



**Asset Management Investment Company PLC**

Annual Report 2001

## **Contents**

- 2** Directors and Advisers
- 3** Board of Directors
- 4** Chairman's Statement
- 6** Investment Portfolio
- 8** Unlisted Investments
- 10** Directors' Report
- 15** Report of the Board on Remuneration
- 16** Statement of Directors' Responsibilities  
for the Financial Statements
- 17** Independent Auditors' Report
- 18** Consolidated Statement of Total Return
- 19** Company Statement of Total Return
- 20** Consolidated Balance Sheet
- 21** Company Balance Sheet
- 22** Consolidated Cash Flow Statement
- 23** Notes to the Financial Statements
- 39** Notice of Meeting

## **CORPORATE OBJECTIVE**

**The objective of AMIC is to provide shareholders with long term growth of capital and revenue through investment in the asset management sector, which the directors believe will benefit from economic and demographic trends to outperform many other sectors of the market.**

**The principal aim of the company is to develop a portfolio of investments in private companies in the industry. Investments may also be held in quoted asset management companies where particular value is perceived.**

**The directors believe that AMIC is the only organisation in the United Kingdom operating as a specialist investor in the asset management industry.**

## Directors and Advisers

### Directors

Sir Frederick Douglas David Thomson, Bt.  
*Chairman* \*†

George Alan Robb  
*Managing Director and Chief Investment Officer*

David Lindsay Martin-Clark \*†

Norman Malcolm Marshall Riddell \*†

John William Spurdle, Jr.

\* Non-executive

† Member of the Audit and Remuneration Committees

### Secretary and Registered Office

Paul William Jennings  
32 Ludgate Hill  
London EC4M 7DR

### Company Number

2918390 (Incorporated in  
England and Wales)

### Auditors

Solomon Hare  
Chartered Accountants  
Oakfield House, Oakfield Grove  
Bristol BS8 2BN

### Bankers

Bank of Scotland  
38 Threadneedle Street  
London EC2P 2EH

### Registrars

Lloyds TSB Registrars Scotland  
Finance House, Orchard Brae  
Edinburgh EH4 1WQ

### Solicitors

Burges Salmon  
Narrow Quay House  
Narrow Quay  
Bristol BS1 4AH

### Stockbrokers

Collins Stewart Limited  
9th Floor, 88 Wood Street  
London EC2V 7QR

### Office in the United States

Asset Management Investment  
Company Inc.  
515 Madison Avenue  
New York, NY 10022, USA

## **Board of Directors**

### **Sir David Thomson** *Chairman, Non-Executive, aged 61*

David Thomson is Chairman of Britannia Steam Ship Insurance Association Limited, Jove Investment Trust Plc, Ptarmigan International Capital Trust Plc and Through Transport Mutual Insurance Association Limited and is actively involved in a number of other companies, both within and outside the investment field.

### **George Robb** *Managing Director and Chief Investment Officer, Executive, aged 59*

After qualifying as a solicitor George Robb began a career in investment management in 1971. In 1983 he became one of the founding shareholders in Aberdeen Fund Managers Limited, later to become Aberdeen Asset Management PLC. He was instrumental in establishing Asset Management Investment Company PLC in 1994 and was appointed Managing Director of the company following its flotation. He is Chairman of The Media & Income Trust Plc and Premier Recovery Trust PLC and a director of Aberdeen Development Capital PLC, Britannic Global Income Trust plc and Goshawk Insurance Holdings Plc, and of a number of the companies in which AMIC is invested.

### **David Martin-Clark** *Non-Executive, aged 64*

After qualifying as a barrister and spending a brief period with BP, David Martin-Clark transferred to the financial services sector. For many years he was involved in the international insurance industry, particularly in the management of mutual insurance associations and captive insurance companies. He was Senior Partner in the Thomas Miller Group and Chief Executive and then Chairman of its holding company. He retired from Millers in 1999 and now works as an independent consultant. He is a director of Bolero Development Limited.

### **Norman Riddell** *Non-Executive, aged 54*

Norman Riddell is Chairman of Norman Riddell & Associates Limited, an independent firm of business consultants. Until 1996 he was Chief Executive of INVESCO Europe Limited and a director of AMVESCAP plc, prior to which he formed and was Chief Executive of Capital House Investment Management Limited. He is Chairman of Pathway One VCT PLC and a director of Life Assurance Holding Corporation plc, Clubhaus plc and Improvement Pathway Limited.

### **John Spurdle** *Executive, aged 64*

John Spurdle spent 28 years with J.P. Morgan & Company as an Executive Vice-President, Managing Director and Head of Corporate Finance in Europe, the Middle East and Africa. He is a director of The France Growth Fund and his previous directorships have included Chemfab Corporation and a number of public and private companies in which J.P. Morgan had an interest. In July 1997 he was appointed President of Asset Management Investment Company Inc. and was responsible for opening the company's office in New York.

## Chairman's Statement

In October 2000 your Company successfully completed a Placing of new ordinary shares and new zero dividend preference shares which, together with a loan facility of £10.0 million, provided £30.9 million net of expenses to assist the development of the business of AMIC. This has significantly increased gross assets, total revenue and earnings per share. The greater funds available for investment have also enabled your management to consider a wider range of investment opportunities, and investments in larger businesses, than was previously possible with more limited financial resources. Your Board believes that this has improved the breadth and quality of your Company's portfolio of investments.

For most of the first half of the financial year operating conditions for the investment management sector continued on a favourable trend. Thereafter the market environment sharply deteriorated, largely influenced by the collapse of the technology and media sectors. Towards the end of the financial year came the appalling events of September 11. Their effect on financial markets may yet prove to have called the turn of the market cycle, but resulted in your Company's net asset value, which is closely correlated to the value of the assets managed by the businesses in which your Company is invested, closing on 30 September near to its low for the year.

During the year total assets less current liabilities increased by 106.6% to £47,941,989 (2000: £23,202,797), largely on account of the new funds introduced following the Placing. The undiluted net asset value per ordinary share fell by 21.6% to 144.8p (2000: 184.7p), a decrease which resulted from the net decrease in the valuations which your Directors, following careful consideration and consultation with the auditors, placed on the investments in the portfolio.

The largest investment in the portfolio continues to be IFDC S.A. Group, which manages or advises mutual funds invested in a range of emerging markets and Japan. During the course of the year significant new investments were made in Valenzuela Capital Partners LLC and International Foreign Exchange Concepts Inc., both in New York, and in London-based Integrated Asset Management Plc, via the subscription for a convertible loan stock. Two exits from investments were achieved, from Ely Fund Managers (Holdings) Limited and Thornhill Holdings Limited, both London-based private client managers. In both cases highly satisfactory returns were made on the original investments.

Your Company again enjoyed strong growth of revenue, this year enhanced by the new money raised by the Placing. Profit after taxation and minority interests increased by 130% to £2,777,812 (2000: £1,207,752) and revenue return per ordinary share increased by 8% to 15.05p (2000: 13.93p). Your Board is therefore recommending a final dividend of 8.20p net per share (2000: 5.00p net per share), which together with the first interim dividend of 3.80p net per share (2000: nil) paid on 9 February 2001 and the interim dividend of 4.00p net per share (2000: 2.00p net per share) paid on 6 July 2001 will make a total dividend of 16.00p net per share (2000: 7.00p net per share), an increase of 128.6% on the dividend paid in the preceding year. This is modestly ahead of the 15.80p net per share indicated in the placing document. Excluding the first interim dividend the increase amounts to 74.3%. The final dividend will be paid on 8 February 2002 to shareholders on the register at the close of business on 14 December 2001.

In the course of the year three key management appointments were made. John Spurdle, your Director resident in New York City, became a full-time executive with AMIC, having worked for your Company on a part-time basis since opening our office in New York in 1997. His appointment is particularly meaningful given the strong and increasing deal flow we are experiencing from the United States and Canada. Connie Arcella has joined the Company

## **Chairman's Statement** *continued*

as an Investment Manager and Paul Jennings has been appointed as our first full-time Company Secretary and Group Financial Controller. I am confident that all three will make a valuable contribution to the growth of your Company.

Your Directors are optimistic for the prospects for the current year provided financial markets continue to recover and there is an absence of further political or economic upsets which are beyond the control of the asset management sector. Your Company is continuing to be shown an increasing amount of investment opportunities from its growing international network, and a number of the companies in which AMIC is invested are well positioned to benefit from improved market conditions. AMIC has the liquidity and the management resources to take advantage of these situations and we would anticipate closing several new investments in the course of the year.

The AMIC website is regularly updated with information regarding the Company and its investments. Shareholders are invited to visit the site, which provides links to the websites of companies in the AMIC portfolio. The address is [www.amicplc.com](http://www.amicplc.com).

**David Thomson** *Chairman*

20 December 2001

## Investment Portfolio

	Cost £'000	Valuation £'000	Percentage of investment portfolio
<b>Listed Investments</b>			
<b>Bond Investments</b>			
Aberdeen High Income Bond Unit Trust	13,902	11,980	25.1
Coventry Building Society 12.125% Perpetual Bond	2,509	2,490	5.2
Britannia Building Society 13.00% Perpetual Bond	458	443	0.9
Bristol & West 13.375% Perpetual Bond	473	453	1.0
Abbey National 8.625% Non-Cumulative Redeemable Preference Shares	300	295	0.6
Bank of Scotland 9.25% Non-Cumulative Preference Shares	362	336	0.7
Commercial Union 8.375% Cumulative Irredeemable Preference Shares	920	881	1.8
Royal & Sun Alliance 7.375% Cumulative Irredeemable Preference Shares	553	491	1.0
Nat West 9% Series 'A' Non-Cumulative Preference Shares	1,668	1,584	3.3
Standard Chartered 8.25% Non-Cumulative Irredeemable Preference Shares	1,496	1,463	3.1
<b>Other Listed Investments</b>			
Integrated Asset Management	526	219	0.5
iRegent Limited	2,157	167	0.4
iRegent (warrants to subscribe)	23	1	0.0
Singer & Friedlander	596	524	1.1
Stockcube	150	70	0.1
W P Stewart & Co	130	100	0.1
Investments held by AMIC AG	86	45	0.1
Company's own shares at cost	15	15	0.0
<b>Total Listed Investments</b>	<b>26,324</b>	<b>21,557</b>	<b>45.0</b>
<b>Unlisted Investments</b>			
Aberdeen America	1,010	335	0.7
Charlemagne Capital Ltd	117	120	0.3
City of London Investment Group	2,741	2,319	4.9
Clark Capital Management			
8% Convertible Subordinated Debentures 2001	332	342	0.7
9% Convertible Subordinated Debentures 2002	157	171	0.4
9% Convertible Subordinated Debentures 2002	155	105	0.2
Columbus Financial Services			
Ordinary Shares	411	458	1.0
12% Loan 2001	120	120	0.3
International Foreign Exchange Concepts 10% Convertible Note 2011	3,567	3,418	7.2
IFDC	2,166	6,152	12.9
Integrated Asset Management 12% Convertible Loan 2006	2,000	2,000	4.2
Latchly Management			
Ordinary Shares	10	0	0.0
10% Unsecured Loan Note 2002	240	0	0.0
Marque Millennium Class 'B' Shares	358	0	0.0
MMCM Holdings			
Common Stock	2,359	2,169	4.5
10% Loan	193	188	0.4
Midhurst Asset Management			
Ordinary Shares	636	0	0.0
'A' Preference Shares	469	0	0.0
'A' Ordinary Shares	56	0	0.0
Mayberry Group	702	550	1.2
Turnstone Holdings			
Ordinary Shares	280	641	1.3
10% Cumulative Convertible Redeemable Preference Shares 2008	1,600	1,600	3.4
Valenzuela Capital Partners 10% Convertible Note 2011	3,459	5,436	11.4
<b>Total Unlisted Investments</b>	<b>23,138</b>	<b>26,124</b>	<b>55.0</b>
<b>Total Investments</b>	<b>49,462</b>	<b>47,681</b>	<b>100.0</b>

