

**MONTAGU MANAGEMENT LIMITED  
AND ITS SUBSIDIARIES**

**ANNUAL REPORT AND CONSOLIDATED FINANCIAL  
STATEMENTS FOR  
THE PERIOD ENDED 31 DECEMBER 2004**



Registered in England No. 04600037

**Montagu Management Limited**  
**Annual Report and Consolidated Financial Statements for the Period ended**  
**31 December 2004**

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# **Montagu Management Limited**

## **Directors' Report**

The Directors present their Report to the members together with the audited financial statements for the period from 1 January 2004 to 31 December 2004 which were approved by them on 15 June 2005.

### **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.

### **Results and dividends**

The results of the company and the group for the period are set out in the profit and loss account on page 7. The directors propose an interim dividend of £191,390.

### **Liability insurance**

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

### **Directors**

The directors of the Company who served during the period were as follows.

C. M. Masterson  
D. A. Farley  
P. W. Goodwin  
N. D. Hammond  
V. G. O'Brien  
M. P. Dunfoy  
S. F. Pooler  
A. G. Shinder  
D. A. J. Leroy

### **Interests of directors**

The interests of the directors in office at 31 December 2004 in the share capital of Montagu Management Limited, all of which are fully paid, are set out in the notes to the financial statements.

# **Montagu Management Limited**

## **Directors' Report**

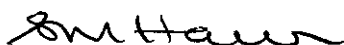
### **Independent auditors**

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

### **Supplier payment policy**

The Company does not have trade creditors.

By order of the Board



S. M. Haworth  
Secretary  
15 June 2005

Registered Office  
Vintners Place  
68 Upper Thames Street  
London  
EC4V 3PE

# **Montagu Management Limited**

## **Statement of directors' responsibilities in relation to financial statements**

*The following statement, which should be read in conjunction with the Auditors' statement of their responsibilities, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the Auditors in relation to the financial statements.*

The directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss for the financial period. The directors are required to prepare these financial statements on the going concern basis unless it is not appropriate. Since the directors are satisfied that the company has resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

The directors consider that in preparing the financial statements, the company has used appropriate accounting policies, consistently applied, and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors 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 Management Limited**

## **Independent auditor's report to the members of Montagu Management Limited**

We have audited the financial statements on pages 7 to 21.

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 are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the company's and group's affairs as at 31 December 2004 and of the group's profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor  
London  
15 June 2005

**Montagu Management Limited**  
**Consolidated Profit and Loss Account**  
**for the period ended 31 December 2004**

	Notes	2004	2003
		£'000	£'000
Fee Income	1	40,567	36,614
Operating costs	2	<u>(35,810)</u>	<u>(24,855)</u>
<b>Operating profit</b>		4,757	11,759
Investments income		15	107
Interest receivable and similar income		935	672
Interest payable and similar charges	4	<u>(294)</u>	<u>(230)</u>
<b>Profit on ordinary activities before taxation</b>		5,413	12,308
Taxation	5	<u>(711)</u>	<u>(4,290)</u>
<b>Profit on ordinary activities after taxation</b>		4,702	8,018
Dividends		<u>(4,035)</u>	<u>(2,771)</u>
<b>Profit on ordinary activities after dividends</b>		667	5,247
Minority interests (all equity)		<u>(125)</u>	<u>(245)</u>
<b>Retained profit for the period</b>		<u>542</u>	<u>5,002</u>
<b>Statement of retained profit</b>			
Retained profit brought forward		5,022	-
Movement in reserves		(15)	20
Retained profit for the period		<u>542</u>	<u>5,002</u>
<b>Retained profit carried forward</b>		<u>5,549</u>	<u>5,022</u>

The Group has no recognised gains and losses other than the results as stated above and therefore no separate statement of recognised gains and losses is presented.

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.

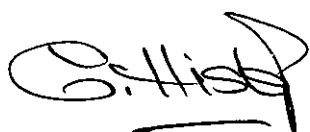
As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the holding company has not been included in these financial statements. Of the profit on ordinary activities after taxation and dividends, a profit of £39,236 is dealt with in the financial statements of the Company.

