



**Asset Management Investment Company PLC**

Annual Report 2002

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## **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 (Non-Executive)*

George Alan Robb  
*Managing Director and Chief Investment Officer (Executive)*

David Lindsay Martin-Clark  
*(Non-Executive)*

Norman Malcolm Marshall Riddell  
*(Non-Executive)*

John William Spurdle, Jnr  
*(Executive)*

Sir David Thomson, Mr Martin-Clark and Mr Riddell are members of the Audit and Remuneration Committees

### Secretary and Registered Office

Alessio Corbo  
32 Ludgate Hill  
London EC4M 7DR

### Company Number

2918390 (Incorporated in England and Wales)

### Auditors

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

### Bankers

Bank of Scotland Corporate Banking  
155 Bishopsgate  
London EC2M 3YB

### Registrar

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

### Solicitors

Burges Salmon  
Narrow Quay House, Narrow Quay  
Bristol BS1 4AH

Salans  
Rockefeller Center  
620 Fifth Avenue  
New York NY 10020  
USA

### Stockbrokers

Collins Stewart Limited  
88 Wood Street  
London EC2V 7QR

### Office in the United States

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

### Office in Canada

AMIC Canada Limited  
Suite 1300  
4 King Street West  
Toronto, ON M5H 1B6  
Canada

### Office in Australia

AMIC Australia Pty Ltd  
Level 42 MLC Centre  
19-29 Martin Place  
Sydney, NSW 2000  
Australia

## **Board of Directors**

### **Sir David Thomson** *Chairman, Non-Executive, aged 62*

David Thomson is currently Chairman of Britannia Steam Ship Insurance Association Limited, Danae Investment Trust PLC, 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, aged 60*

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 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 65*

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 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 and Christopher Insurance Company Limited.

### **Norman Riddell** *Non-Executive, aged 55*

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 Ltd and Clubhaus plc.

### **John Spurdle** *Executive, aged 65*

John Spurdle spent 28 years with J.P. Morgan 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

Notwithstanding substantial weakness in the major world stock markets in the year to 30 September 2002, operationally your Company was able to make further progress. The year was a difficult one throughout the whole asset management sector and the companies in which AMIC is invested were not unaffected by general market conditions. However, such conditions have also created unprecedented opportunities for new investment at a time when there are few providers of capital to the sector.

This year has been the most active one since the inception of your Company in terms of expanding your Company's operations. During the course of the year new investments were made in Hillview Capital Advisors in Philadelphia, New Star Asset Management in London, AMIC Distribution Partners in New York and Financial Management Advisors in Los Angeles. Your Directors are confident that these investments will serve shareholders well in years to come. Your Company has also been able to increase its investment in FX Concepts, an international currency overlay manager headquartered in New York, which is going through a period of rapid expansion of its business.

In December 2001 your Company acquired InterUnion Asset Management, an investment company with similar operations to AMIC, which was subsequently renamed AMIC Canada Limited. This acquisition gave AMIC three investments in Canada, namely P J Doherty in Ottawa and Leon Frazer and Guardian Timing Services in Toronto, and a fully staffed office in Toronto. This has given us a presence and network in Canada, where there are exciting opportunities for your Company, and additional personnel to assist with the large and increasing deal flow in the whole of North America. A member of staff in the Toronto office is employed to analyse and monitor the monthly financial information received from the unquoted companies in the investment portfolio, an increasingly important task for the group.

During the year total assets less current liabilities increased by 1.1% to £48,490,000 (2001: £47,941,989). The net asset value per ordinary share fell by 19.1% to 117.1p (2001: 144.8p). This compared with a fall in the FTSE Index of 22.2% and in the Dow Jones Industrial Average of 14.1% over the same period. In December 2001 your Directors took the decision to convert the existing loan of £10,000,000 from Bank of Scotland into a loan of US\$14,000,000 to take advantage of the lower interest rates available, and in April 2002 an additional US\$7,500,000 was borrowed from Bank of Scotland. This also has the effect of removing some of the Company's currency risk by matching borrowings to the same currency as a significant proportion of the Company's investments.

The revenue results for the year were significantly impacted by the acquisition of InterUnion Asset Management, whose three subsidiary fund management companies are run primarily with the objective of generating revenue profits. The results of these companies have been incorporated in the consolidated financial statements as at 30 September 2002 and all administration costs in relation to these companies have been charged directly to revenue, rather than being split 75:25 between capital and revenue in accordance with the accounting policy generally adopted by the Group. This has reduced the revenue profit for the year to 30 September 2002. Your Directors are considering arrangements for reducing the Group holdings in these investments to below 50% in order that they will no longer be treated as subsidiaries.

Revenue profit before tax and subsidiary disposal for the year is £3,547,855 (2001: £3,536,922), an increase of 0.3%. The accounting treatment of the Canadian investments has resulted in profit after taxation and minority interests decreasing by 17.6% to £2,290,283 (2001: £2,777,812) and revenue return per ordinary share decreasing by 21.2% to 11.9p (2001: 15.1p).

Your Board is recommending payment of the already indicated final dividend of 9.0p net per share (2001: 8.2p net per share), which together with the interim dividend of 7.0p net per share (2001: 7.8p net per share) paid on 30 July 2002 will make a total dividend of 16.0p net per share (2001: 16.0p net per share). The final dividend will be proposed at the Annual General Meeting on 19 February 2003 for payment on 5 March 2003 to shareholders on the register at the close of business on 6 January 2003.

Difficult operating conditions are expected to result in lower revenue receipts from some of the companies in which AMIC is invested. This factor, coupled with certain non-recurring receipts in the year to 30 September 2002, has caused your Directors to expect that the revenue received in the current year will be lower than in the year to 30 September 2002. They consider that the present level of dividend is not sustainable and that it is probable that there will be a significant reduction in the dividend paid in respect of the current year. A further statement on the level of dividends will be made at the time of the announcement of the interim results.

The major transactions referred to have effectively completed the programme of investment envisaged with the last major fund-raising in 2000. The flow of investment opportunities continues, however, and your Company is in contact with a number of interesting situations and has non-binding understandings with certain companies which could be developed were funds for investment available. In the present difficult markets the raising of funds for new investment is not easy, but your Directors are actively exploring ways and means whereby funds may be

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

raised to continue the development of your Company. Your Directors consider that it is most important that your Company has a strong presence when markets recover, a recovery which they believe to be inevitable.

Until such time as further investments can be contemplated the efforts of management during this challenging period will be focussed on working closely with the companies in the investment portfolio to give maximum assistance to their businesses and hence to the value of your Company's investments. Your Directors are also actively exploring several possible transactions which will produce modest amounts of cash. Internally, we are paying close attention to our budgets to optimise the use of our available liquidity and to keep our costs and cash flow carefully under control.

Operating conditions throughout the sector are the worst they have been for nearly thirty years. Conversely, this makes it an extremely attractive time to invest and for companies to grow by acquisition. Difficult times in the sector have always provided opportunities for improving and creating structures that will be in place to provide profit when conditions improve. As always distribution, coupled with good investment management performance, is critical in the asset management industry and your Directors are confident that the establishment earlier this year of AMIC Distribution Partners in New York will prove to be of great assistance to companies in which AMIC is invested and to other clients.

In my statement accompanying the interim report I made the comment that as AMIC has more than one class of share capital it is by definition a split capital investment trust. The problems surrounding the split capital sector continue to be given considerable publicity, and your Directors would like to emphasise again that your Company has never invested, and will not invest, in the shares of other split capital investment trusts. Also, our liquid funds continue to be conservatively invested in good quality fixed interest securities.

We are therefore in a year where the concentration of your Board and Management will be on seeking funds for further investment, good housekeeping, careful financial control, working closely with the companies in the portfolio and exploring all opportunities to protect and enhance revenue and net asset value.