Capital/Debt owned %	Earnings/(loss) per share	Net dividend per share	Dividend cover	Attributable net assets/(liabilities) £'000	Year end
N/A	N/A	N/A	N/A	N/A	
N/A	N/A	N/A	N/A	N/A	
N/A	N/A	N/A	N/A	N/A	
N/A	N/A	N/A	N/A	N/A	
N/A	N/A	N/A	N/A	N/A	
N/A	N/A	N/A	N/A	N/A	
N/A	N/A	N/A	N/A	N/A	
N/A	N/A	N/A	N/A	N/A	
N/A	N/A	N/A	N/A	N/A	
N/A	N/A	N/A	N/A	N/A	
10.98	(8.10)p	Nil	N/A	192	April 2001
1.00	US\$(0.085)	Nil	N/A	US\$1,220	March 2001
0.86	N/A	N/A	N/A	N/A	
0.01	35.40p	11.00p	3.22	N/A	December 2000
0.86	0.02p	Nil	N/A	5,087	December 2000
N/A	US\$2.37	US\$1.73	1.37	N/A	
N/A	N/A	N/A	N/A	N/A	
N/A	N/A	N/A	N/A	N/A	
19.60	US\$5.02	Nil	N/A	US\$507	September 2000
0.87	US\$5.02	US\$0.007	N/A	US\$239	December 2000
22.70	1.94p	Nil	N/A	£639	May 2001
100.00	N/A	N/A	N/A	N/A	
100.00	N/A	N/A	N/A	N/A	
100.00	N/A	N/A	N/A	N/A	
28.77	(8.30p)	Nil	N/A	£30	March 2001
100.00	N/A	N/A	N/A	N/A	
25.00	N/A	N/A	N/A	N/A	
15.00	US\$1,778	US\$916	1.94	US\$156	December 2000
100.00	N/A	N/A	N/A	N/A	
7.50	N/A	N/A	N/A	N/A	
3.61					
20.50	N/A	N/A	N/A	N/A	December 2000
49.90	US\$2.92	Nil	N/A	US\$(760)	*
100.00	N/A	N/A	N/A	N/A	December 2000
20.68	Nil	N/A	N/A	N/A	August 2000
46.90	N/A	N/A	N/A	N/A	
50.00	N/A	N/A	N/A	N/A	
34.00	US\$(2.45)	Nil	N/A	US\$(103)	December 2000
15.00	3.84p	Nil	N/A	£348	December 2000
100.00	N/A	10.00p	N/A	N/A	
20.00	N/A	N/A	N/A	N/A	

\* Not yet completed first period of trading.

## **Unlisted Investments**

### **Aberdeen America Inc.**

Aberdeen America is based in Boston, Massachusetts and has funds under management of US\$21 million on behalf of a number of private clients, pension funds and foundations. The company is run by a small team headed by an experienced investment professional. AMIC holds 9,000 and AMIC AG holds 11,000 shares of class A common stock representing 19.6% of the equity of the company. The company plans on terminating its management advisory activities with effect from 31 December 2001 and will pursue other investment opportunities in the future.

### **City of London Investment Group PLC**

City of London Investment Group, founded in 1991, has funds under management of approximately US\$325 million invested in emerging markets through the medium of international closed-end funds listed on some twenty stock markets around the world. The company has offices in London, Philadelphia and Singapore and manages funds on behalf of clients in the United States, the United Kingdom and Canada. Since year-end, AMIC has increased its investment and now holds 214,384 ordinary shares representing 22.7% of the equity.

### **Clark Capital Management Group, Inc.**

Clark Capital Management Group is an independent investment adviser with corporate headquarters in Philadelphia, Pennsylvania. The company has assets under management of approximately US\$300 million. The company provides a diverse range of investment-related services and products for individuals and institutions in the United States and Europe, all of which stem from its emphasis on risk analysis and risk management. The primary goal of the firm's investment strategy is to preserve capital during periods of high risk in worldwide markets through the use of proprietary tactical, strategic and quantitative models. AMIC holds debentures totalling US\$1,000,000 maturing over the next six months.

### **Columbus Financial Services Limited**

Columbus Financial Services, based in London, provides a comprehensive range of personal financial services to private individuals and their advisers. The investment management subsidiary, Columbus Asset Management, provides services which include investment portfolio management to individuals, companies and trusts. Additionally the group offers a corporate finance capability specialising in corporate advice and international placement. Other subsidiaries offer insurance broking and trust management, and an associate provides independent financial advice. AMIC holds 88,556 ordinary shares representing 28.77% of the issued ordinary share capital of the company and has provided a loan of £120,000 at 12% repayable by 31 December 2001.

### **International Foreign Exchange Concepts Inc.**

International Foreign Exchange Concepts Inc., established in 1981, is headquartered in New York with offices in Rochester NY, Paris, Dubai and Sydney. The company was founded as a specialist in foreign exchange and interest rate research, which it now provides 24 hours a day to a list of clients including a variety of governments, international corporations and financial corporations throughout the world. Since 1987 the company has been providing a wide selection of currency overlay and currency management solutions. Today the company is one of the leading global overlay managers with more than 250 clients and \$3.5 billion under management. AMIC holds a \$5 million convertible note giving an ultimate total equity interest of 25%.

### **IFDC S.A. Group**

IFDC, which has operating offices in London, Luxembourg, Paris and Tokyo, has specialist expertise in the markets of Japan, the Far East, the Middle East and North Africa and has developed a range of collective investment undertakings covering these areas. The group has assets under management of approximately US\$320 million.

## **Unlisted Investments** *continued*

Based on the expertise of the group in the creation and management of funds invested in emerging markets, IFDC plans to develop collective investment undertakings, focusing on geographic areas in which the group already operates, as well as in new regions characterised by sound economic development and/or the emergence of financial and capital markets. This will be achieved by developing strategic and commercial relationships with distribution networks and/or launching new funds. AMIC holds 900 shares representing 15% of the issued share capital.

### **MMCM Holdings Inc.**

MMCM Holdings Inc., which is based in New York, has developed a proprietary equity product which combines consistent quantitative analysis of stock price movement and fundamental characteristics of individual stocks with qualitative analysis of fundamental factors into a strict portfolio discipline for stock selection. This investment approach has given consistently above-average returns over a five-year period which have enabled the company to win a number of significant new clients. Funds under management are approximately US\$320 million. AMIC holds 3,325,000 of common stock representing 49.9% of the total equity. AMIC also provides MMCM with a loan of US\$425,000.

### **The Mayberry Group, Inc.**

The Mayberry Group, Inc. is the holding company of Core Asset Management Company, Inc. which is based in San Rafael, California and manages funds for individual, corporate, trust and charitable foundation clients. The company has embarked upon an aggressive, structured business plan to increase significantly its business both by direct sales and by acquisition and now has funds under management of US\$75 million. AMIC holds 42,755 ordinary shares representing 34.0% of the issued share capital.

### **Turnstone Holdings Limited**

Turnstone Holdings is the holding company of Neville Merriam Investment Management Limited, a private client investment management business based in London, established following a management buyout from the Granville Baird Group. The group has £170 million under management and provides investment management services to private individuals, charities, trusts and self-administered pension schemes. AMIC holds 600,000 ordinary shares representing 15% of the equity and £1,600,000 convertible preference shares giving an ultimate total equity interest of 26%.

### **Valenzuela Capital Partners LLC**

Valenzuela Capital Partners LLC is a registered investment adviser managing primarily tax-exempt institutional accounts with over \$1 billion under management. The company adopts a value approach and is one of the oldest and largest managers in the United States specialising in small-cap and mid-cap stocks. Its offices are located in The Avenue of the Americas, New York. The firm was established in September 1989 by its current President, Thomas M. Valenzuela.

## Directors' Report

The Directors present their report and the audited financial statements for the year ended 30 September 2001.

### Review of the Business

A review of the Company's activities is given in the Chairman's Statement on pages 4 and 5.

### Principal Activity and Status

The business of this Company is that of an Investment Company within the meaning of the Companies Act 1985. The Company has been approved as an Investment Trust under Section 842 of the Income and Corporation Taxes Act 1988 for the year to 30 September 2000. The Company intends to continue to direct its affairs so as to continue to be a qualifying trust.

### Results and Dividends

The Group profit after tax for the year was £2,776,507 (Company: £2,848,517). A first interim dividend of 3.8p per share was paid on 6 February 2001 and a further interim dividend of 4.0p per share was paid on 6 July 2001. The Directors recommend the payment of a final dividend of 8.2p per share on 8 February 2002, subject to approval by shareholders at the Annual General Meeting to be held on 30 January 2002. £213,542 (Company: £142,837) will be transferred from revenue reserves.

### Directors

The Directors who held office during the year and their interests in the ordinary share capital of the Company are shown below:

		At 30 September 2001			At 1 October 2000 or date of appointment		
		Number of Ordinary Shares	Number of Warrants	Number of Options	Number of Ordinary Shares	Number of Warrants	Number of Options
Viscount Bridgeman	beneficial	N/A	N/A	N/A	30,000	2,000	–
	non-beneficial	N/A	N/A	N/A	12,500	–	–
Sir David Thomson, Bt.	beneficial	33,775	53,000	–	33,775	53,000	–
	non-beneficial	–	–	–	–	–	–
David Martin-Clark	beneficial	7,137	–	–	7,137	–	–
	non-beneficial	–	–	–	–	–	–
Norman Riddell	beneficial	60,000	30,000	–	60,000	30,000	–
	non-beneficial	–	–	–	–	–	–
George Robb	beneficial	1,089,771	230,000	200,000	1,089,771	230,000	–
	non-beneficial	209,877	100,000	–	209,877	100,000	–
John Spurdle	beneficial	5,004	–	100,000	5,004	–	–
	non-beneficial	–	–	–	–	–	–

Mr Robb participates in the Company's Save As You Earn Share Option Scheme ('SAYE') and All Employee Share Ownership Plan ('AESOP'). Mr Spurdle participates in the AESOP. Details of these are shown in note 17 to the Financial Statements.

