu Private Equity Ltd (MPEL) that performs the role of the management company for the funds. MPEL owns 100% of Montagu GP Limited (MGPL) that is the general partner for the funds.

Objectives of the Company

The objective of the firm is to generate attractive returns for the investors in the funds that it advises.

Performance in 2006

Montagu has a strong track record dating back 38 years characterised by strong IRR. We achieve these returns by working closely with the management teams.

On behalf of Montagu III, we made 5 new investments, one in each of France, Germany and the Nordic region and 2 in the UK. In total 33% of the Montagu III commitment has been invested at 31 December 2006.

There have also been significant exits in 2006. All exits have had IRRs, cost multiples and hold periods in line with or better than average for each of the funds.

Business Risks

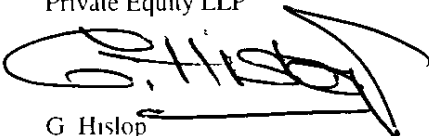
The main business risks for Montagu in the short to medium term are to continue to identify potential investment targets at a suitable price.

Our income is mainly in Euros while the majority of our costs are in Sterling. We enter into forward hedge contracts for up to 12 months to help reduce this risk.

Forward Looking

With 3.5 years of the 5 year Montagu III investment period still left, we will continue to look for investment opportunities in line with our investment policy. In addition, we will continue to pursue an exit strategy for the remaining investments made by both Montagu I and Montagu II funds.

The business of the regulated entity was transferred on the 1st April 2007 from Montagu Private Equity Ltd to Montagu Private Equity LLP.



G. Hislop
Director

11 May 2007

Montagu Holdings Limited

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Montagu Holdings Limited

Independent auditor's report to the members of Montagu Holdings Limited

We have audited the group and parent company financial statements (the financial statements) of Montagu Holdings Limited for the year ended 31st December 2006 which comprise the Group Profit and Loss Account the Group and Company Balance Sheets, the Group Cash Flow Statement the Group Statement Of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 6.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with UK Generally Accepted Accounting Practice of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London EC4Y 8BB

11 May 2007

Montagu Holdings Limited
Consolidated Profit and Loss Account
For the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
Turnover	1	45 899	41 740
Operating costs	2	<u>(29,011)</u>	<u>(23,037)</u>
Operating profit		16 888	18 703
Investment income		847	88
Interest receivable and similar income		703	757
Interest payable and similar charges	4	<u>(907)</u>	<u>(34)</u>
Profit on ordinary activities before taxation		17 531	19 514
Taxation	5	<u>(5,773)</u>	<u>(7 011)</u>
Profit on ordinary activities after taxation		11 758	12 503
Minority interests (all equity)		-	-
Profit for the year		<u>11,758</u>	<u>12 503</u>
Statement of retained profit			
Retained profit brought forward		7 648	1 861
Movement in reserves		(41)	(16)
Dividends		(15 275)	(6 700)
Profit for the year		11 758	12 503
Retained profit carried forward		<u>4 090</u>	<u>7 648</u>

All results relate to continuing operations

There is no difference between the amounts stated above and their historical cost equivalents either in respect of profit on ordinary activities before taxation and the retained profit for the year

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of the holding company has not been included in these financial statements. Of the profit on ordinary activities after dividends a profit of £859 878 is dealt with in the financial statements of the Company

The notes on pages 13 to 23 form part of these financial statements

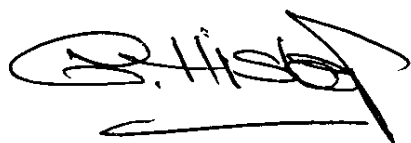
Montagu Holdings Limited

Consolidated Balance Sheet at 31 December 2006

	Notes	2006 £'000	2005 £'000
Fixed Assets			
Tangible assets	6	589	387
Goodwill arising on acquisition	7	2 805	3,257
		<u>3 394</u>	<u>3 644</u>
Current assets			
Debtors	9	14 849	23 222
Cash and short term deposits		<u>18,527</u>	<u>7,127</u>
		33 376	30 349
Creditors amounts falling due within one year	10	<u>(24,895)</u>	<u>(14,845)</u>
Net current assets		8 482	15,504
Total assets less current liabilities		11,875	19 148
Creditors amounts falling due after one year	11	(2,508)	-
Provision for liabilities and charges	12	<u>(2 761)</u>	<u>(8 552)</u>
Net assets		<u>6 606</u>	<u>10 596</u>
Capital and reserves			
Called up share capital	13	331	331
Share premium account	14	2 000	2 000
Profit and loss account		<u>4 090</u>	<u>7 648</u>
Shareholder's funds	15	6 421	9 979
Minority interests		<u>185</u>	<u>617</u>
Total capital employed		<u>6 606</u>	<u>10 596</u>