# Montagu Management Limited

## Consolidated Balance Sheet at 31 December 2004

	Notes	2004 £'000	2003 £'000
<b>Fixed Assets</b>			
Tangible Assets	6	520	595
Goodwill arising on acquisition	7	3,708	4,159
		<u>4,228</u>	<u>4,754</u>
<b>Current Assets</b>			
Debtors	9	11,831	4,284
Cash and short term deposits		36,700	35,135
		<u>48,531</u>	<u>39,419</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(39,003)</u>	<u>(32,632)</u>
<b>Net current assets</b>		<u>9,528</u>	<u>6,787</u>
<b>Total assets less current liabilities</b>		13,756	11,541
<b>Creditors: amounts falling due after one year</b>	11	(2,478)	(5,207)
Provision for liabilities and charges	12	<u>(3,607)</u>	<u>-</u>
		<u>7,671</u>	<u>6,334</u>
<b>Capital and Reserves</b>			
Called up share capital	13	360	350
Share premium account	14	689	-
Profit and loss account		5,549	5,022
<b>Shareholder funds</b>	15	6,598	5,372
Minority interests	16	<u>1,073</u>	<u>962</u>
<b>Total Capital Employed</b>		<u>7,671</u>	<u>6,334</u>

The financial statements on pages 7 to 21 were approved by the board of directors on 15 June 2005 and were signed on its behalf by:



G. Hislop  
Director

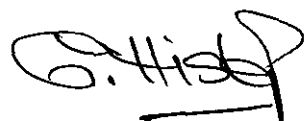


# Montagu Management Limited

## Balance Sheet at 31 December 2004

	Notes	2004 £'000	2003 £'000
<b>Fixed Assets</b>			
Investments	8	<u>2,265</u>	<u>2,265</u>
<b>Current Assets</b>			
Debtors	9	249	4,096
Cash and short term deposits		<u>4,965</u>	<u>143</u>
		5,214	4,239
 <b>Creditors: amounts falling due within one year</b>	 10	 <u>(1,312)</u>	 <u>(16)</u>
 <b>Net current assets</b>		 3,902	 4,223
 <b>Total assets less current liabilities</b>		 6,167	 6,488
<b>Creditors: amounts falling due after one year</b>	11	<u>(1,061)</u>	<u>(2,120)</u>
		<u>5,106</u>	<u>4,368</u>
 <b>Capital and Reserves</b>			
Called up share capital	13	360	350
Share premium account	14	689	-
Profit and loss account		<u>4,057</u>	<u>4,018</u>
 <b>Shareholder funds</b>	 15	 <u>5,106</u>	 <u>4,368</u>

The financial statements on pages 7 to 21 were approved by the board of directors on 15 June 2005 and were signed on its behalf by:



G. Hislop  
Director

**Montagu Management Limited**  
**Consolidated Cash Flow Statement for the period ended**  
**31 December 2004**

	Notes	2004 £'000	2003 £'000
<b>Net cash inflow from operating activities</b>	17	7,297	39,375
<b>Returns on investment and servicing of finance</b>			
Interest received		935	672
Interest paid		(213)	(232)
Other investment income		15	107
Payment of minority dividends		<u>(2,665)</u>	<u>(353)</u>
Net cash inflow from investments and servicing of finance		<u>(1,928)</u>	<u>194</u>
<b>Taxation</b>			
Tax paid		<u>(2,660)</u>	<u>(6,587)</u>
<b>Capital expenditure and financial investment</b>			
Payments to acquire fixed assets		<u>(187)</u>	<u>(231)</u>
<b>Acquisitions</b>			
Payments to acquire subsidiary undertakings	18	<u>-</u>	<u>(213)</u>
<b>Net cash inflow before financing</b>		2,522	32,538
<b>Financing</b>			
Repayment of loan		(2,104)	-
Issue of ordinary share capital		699	350
Issue of share capital to minorities		448	127
New borrowings		<u>-</u>	<u>2,120</u>
Net cash inflow from financing		<u>(957)</u>	<u>2,597</u>
<b>Increase in cash</b>		<u>1,565</u>	<u>35,135</u>

# Montagu Management 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 £98m (2003 - £71m), and to reduce fixed asset investments by £1,040m (2003 - £787m), other net assets by £13m (2003 - £7m), and the minority interest in the balance sheet by £1,053m (2003 - £794m).

### 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 the lease.

### Goodwill

Goodwill arose in 2003 on the acquisition of Montagu Private Equity Limited and its subsidiary undertakings by Montagu Holdings Limited. 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 from Montagu Private Equity Limited's reputation and skills.

### Taxation

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

# **Montagu Management Limited**

## **Accounting Policies**

### **Pension costs**

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.

### **Cash**

Cash comprises cash at hand, bank balances and money market deposits.