On 12 April 2002 our General Manager, Alessio Corbo, was also appointed Company Secretary and on 17 June 2002 Mike Pritchard was appointed Group Financial Controller.

With effect from 1 December 2002 David Adams, a former director of Macquarie Bank, has been appointed to represent your Company on a part-time basis in Australia. David was instrumental in building the investment services division of Macquarie Bank and has a wide knowledge of the financial sector in Australia and the Far East. Your Directors are confident that he will play an important role in sourcing opportunities for your Company in the region.

I am pleased to report that negotiations are at an advanced stage for the acquisition by AMIC of a significant interest in a business in the United Kingdom which provides consultancy and advisory services to the financial sector and in particular to the asset management industry. Your Directors are of the view that the proposed transaction will be very relevant to the investment business of AMIC and will offer considerable synergies to both companies. It is hoped that details of the transaction will be sent to shareholders soon, following completion of negotiations.

Resolutions will be placed before shareholders at the Annual General Meeting to give your Directors powers to buy back up to 14.99% of the issue of zero dividend preference shares in whole or in part at such time when they consider it right to do so. As there are limited funds at present available for this purpose it is not anticipated that this power will be used to any extent for some time. Restrictions in the Articles of Association of the Company mean that it is necessary for the prior approval of a requisite majority of both the ordinary and zero dividend preference shareholders to be obtained at separate class meetings to be held immediately prior to the Annual General Meeting. We propose however to amend the Articles of Association to bring the quorum requirements for meetings of zero dividend preference shareholders in line with the quorum requirements for ordinary shareholders. This will prevent the need for adjournments of such meetings in future and make administration easier and therefore less costly.

A resolution will also be placed before shareholders at the Annual General Meeting for approval of the creation of an Employee Benefit Trust. This trust will own a pool of assets from which future employee benefits can be financed in a tax efficient manner at the discretion of the trustees, and will be established in accordance with practices permitted by the Inland Revenue and shareholder protection bodies. Having received advice, your Directors are satisfied that the establishment of the trust will be in the best interests of the Company and its shareholders.

**David Thomson** *Chairman*

20 January 2003

## Investment Portfolio

	Cost £'000	Valuation £'000	Percentage of investment portfolio
<b>Listed Investments</b>			
<b>Bond Investments</b>			
Bradford and Bingley 11.625% Perpetual Bond	262	253	0.6
Bradford and Bingley 13.00% Perpetual Bond	290	283	0.6
Bristol & West 13.375% Perpetual Bond	494	483	1.1
Britannia Building Society 13.00% Perpetual Bond	917	943	2.1
Centenary iii Holding 12.375% Perpetual Bond	1,447	1,440	3.3
Commercial Union 8.75% Non-Cumulative Redeemable Preference Shares	1,230	888	2.0
Coventry Building Society 12.125% Perpetual Bond	272	269	0.6
General Accident 7.875% Non-Cumulative Redeemable Preference Shares	318	256	0.6
Halifax 9.375% Perpetual Bond	287	280	0.6
Royal & Sun Alliance 7.375% Non-Cumulative Redeemable Preference Shares	844	589	1.3
<b>Other Listed Investments</b>			
Integrated Asset Management	1,313	1,047	2.4
iRegent Limited	2,157	311	0.7
iRegent warrants	23	1	0.0
Stockcube	150	45	0.1
Investment in own shares	47	32	0.1
<b>Total Listed Investments</b>	<b>10,051</b>	<b>7,120</b>	<b>16.1</b>
<b>Unlisted Investments</b>			
Aberdeen America	489	294	0.7
AMIC Distribution Partners			
Ordinary Shares	377	793	1.9
Non-Convertible Promissory Loan Note 2011	656	610	1.4
Convertible Promissory Loan Note 2011	711	1,030	2.3
Charlemagne Capital	117	191	0.5
City of London Investment Group	2,742	1,896	4.3
Clark Capital Management			
9% Convertible Subordinated Debenture 2002	155	159	0.4
10% Convertible Subordinated Debenture 2002	332	318	0.7
11% Convertible Subordinated Debenture 2002	157	159	0.4
Columbus Financial Services			
Ordinary Shares	411	262	0.6
12% Loan	120	120	0.3
Financial Management Advisors			
Ordinary Shares	4,660	4,292	9.8
10% Convertible Loan Note 2012	1,553	1,431	3.2
FX Concepts			
Common Shares	392	591	1.3
10% Convertible Loan Note 2011	3,567	5,320	12.0
Hillview			
10% Convertible Loan Note 2011	2,911	2,656	6.0
10% Non Convertible Loan Note 2011	1,224	1,116	2.5
10% Loan	307	286	0.6
IFDC	2,166	3,815	8.6
Integrated Asset Mgmt 12% Convertible Loan Note 2006	2,000	2,000	4.5
MMCM Holdings			
Common Stock	2,360	1,942	4.4
10% Loan	644	633	1.4
The Mayberry Group	702	395	0.9
New Star Asset Management	500	500	1.1
Turnstone Holdings			
Ordinary Shares	280	722	1.6
10% Cumulative Convertible Redeemable Preference Shares 2008	1,600	1,600	3.6
Valenzuela Capital Partners 10% Convertible Loan Note 2011	3,459	3,909	8.9
Investments held by AMIC Canada Limited	5	5	0.0
<b>Total Unlisted Investments</b>	<b>34,597</b>	<b>37,045</b>	<b>83.9</b>
<b>Total Investments</b>	<b>44,648</b>	<b>44,165</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	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
24.03	(25.13)p	Nil	N/A	£248	Dec 01
1	US\$0.003	Nil	N/A	US\$1,264	Mar 02
N/A	N/A	N/A	N/A	N/A	Mar 02
0.86	0.03p	Nil	N/A	£51	Dec 01
0.16	3.7p	16p	1.06	£63	Sep 02
19.63	US\$(1.054)	nil	N/A	US\$474	Sep 01 *
31.00	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	
0.87	US\$0.002903	US\$0.001	3.11	US\$206	Dec 01
22.72	(8.357)p	nil	N/A	£620	May 02
					Dec 01
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	
					Mar 02
28.77	99.7p	nil	N/A	£(69)	
100.00	N/A	N/A	N/A	N/A	
18.75	N/A	N/A	N/A	N/A	
100.00	N/A	N/A	N/A	N/A	
					May 02
4.11	US\$(2.81)	nil	N/A	US\$(41)	
100.00	N/A	N/A	N/A	N/A	
					Dec 01
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	
15.00	US\$913	US\$794	1.15	US\$161	Dec 01
100.00	N/A	N/A	N/A	N/A	Dec 01
					Dec 01
49.99	US\$4.40	nil	N/A	US\$1,841	
100.00	N/A	N/A	N/A	N/A	
34.00	US\$(3.33)	nil	N/A	US\$(245)	Dec 01
0.19	£(5.36)	nil	N/A	£80	Dec 01
					Dec 01
12.30	3.65p	nil	N/A	£386	
100.00	N/A	N/A	N/A	N/A	
100.00	N/A	N/A	N/A	N/A	Dec 01
N/A	N/A	N/A	N/A	N/A	

\* Not yet completed first period of trading.

## **Unlisted Investments**

### **Aberdeen America Inc.**

Aberdeen America is located in Boston, Massachusetts. The company terminated its management advisory activities on 31 December 2001 and is currently dormant. AMIC holds 20,000 shares of class A common stock representing 19.58% of the equity of the company.