Viscount Bridgeman retired on 31 January 2001 and was succeeded as Chairman by Sir David Thomson.

None of the Directors holds any Zero Dividend Preference Shares.

There have been no changes in any Directors' interests up to 20 December 2001, save that on 10 December 2001, George Robb was awarded 100,000 options and John Spurdle was awarded 150,000 options, both at an exercise price of 142½p.

## Directors' Report *continued*

In accordance with the Company's Articles of Association, Sir David Thomson and David Martin-Clark will retire from office at the Annual General Meeting and, being eligible, offer themselves for re-election.

### Winding Up

The Company's Articles of Association include a provision that the Company shall have a fixed duration to 27 October 2006. The Company will be wound up on that date, unless within the preceding twelve months the shareholders vote to continue the Company.

### Creditors Payment Policy

It is the policy of the Company to adhere to agreed terms and conditions for its business transactions with suppliers. As at 30 September 2001 the Group and Company had outstanding trade creditors of £232,000. As at 30 September 2001 the Group and Company's outstanding trade creditors represented 3 (2000: 6) days purchases.

### Contributions

In accordance with its normal practice the Company has made no contributions to political or charitable organisations during the year.

### Substantial Interests

The Board has been advised that the following shareholders owned 3% or more of the issued share capital of the Company on 14 December 2001.

	Number of Ordinary Shares	Percent of issued Ordinary Shares
Exeter Asset Management Limited	3,206,500	17.13
Aberdeen Asset Managers Limited	3,150,000	16.83
Majedie Investments PLC	1,390,000	7.43
George Robb and family	1,299,648	6.94
Jupiter Financial & Income Trust PLC	1,098,689	5.87
Aberdeen Asset Management PLC	900,000	4.81
Third Canadian Investment Trust	800,000	4.27
Britannic Asset Management Limited	750,000	4.01
Close Bank (Guernsey) Private Clients	695,760	3.72
Credit Lyonnais Private Clients	689,393	3.68
Charles Stanley Private Clients	684,779	3.66

### Statement of Recommended Practice ('SORP')

In December 1995 the Association of Investment Trust Companies published its Statement of Recommended Practice, applicable to investment trust companies, which has been confirmed by the Accounting Standards Board. The Company has complied with the recommendations of the SORP in presenting the annual financial statements on pages 18 to 38.

### Corporate Governance

The Company is committed to practising the highest standards of corporate governance. The Board is accountable to the Company's shareholders for good corporate governance. This statement describes how the principles of corporate governance set out in Section 1 of the Combined Code ('The Code') prepared by the Committee on Corporate Governance, chaired by Sir Ronald Hampel, have been applied.

## **Directors' Report** *continued*

The Board considers that the Company has complied with the provisions contained within The Code throughout this accounting period except where indicated below.

As permitted by the Listing Rules, the Group has complied with Code provision D.2.1 on internal control by reporting on internal controls in accordance with guidance for directors on internal controls and financial reporting issued by the Rutteman Working Group in December 1994.

### **The Board**

The Board of Directors currently comprises two Executive Directors and three Non-Executive Directors, all Non-Executive Directors being regarded as independent Directors. Sir David Thomson is the senior independent Director. The biographies of the Directors appear on page 3. These demonstrate a range of experience, skills and personal standing sufficient to bring independent judgement on issues of strategy, performance, resources and standards of conduct which are vital to the success of the Company. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Regular Board meetings are held and the Board is responsible for the objectives and policies of the Group. The Board focuses mainly on strategy and on investment and financial performance. To enable the Board to discharge its duties, all Directors receive appropriate and timely information ensuring they are properly briefed on the issues for consideration in advance of meetings. In addition, all Non-Executive Directors have access to management and can request, either during meetings or at other appropriate times, further explanation or written papers on matters as they see fit.

Formal training is not undertaken by the Directors as they are all considered to bring considerable knowledge and experience to the Board in their roles within the Company.

The Company's Memorandum and Articles of Association do not require the Managing Director to retire by rotation. Other than this, one-third of the Board is required to retire by rotation each year.

### **Board Committees**

The Board has appointed two committees, the Remuneration Committee and the Audit Committee, which have written terms of reference. The Remuneration Committee comprises Norman Riddell (Chairman), David Martin-Clark and Sir David Thomson. The Committee is responsible for determining all remuneration-related matters, including the remuneration packages of the Executive Directors and Senior Executives and for the grant of share options.

The Audit Committee comprises David Martin-Clark (Chairman), Norman Riddell and Sir David Thomson. The Committee meets twice a year, once to review the Annual Report and Accounts and once to review the effectiveness of the system of internal financial control. These meetings are also attended by senior management and by a senior partner of the company's auditors Solomon Hare.

The Company has not constituted a Nominations Committee as it intends to continue with past practice under which nomination to the Board is considered by the Board as a whole.

### **Internal Controls**

The Code requires the Directors to review the effectiveness of the Company's system of internal controls. The framework provides reasonable, but not absolute assurance that:

- There is a periodic review of budgets.
- Transactions are recorded to permit the preparation of reliable financial statements.

## **Directors' Report** *continued*

- The Company is managed effectively and efficiently in accordance with the directions of the Board.
- There are clearly defined capital investment guidelines.

The Directors confirm that they have reviewed the effectiveness of the systems of internal control. The Directors do not consider it appropriate for the Company to have an internal audit function. They have reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and the policies by which these risks are managed.

### **Going Concern**

After reviewing the Company's budget for the year ended 30 September 2002 and its medium term plans the Directors have a reasonable expectation that the Company has adequate resources to continue its operations for the foreseeable future. Accordingly they adopt the going concern basis in preparing the financial statements.

### **Relations with Shareholders**

The management maintains a regular dialogue with shareholders, the feedback from which is reported to the Board. In addition, the Board and the management are available to answer shareholders' questions at the Annual General Meeting of the Company.

### **Auditors**

In accordance with section 385 of the Companies Act 1985 a resolution to reappoint Solomon Hare as auditors to the Company will be proposed at the Annual General Meeting.

### **Annual General Meeting**

In addition to the ordinary business to be transacted at the meeting, there are two items of special business.

#### **Resolution 6: Authority to Allot Relevant Securities**

The Companies Act 1985 provides that the Directors may not allot relevant securities unless authorised to do so by the shareholders. The Board's existing powers in respect of unissued securities derive from the Annual General Meeting held on 31 January 2001 and remain valid until 30 January 2006. It is proposed that the Directors be granted a renewal of that general authority to allot the authorised but unissued share capital at any time within the next 5 years and unless renewed the authority will expire on 29 January 2007.

The Directors will be authorised to allot relevant securities up to an aggregate nominal amount of £2,200,449.75, apportioned as to £1,320,449.75 to ordinary shares and as to £880,000 to zero dividend preference ('ZDP') shares, representing approximately 28.2% and 10.8% of the issued ordinary and ZDP share capital respectively as at 14 December 2001.

There is no present intention to use the authority other than as required in connection with exploiting investment opportunities, for the implementation of the Company's executive share option scheme or in connection with the exercise of share warrants.

#### **Resolution 7: Authority to Disapply Pre-Emption Rights**

Section 89 of the Companies Act 1985 prohibits the allotment for cash of equity securities unless they have first been offered to holders of existing equity securities for subscription pro rata to their existing holdings. Section 95 of that Act permits the Directors in certain circumstances, and if so authorised by the Company's Articles of Association or by special resolution, to exclude or modify the pre-emption rights conferred by Section 89. Resolution 7 which will be proposed as a special resolution, would disapply pre-emption rights until the next

## **Directors' Report** *continued*

Annual General Meeting to be held in 2003 in respect of shares issued pursuant to:

- (a) the terms of the Company's share option schemes as previously approved by the shareholders;
- (b) the exercise of the share warrants constituted by a deed poll dated 28 November 1994;
- (c) a rights issue;
- (d) other than as set out above for cash up to an aggregate nominal amount equal to 5 per cent of the nominal value of the issued ordinary share capital of the Company from time to time. The maximum nominal value of equity securities which could, as at the date hereof, be issued pursuant to the disapplication in this paragraph (d) would be in respect of 935,910 ordinary shares with a nominal value of £233,977.50 representing approximately 5 per cent of the issued ordinary share capital as at 14 December 2001.

The maximum aggregate nominal value of shares which could, as at the date hereof, be issued pursuant to this disapplication would be £2,200,449.75, apportioned as to £1,320,449.75 to ordinary shares and as to £880,000 to ZDP shares, representing approximately 28.2% and 10.8% of the ordinary and ZDP share capital respectively.

### **Capital**

Included in the financial statements is a balance of £15,200 (2000: £Nil) relating to 8,333 (2000: Nil) ordinary shares in Asset Management Investment Company PLC, held on behalf of the All Employee Share Ownership Plan. This represents a holding of less than 1% of the issued ordinary share capital of the Company.

### **Post Balance Sheet Events**

On 12 November 2001, the Company announced an investment in AMIC Distribution Partners Inc. This company will provide specialised sales and support services in the managed account, institutional and mutual fund markets.

On 29 November 2001, the Company repaid its £10 million loan facility with the Bank of Scotland and replaced it with a facility of US\$14 million.

On 10 December 2001, 303,000 options were granted under the Company's Executive Share Option Scheme at an exercise price of 142½p.

By Order of the Board

**P W Jennings** *Secretary*

London, 20 December 2001

## Report of the Board on Remuneration

The Remuneration Committee consists of all the Non-Executive Directors with Mr Riddell as Chairman.

In designing remuneration policy and practices, the Committee has had regard to the provisions of Schedule A to the Combined Code. The Committee has followed Schedule B to the Combined Code in preparing this report.

Mr Robb and Mr Spurdle have been granted the following options under the Company's Executive Share Option Scheme:

	Date of grant	Number of Shares	Exercise price	Earliest exercise	Latest exercise
Mr G A Robb	22.12.2000	200,000	171½p	Dec 2003	May 2008
	10.12.2001	100,000	142½p	Dec 2004	May 2008
Mr J W Spurdle	22.12.2000	100,000	171½p	Dec 2003	Dec 2010
	10.12.2001	150,000	142½p	Dec 2004	Dec 2011

At 30 September 2001, the market price of the Company's shares was 126p. The maximum share price during the year was 200p and the minimum price was 110½p.

Mr Robb participates in the Company's Save As You Earn Share Option Scheme ('SAYE') and All Employee Share Ownership Plan ('AESOP'). Mr Spurdle participates in the AESOP. Details of these are shown in note 17 to the Financial Statements.

The Company has entered into the following service agreements:

- a) A service agreement with Mr Robb. Mr Robb's basic salary for the period under review was £135,000. With effect from 1 October 2001 his basic salary has been increased to £155,000 per annum. It is subject to annual review with a minimum increase in line with the increase in RPI.