The notes on pages 13 to 23 form part of these financial statements

The financial statements on pages 8 to 23 were approved by the board of directors on 11 May 2007 and were signed on its behalf by



G Hislop
Director

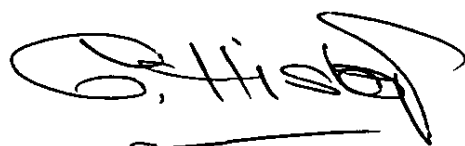
Montagu Holdings Limited

Company Balance Sheet at 31 December 2006

	Notes	2006 £'000	2005 £'000
Fixed assets			
Investments	8	5,304	5,304
Current assets			
Debtors	9	4,623	30
Cash and short term deposits		1,575	56
		6,198	86
Creditors amounts falling due within one year	10	(4,993)	(2,249)
Net current assets / (liabilities)		1,205	(2,163)
Total assets less current liabilities		6,509	3,141
Creditors amounts falling due after one year	11	(2,508)	-
Net assets		4,001	3,141
Capital and reserves			
Called up share capital	13	331	331
Share premium account	14	2,000	2,000
Profit and loss account		1,670	810
Shareholder's funds	15	4,001	3,141

The notes on pages 13 to 23 form part of these financial statements

The financial statements on pages 8 to 23 were approved by the board of directors on 11 May 2007 and were signed on its behalf by



G Hislop
Director

Montagu Holdings Limited

Consolidated Cash Flow Statement for the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
Net cash inflow / (outflow) from operating activities	17	26,302	(13 354)
Returns on investment and servicing of finance			
Interest received		703	757
Interest paid		(907)	(14)
Other investment income		847	88
Payment of minority dividends		-	-
Net cash inflow from investments and servicing of finance		<u>643</u>	<u>831</u>
Taxation			
Tax paid		<u>(1 923)</u>	<u>-</u>
Capital expenditure and financial investment			
Payments to acquire fixed assets		(428)	(159)
Acquisition of subsidiary undertakings		<u>(427)</u>	<u>-</u>
		(855)	(159)
Equity dividends			
Equity dividends paid		<u>(15 275)</u>	<u>(10 488)</u>
Net cash inflow / (outflow) before financing		8 892	(23 170)
Financing			
New borrowings / (Repayment of loan)		2 508	(1 438)
Issue of ordinary share capital		-	-
Issue of share capital to minorities		<u>-</u>	<u>-</u>
Net cash outflow from financing		<u>2 508</u>	<u>(1 438)</u>
Increase / (Decrease) in cash		<u><u>11 400</u></u>	<u><u>(24 608)</u></u>

The notes on pages 13 to 23 form part of these financial statements

Montagu Holdings Limited
Consolidated Statement of Total Recognised Gains and Losses
For the year ended 31 December 2006

	2006	2005
	£'000	£'000
Profit for the financial year	11 758	12,503
Dividends paid	(15,275)	(6,700)
Currency translation differences on overseas subsidiary's reserves	(41)	(16)
Total gains and losses recognised in the year	<u>(3 558)</u>	<u>5 787</u>

The notes on pages 13 to 23 form part of these financial statements

Montagu Holdings Limited

Accounting Policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards in the United Kingdom

The headings and formats adopted in the profit and loss account have been adapted from those specified in the Companies Act 1985 as, in the opinion of the Directors, those adopted more appropriately reflect the nature of the Company's business. A summary of the more important accounting policies which have been applied consistently, is set out below

Consolidation

The consolidated accounts include in full the Company and all its subsidiary undertakings except as detailed in the following paragraph. The results of the consolidated subsidiary undertakings acquired during the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

Group undertakings manage a number of private equity limited partnerships as the general partner, and also hold a small minority interest in some of these limited partnerships. The attributable proportions of the assets and income of the limited partnerships are consolidated. These partnerships are subsidiary undertakings and under the terms of the Companies Act 1985 should be consolidated in full. However, the directors consider the accounts would not give a true and fair view if the assets and income as a whole were to be consolidated since the company's interest in these assets is, except to the extent that they are proportionally consolidated, merely that of investment managers.