### **AMIC Distribution Partners Inc.**

AMIC Distribution Partners ('ADPI'), based in New York City, provides specialised sales and support services in the managed account, institutional and mutual fund markets. AMIC was instrumental in the establishment in October 2001 of ADPI, which was created to assist, where appropriate, the companies in which AMIC is invested and also offer marketing services to other asset management companies. AMIC holds 2,000 ordinary shares representing 31.00% of the equity, a US\$960,000 non convertible promissory note and a US\$1,040,000 convertible promissory note converting into common stock at the rate of US\$400 principal amount per share for a further 15.00% of the total equity.

### **Charlemagne Capital Limited**

Charlemagne Capital Limited, has been managing investments in Eastern Europe since 1993 and has funds under management of over US\$400m. The company manages a wide range of regional and country funds, including hedge funds, using a fundamental bottom up investment approach with a macroeconomic overlay. The company also has a private equity team, which identifies opportunities for investment in private companies, and a real estate development and investment team operating in south-eastern Europe and focussing on the retail services sector. The company's operations are co-ordinated from their office in the Isle of Man, with a base in London and regional offices in Sofia and Zagreb.

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

City of London Investment Group was founded in 1991 and has funds under management of approximately US\$320 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, New Jersey and Singapore and manages funds on behalf of clients in the United States, the United Kingdom and Canada. AMIC holds 214,384 ordinary shares representing 22.72% 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 funds under management of approximately US\$270 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 convertible debentures totalling US\$1,000,000.

### **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. 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 on demand.

## **Unlisted Investments** *continued*

### **Financial Management Advisors, LLC**

Financial Management Advisors ('FMA'), headquartered in Los Angeles, is a registered investment advisor with approximately US\$1.6 billion funds under management. The bulk of these assets are in the high yield sector. The investment team actively creates and manages investment programs for corporations, pension funds, endowments, foundations, families and individuals. FMA manages a range of investment disciplines: large cap growth equities, intermediate and core investment grade fixed income, high yield and opportunistic fixed income, tax exempt and balanced portfolios. The firm is under the management of its founder, Ken Malamed. AMIC holds 18.75% of the equity as well as a 10-year, US\$2,250,000 convertible note with a 10% coupon, converting into a further 6.25% of the equity.

### **FX Concepts Inc.**

FX Concepts, established in 1981, is headquartered in New York City with offices in Rochester NY, Paris and Sydney and a representative in Dubai. The company was founded as a specialist in foreign exchange and interest rate research, which it provides to a list of clients including a variety of banks, international corporations and financial institutions, totalling 250 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 over US\$5 billion under management AMIC holds a US\$5 million convertible note giving an ultimate total equity interest of 25.00%. AMIC recently purchased 49,829 ordinary shares representing 20.90% of the equity.

### **Guardian Timing Services Inc.**

Guardian Timing Services was established in 1983 as a Canadian investment counselling company and limited market dealer based in Toronto, engaged in portfolio management through the use of alternative asset strategies. The company specialises in market timing strategies designed to keep pace with rising equity markets and outperform declining equity markets. Total assets under administration at 30 November 2002 are approximately C\$102 million. AMIC holds all the equity of the company.

### **Hillview Capital Advisors LLC**

Hillview Capital Advisors was founded in 1999 to provide solutions that preserve capital and explore creative ways to enhance wealth. The company's advisory services cater to unique groups of successful families in need of financial guidance. The company manages approximately US\$572 million in assets and advises over 75 families and related institutions. The firm is headquartered in Philadelphia, Pennsylvania. AMIC holds a US\$4,095,000 convertible note giving an ultimate equity of 49.00% and a US\$1,755,000 non-convertible promissory note yielding 10% p.a. AMIC also provides Hillview with a working capital loan of US\$450,000 at 10%.

### **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 in excess of US\$260 million. 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 15.00% of the issued share capital.

## **Unlisted Investments** *continued*

### **Leon Frazer & Associates Inc.**

Leon Frazer & Associates is a Toronto, Canada based investment counsel, which was established in 1939 and is presently the second oldest independent investment management firm in Canada. At 30 November 2002 the company managed approximately C\$490 on a fully discretionary basis for high net worth individuals, corporations, pension funds and mutual fund companies. AMIC holds 76.50% of the equity of the company.

### **MMCM Holdings Inc.**

MMCM Holdings is a New York based manager of US equity stocks. The firm uses a propriety equity product combining quantitative analysis of stock price movements with fundamental analysis. This model has given consistently above average returns. The firm manages approximately US\$230 million in assets. A capital restructuring on 1 October 2002 resulted in AMIC holding 4,623 ordinary shares representing 47.94% of the issued share capital as well as a convertible note, converting into a further 3,025 ordinary shares. As a preliminary step HMMCM Holdings LLC has been formed which is a joint venture between MMCM Holdings Inc and Haven Capital Management Inc., another New York based manager. The joint venture is intended to lead to a merger of the two firms within 2 years. AMIC has made available a working capital facility of up to US\$1 million to HMMCM Holdings LLC which will bear interest at 10% p.a.

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

The Mayberry Group 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 funds under management of approximately US\$60 million. AMIC holds 42,755 ordinary shares representing 34.00% of the issued share capital.

### **New Star Asset Management Limited**

New Star Asset Management was established in June 2000 by John Duffield, founder and former chief executive of Jupiter Asset Management. The company has approximately £1.9 billion under management, and has had considerable success in building a retail brand in a short time. It has established itself in a leading United Kingdom retail market position and has made excellent progress in marketing alternative investment products, both onshore and offshore. The company is considering a listing in 2003. AMIC holds 3,333 ordinary shares, representing less than 1% of the equity.

### **P.J. Doherty & Associates Co. Limited**

P.J. Doherty & Associates was established in 1979 to provide discretionary investment management services to individuals, foundations and endowments. The company is based in Ottawa, Canada and at 30 November 2002 managed in excess of C\$830 million on a fully discretionary basis. AMIC holds 76.00% of the equity of the company.

### **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 £142 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 12.30% of the equity and £1,600,000 convertible preference shares giving an ultimate total equity interest of 21.32%.

### **Valenzuela Capital Partners LLC**

Valenzuela Capital Partners, located in New York, is a registered investment adviser managing primarily tax-exempt institutional accounts with about US\$900 million under management. The company adopts a value approach and is one of the larger managers in the United States specialising in small-cap and mid-cap stocks. The firm was established in September 1989 by its current President, Thomas M. Valenzuela. AMIC holds a US\$5 million convertible note giving an ultimate equity interest of 20.00%.

## Directors' Report

The Directors present their report and the audited financial statements for the year ended 30 September 2002.

### Review of the Business

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

### Principal Activity and Status

The business of this Company is that of an Investment Company as defined by Section 266 of the Companies Act 1985 investing in worldwide private asset management companies. The Company is a member of the Association of Investment Trust Companies ('AITC').

The Company has been approved by the Inland Revenue as an investment trust for the purposes of Section 842 of the Income and Corporation Taxes Act 1998 for the year ended 30 September 2000.

The tax computation for the year ended 30 September 2001 has been submitted to the Inland Revenue.

The Directors are of the opinion, under advice, that the Company has conducted its affairs for the years ended 30 September 2001 and 30 September 2002 so as to be able to obtain approval as an investment trust.