The service agreement is terminable by either party on 12 months' notice.

The service agreement also provides for a contractual performance bonus to be paid to him of an amount equal to 1 per cent of the year on year increase in net assets of the Company (save that no bonus shall be paid on any increase in net assets already taken into account in the calculation of a previous bonus) and for payment of a bonus at the discretion of the Remuneration Committee of the Board from time to time. Mr Robb has agreed to terminate the contractual bonus provision with effect from 1 October 2001. In respect of the year to 30 September 2001 he received a discretionary bonus of £27,000. In addition, Mr Robb is entitled to a car allowance of £10,000 per annum, pension contributions not exceeding the maximum permitted to an Inland Revenue approved personal pension plan, death in service cover of £250,000, BUPA cover for himself, his wife and children under the age of 18 and permanent health insurance to provide £33,000 per annum, increased in line with the National Average Earnings Index.

- b) The Non-Executive Directors of the Company have entered into agreements to provide services to the Company. The agreements are terminable on three months' notice.

The services of Sir David Thomson are provided to the Company pursuant to the terms of an engagement letter for a fee of £17,500 per annum. With effect from 1 October 2001 the fee has been increased to £20,000 per annum.

The services of Mr Martin-Clark and Mr Riddell are provided to the Company pursuant to the terms of engagement letters for fees of £12,500 each per annum. With effect from 1 October 2001 the fees have been increased to £14,000 per annum.

## Report of the Board on Remuneration *continued*

Until his retirement on 31 January 2001, the services of Viscount Bridgeman were provided to the Company through a consultancy agreement with RB Consultancy under which RB Consultancy undertook for a fee of £15,000 per annum to provide the services of Viscount Bridgeman to the Company.

Mr Spurdle is employed as President of Asset Management Investment Company Inc. He receives a fee of US\$200,000 per annum from AMIC PLC. With effect from 1 October 2001 this fee has been increased to US\$250,000 per annum. In respect of the year ended 30 September 2001, he received a discretionary bonus of US\$30,000 (2000: \$Nil).

Apart from these there are no other contracts in which the Directors have an interest.

Details of Directors' remuneration are shown in note 7 to the financial statements.

The Non-Executive Directors serve on the Audit and Remuneration Committees.

On behalf of the Board

**N M M Riddell** *Chairman, Remuneration Committee*

London, 20 December 2001

## Statement of Directors' Responsibilities for the Financial Statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss for that period. In preparing those financial statements the Directors are 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 departure 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 Group and the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The Directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent Auditors' Report** to the Shareholders of Asset Management Investment Company PLC

We have audited the financial statements of Asset Management Investment Company PLC for the year ended 30 September 2001 which comprise the Statements of Total Return, the Balance Sheets, the Cash Flow Statement and the related Notes. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of fixed asset investments and the accounting policies set out therein.

### **Respective Responsibilities of Directors and Auditors**

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

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 or the Listing Rules regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Investment Portfolio and Unlisted Investments, the Report of the Board on Remuneration and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of Audit Opinion**

We conducted our audit in accordance with United Kingdom 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 and the Group'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 Group's and the Company's affairs as at 30 September 2001 and of the total return of the Group and the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Solomon Hare** Chartered Accountants & Registered Auditors

Bristol, 20 December 2001

Notes:

- 1 The maintenance and integrity of the AMIC web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
- 2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Consolidated Statement of Total Return *incorporating the revenue account\**

Year ended 30 September 2001

	Notes	Revenue £'000	Capital £'000	2001 Total £'000	Revenue £'000	Capital £'000	2000 Total £'000
(Losses)/gains on investments	2	–	<b>(4,948)</b>	<b>(4,948)</b>	–	4,059	4,059
Income	3	<b>3,034</b>	–	<b>3,034</b>	1,707	–	1,707
Administration expenses	4	<b>(276)</b>	<b>(798)</b>	<b>(1,074)</b>	(394)	(362)	(756)
<b>Net return before finance costs and taxation</b>		<b>2,758</b>	<b>(5,746)</b>	<b>(2,988)</b>	1,313	3,697	5,010
Interest payable	5	<b>(172)</b>	<b>(517)</b>	<b>(689)</b>	(35)	(35)	(70)
Interest receivable		<b>951</b>	–	<b>951</b>	1	–	1
<b>Return on ordinary activities before taxation</b>		<b>3,537</b>	<b>(6,263)</b>	<b>(2,726)</b>	1,279	3,662	4,941
Taxation on ordinary activities	8	<b>(760)</b>	<b>252</b>	<b>(508)</b>	(72)	(2)	(74)
<b>Return on ordinary activities after taxation</b>		<b>2,777</b>	<b>(6,011)</b>	<b>(3,234)</b>	1,207	3,660	4,867
Minority interests		<b>1</b>	<b>70</b>	<b>71</b>	1	88	89
Appropriation in respect of zero dividend preference shares	23	–	<b>(839)</b>	<b>(839)</b>	–	(563)	(563)
<b>Return attributable to equity shareholders</b>		<b>2,778</b>	<b>(6,780)</b>	<b>(4,002)</b>	1,208	3,185	4,393
Dividend in respect of equity shares	9	<b>(2,991)</b>	–	<b>(2,991)</b>	(607)	–	(607)
<b>Transfer to reserves</b>		<b>(213)</b>	<b>(6,780)</b>	<b>(6,993)</b>	601	3,185	3,786
Return per ordinary share (basic)	10	<b>15.05p</b>	<b>(36.74)p</b>	<b>(21.69)p</b>	13.93p	36.73p	50.66p
Return per ordinary share (diluted)	10	<b>14.73p</b>	<b>(35.96)p</b>	<b>(21.23)p</b>	13.45p	35.47p	48.92p
Return per zero dividend preference share	10	–	<b>10.41p</b>	<b>10.41p</b>	–	9.26p	9.26p

\* The revenue column of this statement is the profit and loss account of the Group.

None of the Group's activities was acquired or discontinued during the year ended 30 September 2001.

Movements in reserves are set out in notes 18 to 23.

The notes on pages 23 to 38 form part of the financial statements.

## Company Statement of Total Return *incorporating the revenue account\**

Year ended 30 September 2001

	Notes	Revenue £'000	Capital £'000	2001 Total £'000	Revenue £'000	Capital £'000	2000 Total £'000
(Losses)/gains on investments	2	–	(2,894)	(2,894)	–	2,699	2,699
Income	3	3,077	–	3,077	1,110	–	1,110
Administration expenses	4	(253)	(759)	(1,012)	(316)	(316)	(632)
<b>Net return before finance costs and taxation</b>		<b>2,824</b>	<b>(3,653)</b>	<b>(829)</b>	794	2,383	3,177
Interest payable	5	(172)	(517)	(689)	(35)	(35)	(70)
Interest receivable		947	–	947	–	–	–
<b>Return on ordinary activities before taxation</b>		<b>3,599</b>	<b>(4,170)</b>	<b>(571)</b>	759	2,348	3,107
Taxation on ordinary activities	8	(750)	263	(487)	(11)	–	(11)
<b>Return on ordinary activities after taxation</b>		<b>2,849</b>	<b>(3,907)</b>	<b>(1,058)</b>	748	2,348	3,096
Appropriation in respect of zero dividend preference shares	23	–	(839)	(839)	–	(563)	(563)
<b>Return for the financial year</b>		<b>2,849</b>	<b>(4,746)</b>	<b>(1,897)</b>	748	1,785	2,533
Dividend in respect of equity shares	9	(2,991)	–	(2,991)	(607)	–	(607)
<b>Transfer to reserves</b>		<b>(142)</b>	<b>(4,746)</b>	<b>(4,888)</b>	141	1,785	1,926
Return per ordinary share (basic)	10	<b>15.44p</b>	<b>(25.72)p</b>	<b>(10.28)p</b>	8.63p	20.58p	29.21p
Return per ordinary share (diluted)	10	<b>15.11p</b>	<b>(25.17)p</b>	<b>(10.06)p</b>	8.33p	19.88p	28.21p
Return per zero dividend preference share	10	–	<b>10.41p</b>	<b>10.41p</b>	–	9.26p	9.26p

\* The revenue column of this statement is the profit and loss account of the Company.

None of the Company's activities was acquired or discontinued during the year ended 30 September 2001.

Movements in reserves are set out in notes 18 to 23.

The notes on pages 23 to 38 form part of the financial statements.

## Consolidated Balance Sheet

As at 30 September 2001

	Notes	£'000	2001 £'000	£'000	2000 £'000
<b>Fixed asset investments</b>					
Listed investments	11	<b>21,557</b>		1,557	
Unlisted investments	11	<b>26,124</b>		23,065	
			<b>47,681</b>		24,622
<b>Tangible fixed assets</b>	12		<b>10</b>		15
			<b>47,691</b>		24,637
<b>Current assets</b>					
Investments	13	<b>124</b>		415	
Debtors	14	<b>387</b>		345	
Bank and cash		<b>1,843</b>		155	
			<b>2,354</b>	915	
<b>Current liabilities</b>					
Creditors: Amounts falling due within one year	15	<b>2,102</b>		2,349	
<b>Net current assets/(liabilities)</b>			<b>252</b>		(1,434)
<b>Total assets less current liabilities</b>					
Creditors: Amounts falling due after one year	16		<b>10,000</b>		–
			<b>37,943</b>		23,203
<b>Capital and reserves</b>					
Called up share capital	17		<b>12,800</b>		7,968
Share premium account	18		<b>21,545</b>		5,393
Capital reserve – realised	19		<b>1,489</b>		(1,983)
Capital reserve – unrealised	20		<b>(1,099)</b>		9,139
Warrant reserve	21		<b>315</b>		327
Revenue reserve	22		<b>541</b>		766
Zero dividend appropriation reserve	23		<b>2,277</b>		1,465
<b>Total shareholders' funds</b>	24		<b>37,868</b>		23,075
Minority interest			<b>75</b>		128
			<b>37,943</b>		23,203
<b>Total shareholders' funds are attributable to:</b>					
<b>Equity shareholders</b>			<b>27,097</b>		16,015
<b>Non-equity shareholders</b>			<b>10,771</b>		7,060
	24		<b>37,868</b>		23,075
Net asset value per ordinary share (basic)	25		<b>144.8p</b>		184.7p
Net asset value per ordinary share (diluted)	25		<b>143.0p</b>		175.6p
Net asset value per zero dividend preference share	25		<b>132.7p</b>		121.7p

The financial statements were approved by a Committee of the Board of Directors on 20 December 2001 and signed on its behalf by:

**David Thomson** *Chairman*      **George A Robb** *Managing Director*

The notes on pages 23 to 38 form part of the financial statements.