The effect of this departure is to decrease both profit after tax and the minority interest in the profit for the year by £101million (2005 - £325 million) and to reduce fixed asset investments by £1.151 million (2005 - £567 million), other net assets by £17 million (2005 - £12 million) and the minority interest in the balance sheet by £1.168 million (2005 - £579 million)

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost together with any incidental costs of acquisition

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are

	%
Fixtures and Fittings	20.0
Computer and Office Equipment	33.3

Leasehold improvements are depreciated over the period of lease

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Montagu Holdings Limited

Accounting Policies

Pension costs

Montagu Oldco Limited (formerly Montagu Private Equity Limited), a subsidiary undertaking contributed to defined contribution pension schemes the assets of which are held separately in an independently administered fund. Contributions to this scheme are charged to the profit and loss account as they become payable.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date, and gains and losses are taken to the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at closing exchange rates, the profit and loss accounts of overseas subsidiary undertakings are translated at average monthly exchange rates.

Income recognition

Fee income which excludes value added tax, represents the invoiced value of services supplied.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the term of the lease.

Investments

Investments relate to the acquisition of Montagu Private Equity Limited and its subsidiary undertakings. These investments are stated at cost less any impairment in value.

Goodwill

Goodwill arose in 2003 on the acquisition of Montagu Private Equity Limited and its subsidiary undertakings. This purchased goodwill relates to Montagu Private Equity Limited's strong track record within its fund range and its market position as a leading European mid market private equity house.

Goodwill is amortised on a straight line basis over its estimated useful economic life of 10 years, the period over which the Directors expect to benefit.

Montagu Holdings Limited

Notes to the financial statements for the year ended 31 December 2006

1 Turnover

Turnover represents management fees arrangement fees and dividend income and is accounted for on an accruals basis. Provision is made against this income where the directors are uncertain as to its future recoverability.

2 Operating costs

Costs for the year include

	Group 2006 £'000	Group 2005 £'000
Auditor's remuneration – statutory	247	231
Auditor's remuneration – taxation financial assistance & restructuring	289	157
Depreciation of tangible fixed assets	226	292
Amortisation of goodwill	452	451
Other operating lease rentals	650	650
Exchange (gains)	(3)	(138)

3 Employee information

The average number of persons (including executive directors) employed by the Group during the year was 54 (2005 – 52). Of those employees 41 are employed in the United Kingdom and 13 in Continental Europe. Of these 54 employees 32 are investment executives or directors and 22 are support staff. Montagu Holdings Limited does not employ any staff.

	Group 2006 £'000	Group 2005 £'000
Wages salaries and other staff costs	15 954	11 541
Social security costs	2 554	1 339
Other pension costs	414	514
	<u>18 922</u>	<u>13 394</u>

4 Interest and similar charges

	Group 2006 £'000	Group 2005 £'000
Interest payable on bank loans and overdrafts	907	34
Total interest and similar charges payable	<u>907</u>	<u>34</u>

Montagu Holdings Limited

Notes to the financial statements for the year ended 31 December 2006

5 Tax on profit on ordinary activities

Analysis of charge in period	Group 2006 £'000	Group 2005 £'000
UK Current tax on income	9,573	2 768
Current Foreign tax	343	76
	<u>9 916</u>	<u>2 844</u>
Adjustments in respect of prior periods	-	3 166
Total current tax	<u>9,916</u>	<u>6 010</u>
Deferred tax	<u>(4 143)</u>	<u>1 001</u>
Tax on profit on ordinary activities	<u>5 773</u>	<u>7 011</u>

Current Tax Reconciliation

	Group 2006 £'000	Group 2005 £'000
Profit on ordinary activities before taxation	<u>17 531</u>	<u>19 514</u>
Tax on ordinary activities @ 30% (2005 30%)	5 259	5 854
Expenses not deductible for tax purposes	446	622
Income not chargeable for tax purposes	-	(3 640)
Adjustment to tax charge in respect of previous periods	4 143	3 166
Effect of higher tax rates on overseas earnings	<u>68</u>	<u>8</u>
Total current tax charge	<u>9 916</u>	<u>6 010</u>