### Results and Dividends

The Group profit after tax for the year was £2,290,283 (Company: £3,274,514). An interim dividend of 7.0p per share was paid on 30 July 2002. The Directors propose to pay a final dividend of 9.0p per share on 5 March 2003, subject to approval by shareholders at the Annual General Meeting to be held on 19 February 2003. A consolidated loss of £790,700 (Company profit: £193,531) will be transferred to 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 2002			At 1 October 2001		
		Number of Ordinary Shares	Number of Warrants	Number of Options	Number of Ordinary Shares	Number of Warrants	Number of Options
Sir David Thomson	beneficial	<b>86,775</b>	<b>N/A</b>	–	33,775	53,000	–
	non-beneficial	–	<b>N/A</b>	–	–	–	–
George Robb	beneficial	<b>1,349,771</b>	<b>N/A</b>	<b>300,000</b>	1,089,771	230,000	200,000
	non-beneficial	<b>309,877</b>	<b>N/A</b>	–	209,877	100,000	–
David Martin-Clark	beneficial	<b>11,667</b>	<b>N/A</b>	–	7,137	–	–
	non-beneficial	–	<b>N/A</b>	–	–	–	–
Norman Riddell	beneficial	<b>90,000</b>	<b>N/A</b>	–	60,000	30,000	–
	non-beneficial	–	<b>N/A</b>	–	–	–	–
John Spurdle	beneficial	<b>8,892</b>	<b>N/A</b>	<b>250,000</b>	5,004	–	100,000
	non-beneficial	–	<b>N/A</b>	–	–	–	–

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 18 to the Financial Statements.

None of the Directors hold any zero dividend preference shares. Warrants expired on 31 January 2002.

There have been no changes in any Director's interests up to 15 January 2003.

In accordance with the Company's Articles of Association, Mr Riddell and Mr Spurdle will retire from office at the Annual General Meeting and, being eligible, offer themselves for re-election.

## Directors' Report *continued*

### 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 2002 the Group and Company had outstanding trade creditors of £70,526. As at 30 September 2002 the Group's outstanding trade creditors represented 8 (Company: 18) days purchases (2001 Group and Company: 3).

### 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 15 January 2003.

	Number of Ordinary Shares	Percent of issued Ordinary Shares
Exeter Asset Management Ltd	4,756,500	22.04
Aberdeen Asset Managers Ltd	1,700,000	7.88
George Robb	1,659,648	7.69
John Taylor	1,568,422	7.27
Majedie Investments PLC	1,390,000	6.44
Jupiter Financial & Income Trust PLC	1,175,000	5.44
Aberdeen Asset Management PLC	900,000	4.17
Charles Stanley Private Clients	832,807	3.86
Third Canadian Investment Trust	800,000	3.71
Credit Lyonnais Private Clients	761,893	3.53
Britannic Asset Management Ltd	750,000	3.47
Close Bank (Guernsey) Private Clients	695,760	3.22

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

In December 1995 the AITC 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 financial statements on pages 20 to 43.

### 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 Combined Code') prepared by the Committee on Corporate Governance chaired by Sir Roland Hampel which was published in June 1999, were implemented as at 1 July 2000.

The Board considers that the Company has complied with the code provisions set out in Section 1 of the Combined Code throughout this accounting period except where noted below. The following statement describes how the relevant principles of governance are applied to the Company.

### **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.

The Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring board procedures are followed and that applicable rules and regulations are complied with. Board Meetings are held at least six times a year 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 to independent professional advice 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 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. The Remuneration Committee comprises Norman Riddell (Chairman), David Martin-Clark and Sir David Thomson. The committee meets at least twice a year and is responsible for determining the remuneration package of the Executive Directors and Senior Executive and for the grant of share options.

The Audit Committee comprises David Martin-Clark (Chairman), Norman Riddell and Sir David Thomson. The committee meets at least 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 LLP.

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.
- 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 controls. 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.

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

### **Going Concern**

After reviewing the Company's budget for the year ended 30 September 2003 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 institutional 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 LLP as auditors to the company will be proposed at the Annual General Meeting. On 1 October 2002, Solomon Hare, the Company's auditor, transferred its entire business to Solomon Hare LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The directors consented to treating the appointment of Solomon Hare as extending to Solomon Hare LLP with effect from 1 October 2002.

### **Class Meetings**

Immediately prior to the Annual General Meeting, class meetings of each of the ordinary and zero dividend preference shareholders will take place. These are necessary under the terms of the Company's Articles of Association to sanction the passing of resolutions 8 and 10.

### **Annual General Meeting**

In addition to the ordinary business to be transacted at the meeting, there are the following 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 30 January 2002 and remain valid until 29 January 2007. It is proposed that the directors be granted a new 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 18 February 2008, or at the winding up date of 27 October 2006.

The Directors will be authorised to allot relevant securities up to an aggregate nominal amount of £2,483,643.50, apportioned as to £1,603,643.50 to ordinary shares and as to £880,000 to zero dividend preference ('ZDP') shares, representing approximately 29.72% and 10.8% of the issued ordinary and ZDP share capital respectively as at 15 January 2003.

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

#### **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 earlier of the Annual General Meeting to be held in 2004 and 18 May 2004 in respect of shares issued pursuant to:

- (a) the terms of Company's share option schemes as previously approved by the shareholders;
- (b) a rights issue; and

- (c) other than as set out above, for cash up to 1,079,271 ordinary shares with an aggregate nominal amount of £269,817.75 equal to 5 per cent of the nominal value of the issued ordinary share capital of the company at 15 January 2003.

**Resolution 8: Authority to Purchase Own Shares**

Resolution 8, which will be proposed as an ordinary resolution, will give authority to the Company under section 166 of the Act to make market purchases of its own ZDP shares of £1 each up to a maximum of 14.99 per cent of the issued ZDP share capital of the Company, subject to specified conditions. There are currently 8,120,000 ZDP of £1 each in issue and accordingly, 14.99 per cent amounts to 1,217,188 ZDP.

Restrictions in the Company's Articles of Association mean that it is necessary for the prior approval of a requisite majority of both the ordinary shareholders and ZDP shareholders to be obtained at separate class meetings, which will be held immediately prior to the Annual General Meeting.

**Resolution 9: Amendment to the Articles of Association**

The passing of this resolution, which will be proposed as a special resolution, will amend the Articles of Association. To date, because market purchases affect distributable reserves (namely the income available for distribution), investment companies were (until a change of legislation in 1999) prohibited from using capital profits to redeem or purchase their own shares. This amendment reflects that change in legislation and permits payments on redemption or purchase of the Company's own shares to be made from capital profits.

**Resolution 10: Further Amendment to the Articles of Association**

The Company proposes to obtain your approval to restrict the quorum requirement for general meetings of holders of ZDP shares. Currently, holders of one-third of such shares must be represented at a meeting when first convened, although any such shareholder is a quorum at a reconvened meeting. In practice this means adjournments, with their accompanying additional costs, are almost inevitable. Accordingly, we propose to harmonise the quorum requirements for meetings of the ZDP shareholders with those of ordinary shareholders, so that any two holders of ZDP shares will be a quorum.

Restrictions in the Articles of Association of the Company mean that it is necessary for the prior approval of a requisite majority of both the ordinary shareholders and ZDP shareholders to be obtained at separate class meetings, which will be held immediately prior to the Annual General Meeting.

**Resolution 11: Employee Benefit Trust**

The Company is proposing to adopt an Employee Benefit Trust to be called the Asset Management Investment Company PLC Employee Benefit Trust ('the EBT'). A resolution for the Company to authorise the Directors to adopt the EBT will be proposed at the Annual General Meeting. The following is a summary of the proposed terms of the EBT which will be in place if the resolution is passed and the board adopt the EBT:

**(1) Trustees**

It is likely that the trustees will be based in the Channel Islands in order to achieve a tax efficient operation of the EBT including the investment of funds within the EBT. The residence of the EBT outside the United Kingdom will also provide greater flexibility for the EBT in connection with benefits provided to eligible participants domiciled and resident for tax purposes outside the United Kingdom.

**(2) Eligible participants**

The EBT will be able to make payments to employees or former employees of the Company or any subsidiary company and also for the benefit of the dependants of any such employees or former employees. In the event that no eligible beneficiaries exist, any funds within the EBT will be paid to such charities as the trustees may select. No benefits may be paid to the Company. The limitation of the class of beneficiaries to employees, former employees and dependants will ensure that the EBT qualifies for beneficial tax treatment under current United Kingdom legislation.