## Company Balance Sheet

As at 30 September 2001

	Notes	£'000	2001 £'000	£'000	2000 £'000
<b>Fixed asset investments</b>					
Listed investments	11	<b>21,396</b>		1,451	
Unlisted investments	11	<b>26,376</b>		21,172	
			<b>47,772</b>		22,623
<b>Tangible fixed assets</b>	12		<b>9</b>		13
			<b>47,781</b>		22,636
<b>Current assets</b>					
Debtors	14	<b>481</b>		476	
Bank and cash		<b>1,621</b>		9	
			<b>2,102</b>	485	
<b>Current liabilities</b>					
Creditors: Amounts falling due within one year	15	<b>(2,079)</b>		(2,241)	
<b>Net current assets/(liabilities)</b>			<b>23</b>		(1,756)
<b>Total assets less current liabilities</b>					
Creditors: Amounts falling due after one year	16		<b>(10,000)</b>		–
			<b>37,804</b>		20,880
<b>Capital and reserves</b>					
Called up share capital	17		<b>12,800</b>		7,968
Share premium account	18		<b>21,545</b>		5,393
Capital reserve – realised	19		<b>2,288</b>		(1,228)
Capital reserve – unrealised	20		<b>(1,606)</b>		6,627
Warrant reserve	21		<b>315</b>		327
Revenue reserve	22		<b>185</b>		327
Zero dividend appropriation reserve	23		<b>2,277</b>		1,466
<b>Total shareholders' funds</b>			<b>37,804</b>		20,880
<b>Total shareholders' funds are attributable to:</b>					
<b>Equity shareholders</b>			<b>27,033</b>		13,820
<b>Non-equity shareholders</b>			<b>10,771</b>		7,060
			<b>37,804</b>		20,880
Net asset value per ordinary share (basic)	25		<b>144.4p</b>		159.3p
Net asset value per ordinary share (diluted)	25		<b>142.6p</b>		153.0p
Net asset value per zero dividend preference share	25		<b>132.7p</b>		121.7p

The financial statements were approved by a Committee of the Board of Directors on 20 December 2001 and signed on its behalf by:

**David Thomson** *Chairman*      **George A Robb** *Managing Director*

The notes on pages 23 to 38 form part of the financial statements.

## Consolidated Cash Flow Statement

Year ended 30 September 2001

	Notes	£'000	2001 £'000	£'000	2000 £'000
<b>Net cash inflow from operating activities</b>	27		<b>2,126</b>		890
<b>Returns on investment and servicing of finance</b>					
Interest paid		(699)		(70)	
Interest received		903		–	
<b>Net cash inflow/(outflow) from returns on investment and servicing of finance</b>			<b>204</b>		(70)
<b>Taxation paid</b>			<b>(397)</b>		(31)
<b>Capital expenditure and financial investment</b>					
Purchase of investments		(68,478)		(3,946)	
Purchase of own shares		(15)		–	
Sale of investments		40,461		2,736	
Purchase of tangible fixed assets		(5)		(9)	
<b>Net cash outflow from capital expenditure and financial investment</b>			<b>(28,037)</b>		(1,219)
<b>Equity dividends paid</b>			<b>(1,891)</b>		(476)
<b>Management of liquid resources</b>					
Short term deposits		(215)		1,400	
Sale of current asset investments		292		(209)	
<b>Net cash inflow from management of liquid resources</b>			<b>77</b>		1,191
<b>Net cash (outflow)/inflow before financing</b>			<b>(27,918)</b>		285
<b>Financing</b>					
New loan		10,000		–	
Issue of ordinary share capital		18,100		–	
Issue of zero dividend preference share capital		2,872		–	
Repayment of loan due within one year		–		(1,000)	
Repayment of loan due in more than one year		–		(900)	
<b>Net cash inflow/(outflow) from financing</b>			<b>30,972</b>		(1,900)
<b>Increase/(decrease) in cash during the year</b>	28		<b>3,054</b>		(1,615)

The notes on pages 23 to 38 form part of the financial statements.

## Notes to the Financial Statements

### 1 Accounting policies

The principal accounting policies applied by the Group in the preparation of the financial statements for the year ended 30 September 2001 are as follows:

#### (a) Accounting convention

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed asset investments and, in accordance with applicable Accounting Standards, with due regard for the Statement of Recommended Practice ('SORP') issued by the Association of Investment Trust Companies.

#### (b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and each of its subsidiaries. The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated statement of total return from the date of acquisition or up to the date of disposal.

#### (c) Revenue account and capital reserves

Income and expenditure of a revenue nature are included in the revenue account. Gains and losses of a capital nature are dealt with in non-distributable capital reserves as required by the Articles of Association and the Companies Act 1985. Increases and decreases in the valuation of investments held are dealt with in the unrealised capital reserve.

Dividend and other investment income is included in revenue on the date dividends are declared or investments are marked ex-dividend. In accordance with Financial Reporting Standard No. 16, Current Tax, franked investment income is shown net of notional tax credits. Interest receivable on deposits, interest payable and administration expenses are dealt with on an accruals basis. Expenses are charged to capital reserve (net of tax) where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect all expenses have been allocated 75 per cent to the capital reserve and 25 per cent to the revenue account, in line with the Board's relative expected long-term returns in the form of capital gains and income respectively from the investment portfolio of the Group. This represents a change in estimation technique. The effect of this change is to increase revenue account by £534,000 and reduce capital account by the same amount. Expenses of the Company's dealing subsidiary have been allocated to the revenue account.

#### (d) Taxation

Deferred tax is provided at the anticipated rates on timing differences arising, to the extent that it is probable that the tax will be payable in the foreseeable future.

#### (e) Listed investments

Listed fixed and current asset investments are valued at closing middle-market prices at the balance sheet date. The unrealised gain or loss on current asset investments is taken to the Statement of Total Return.

#### (f) Unlisted investments

Unlisted investments are valued by the Directors throughout the year and at the year-end having regard to the Guidance Notes issued by the British Venture Capital Association on the Principles for the Valuation of Venture Capital Portfolios. They are valued at cost unless subsequent financings or other circumstances indicate a different valuation is appropriate. When a valuation is undertaken consideration is given to the most recent information available, including the latest trading figures, performance against forecast, management's view of prospects and the price of any transactions in the security. Realisable value in the short term could differ materially from the amount at which these investments are included in the financial statements.

#### (g) Subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less provision for any impairment in value.

#### (h) Foreign exchange

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are dealt with in the capital reserve.

On consolidation, year-end exchange rates are used to translate the results of overseas subsidiaries in the consolidated statement of total return. The assets and liabilities of overseas subsidiaries are translated into sterling at year-end rates. Exchange differences arising from the retranslation at year-end exchange rates of the opening net investment in overseas subsidiaries are dealt with in Group reserves.

## Notes to the Financial Statements *continued*

### 1 Accounting policies *continued*

#### (i) Tangible fixed assets

Depreciation is provided on a straight line basis on all tangible fixed assets at rates calculated to write off each asset over its expected useful life as follows:

Office equipment: over 3 years

Fixtures and fittings: over 6 years

#### (j) Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired.

Goodwill arising on the acquisition of subsidiaries acquired prior to the adoption of Financial Reporting Standard No. 10 was written off immediately against reserves and has not been re-instated. This goodwill was eliminated as a matter of accounting policy and will be charged in the profit and loss account on any disposal of the related business.

#### (k) Capital instruments

The ordinary shares are classified as equity share capital, whilst the zero dividend preference shares are classified as non-equity share capital. The financial cost of providing for the accrued premium payable on the non-equity share capital is recognised as an appropriation to non-equity shareholders in the Statement of Total Return. Issue costs are spread over the life of the instrument.

#### (l) Pension costs

Contributions made by the Company to defined contribution personal pension plans held by employees are charged to the profit and loss account as incurred.

### 2 Analysis of total gains on investments in the year

Group	Listed	Unlisted	2001	2000
	£'000	£'000	Total £'000	Total £'000
Realised gains/(losses)	(323)	5,661	5,338	341
Unrealised (losses)/gains	(4,169)	(6,194)	(10,363)	3,679
Realised foreign exchange gains	–	77	77	39
Total gains on investments in the year	(4,492)	(456)	(4,948)	4,059

  

Company	Listed	Unlisted	2001	2000
	£'000	£'000	Total £'000	Total £'000
Realised (losses)/gains	(323)	5,585	5,262	601
Unrealised (losses)/gains	(4,126)	(4,107)	(8,233)	2,098
Realised foreign exchange gains	–	77	77	–
Total gains on investments in the year	(4,449)	1,555	(2,894)	2,699

The calculation of realised gains and losses is based on the historical cost of investments sold.

## Notes to the Financial Statements *continued*

### 3 Income

	Group £'000	2001 Company £'000	Group £'000	2000 Company £'000
<b>Income from listed investments</b>				
Franked investment income	462	452	16	5
Foreign income dividends	–	–	403	79
Dealing (loss)/profit in subsidiary company	(53)	–	245	–
	<b>409</b>	<b>452</b>	664	84
<b>Income from unlisted investments</b>				
Franked investment income	926	926	220	220
Unfranked investment income	1,632	1,632	742	734
Other income	67	67	81	72
	<b>2,625</b>	<b>2,625</b>	1,043	1,026
<b>Total income</b>	<b>3,034</b>	<b>3,077</b>	1,707	1,110
Total income comprises:				
Dividends	1,388	1,378	1,122	787
Interest	1,632	1,632	295	278
Income from investments	3,020	3,010	1,417	1,065
Other net income	14	67	290	45
	<b>3,034</b>	<b>3,077</b>	1,707	1,110
<b>Income from investments</b>				
Listed UK	448	448	6	6
Listed overseas	14	4	96	79
Unlisted	2,558	2,558	1,315	980
	<b>3,020</b>	<b>3,010</b>	1,417	1,065

### 4 Administration expenses

The following have been charged/(credited) to revenue in arriving at return on ordinary activities.

	Group £'000	2001 Company £'000	Group £'000	2000 Company £'000
Depreciation of tangible fixed assets	3	2	7	7
Directors' remuneration	95	95	149	149
Auditors' remuneration:				
for audit	3	3	9	7
for other services	2	2	8	8
Exchange (gains)/losses	(4)	(4)	3	3
Other expenses	177	155	218	142
	<b>276</b>	<b>253</b>	394	316

A further £798,000 (Group) and £759,000 (Company) (2000: £362,000 (Group) and £316,000 (Company)) of administration expenses have been charged to the capital reserve (note 19).

The amounts shown above represent expenses allocated to the revenue account. A full analysis of Directors' remuneration is shown in note 7.

## Notes to the Financial Statements *continued*

### 5 Interest

	Group £'000	2001 Company £'000	Group £'000	2000 Company £'000
Interest due on bank overdrafts repayable within five years, not by instalments	5	5	16	16
Interest due on bank loan repayable within five years, not by instalments	–	–	19	19
Interest due on bank loan repayable after more than five years, not by instalments	167	167	–	–
	<b>172</b>	<b>172</b>	35	35

A further £517,000 (Group) and £517,000 (Company) (2000: £35,000 (Group) and £35,000 (Company)) of interest payable have been charged to the capital reserve (note 19).