6 Tangible fixed assets

	Group Leasehold Improvements	Group Fixtures & Fittings	Group Computer Equipment	Group Total
Cost				
At 1 Jan 2006	930	71	129	1 130
Additions	386	40	2	428
Disposals	-	-	-	-
	<u>1 316</u>	<u>111</u>	<u>131</u>	<u>1 558</u>
Depreciation				
At 1 Jan 2006	(628)	(25)	(90)	(743)
Charge for the year	(193)	(17)	(16)	(226)
Disposals	-	-	-	-
	<u>(821)</u>	<u>(42)</u>	<u>(106)</u>	<u>(969)</u>
Net Book Value at 31 December 2006	<u>495</u>	<u>69</u>	<u>25</u>	<u>589</u>
Net Book Value at 31 December 2005	<u>118</u>	<u>52</u>	<u>217</u>	<u>387</u>

All tangible assets are held in the Company's subsidiary undertakings

Montagu Holdings Limited

Notes to the financial statements for the year ended 31 December 2006

7 Intangible fixed assets

Goodwill	Group 2006 £'000	Group 2005 £'000
Cost		
At 1 January and 31 December	<u>4,518</u>	<u>4,518</u>
Aggregate amortisation		
At 1 January	(1,261)	(810)
Charge for the year	<u>(452)</u>	<u>(451)</u>
At 31 December	<u>(1,713)</u>	<u>(1,261)</u>
Net book amount at 31 December 2006	<u>2,805</u>	<u>3,257</u>

On 17 March 2003 the Company acquired Montagu Private Equity Limited (formerly HSBC Private Equity Limited) and its underlying subsidiaries. Goodwill of £4,518,000 was recognised on acquisition.

8. Investments

	Company 2006 £'000	Company 2005 £'000
Balance brought forward and carried forward	<u>5,304</u>	<u>5,304</u>

The subsidiaries of the Company, all of which are consolidated, are:

Interest of company at
31 December 2006

Directly held

Montagu Oldco Limited (formerly Montagu Private Equity Limited)	100% Ordinary shares
Montagu Equity Limited	100% Ordinary shares

Indirectly held

MPE G P Limited	100% Ordinary shares
MPE G P (Scotland) Limited	100% Ordinary shares
MPE G P Deutschland GmbH (incorporated in Germany)	100% Ordinary shares
MPE L P Deutschland GmbH (incorporated in Germany)	100% Ordinary shares
MLLP Holdings Limited (formerly Montagu Capital Limited)	100% Ordinary shares
Montagu Funding Limited	100% Ordinary shares
Montagu Private Equity GmbH (incorporated in Germany)	100% Ordinary shares
Montagu Private Equity SAS (incorporated in France)	100% Category A shares
Montequity BV (incorporated in the Netherlands)	100% Ordinary shares
MPE K G P Limited	100% Ordinary shares

The main activity of the subsidiaries is to provide services relating to private equity fund management.

Investments are stated at cost less any impairment in value.

Montagu Holdings Limited

Notes to the financial statements for the year ended 31 December 2006

9 Debtors

	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
Amounts due from parent undertaking	1 673	2 127	6 639	27
Deferred tax asset	60	-	-	-
Tax prepayment	-	-	-	3
Accrued income and prepayments	4,484	-	7,134	-
Balances with limited partnerships	2,753	2 496	316	-
Other debtors	5,879	-	9 133	-
	<u>14,849</u>	<u>4 623</u>	<u>23 222</u>	<u>30</u>

Included in debtors are amounts of £ nil (2005 - £ nil) which are due after one year

10 Creditors, amounts falling due within one year

	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
Amounts owed to subsidiary undertakings	-	4 867	-	2 249
Other taxation and social security	265	-	208	-
Sundry creditors	5 113	-	2 884	-
Accruals and deferred income	9,681	92	9,910	-
Tax payable	9 836	34	1 843	-
	<u>24 895</u>	<u>4 993</u>	<u>14 845</u>	<u>2 249</u>

11 Creditors, amounts falling due after one year

	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
Other borrowings	<u>2 508</u>	<u>2 508</u>	<u>-</u>	<u>-</u>