# Montagu Management Limited

## Notes to the financial statements for the Period ended 31 December 2004

### 1. Fee Income

Fee income 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

Consolidated profit for the period is stated after charging:

	2004 £'000	2003 £'000
Auditors remuneration- audit (Company - £nil)	215	161
Auditors remuneration – non audit (Company - £nil)	253	291
Depreciation of tangible fixed assets	262	163
Amortisation of goodwill	451	359
Hire of machinery and equipment	3	5
Other operating lease rentals	714	640
Exchange losses	4	185

### 3. Employee Information

The average number of persons (including executive directors) employed by the Group during the year was 47 (2003 – 46). Of those employees 37 are employed in the United Kingdom and 10 in Continental Europe.

	2004 £'000	2003 £'000
Wages, salaries and other staff costs	22,048	14,320
Social security costs	2,509	2,777
Other pension costs	456	295
	<u>25,013</u>	<u>17,392</u>

### 4. Interest and similar charges

	2004 £'000	2003 £'000
Interest payable on bank loans and overdrafts	276	195
Amortisation of issue costs of bank loan	18	15
Other charges	-	20
	<u>294</u>	<u>230</u>

# Montagu Management Limited

## Notes to the financial statements for the Period ended 31 December 2004

### 5. Tax on profit on ordinary activities

Analysis of charge in period:

	Group 2004 £'000	Group 2003 £'000
UK Current tax on income	(463)	3,628
Current Foreign tax	260	599
	(203)	4,227
Adjustments in respect of prior periods	(2,622)	630
Total current tax	(2,825)	4,857
Deferred tax – current period	3,036	63
Deferred tax – previous period	500	(630)
Tax on profit on ordinary activities	711	4,290

The tax assessed for the current period is less than the standard rate of Corporation Tax in the UK (30%). The differences are explained below:

#### Current Tax Reconciliation

	Group 2004 £'000	Group 2003 £'000
Profit on ordinary activities before taxation	5,413	12,308
Current tax at 30%	1,624	3,693
Income not chargeable/expenses not deductible for tax purposes	277	543
Effect of short-term differences	(2,151)	(63)
Adjustment to tax charge in respect of previous periods	(2,622)	630
	(2,872)	4,803
Effect of higher taxes rates on overseas earnings	47	54
Total current tax charge	(2,825)	4,857

### 6. Group Tangible Fixed Assets

	Leasehold Improvements £'000	Fixtures & Fittings £'000	Computer Equipment £'000	Total £'000
Cost				
1 January 2004	142	57	559	758
Additions	108	4	75	187
Disposals	-	-	-	-
31 December 2004	250	61	634	945
Depreciation				
1 January 2004	(14)	(12)	(137)	(163)
Charge for the period	(55)	(23)	(184)	(262)
Disposals	-	-	-	-
31 December 2004	(69)	(35)	(321)	(425)
Net Book Value at 31 Dec 2004	181	26	313	520
Net Book Value at 31 Dec 2003	128	45	422	595

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

# Montagu Management Limited

## Notes to the financial statements for the Period ended 31 December 2004

### 7. Intangible Fixed Assets

Goodwill	Group 2004 £'000	Group 2003 £'000
Cost		
1 January	4,518	-
Additions (note 8)	-	4,518
At 31 December	<u>4,518</u>	<u>4,518</u>
Aggregate amortisation		
1 January	(359)	-
Charge for the period	(451)	(359)
At 31 December	<u>(810)</u>	<u>(359)</u>
Net book amount at 31 December	<u>3,708</u>	<u>4,159</u>

### 8. Investments

Shares in group undertakings	Company 2004 £'000	Company 2003 £'000
Balance brought forward	2,265	-
Additions	-	2,265
	<u>2,265</u>	<u>2,265</u>

On 17 March 2003 Montagu Management Limited Limited acquired 80.1% of the authorised share capital of Montagu Holdings Limited.

#### The subsidiaries of the Company are:

#### Interest of the Company at 31 December 2004

##### Directly held:

Montagu Holdings Limited

80.1% Ordinary shares

##### Indirectly held:

Montagu Equity Limited

80.1% Ordinary shares

Montagu Private Equity Limited

80.1% Ordinary shares

MPE G.P. Limited

80.1% Ordinary shares

MPE G.P. (Scotland) Limited

80.1% Ordinary shares

HPE G.P. Deutschland GmbH (incorporated in Germany)

80.1% Ordinary shares

HPE L.P. Deutschland GmbH (incorporated in Germany)

80.1% Ordinary shares

Montagu Capital Limited

80.1% Ordinary shares

Montagu Funding Limited

80.1% Ordinary shares

Montagu Private Equity GmbH (incorporated in Germany)

80.1% Ordinary shares

Montagu Private Equity SAS (incorporated in France)

80.1% Category A shares

Montequity BV (incorporated in the Netherlands)

80.1% Ordinary shares

Investments are stated at cost less any impairment in value.