### 6 Staff costs

	Group	2001 Company	Group	2000 Company
Average number of persons employed during the year	8	5	6	3
	Group £'000	Company £'000	Group £'000	Company £'000
Staff costs for the year (including Executive Directors)				
Salaries	499	499	314	273
Social Security costs	35	35	32	32
Pension costs	40	40	23	23
Other staff costs	9	9	8	8
	<b>583</b>	<b>583</b>	377	336

## Notes to the Financial Statements *continued*

### 7 Directors' remuneration

	2001 Group and Company £'000	2000 Group and Company £'000
Directors' fees and emoluments	361	280
Pension costs	19	18
	<b>380</b>	<b>298</b>

Included in the above is Directors' remuneration of £285,000 (2000: £149,000) which has been charged to the capital reserve (note 19).

Under the terms of the service contract with Mr Robb, the Company pays him an annual salary agreed by the Remuneration Committee. The service agreement is terminable by either party on 12 months' notice. Mr Robb may also receive a discretionary bonus of such amount as the Remuneration Committee think suitable.

Under the terms of the service contract with Mr Spurdle, the Company pays him an annual salary agreed by the Remuneration Committee. The service agreement is terminable by either party on 12 months' notice. Mr Spurdle may also receive a discretionary bonus of such amount as the Remuneration Committee think suitable.

The contract with Viscount Bridgeman, who retired from the Board on 31 January 2001, was initially for 12 months and thereafter continued until either party gave three months' notice. The amounts paid to him were inclusive of VAT at 17½ per cent which is irrecoverable by the Company.

The services of Sir David Thomson, Mr Martin-Clark and Mr Riddell are provided to the Company pursuant to the terms of engagement letters, terminable by either party on three months' notice. The amounts paid to Mr Riddell and Sir David Thomson are inclusive of VAT at 17½ per cent which is irrecoverable by the Company.

#### Details of remuneration

	Salary and fees £'000	Bonus payments £'000	Other benefits £'000	Total before pension £'000	Pension costs £'000	2001 Total £'000	2000 Total £'000
<b>Executive</b>							
G A Robb	145	27	9	181	19	200	250
J W Spurdle	104	21	–	125	–	125	–
<b>Non-executive</b>							
Viscount Bridgeman	6	–	–	6	–	6	15
D L Martin-Clark	13	–	–	13	–	13	11
N M M Riddell	18	–	–	18	–	18	11
Sir David Thomson	18	–	–	18	–	18	11
	<b>304</b>	<b>48</b>	<b>9</b>	<b>361</b>	<b>19</b>	<b>380</b>	<b>298</b>

At 30 September 2001, the Company had agreed to make contributions to the personal pension plan of the Managing Director. No pension contributions were made in respect of any other Director.

Details of Directors' share options are given in the Report of the Board on Remuneration.

## Notes to the Financial Statements *continued*

### 8 Taxation

	Group £'000	2001 Company £'000	Group £'000	2000 Company £'000
The taxation charge is based on the revenue for the year:				
current year tax charge at 30% (2000: 20%)	<b>760</b>	<b>750</b>	72	11

A credit of £252,000 (Group) and £263,000 (Company) (2000: charge of £2,000 (Group) and £nil (Company)) has been made to the capital reserve in respect of tax-deductible expenses.

### 9 Dividends

	2001 £'000	2000 £'000
First interim dividend of 3.8p per ordinary share (2000: Nil)	<b>709</b>	–
Interim dividend of 4.0p per ordinary share (2000: 2.0p)	<b>747</b>	173
Proposed final dividend of 8.2p per ordinary share (2000: 5.0p)	<b>1,535</b>	434
	<b>2,991</b>	607

### 10 Return per share

#### (a) Basic return per ordinary share

Basic revenue return per ordinary share for the year ended 30 September 2001 is calculated on the basis of the net revenue on ordinary activities after tax of £2,778,000 (Company: £2,849,000) (2000: £1,208,000 (Company: £748,000)) divided by 18,451,866 (2000: 8,672,596), being the weighted average number of ordinary shares of 25p each in issue during the year, stated in accordance with Financial Reporting Standard No. 14.

Basic capital return per ordinary share for the year ended 30 September 2001 is based on net capital loss of £6,780,000 (Company: £4,746,000) (2000: gain £3,185,000 (Company: £1,785,000)) divided by 18,451,866 (2000: 8,672,596), being the weighted average number of ordinary shares of 25p each in issue during the year.

#### (b) Diluted return per ordinary share

Diluted revenue and capital returns per ordinary share for the year ended 30 September 2001 are calculated on 18,852,820 (2000: 8,978,924) shares. The dilutive effect of warrants in issue is 397,574 shares and the dilutive effect of options in issue is 3,380 shares. Details of share options and warrants are given in notes 17 and 21.

#### (c) Return per zero dividend preference share

Return per zero dividend preference share for the year ended 30 September 2001 is calculated on the appropriation in respect of the zero dividend preference shares of £839,000 (Company: £839,000) (2000: £537,000 (Company: £537,000)) divided by 8,062,795 (2000: 5,800,000), being the weighted average number of zero dividend preference shares of £1 each in issue during the year.

## Notes to the Financial Statements *continued*

### 11 Fixed asset investments

Group	Own shares £'000	Listed investments £'000	Unlisted investments £'000	Total £'000	
<b>Cost</b>					
At 1 October 2000	–	2,163	13,577	15,740	
Additions	15	54,450	14,027	68,492	
Disposals	–	(30,304)	(4,465)	(34,769)	
At 30 September 2001	<b>15</b>	<b>26,309</b>	<b>23,139</b>	<b>49,463</b>	
<b>Unrealised capital (loss)/gain</b>					
At 1 October 2000	–	(606)	9,488	8,882	
Movement in year	–	(4,492)	(455)	(4,947)	
Transfer to realised capital reserve	–	323	(5,661)	(5,338)	
Exchange	–	8	(387)	(379)	
At 30 September 2001	–	<b>(4,767)</b>	<b>2,985</b>	<b>(1,782)</b>	
<b>Valuation</b>					
At 30 September 2001	<b>15</b>	<b>21,542</b>	<b>26,124</b>	<b>47,681</b>	
At 30 September 2000	–	1,557	23,065	24,622	
<b>Company</b>					
	Own shares £'000	Subsidiary undertaking £'000	Listed investments £'000	Unlisted investments £'000	Total £'000
<b>Cost</b>					
At 1 October 2000	–	1,416	2,021	12,559	15,996
Additions	15	–	53,675	14,027	67,717
Disposals	–	(611)	(29,604)	(4,121)	(34,336)
At 30 September 2001	<b>15</b>	<b>805</b>	<b>26,092</b>	<b>22,465</b>	<b>49,377</b>
<b>Unrealised capital (loss)/gain</b>					
At 1 October 2000	–	(383)	(570)	7,580	6,627
Movement in year	–	–	(4,449)	1,479	(2,970)
Transfer from realised capital reserve	–	–	323	(5,585)	(5,262)
At 30 September 2001	–	<b>(383)</b>	<b>(4,696)</b>	<b>3,474</b>	<b>(1,605)</b>
<b>Valuation</b>					
At 30 September 2001	<b>15</b>	<b>422</b>	<b>21,396</b>	<b>25,939</b>	<b>47,772</b>
At 30 September 2000	–	1,033	1,451	20,139	22,623

The Company's investment in its own shares consists of shares held by the Trustees of the All Employee Share Ownership Plan ('AESOP'). The AESOP Trustees purchased 8,333 ordinary shares at a cost of £15,000 to be retained in the Trust for the employees. The market value of those shares as at 30 September 2001 was £10,500.

#### Details of investments in subsidiaries

Name of company	Class of capital	Percentage of class held	Country of incorporation and operation	Principal activity
AMIC AG	Ordinary	70.13	Switzerland	Investment company
AMIC Securities Limited	Ordinary	100.00	United Kingdom	Dealing company
Asset Management Investment Company Inc.	Ordinary	100.00	United States of America	Investment company

## Notes to the Financial Statements *continued*

### 11 Fixed asset investments *continued*

#### Significant holdings

At 30 September 2001 the Group had the following holdings of more than 10 per cent of the ordinary capital of the investee company:

Name of company	Class of capital	Percentage of equity held	Country of incorporation
Aberdeen America	Ordinary	19.6	United States of America
City of London Investment Group	Ordinary	22.7	United Kingdom
Columbus Financial Services	Ordinary	28.8	United Kingdom
IFDC Group	Ordinary	15.0	Luxembourg
MMCM Holdings	Ordinary	49.9	United States of America
Mayberry Group	Ordinary	34.0	United States of America
Midhurst Asset Management	Ordinary	20.7	United Kingdom
Turnstone Holdings	Ordinary	15.0	United Kingdom

The investments in City of London Investment Group, Columbus Financial Services, MMCM Holdings Inc., Mayberry Group and Midhurst Asset Management are not accounted for as associate undertakings as no significant influence is exercised over the activities of the companies. Further information relating to investee companies in which the Company held more than 20 per cent of the ordinary share capital is disclosed below.

	Aggregate capital and reserves		Profit/(loss) before dividend	
	2001 '000	2000 '000	2001 '000	2000 '000
City of London Investment Group	<b>£2,803</b>	£2,785	<b>£18</b>	£384
Columbus Financial Services	<b>£118</b>	£121	<b>£(33)</b>	£(35)
MMCM Holdings	*	\$(1,490)	*	\$291
Mayberry Group	*	\$(303)	*	\$(309)
Midhurst Asset Management	*	*	*	*

\* Accounts not available.

#### Geographic analysis of investments

	2001 %	2000 %
UK	<b>60</b>	46
USA	<b>26</b>	19
Europe	<b>13</b>	32
Far East	<b>1</b>	3
	<b>100</b>	100

#### Disposal of unlisted investments

The Company disposed of its interests in the following unlisted investments during the year:

	Net disposal proceeds £'000	Cost £'000	Valuation at 1 October 2000 £'000
Ely Fund Managers (Holdings) Limited	5,140	1,856	4,320
Thornhill Holdings Limited	3,652	1,466	2,289

Further consideration of up to £1.4 million may be receivable in respect of the Ely disposal, subject to certain conditions.