A €15 million loan facility is in place with Bank of Scotland. €3 724 585 was drawn on the facility as at 31st December 2006

Montagu Holdings Limited

Notes to the financial statements for the year ended 31 December 2006

12 Provisions for liabilities and charges

	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
Deferred tax liability	-	-	4,083	-
Other	2,761	-	4,469	-
	<u>2,761</u>	<u>-</u>	<u>8,552</u>	<u>-</u>

Deferred tax asset/(liability)

	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
Balance at 1 January	(4,083)	-	(3,082)	-
Current year tax charge	4,143	-	(1,001)	-
	<u>60</u>	<u>-</u>	<u>(4,083)</u>	<u>-</u>

Provisions of £2,761,000 relate to a potential additional National Insurance liability of £1.6 million with the balance being in respect of legal costs and dilapidations claims.

The deferred tax balance related to timing differences in respect of General Partner's Share income.

13 Share capital

	Company 2006 £	Company 2005 £
Authorised, allotted, called up and fully paid		
264,984 Ordinary A shares of £1	264,984	264,984
65,832 Ordinary B Shares of £1	65,832	65,832
	<u>330,816</u>	<u>330,816</u>

On the 17 March 2003 the Company issued 264,984 A shares to its parent Montagu Management Limited and 65,832 B shares to HSBC Bank plc.

The shares have the following rights:

- (i) The B Shares are entitled to a dividend equal to 19.9% of the post-tax profits of the Company after pre-defined adjustments. These adjustments require the elimination of interest on the HSBC Bank plc loan, note management fees paid to Montagu Management Limited, the ultimate holding company, and any bonuses in excess of 20% of pre-tax profits. The A Shares are entitled to dividends equal to the remaining profits available for distribution.

Montagu Holdings Limited

Notes to the financial statements for the year ended 31 December 2006

13 Share capital (continued)

(ii) On a return of capital on liquidation or otherwise the surplus assets of the Company shall be applied (a) first in repaying to the B Ordinary Shareholders any arrears of the B dividend (b) second in paying B Ordinary Shareholders 19.9% of the sum of the surplus assets (after (a) above) and any balance then outstanding on the HSBC Loan Notes and (c) lastly the balance (if any) shall be distributed amongst the A Ordinary Shareholders

(iii) Each A Ordinary Share and B Ordinary Share has one vote

14 Share premium account

	Company and Group 2006 £'000	Company and Group 2005 £'000
At 1 January and 31 December	2,000	2,000

15 Reconciliation of movements in shareholder's funds

	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
Opening shareholder's funds	9 979	3 141	4 192	3 148
Called up share capital	-	-	-	-
Premium arising on issue of shares	-	-	-	-
Profit/(loss) for the financial year	(3 517)	860	5 803	(7)
Revaluation of foreign subsidiaries' reserves	(41)	-	(16)	-
Closing shareholder's funds	6 421	4 001	9 979	3 141

16 Pension obligations

During the period the Company's subsidiaries operated defined contribution schemes. The contributions for the period were £514 000 (2005 - £456 000)

17 Reconciliation of operating profit to net cash inflow / (outflow) from operating activities

	Group 2006 £'000	Group 2005 £'000
Net operating profit	16 888	18 703
Depreciation of tangible fixed assets	226	292
Amortisation of goodwill	452	451
(Decrease) / increase in provisions for liabilities & charges	(5 791)	4 945
Increase / (decrease) in debtors	8 428	(15 243)
Increase / (decrease) / in creditors	6 140	(22 486)
Other non cash transactions	(41)	(16)
Net cash inflow / (outflow) from operating activities	26 302	(13 354)

Montagu Holdings Limited

Notes to the financial statements for the year ended 31 December 2006

18 Change in net cash of the group

	Group 2006 £'000	Group 2005 £'000
Brought forward	7,127	31,735
Net cash inflow / (outflow)	11 400	(24,608)
At 31 December	<u>18 527</u>	<u>7,127</u>

19 Analysis of group net funds

	1 January 2006 £'000	Cash Flow £'000	Non-Cash Movements £'000	31 December 2006 £'000
Cash at bank and in hand	7 127	11 400	-	18,527
Changes in net funds resulting from cash flows	7 127	11 400	-	18 527
Loan note issued	-	(2 508)	-	(2 508)
Net funds	<u>7,127</u>	<u>8 892</u>	<u>-</u>	<u>16 019</u>