# Montagu Management Limited

## Notes to the financial statements for the Period ended 31 December 2004

### 9. Debtors

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
Amounts due from subsidiary undertakings	-	191	-	2
Tax prepayment	4,160	-	-	-
Deferred tax asset	-	-	454	-
Accrued income and prepayments	423	-	491	-
Dividends due from subsidiary undertakings	-	58	-	4,005
Balances with limited partnerships	188	-	48	-
Other debtors	7,060	-	3,291	89
	<u>11,831</u>	<u>249</u>	<u>4,284</u>	<u>4,096</u>

Included in other debtors are amounts of £81,332 (2003 - £81,332) due after one year.

Deferred tax (liability) / asset	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
Balance at 1 January	454	-	-	-
Amounts arising on acquisition	-	-	(113)	-
Current period tax charge	(3,536)	-	567	-
Balance at 31 December	<u>(3,082)</u>	<u>-</u>	<u>454</u>	<u>-</u>

Deferred tax provided in the financial statements is as follows:

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
Tax effect of timing differences:				
Short term timing differences	<u>(3,082)</u>	<u>-</u>	<u>454</u>	<u>-</u>

### 10. Creditors: amounts falling due within one year

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
Other taxation and social security	408	-	854	-
Amounts owed to subsidiary	-	388	-	-
Proposed dividend	3,788	191	2,210	-
Accruals and deferred income	28,257	10	25,217	10
Tax payable	-	17	2,711	6
Other creditors	6,550	706	1,640	-
	<u>39,003</u>	<u>1,312</u>	<u>32,632</u>	<u>1,312</u>



# Montagu Management Limited

## Notes to the financial statements for the Period ended 31 December 2004

### 11. Creditors: amounts falling due after one year

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
Bank loans	2,478	1,061	5,207	2,120

The Company has a term loan facility of £2,120,000 with Bank of Scotland. The loan matures on 17 March 2007. Mandatory repayments began in September 2004 and every six months thereafter. Interest is charged at LIBOR + 1.6%.

Montagu Holdings Limited, a subsidiary undertaking, has issued a £3,000,000 loan note to HSBC Bank plc, of which £1.4 million remains unpaid as at 31 December 2004. Interest is charged at 3 month LIBOR. The note matures on 1 December 2006.

### 12. Provisions for liabilities and charges

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
Deferred tax liability	3,082	-	-	-
Other	525	-	-	-
	<u>3,607</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 13. Share Capital

	Company 2004 £	Company 2003 £
Authorised		
275,626 Ordinary A shares of £1 (2003 262,501 Ordinary A shares)	275,626	262,501
91,874 Ordinary B Shares of £1 (2003 87,499 Ordinary B shares)	<u>91,874</u>	<u>87,499</u>
	<u>367,500</u>	<u>350,000</u>
Allotted, called up and fully paid		
270,379 Ordinary A shares of £1 (2003 262,501 Ordinary A shares)	270,379	262,501
90,125 Ordinary B Shares of £1 (2003 87,499 Ordinary B shares)	<u>90,125</u>	<u>87,499</u>
	<u>360,504</u>	<u>350,000</u>

Dividends per class of share are determined by the board of directors and are paid to shareholders in proportion to the number of shares held. All Ordinary shares carry equal voting rights.

During the financial year an additional 7,878 Ordinary A shares and an additional 2,626 Ordinary B shares were issued to new shareholders. The company received consideration in the sum of £524,300 in relation to the Ordinary A shares which had an aggregate nominal value of £7,878, and £174,667 in relation to the Ordinary B shares which had an aggregate nominal value of £2,626. The total premium received in relation to this share issue was £688,463.