**(3) Powers of trustees**

The trustees will have the power to make such investments as they consider fit including the purchase of shares in the Company. The trustees will be able to create separate sub funds for the benefit of selected beneficiaries. The trustees will not be required to pay out all the income of the EBT each year and may accumulate the income.

The trustees will have the ability to use any shares in the Company held within the EBT to satisfy the grant of options made under share option schemes operated by the Company. This will benefit shareholders in that new shares need not be issued by the Company to satisfy the exercise of options under the share option schemes. The EBT will include a provision whereby the EBT waives its entitlement to dividends on shares held in the Company and consequently a cash flow saving will be achieved in respect of dividends on these shares.

**(4) Company's powers and rights**

The Company will have the power to add or remove subsidiaries that may obtain the benefit of the EBT in order that the employees of the new subsidiaries can become potential beneficiaries or remove subsidiaries in the event of a disposal. The Company can require the EBT to comply with any rules of the London Stock Exchange concerning dealings in shares. The Company also has the power to remove and appoint trustees as it sees fit. This would be subject to any terms dealing with the appointment of trustees and the administration of the EBT.

**(5) Administrative provisions**

Professional trustees will be entitled to charge fees for acting as trustees and also for provision of administrative services to the EBT. The trustees will be required to keep records of any decisions taken and these records will be available to the Company. The terms of the EBT may be amended by the Company at any time in writing save that no amendments may be made to prejudice the rights of a beneficiary or to cause the EBT to lose any beneficial tax treatment that it may enjoy. Beneficiaries will have no right of compensation under their employment contracts if they fail to receive a benefit under the EBT. The trustees will be indemnified by the Company for any loss incurred by the EBT except in cases of fraud, wilful default or negligence on the part of the trustees.

**Capital**

Included in the financial statements is a balance of £32,196 (2001: £15,200) relating to 33,192 (2001: 8,300) ordinary shares in Asset Management Investment Company PLC held on behalf of the AESOP. This represents a holding of less than 1% of the issued ordinary share capital of the Company.

**Post Balance Sheet Events**

On 28 October 2002 the Company became registered for Value Added Tax.

On 4 December 2002 the Company opened a representative office in Australia.

On 16 December 2002 the Company issued 1,960,527 ordinary shares (representing 9.99% of the issued capital of the Company) in exchange for a further investment in FX Concepts.

The overdraft facility of £1,000,000 was replaced by a new facility of £250,000 by Bank of Scotland on 17 December 2002.

Subsequent to the release of the preliminary announcement the Directors have effected changes to the financial statements that have been reflected in this Annual Report.

By order of the Board

**A Corbo** *Secretary*

London, 20 January 2003

## 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.

Options to Executive Directors are awarded at the discretion of the Remuneration Committee.

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 Robb	22.12.2000	200,000	171½p	Dec 2003	May 2008
	10.12.2001	100,000	142½p	Dec 2004	May 2008
Mr Spurdle	22.12.2000	100,000	171½p	Dec 2003	Dec 2010
	10.12.2001	150,000	142½p	Dec 2004	Dec 2011

At 30 September 2002 the market price of the Company's shares was 97p. The maximum share price during the year was 145p and the minimum price was 97p. Mr Robb participates in the SAYE and the AESOP. Mr Spurdle participates in the AESOP. Details of these are shown in note 18 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 £155,000. The service agreement is terminable by either party on 12 months' notice. The service agreement also provides for payment of a bonus at the discretion of the Remuneration Committee of the Board from time to time. No discretionary bonus was paid in respect of the year to 30 September 2002 (2001: £27,000). 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, health cover for himself, his wife and children under the age of 18 and permanent health insurance to provide £33,000 per annum.
- (b) A service agreement with Mr Spurdle. The service agreement is terminable by either party on 12 months' notice. Mr Spurdle is employed as President of Asset Management Investment Company Inc. and his basic salary for the period under review was US\$250,000. He may receive payment of a bonus at the discretion of the Remuneration Committee of the Board from time to time. No discretionary bonus was paid in respect of the year to 30 September 2002 (2001: US\$30,000).
- (c) 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 consultancy fee of £16,000 per annum and a Director's fee of £4,000 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 £14,000 each per annum.

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.

On behalf of the Board

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

London, 20 January 2003

## 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 2002 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 the fixed asset investments and the accounting policies set out therein.

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

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and the United Kingdom Accounting Standards that 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 the 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.

## **Independent Auditors' Report** *continued*

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 circumstances of the Group and the Company, 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 2002 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 LLP** *Chartered Accountants & Registered Auditors*

Bristol, 20 January 2003

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

Year ended 30 September 2002

	Notes	Revenue £'000	2002 Capital £'000	Total £'000	Revenue £'000	2001 Capital £'000	Total £'000
Losses on investments	2	–	(1,961)	(1,961)	–	(4,948)	(4,948)
Income							
Continuing activities	3	3,830	–	3,830	3,034	–	3,034
Acquisitions	3	1,766	–	1,766	–	–	–
Administration expenses	4	(1,993)	(1,403)	(3,396)	(276)	(798)	(1,074)
<b>Net return/(loss) before finance costs and taxation</b>							
Continuing activities		3,360	(3,364)	(4)	2,758	(5,746)	(2,988)
Acquisitions		243	–	243	–	–	–
		3,603	(3,364)	239	2,758	(5,746)	(2,988)
Loss on disposal of subsidiary		(58)	(31)	(89)	–	–	–
Interest payable	5	(118)	(355)	(473)	(172)	(517)	(689)
Interest receivable		63	–	63	951	–	951
<b>Return on ordinary activities before taxation</b>							
		3,490	(3,750)	(260)	3,537	(6,263)	(2,726)
Taxation on ordinary activities	8	(1,117)	474	(643)	(760)	252	(508)
<b>Return on ordinary activities after taxation</b>							
		2,373	(3,276)	(903)	2,777	(6,011)	(3,234)
Minority interests		(83)	32	(51)	1	70	71
Appropriation in respect of zero dividend preference shares		–	(880)	(880)	–	(839)	(839)
<b>Return attributable to equity shareholders</b>							
		2,290	(4,124)	(1,834)	2,778	(6,780)	(4,002)
Dividend in respect of equity shares	9	(3,081)	–	(3,081)	(2,991)	–	(2,991)
<b>Transfer (from) reserves</b>							
		(791)	(4,124)	(4,915)	(213)	(6,780)	(6,993)
Return per ordinary share (basic)	10	11.87p	(21.37p)	(9.5p)	15.05p	(36.74p)	(21.69p)
Return per ordinary share (diluted)	10	11.87p	(21.37p)	(9.5p)	14.73p	(35.96p)	(21.23p)
Return per zero dividend preference share	10	–	10.84p	10.84p	–	10.41p	10.41p

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

Group results include activities acquired during the year ended 30 September 2002. Details of these investments are set out in note 32. Group results also include activities disposed of during the year ended 30 September 2002. Details of this investment are set out in note 13.

Movements in reserves are set out in notes 19 to 24.

The notes on pages 25 to 43 form part of the financial statements.