Details of the loan note issued are disclosed in note 11

20 Financial commitments

At 31 December 2006 a subsidiary of the group has lease agreements in respect of buildings and other assets for which the payments extend over a number of years

	Land & Building £'000	Other £'000
Annual commitment under operating leases expiring		
Within one year	277	-
Within two to five years	-	6
After five years	55	-
	<u>332</u>	<u>6</u>

21 Financial instruments

At 31 December 2006 a contract to sell €6 million on 19 January 2007 at a rate of €1.4118 : £1 was in place. The €6 million related to income receivable in January 2007 that was not accrued at 31 December 2006. The fair value of this contract as at 31 December 2006 was £210,034.

Montagu Holdings Limited

Notes to the financial statements for the year ended 31 December 2006

22 Related party disclosures

Subsidiary companies (MPE GP Limited MPE KGP Limited and GP Scotland Limited) are the General Partners of various Limited Partnerships for whom they manage investments. During the period these companies received General Partners Share from the Limited Partnerships, which amounted to ££24 938,836 (2005 £34,294 696)

Another subsidiary, Montagu Oldco Limited, (formerly Montagu Private Equity Limited) received £1,652 418 (2005 £1 474 169) in respect of directors and monitoring fees from managed investments. They received also £17,911,470 (2005 £4 961,049) in respect of arrangement fees during the year.

Certain directors and key management of the company have an indirect interest in the management agreements between the company and the investors in various limited partnerships. Under these agreements profit distributions of £1 105,999 (2005 - £7 391,368) were received by these parties, as partners in the MPE Discretionary Management Partnership, £12,231 760 (2005 - £16,494,999) was received by these parties, as partners in the HPE Scottish No 3 European Limited Partnership and the HPE Scottish No 4 European Limited Partnership £103,737 (2005 - £18,211,231) was received by these parties as partners in the HPE Scottish No 5 European Limited Partnership £5 751 926 (2005 - £7 961 388) was received by these parties as partners in the MPE Scottish (No 6 Bank Portfolio) LP and the MPE Scottish (No 7 Ventures Portfolio) LP and £239 860 (2005 - £nil) was received by these parties, as partners in the HPE Scottish No 8 European Limited Partnership due to the realisation of certain investments.

The controlling party and ultimate holding company is Montagu Management Limited. Apart from dividends there were no transactions between the Company and Montagu Management Limited.

23 Ultimate parent company

The ultimate parent company is Montagu Management Limited. Consolidated financial statements are available from the Company Secretary at 2 More London Riverside London SE1 2AP.

24 Contingent liabilities

A €15 million loan facility is in place which is guaranteed by all group companies. €3 724 585 was drawn on the facility as at 31st December 2006.

At 31 December 2006 Montagu Private Equity Limited had a contract in place to sell €7 million on 19th January 2007 at a rate of €1 4118 £1.

25 Directors' interests

The interests of the Directors in office at 31 December 2006 in the share capital of Montagu Management Limited the ultimate parent company all of which are fully paid are:

Director	2006		2005	
	£1 Ordinary A Shares	£1 Ordinary B Shares	£1 Ordinary A Shares	£1 Ordinary B Shares
C M Masterson	65 625	21 875	65 625	21 875
M P Dunfoy	17 500	5 833	17 500	5 833
V G O'Brien	7 875	2 625	7 875	2 625
S F Pooler	17 500	5 833	17 500	5 833
A G Shinder	8 750	2 917	8 750	2 917
C J Gatenby	3 501	1 167	3 501	1 167
M J Guillemain	3 501	1 167	3 501	1 167
S J E Roddis	3 501	1 167	3 501	1 167

Montagu Holdings Limited

Notes to the financial statements for the year ended 31 December 2006

26 Emoluments of directors

	2006 £000	2005 £000
Directors' emoluments	<u>6,238</u>	<u>6,487</u>

The aggregate emoluments and amounts receivable under long term incentive schemes of the highest paid director was £3,203,832 (2005 - £1,199,769)

	Number of Directors 2006	2005
Retirement benefits are accruing to the following number of directors under		
Defined contribution schemes	<u>14</u>	<u>17</u>

The amount of money paid to the money purchase schemes was £272,795 (2005 - £278,587)