## Notes to the Financial Statements *continued*

### 12 Tangible fixed assets

Group	Office equipment £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>			
At 1 October 2000	38	28	66
Additions	3	2	5
At 30 September 2001	<b>41</b>	<b>30</b>	<b>71</b>
<b>Depreciation</b>			
At 1 October 2000	32	19	51
Charge for the year	5	5	10
At 30 September 2001	<b>37</b>	<b>24</b>	<b>61</b>
<b>Net book value</b>			
At 30 September 2001	<b>4</b>	<b>6</b>	<b>10</b>
At 30 September 2000	6	9	15
<b>Company</b>			
	Office equipment £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>			
At 1 October 2000	36	28	64
Additions	3	2	5
At 30 September 2001	<b>39</b>	<b>30</b>	<b>69</b>
<b>Depreciation</b>			
At 1 October 2000	32	19	51
Charge for the year	4	5	9
At 30 September 2001	<b>36</b>	<b>24</b>	<b>60</b>
<b>Net book value</b>			
At 30 September 2001	<b>3</b>	<b>6</b>	<b>9</b>
At 30 September 2000	4	9	13

### 13 Current asset investments

	2001 Group £'000	2000 Group £'000
Current asset investments – listed	<b>124</b>	415

## Notes to the Financial Statements *continued*

### 14 Debtors

	Group £'000	2001 Company £'000	Group £'000	2000 Company £'000
Trade debtors	7	–	188	–
Prepayments and accrued income	363	363	91	91
Income tax recoverable	10	10	61	61
Other debtors	7	2	5	–
Amount due from subsidiary company	–	106	–	324
	<b>387</b>	<b>481</b>	345	476

### 15 Creditors: amounts falling due within one year

	Group £'000	2001 Company £'000	Group £'000	2000 Company £'000
Trade creditors	232	232	4	4
Bank overdraft	–	–	1,582	1,582
Other creditors	17	2	28	1
Proposed dividend	1,535	1,535	434	434
Corporation tax	133	133	60	–
Other taxation and social security	11	11	7	7
Accruals and deferred income	174	166	220	196
ACT payable	–	–	14	14
Amount due to subsidiary company	–	–	–	3
	<b>2,102</b>	<b>2,079</b>	2,349	2,241

### 16 Creditors: amounts falling due after one year

	Group £'000	2001 Company £'000	Group £'000	2000 Company £'000
Bank loan	10,000	10,000	–	–

At the year end the Company had an outstanding bank loan of £10 million, repayable after more than five years in one single tranche on 27 October 2006, and bearing interest at the rate of 1.25 per cent over LIBOR. The loan is secured by a debenture over the Company's assets.

### 17 Called up share capital

	2001 £'000	2000 £'000
Authorised		
24,000,000 (2000: 11,500,000) ordinary shares of 25p each	6,000	2,875
9,000,000 (2000: 5,800,000) zero dividend preference shares of £1 each	9,000	5,800
	<b>15,000</b>	8,675
Allotted, issued and fully paid		
18,718,201 (2000: 8,672,596) ordinary shares of 25p each	4,680	2,168
8,120,000 (2000: 5,800,000) zero dividend preference shares of £1 each	8,120	5,800
	<b>12,800</b>	7,968

The zero dividend preference shares have no rights to dividends, as they will be redeemed for 199.90p each in October 2006, providing a premium of 99.90p per share.

## Notes to the Financial Statements *continued*

### 17 Called up share capital *continued*

On 9 October 2000, the Company increased its number of authorised ordinary shares from 11,500,000 to 24,000,000 and the number of authorised zero dividend preference shares from 5,800,000 to 9,000,000. A Placing of 10,000,000 25p ordinary shares at 186p and an Underwritten Offer of 2,320,000 £1 zero dividend preference shares at 127.5p were subsequently made.

Warrants in respect of 38,605 ordinary shares and share options in respect of 7,000 ordinary shares were exercised during the year.

On a winding up or other return of assets of the Company, zero dividend preference shares rank first. In these circumstances £1 per share would be due, plus 8 per cent per annum compounded annually from October 1997 to October 2006, accruing on a monthly basis. All further surplus assets of the Company available for distribution would be paid to the holders of the ordinary shares.

The holders of the zero dividend preference shares have the right to attend and vote at a general meeting of the Company only if the meeting includes the consideration of any resolution to:

- Change the special rights or privileges attached to the zero dividend preference shares; or
- Change the objects of the Company as set out in the Memorandum of Association; or
- Wind up the Company.

In these circumstances each holder of zero dividend preference shares is entitled to one vote per zero dividend preference share held.

At 30 September 2001, options granted under the Company's Executive Share Option Scheme were as follows:

Date of grant	Number of Shares	Exercise price	Earliest exercise	Latest exercise
30.12.1998	3,500	62p	Dec 2001	Dec 2008
30.12.1999	3,500	112p	Dec 2002	Dec 2009
22.12.2000	320,000	171½p	Dec 2003	Dec 2010

During the year, an employee of the Company exercised 7,000 options at an exercise price of 82p.

#### Employee Share Ownership

Options were granted under the Company's Save as You Earn Share Option Scheme on 9 February 2001 at an exercise price of 152p per ordinary share. Employees pay monthly contributions into a savings contract for five years. At the end of this period, the savings, together with a tax-free bonus, may be used to purchase shares at the exercise price. The number of shares the subject of an option is determined by dividing the sum due on completion of the savings contract (inclusive of the tax-free bonus) by the subscription price.

On 6 June 2001, the Company implemented its All Employee Share Ownership Plan ('AESOP') to reward employees and enable them to acquire shares in the Company. A number of free ordinary shares of an aggregate market value of £3,000 per employee were awarded to participating employees. The AESOP Trustees purchased 8,333 Ordinary shares at a cost of £15,000 to be retained in the Trust for the employees. Employees may also contribute up to a maximum of £1,500 per year to acquire Partnership Shares. The Company will award two Matching Shares for each Partnership Share acquired. All costs incurred with respect to the AESOP were dealt with in the Group's Statement of Total Return.

### 18 Share premium

	£'000
At 1 October 2000	5,393
Received on issue of ordinary shares (note 17)	16,100
Received on issue of zero dividend preference shares (note 17)	638
Received on exercise of warrants	29
Received on exercise of options	4
Issue costs written off	(619)
At 30 September 2001	<b>21,545</b>

## Notes to the Financial Statements *continued*

### 19 Realised capital reserve

Group	Listed	Unlisted	Administration	Total
	£'000	£'000	charges £'000	£'000
At 1 October 2000	1,604	(362)	(3,225)	(1,983)
Transfer from unrealised capital reserve	(323)	5,661	–	5,338
Charge for the year	–	–	(1,063)	(1,063)
Foreign exchange	9	–	–	9
Appropriation in respect of zero dividend preference shares	–	–	(812)	(812)
<b>At 30 September 2001</b>	<b>1,290</b>	<b>5,299</b>	<b>(5,100)</b>	<b>1,489</b>

Company	Listed	Unlisted	Administration	Total
	£'000	£'000	charges £'000	£'000
At 1 October 2000	1,676	116	(3,020)	(1,228)
Transfer from unrealised capital reserve	(323)	5,585	–	5,262
Charge for the year	–	–	(1,012)	(1,012)
Appropriation in respect of zero dividend preference shares	–	–	(812)	(812)
Exchange gain on sale of shares in subsidiary company	–	–	78	78
<b>At 30 September 2001</b>	<b>1,353</b>	<b>5,701</b>	<b>(4,766)</b>	<b>2,288</b>

### 20 Unrealised capital reserve

Group	Listed	Unlisted	Total
	£'000	£'000	£'000
At 1 October 2000	(480)	9,619	9,139
Movement in year	(4,492)	(455)	(4,947)
Transfer to realised capital reserve	323	(5,661)	(5,338)
Minority interest	72	–	72
Foreign exchange	1	(26)	(25)
<b>At 30 September 2001</b>	<b>(4,576)</b>	<b>3,477</b>	<b>(1,099)</b>

Company	Listed	Unlisted	Total
	£'000	£'000	£'000
At 1 October 2000	(570)	7,197	6,627
Movement in year	(4,449)	1,478	(2,971)
Transfer to realised capital reserve	323	(5,585)	(5,262)
<b>At 30 September 2001</b>	<b>(4,696)</b>	<b>3,090</b>	<b>(1,606)</b>

## Notes to the Financial Statements *continued*

### 21 Warrant reserve

	£'000
At 1 October 2000	327
Exercise of 38,605 warrants	(12)
At 30 September 2001	<b>315</b>

On 1 December 1994 5,037,017 ordinary shares of 25p each were allotted, issued and fully paid at 100p, with warrants of 1 for 5 ordinary shares attached. In accordance with Financial Reporting Standard No. 4, Capital Instruments the net proceeds attributable to these warrants were transferred to this reserve. A registered holder of a warrant has rights to subscribe on 31 January in any of the years 1995 to 2002 inclusive for all or any number of ordinary shares of 25p each in the Company in respect of which he/she is registered as a warrant holder, at the price of 99.18p per ordinary share, payable in cash, in full, on subscription. 1,007,403 warrants were issued in December 1994 and 968,798 remain outstanding. The final exercise date of the warrants is 31 January 2002.

### 22 Revenue reserve

	Group £'000	Company £'000
At 1 October 2000	766	327
Revenue return for the year	(213)	(142)
Exchange difference on net assets of foreign subsidiary	(12)	–
At 30 September 2001	<b>541</b>	<b>185</b>

Goodwill totalling £44,000 has been written off to revenue in prior years.

### 23 Zero dividend appropriation reserve

	£'000
At 1 October 2000	1,465
Appropriation for the year	839
Issue costs amortised in accordance with FRS4	(27)
At 30 September 2001	<b>2,277</b>

This reserve represents the amount due to zero dividend preference shareholders, which as explained in note 17 represents a premium on redemption payable on 27 October 2006, and is accruing at an annual rate of 8 per cent.

### 24 Reconciliation of movement in consolidated shareholders' funds

	2001 £'000	2000 £'000
Revenue return retained for the financial year	<b>(213)</b>	601
Capital return for the financial year	<b>(6,780)</b>	3,185
Foreign exchange	<b>(13)</b>	38
Exchange difference on net assets of foreign subsidiary	<b>(12)</b>	71
Allocation in respect of zero dividend preference shares	<b>839</b>	563
Proceeds of share issues	<b>20,972</b>	–
Net addition to shareholders' funds	<b>14,793</b>	4,458
Opening shareholders' funds	<b>23,075</b>	18,617
Closing shareholders' funds	<b>37,868</b>	23,075

## Notes to the Financial Statements *continued*

### 25 Net asset value

The basic net asset value per ordinary share at 30 September 2001 is calculated on the basis of the net assets attributable to equity shareholders divided by the number of ordinary shares in issue at that date.

The diluted net asset value per ordinary share at 30 September 2001 is calculated on the basis of the net assets attributable to equity shareholders divided by the number of shares that would be in issue following the exercise of the warrants and options.

The net asset value per zero dividend preference share at 30 September 2001 is calculated on the basis of the net assets attributable to zero dividend preference shareholders, less the issue costs, divided by the number of zero dividend preference shares in issue at that date.

The respective numbers of shares are as detailed in note 10.

### 26 Contingent liabilities

There were no contingent liabilities at 30 September 2001 (2000: £nil).