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

Year ended 30 September 2002

	Notes	Revenue £'000	2002 Capital £'000	Total £'000	Revenue £'000	2001 Capital £'000	Total £'000
Losses on investments	2	–	(878)	(878)	–	(2,894)	(2,894)
Income	3	4,619	–	4,619	3,077	–	3,077
Administration expenses	4	(347)	(1,040)	(1,387)	(253)	(759)	(1,012)
<b>Net return before finance costs and taxation</b>		<b>4,272</b>	<b>(1,918)</b>	<b>2,354</b>	2,824	(3,653)	(829)
Interest payable	5	(118)	(355)	(473)	(172)	(517)	(689)
Interest receivable		63	–	63	947	–	947
<b>Return on ordinary activities before taxation</b>		<b>4,217</b>	<b>(2,273)</b>	<b>1,944</b>	3,599	(4,170)	(571)
Taxation on ordinary activities	8	(942)	420	(522)	(750)	263	(487)
<b>Return on ordinary activities after taxation</b>		<b>3,275</b>	<b>(1,853)</b>	<b>1,422</b>	2,849	(3,907)	(1,058)
Appropriation in respect of zero dividend preference shares		–	(880)	(880)	–	(839)	(839)
<b>Return/(loss) for the financial year</b>		<b>3,275</b>	<b>(2,733)</b>	<b>542</b>	2,849	(4,746)	(1,897)
Dividend in respect of equity shares	9	(3,081)	–	(3,081)	(2,991)	–	(2,991)
<b>Transfer to/(from) reserves</b>		<b>194</b>	<b>(2,733)</b>	<b>(2,539)</b>	(142)	(4,746)	(4,888)
Return per ordinary share (basic)	10	<b>16.97p</b>	<b>(14.17p)</b>	<b>2.8p</b>	15.44p	(25.72p)	(10.28p)
Return per ordinary share (diluted)	10	<b>16.97p</b>	<b>(14.17p)</b>	<b>2.8p</b>	15.11p	(25.17p)	(10.06p)
Return per zero dividend preference share	10	–	<b>10.84p</b>	<b>10.84p</b>	–	10.41p	10.41p

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

Movements in reserves are set out in notes 19 to 24.

The notes on pages 25 to 43 form part of the financial statements.

## Consolidated Balance Sheet

As at 30 September 2002

	Notes	£'000	2002 £'000	£'000	2001 £'000
<b>Intangible fixed assets</b>	11		<b>5,010</b>		–
<b>Tangible fixed assets</b>	12		<b>125</b>		10
<b>Fixed asset investments</b>					
Listed investments	13	<b>7,120</b>		21,557	
Unlisted investments	13	<b>37,045</b>		26,124	
			<b>44,165</b>		47,681
			<b>49,300</b>		47,691
<b>Current assets</b>					
Investments	14	<b>322</b>		124	
Debtors	15	<b>1,878</b>		387	
Cash and bank		<b>248</b>		1,843	
			<b>2,448</b>	2,354	
<b>Current Liabilities</b>					
Creditors: Amounts falling due within one year	16	<b>(3,258)</b>		(2,102)	
<b>Net current (liabilities)/assets</b>			<b>(810)</b>		252
<b>Total assets less current liabilities</b>			<b>48,490</b>		47,943
Creditors: Amounts falling due after one year	17		<b>(13,662)</b>		(10,000)
			<b>34,828</b>		37,943
<b>Capital and reserves</b>					
Called up share capital	18		<b>13,026</b>		12,800
Share premium account	19		<b>22,520</b>		21,545
Capital reserve – realised	20		<b>(2,691)</b>		1,489
Capital reserve – unrealised	21		<b>(1,038)</b>		(1,099)
Warrant reserve	22		–		315
Revenue reserve	23		<b>(211)</b>		541
Zero dividend appropriation reserve	24		<b>3,157</b>		2,277
<b>Total shareholders' funds</b>			<b>34,763</b>		37,868
Minority interests			<b>65</b>		75
			<b>34,828</b>		37,943
<b>Total shareholders funds are attributable to:</b>					
<b>Equity shareholders</b>			<b>22,985</b>		27,097
<b>Non-equity shareholders</b>			<b>11,778</b>		10,771
			<b>34,763</b>		37,868
Net asset value per ordinary share (basic)	26		<b>117.12p</b>		144.8p
Net asset value per ordinary share (diluted)	26		<b>117.12p</b>		143.0p
Net asset value per zero dividend preference share	26		<b>145.0p</b>		132.7p

The financial statements were approved by a Committee of the Board of Directors on 20 January 2003 and signed on its behalf by:

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

The notes on pages 25 to 43 form part of the financial statements.

## Company Balance Sheet

As at 30 September 2002

	Notes	£'000	2002 £'000	£'000	2001 £'000
<b>Tangible fixed assets</b>	12		<b>3</b>		9
<b>Fixed asset investments</b>					
Listed investments	13	<b>7,120</b>		21,396	
Unlisted investments	13	<b>44,392</b>		26,376	
			<b>51,512</b>		47,772
			<b>51,515</b>		47,781
<b>Current assets</b>					
Debtors	15	<b>2,204</b>		481	
Bank and cash		<b>48</b>		1,621	
		<b>2,252</b>		2,102	
<b>Current liabilities</b>					
Creditors: Amounts falling due within one year	16	<b>(3,072)</b>		(2,079)	
<b>Net current (liabilities)/assets</b>			<b>(820)</b>		23
<b>Total assets less current liabilities</b>			<b>50,695</b>		47,804
Creditors: Amounts falling due after one year	17		<b>(13,662)</b>		(10,000)
			<b>37,033</b>		37,804
<b>Capital and reserves</b>					
Called up share capital	18		<b>13,026</b>		12,800
Share premium account	19		<b>22,520</b>		21,545
Capital reserve – realised	20		<b>(2,462)</b>		2,288
Capital reserve – unrealised	21		<b>413</b>		(1,606)
Warrant reserve	22		<b>–</b>		315
Revenue reserve	23		<b>379</b>		185
Zero dividend appropriation reserve	24		<b>3,157</b>		2,277
<b>Total shareholders' funds</b>			<b>37,033</b>		37,804
<b>Total shareholders' funds are attributable to:</b>					
<b>Equity shareholders</b>			<b>25,255</b>		27,033
<b>Non-equity shareholders</b>			<b>11,778</b>		10,771
			<b>37,033</b>		37,804
Net asset value per ordinary share (basic)	26		<b>128.7p</b>		144.4p
Net asset value per ordinary share (fully diluted)	26		<b>128.7p</b>		142.6p
Net asset value per zero dividend preference share	26		<b>145.0p</b>		132.7p

The financial statements were approved by a Committee of the Board of Directors on 20 January 2003 and signed on its behalf by:

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

The notes on pages 25 to 43 form part of the financial statements.

## Consolidated Cash Flow Statement

Year ended 30 September 2002

	Notes	£'000	2002 £'000	£'000	2001 £'000
<b>Net cash inflow from operating activities</b>	28		<b>588</b>		2,126
<b>Returns on investment and servicing of finance</b>					
Interest paid		(379)		(699)	
Interest received		63		903	
<b>Net cash (outflow)/inflow from returns on investment and servicing of finance</b>			<b>(316)</b>		204
<b>Taxation paid</b>			<b>(502)</b>		(397)
<b>Capital expenditure and financial investment</b>					
Purchase of investments		(28,213)		(68,478)	
Purchase of own shares		(28)		(15)	
Sale of investments		28,115		40,461	
Purchase of tangible fixed assets		(39)		(5)	
<b>Net cash outflow from capital expenditure and financial investment</b>			<b>(165)</b>		(28,037)
<b>Acquisitions and disposals</b>					
Sale of subsidiary		88		–	
Acquisition of subsidiaries		(6,317)		–	
Cash acquired with subsidiaries		397		–	
<b>Net cash outflow from acquisitions and disposals</b>			<b>(5,832)</b>		–
<b>Equity dividends paid</b>			<b>(2,843)</b>		(1,891)
<b>Management of liquid resources</b>					
Short term deposits		217		(215)	
Sale of current asset investments		923		292	
<b>Net cash inflow from management of liquid resources</b>			<b>1,140</b>		77
<b>Net cash (outflow) before financing</b>			<b>(7,930)</b>		(27,918)
<b>Financing</b>					
New loan		4,916		10,000	
Issue of ordinary share capital		226		18,100	
Issue of zero dividend preference share capital		–		2,872	
Premium on issue of ordinary share capital		660		–	
<b>Net cash inflow from financing</b>			<b>5,802</b>		30,972
<b>(Decrease)/increase in cash during the year</b>	29		<b>(2,128)</b>		3,054

The notes on pages 25 to 43 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 to 30 September 2002 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 accounts incorporate the accounts 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 investments are marked ex-dividend. In accordance with Financial Reporting Standard No. 16, 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. Expenses of the Company's dealing and fund management subsidiaries have been allocated to the revenue account.