# Montagu Management Limited

## Notes to the financial statements for the Period ended 31 December 2004

### 14. Share Premium Account

	Company and Group 2004 £'000	Company and Group 2003 £'000
At 1 January	-	-
Premium on A shares issued during the year	689	-
At 31 December	<u>689</u>	<u>-</u>

### 15. Reconciliation of Movements in Shareholder's funds

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
Opening shareholder's funds	5,372	4,368	-	-
Called up share capital	10	10	350	350
Share premium	689	689	-	-
Profit for the financial period	542	39	5,002	4,018
Revaluation of foreign subsidiaries share capital	<u>(15)</u>	<u>-</u>	<u>20</u>	<u>-</u>
Closing shareholder's funds	<u>6,598</u>	<u>5,106</u>	<u>5,372</u>	<u>4,368</u>

### 16. Minority interest

The minority interest relates to employees' shareholding in Montagu Private Equity SAS, a subsidiary undertaking incorporated in France, and to the minority shareholding in Montagu Holdings Limited owned by HSBC Bank Plc.

### 17. Reconciliation of operating profit to net cash inflow from operating activities

	Group 2004 £'000	Group 2003 £'000
Net operating profit	4,757	11,759
Depreciation of tangible fixed assets	262	163
Amortisation of goodwill	451	359
(Increase)/decrease in debtors	(4,309)	27,435
Increase/(decrease) in creditors	6,151	(361)
Other non cash transactions	<u>(15)</u>	<u>20</u>
Net cash inflow from operating activities	<u>7,297</u>	<u>39,375</u>

# Montagu Management Limited

## Notes to the financial statements for the Period ended 31 December 2004

**18. Cashflows arising on acquisition of subsidiary undertakings**

	Group 2004 £'000	Group 2003 £'000
Fixed assets	-	(527)
Working capital and provisions	-	(1,214)
Taxation payable	-	3,047
Cash	-	(2,091)
	-	(785)
Goodwill	-	(4,519)
Total consideration	-	(5,304)
Acquired cash	-	2,091
Loan notes issued	-	3,000
Net cash outflow	-	(213)

**19. Change in net cash of the group**

	Group 2004 £'000	Group 2003 £'000
At 1 January	35,135	-
Net cash inflow	1,565	35,135
At 31 December	36,700	35,135

**20. Analysis of group net funds**

	1 January 2004 £'000	Cash Flow £'000	Non-Cash Movements £'000	31 December 2004 £'000
Cash at bank and in hand	35,135	1,565	-	36,700
Changes in net funds resulting from cash flows	35,135	1,565	-	36,700
Loan note (issued) / repaid	(5,120)	2,104	-	(3,016)
Accrued interest	(87)	-	(81)	(168)
Net funds	29,928	3,669	(81)	33,516

Details of the loan note issued are disclosed in note 11.

# Montagu Management Limited

## Notes to the financial statements for the Period ended 31 December 2004

### 21. Financial commitments

At 31 December 2004 the group has lease agreements in respect of buildings and other assets, for which the payments extend over a number of periods

	Group Land & Buildings	Group Other	Company Land & Buildings & Other
Annual commitment under operating leases expiring			
Within one year	-	6	-
Within two to five years	691	6	-
After five years	-	-	-
	<u>691</u>	<u>12</u>	<u>-</u>

### 22. Related party disclosures

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 carried interest of £3,849,422 (2003 - £4,979,000) was received by these parties, as partners in the MPE Discretionary Management Partnership, £5,717,460 (2003 - £1,544,000) 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 and £5,464,976 (2003 - £nil) 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 due to the realisation of certain investments.

During the year the Company charged a management fee of £120,000 to Montagu Private Equity Limited, a subsidiary undertaking.

### 23. Directors' Interests

The interests of the Directors in office at 31 December 2004 in the share capital of Montagu Management Limited all of which are fully paid, are

Director	2004		2003	
	£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
D. A. Farley	37,626	12,542	37,626	12,542
P. W. Goodwin	51,625	17,208	51,625	17,208
N. D. Hammond	46,375	15,458	46,375	15,458
V. G. O'Brien	7,875	2,625	10,500	3,500
S. F. Pooler	17,500	5,833	17,500	5,833
A. G. Shinder	8,750	2,917	8,750	2,917
D. A. J. Leroy	7,000	2,333	7,000	2,333

# Montagu Management Limited

## Notes to the financial statements for the Period ended 31 December 2004

### 24. Emoluments of directors

	2004 £000	2003 £000
Directors' emoluments	<u>14,914</u>	<u>10,778</u>

The aggregate emoluments and amounts receivable under long term incentive schemes of the highest paid director was £3,431,969 (2003 £2,740,179).

	Number of Directors 2004	2003
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	9	9
Defined benefit schemes	-	-

The amount of money paid to the money purchase schemes was £183,310 (2003 £54,450).

### 25. Pension obligations

During the period the Company's subsidiaries operated defined contribution schemes. The contributions for the period were £456,000 (2003 - £295,000).