### 27 Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities

	2001 £'000	2000 £'000
Net return before finance costs and taxation	<b>2,758</b>	1,313
Depreciation charge	<b>10</b>	14
Increase in debtors	<b>(93)</b>	(158)
Increase in creditors	<b>171</b>	118
Administration expenses (before finance costs and taxation) charged to capital reserve	<b>(798)</b>	(363)
Exchange gain on sale of shares in subsidiary company	<b>78</b>	–
Tax on franked investment income included within income from UK companies	–	(34)
Net cash inflow from operating activities	<b>2,126</b>	890

### 28 Reconciliation of net cash flow to movement in net debt

	2001 £'000	2000 £'000
Increase/(decrease) in cash in the year	<b>3,054</b>	(1,615)
Cash (inflow)/outflow from increase in debt	<b>(10,000)</b>	1,900
Cash inflow from increase in liquid resources	<b>(198)</b>	(1,191)
Change in net debt resulting from cash flows and movement in net debt in the year	<b>(7,144)</b>	(906)
Net debt at beginning of year	<b>(1,012)</b>	(106)
Net debt at end of year	<b>(8,156)</b>	(1,012)

### 29 Analysis of net debt

	At 1 October 2000 £'000	Cash flows £'000	At 30 September 2001 £'000
Cash at bank and in hand	155	1,472	<b>1,627</b>
Overdrafts	(1,582)	1,582	–
	(1,427)	3,054	<b>1,627</b>
Debt due after one year	–	(10,000)	<b>(10,000)</b>
Liquid resources	415	(198)	<b>217</b>
	(1,012)	(7,144)	<b>(8,156)</b>

## Notes to the Financial Statements *continued*

### 30 Analysis of financial assets and liabilities

The Group's financial instruments comprise:

- Cash and short term debtors and creditors which arise from investment activities
- Bank loan in sterling
- Listed and unlisted securities held within the portfolio
- Zero dividend preference shares which carry predetermined payment rights as explained in note 17

At 30 September 2001, the Group had invested 54.79 (2000: 93.7) per cent of the portfolio in unlisted asset management companies. The Company intends to increase the percentage of such investments in the portfolio. A further 25.13 per cent of the portfolio was invested in Aberdeen High Income Bond Unit Trust. This is considered to be a temporary investment pending further expansion of the unlisted element of the portfolio. The balance of the portfolio, 20.08 per cent, largely consists of investments in high income bonds, providing liquidity and revenue.

At the year end the Company had an outstanding bank loan of £10 million with the Bank of Scotland, repayable after more than five years in one single tranche on 27 October 2006, and bearing interest at the rate of 1.25 per cent over LIBOR.

The Group's principal risks are:

- Market price risk
- Liquidity risk
- Foreign currency risk
- Interest rate risk

Market price risk arises mainly from uncertainty about future prices of investments held in its portfolio. It represents the potential loss the Group might suffer through holding market positions in the face of price movements. The management constantly monitors the price of listed investments held by the Group on a real-time basis. The Managing Director reports to the Board on the unlisted investments and constantly monitors their carrying values. A list of the main investments held by the Group is shown in the Investment Portfolio table on pages 6 and 7.

Liquidity risk arises as the investment portfolio will comprise mainly unlisted securities, which represent a potential delay in realising funding commitments. The Group will continue to maintain quoted securities which are readily realisable to meet funding requirements if necessary.

The Board has identified two principal areas where foreign currency risk could impact the Group:

- Movements in rates affect the value of investments
- Movements in rates affect the income received

Foreign currency risk arises as the income and capital value of the Group's investments can be affected by exchange rate movements as some of the Group's assets and income are denominated in currencies other than sterling which is the Group's reporting currency. The Group's policy is to reduce foreign currency exposure on foreign income through forward currency contracts. As at 30 September 2001, the Group had entered into various contracts to sell US\$820,000 at an average exchange rate of £1 to US\$1.44, between December 2001 and May 2002. Since the year-end, the Company has taken action to mitigate this currency risk by replacing its £10 million loan facility with a US\$ denominated bank loan of US\$14 million to hedge against exchange differences on these investments.

Interest rate risk arises in respect of the Group's bank loan. As at 30 September 2001 the Group's loan carried a variable rate of interest of 1<sup>1</sup>/<sub>4</sub> per cent over Libor.

#### Currency exposures

An analysis of the Group's fixed assets and net current assets at 30 September 2001 is:

	<b>Sterling</b>	<b>US\$</b>	<b>HK\$</b>	<b>Other</b>	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>total</b>	<b>total</b>
					<b>£'000</b>	<b>£'000</b>
Investments	<b>28,527</b>	<b>18,866</b>	<b>288</b>	–	<b>47,681</b>	24,622
Net current assets/(liabilities)	<b>(504)</b>	<b>754</b>	–	<b>2</b>	<b>252</b>	(1,434)

## Notes to the Financial Statements *continued*

### 30 Analysis of financial assets and liabilities *continued*

#### Interest rate risk profile of financial assets and financial liabilities

##### Financial assets

The majority of the Group's financial assets are equity shares or other investments which neither pay interest nor have maturity dates. However, the portfolio does contain certain investments which exhibit one or both of these characteristics. The analysis of such investments at 30 September 2001 is:

	<b>Sterling £'000</b>	<b>US\$ £'000</b>	<b>2001 total £'000</b>	2000 total £'000
Fixed rate investments	<b>3,720</b>	<b>10,210</b>	<b>13,930</b>	4,832
Weighted average interest rate	<b>11.0%</b>	<b>9.3%</b>	<b>10.0%</b>	10.0%
Weighted average period for which interest rate is fixed	<b>4 years</b>	<b>5 years</b>	<b>4 years</b>	5 years

##### Financial liabilities

As at 30 September 2001, the Group's bank loan of £10 million carried a variable interest rate of 1<sup>1</sup>/<sub>4</sub>% over LIBOR. In 2000, the Group overdraft carried a variable rate of 1% over the Bank of Scotland Base Rate. Details are given in note 16 for the maturity of the bank loan.

##### Fair value of financial instruments

Financial assets and liabilities are included in the balance sheet at values which represent fair values except for the items disclosed below. The fair values of the loans have been calculated by estimating the costs of breaking the loans. Market value has been used to determine the fair value of the zero dividend preference shares.

	<b>Carrying value £'000</b>	<b>2001 Fair value £'000</b>	Carrying value £'000	2000 Fair value £'000
Zero dividend preference shares	<b>10,771</b>	<b>11,043</b>	7,060	7,496
Long-term loan	<b>10,000</b>	<b>10,020</b>	–	–

##### Undrawn available borrowing facilities

At the end of the year there was an undrawn available overdraft facility of £1,000,000 which is due for review within one year.

### 31 Post balance sheet events

On 12 November 2001, the Company announced an investment in AMIC Distribution Partners Inc. This company will provide specialised sales and support services in the managed account, institutional and mutual fund markets.

On 29 November 2001, the Company repaid its £10 million loan facility with the Bank of Scotland and replaced it with a facility of US\$14 million.

On 10 December 2001, 303,000 options were granted under the Company's Executive Share Option Scheme at an exercise price of 142<sup>1</sup>/<sub>2</sub>p.

## Notice of Meeting

Notice is hereby given that the Annual General Meeting of Asset Management Investment Company PLC will be held at 32 Ludgate Hill, London EC4M 7DR at 12.30pm on Wednesday 30 January 2002 for the following purposes:

### Ordinary Business

1. To receive and adopt the Directors' Report and Financial Statements for the year ended 30 September 2001, together with the Auditors' Report thereon.
2. To approve the proposed final dividend of 8.2p per ordinary share.
3. To re-elect Sir David Thomson, who retires by rotation, as a Director.
4. To re-elect Mr David Martin-Clark, who retires by rotation, as a Director.
5. To approve the reappointment of Solomon Hare as Auditors and to authorise the Directors to agree their remuneration.

### Special Business

To consider and, if thought fit, pass the following resolutions as Ordinary and Special Resolutions as indicated:

#### Ordinary Resolution

6. That the Directors shall be and are hereby generally and unconditionally authorised in accordance with Section 80 Companies Act 1985 (as amended) ('the Act') until 29 January 2007 (and in substitution for any existing power to allot relevant securities) to exercise all the powers of the Company to allot and to make offers or agreements to allot relevant securities (as defined in Section 80(2)) up to an aggregate nominal amount of £2,200,449.75, apportioned as to £1,320,449.75 to ordinary shares and as to £880,000 to zero dividend preference shares, but so that this authority shall allow the Company to make, before the expiry of this authority, offers or agreements which would or might require relevant securities to be allotted in pursuance of such offers or agreements.

#### Special Resolution

7. That, subject to the passing of Resolution 6 above, the Directors be and are hereby empowered pursuant to Section 95 of the Act to allot for cash equity securities (as defined in Section 94 of the Act) pursuant to the authority conferred by Resolution 6 above as if Sections 89(1) and 90(1) – (6) inclusive of the Act did not apply to any such allotment, provided that such power is limited to the allotment of equity securities:
  - (i) pursuant to the terms of the Company's share option schemes as approved by the shareholders;
  - (ii) up to 968,798 ordinary shares of 25p each on exercise of the Share Warrants as described in the Listing Particulars as approved by the Board of the Company and filed with the Registrar of Companies on 28 November 1994;
  - (iii) in connection with or the subject of an offer or invitation of securities, open for acceptance for a period fixed by the Directors, by way of rights to holders of ordinary shares on the register of the Company in proportion (as nearly as may be) to their holdings on a date fixed by the Directors (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with problems under the laws of any territory or in connection with fractional entitlements or otherwise howsoever); and

## Notice of Meeting *continued*

- (iv) otherwise than pursuant to (i), (ii) and (iii) above up to an aggregate nominal amount equal in nominal value to 5 per cent of the nominal value of the issued share capital of the Company provided always that the authority conferred by this Resolution 7 shall expire on 30 April 2003 or at the conclusion of the Annual General Meeting of the Company held in 2003, whichever is the earlier, and the Company may before such expiry make offers or arrangements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements.

By Order of the Board

**P W Jennings** *Secretary*

20 December 2001

Registered Office:

32 Ludgate Hill

London EC4M 7DR

### Notes:

1. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those holders of shares registered in the register of members as at 9.00am on Tuesday 29 January 2002 shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their names at that time. Changes to entries on the register after 9.00am on Tuesday 29 January 2002 shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
2. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him/her. A proxy need not be a member of the Company. A form of proxy is enclosed. The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the Meeting in person. To be effective, the instruments of proxy and the power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power or authority should be sent to the Company's Registrars so as to arrive not less than 48 hours before the time fixed for the meeting.
3. Copies of the Directors' service contracts and the Register of Directors' interests are available for inspection at the registered office of the Company during normal business hours from the date of this notice until the close of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the Meeting.





**Asset Management Investment Company PLC**

Registered Office: 32 Ludgate Hill, London EC4M 7DR  
Telephone: +44 (0) 20 7329 1290 Facsimile: +44 (0) 20 7489 1166  
Email: [info@amicplc.com](mailto:info@amicplc.com)

[www.amicplc.com](http://www.amicplc.com)