### (d) Taxation

Taxation is charged against profit only in so far as payment has been made or is likely to be made in the foreseeable future.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more, or our right to pay less, tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

### (e) Fixed assets – Listed investments

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

### (f) Fixed assets – Unlisted investments

Unlisted investments are valued by the Directors 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.

The Board of Directors normally review the formula basis of the unlisted investments twice each year, in March and September, and will have regard to all available information, both general to the sector and pertinent to any individual investment. Investments under six months old are carried at cost unless exceptional circumstances require a change in valuation. Other unlisted investments are valued principally either in relation to revenues or the level of assets under management as appropriate.

Due diligence in connection with the making of new or additional investments is undertaken by the Company's executives, except where specialist legal, financial or commercial due diligence requires this to be undertaken by appropriate advisors.

## Notes to the Financial Statements *continued*

### 1 Accounting policies *continued*

#### **(g) Subsidiary undertakings**

Investments in subsidiary undertakings are now stated at valuation in the balance sheet of AMIC PLC. The most up to date information available is used when valuing these entities. Previously subsidiary investments were valued at cost. The Directors believe that this change in policy presents a more true and fair view of the results. No material adjustment arises in respect of the change in accounting policy for the prior period.

#### **(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.

#### **(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 from 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 has been charged in the statement of total return on disposal of the related business. Goodwill arising subsequent to the adoption of Financial Reporting Standard No. 10 is capitalised and amortised over its useful economic life of up to 20 years.

#### **(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 personal pension plans held by employees are charged to the profit and loss account as incurred.

## Notes to the Financial Statements *continued*

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

Group	Listed £'000	Unlisted £'000	2002 Total £'000	2001 Total £'000
Realised (losses)/gains	(2,659)	633	(2,026)	5,338
Unrealised gains/(losses)	1,836	(2,766)	(930)	(10,363)
Gains on foreign exchange	–	995	995	77
Total losses on investments in the year	(823)	(1,138)	(1,961)	(4,948)

Company	Listed £'000	Unlisted £'000	2002 Total £'000	2001 Total £'000
Realised (losses)/gains	(2,617)	(278)	(2,895)	5,262
Unrealised gains/(losses)	1,778	(1,015)	763	(8,233)
Gains on foreign exchange	–	1,254	1,254	77
Total losses on investments in the year	(839)	(39)	(878)	(2,894)

The calculation on realised gains and losses is based on the historical cost of investments sold. The calculation of unrealised gains and losses includes movement on amounts recognised as unrealised in previous years.

### 3 Income

	Group £'000	2002 Company £'000	Group £'000	2001 Company £'000
<b>Income from listed investments</b>				
Franked investment income	1,587	1,587	462	452
Unfranked investment income	190	190	–	–
Foreign income dividends	6	6	–	–
Dealing profit/(loss) in subsidiary companies	140	–	(53)	–
	1,923	1,783	409	452
<b>Income from unlisted investments</b>				
Franked investment income	–	–	926	926
Unfranked investment income	1,290	1,290	1,632	1,632
Foreign income dividends	1,137	1,137	–	–
Other income	1,246	409	67	67
	3,673	2,836	2,625	2,625
<b>Total Income</b>	<b>5,596</b>	<b>4,619</b>	<b>3,034</b>	<b>3,077</b>
Total income comprises:				
Dividends	2,036	2,036	1,388	1,378
Interest	2,191	2,191	1,632	1,632
Other investment income	1,369	392	–	–
Income from investments	5,596	4,619	3,020	3,010
Other net income	–	–	14	67
	5,596	4,619	3,034	3,077
<b>Income from investments</b>				
Listed UK	1,627	1,627	448	448
Listed overseas	41	6	14	4
Unlisted	2,985	2,986	2,558	2,558
Other	943	–	–	–
	5,596	4,619	3,020	3,010

## Notes to the Financial Statements *continued*

### 4 Administration expenses

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

	Group £'000	2002 Company £'000	Group £'000	2001 Company £'000
Depreciation of tangible fixed assets	12	2	3	2
Amortisation of intangibles	44	–	–	–
Directors' remuneration	101	101	95	95
Auditors' remuneration:				
for audit	7	3	3	3
for other services	2	2	2	2
Exchange (gains)/losses	–	–	(4)	(4)
Other expenses	1,827	239	177	155
	<b>1,993</b>	<b>347</b>	276	253

A further £1,403,000 (Group) and £1,040,000 (Company) (2001: £798,000 (Group) and £759,000 (Company)) of administration expenses have been charged to the capital reserve (note 20).

Auditors' remuneration for the period in respect of UK audit services amounted to £18,500 (2001: £17,000). Total fees in respect of non-audit services amounted to £70,000. These fees have been recognised in the Statement of Total Return.

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

Administration expenses in respect of acquired activities of £1,523,000 have been charged to the revenue account.

### 5 Interest

	Group £'000	2002 Company £'000	Group £'000	2001 Company £'000
Interest due on bank overdrafts repayable within 5 years, not by instalments	8	8	5	5
Interest due on bank loan repayable within 5 years, not by instalments	–	–	–	–
Interest due on bank loan repayable after more than 5 years, not by instalments	110	110	167	167
	<b>118</b>	<b>118</b>	172	172

A further £355,000 (Group) and £355,000 (Company) (2001: £517,000 (Group) and £517,000 (Company)) of interest payable have been charged to the capital reserve (note 20).

### 6 Staff costs

	Group	2002 Company	Group	2001 Company
Average number of persons employed during the year	50	4	8	5
	Group £'000	Company £'000	Group £'000	Company £'000
Staff costs for the year (including Executive Directors)				
Salaries	1,813	513	499	499
Social Security costs	76	33	35	35
Pension costs	48	46	40	40
Other Staff costs	70	10	9	9
	<b>2,007</b>	<b>602</b>	583	583

## Notes to the Financial Statements *continued*

### 7 Directors' remuneration

	2002 Group and Company £'000	2001 Group and Company £'000
Directors' fees and emoluments	382	361
Pension costs	23	19
	<b>405</b>	<b>380</b>

Included in the above is Directors' remuneration of £304,000 (Company: £304,000) (2001: £285,000) which has been charged to capital reserve (note 20).

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 see fit.

Under 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 see fit.

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. Consultancy's fees paid to Sir David Thomson and Director's fees paid to Mr Riddell are inclusive of VAT at 17½ per cent which was irrecoverable by the Company.

#### Details of remuneration

	Salary and fees £'000	Bonus payments £'000	Other benefits £'000	Total before pension £'000	Pension costs £'000	2002 Total £'000	2001 Total £'000
<b>Executive</b>							
G A Robb	155	–	19	174	23	197	200
J W Spurdle	160	–	–	160	–	160	125
<b>Non-Executive</b>							
Sir David Thomson	20	–	–	20	–	20	18
D L Martin-Clark	14	–	–	14	–	14	13
N M M Riddell	14	–	–	14	–	14	18
Viscount Bridgeman	N/A	N/A	N/A	N/A	N/A	N/A	6
	<b>363</b>	<b>–</b>	<b>19</b>	<b>382</b>	<b>23</b>	<b>405</b>	<b>380</b>

At 30 September 2002, the Company had agreed to make contributions to the personal pension plan of the Managing Director.

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

## Notes to the Financial Statements *continued*

### 8 Taxation

	£'000	Group £'000	£'000	2002 Company £'000	£'000	Group £'000	£'000	2001 Company £'000
<b>UK corporation tax</b>								
Current tax on income for the period	<b>602</b>		<b>602</b>		487		487	
Double taxation relief	<b>(149)</b>		<b>(149)</b>		–		–	
		<b>453</b>		<b>453</b>		487		487
<b>Overseas taxation</b>		<b>190</b>		<b>69</b>		21		–
Tax on profit on ordinary activities		<b>643</b>		<b>522</b>		508		487
Allocated:								
Revenue		<b>1,117</b>		<b>942</b>		760		750
Capital (Note 20)		<b>(474)</b>		<b>(420)</b>		(252)		(263)
		<b>643</b>		<b>522</b>		508		487

#### Factors affecting the tax charge for the year

The effective rate of tax assessed in the revenue account for the period is different from the UK standard rate of 30% (2001: 30%). The differences are explained below.

	Group %	2002 Company %	Group %	2001 Company %
Standard rate of tax for the period	<b>30.0</b>	<b>30.0</b>	30.0	30.0
Non-taxable income	<b>(7.7)</b>	<b>(6.4)</b>	(5.6)	(5.6)
Expenses not deductible	<b>0.2</b>	<b>0.1</b>	–	–
Capital expense allocation	–	–	(3.2)	(3.2)
Group relief claimed not paid for	–	–	–	(0.4)
Overseas tax rate differences	<b>(5.5)</b>	<b>(1.4)</b>	0.3	–
Consolidation adjustments	<b>15.0</b>	–	–	–
	<b>32.0</b>	<b>22.3</b>	21.5	20.8

### 9 Dividends

	2002 £'000	2001 £'000
Interim dividend of 7p per ordinary share (2001: 3.8p and 4.0p)	<b>1,310</b>	1,456
Proposed final dividend of 9p per ordinary share (2001: 8.2p)	<b>1,771</b>	1,535
	<b>3,081</b>	2,991

## 10 Return per share

### (a) Basic return per ordinary share

Basic revenue return per ordinary share for the year ended 30 September 2002 is calculated on the basis of the net revenue on ordinary activities after tax and minority interest of £2,290,283 (Company: £3,274,514) ((2001: £2,778,000)) (Company: £2,849,000) divided by 19,293,021 (2001:18,451,866), 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 2002 is based on net capital losses of £4,124,255 (Company: £2,733,715) (2001: loss £6,780,000 (Company: £4,746,000) divided by 19,293,021 (2001:18,451,866), 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 2002 are calculated on 19,296,521 (2001: 18,852,820) shares. The dilutive effect of share options in issue is 3,500 shares. Details of share options are given in note 18.

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

Return per zero dividend preference share for the year ended 30 September 2002 is calculated on the appropriation in respect of the zero dividend preference shares of £879,600 (Company: £879,600) (2001: £839,000 (Company: £839,000)) divided by 8,120,000 (2001: 8,062,795), being the number of zero dividend preference share of £1 each in issue during the year.

## 11 Intangible fixed assets

	Goodwill £'000	*Management contracts £'000	Total £'000
<b>Cost</b>			
At 1 October 2001	–	–	–
Additions	4,709	622	5,331
At 30 September 2002	<b>4,709</b>	<b>622</b>	<b>5,331</b>
<b>Amortisation</b>			
At 1 October 2001	–	–	–
Amortisation charge in year	(177)	(90)	(267)
Foreign exchange	–	(54)	(54)
At 30 September 2002	<b>(177)</b>	<b>(144)</b>	<b>(321)</b>
<b>Valuation</b>			
At 30 September 2002	<b>4,532</b>	<b>478</b>	<b>5,010</b>

\* Management contracts represent non-competition agreements with the executive management of PJ Doherty and Associates, acquired with subsidiaries (note 32). These are being amortised over 7 years.

## 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 2001	41	30	71
Additions	36	3	39
Acquisitions	77	47	124
At 30 September 2002	<b>154</b>	<b>80</b>	<b>234</b>
<b>Depreciation</b>			
At 1 October 2001	37	24	61
Charge for the year	36	12	48
At 30 September 2002	<b>73</b>	<b>36</b>	<b>109</b>
<b>Net book value</b>			
At 30 September 2002	<b>81</b>	<b>44</b>	<b>125</b>
At 30 September 2001	4	6	10
<b>Company</b>			
	Office equipment £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>			
At 1 October 2001	39	30	69
Additions	3	–	3
At 30 September 2002	<b>42</b>	<b>30</b>	<b>72</b>
<b>Depreciation</b>			
At 1 October 2001	36	24	60
Charge for the year	3	6	9
At 30 September 2002	<b>39</b>	<b>30</b>	<b>69</b>
<b>Net book value</b>			
At 30 September 2002	<b>3</b>	–	<b>3</b>
At 30 September 2001	3	6	9

## Notes to the Financial Statements *continued*

### 13 Fixed asset investments

Group	Own shares £'000	Listed investments £'000	Unlisted investments £'000	Total £'000
<b>Cost</b>				
At 1 October 2001	15	26,309	23,139	49,463
Additions	32	14,318	14,359	28,709
Disposals	–	(30,623)	(672)	(31,295)
At 30 September 2002	<b>47</b>	<b>10,004</b>	<b>36,826</b>	<b>46,877</b>
<b>Unrealised capital (loss)/gain</b>				
At 1 October 2001	–	(4,767)	2,985	(1,782)
Movement in year	(15)	(808)	(2,133)	(2,956)
Transfer to realised capital reserve	–	2,659	(633)	2,026
At 30 September 2002	<b>(15)</b>	<b>(2,916)</b>	<b>219</b>	<b>(2,712)</b>
<b>Valuation</b>				
At 30 September 2002	<b>32</b>	<b>7,088</b>	<b>37,045</b>	<b>44,165</b>
At 30 September 2001	15	21,542	26,124	47,681

Company	Own shares £'000	Subsidiary undertaking £'000	Listed investments £'000	Unlisted investments £'000	Total £'000
<b>Cost</b>					
At 1 October 2001	15	805	26,092	22,465	49,377
Additions	32	9,886	13,726	13,908	37,552
Disposals	–	(4,748)	(29,827)	–	(34,575)
At 30 September 2002	<b>47</b>	<b>5,943</b>	<b>9,991</b>	<b>36,373</b>	<b>52,354</b>
<b>Unrealised capital (loss)/gain</b>					
At 1 October 2001	–	(383)	(4,696)	3,474	(1,605)
Movement in year	(15)	800	(824)	(2,093)	(2,132)
Transfer to realised capital reserve	–	978	2,617	(700)	2,895
At 30 September 2002	<b>(15)</b>	<b>1,395</b>	<b>(2,903)</b>	<b>681</b>	<b>(842)</b>
<b>Valuation</b>					
At 30 September 2002	<b>32</b>	<b>7,338</b>	<b>7,088</b>	<b>37,054</b>	<b>51,512</b>
At 30 September 2001	15	422	21,396	25,939	47,772

The Company's investment in its own shares consists of shares held by the trustees of the AESOP. The trustees of the AESOP have purchased 33,196 ordinary shares at a cost of £47,609 to be retained in the trust for the employees. The market value of those shares as at 30 September 2002 was £32,200.

#### Material movements on valuation of unquoted investments

	Valuation 2002 £'000	Valuation 2001 £'000
City of London Investment Group	<b>1,896</b>	2,319
Columbus Financial Services – ordinary shares	<b>262</b>	458
FX Concepts – 10% convertible loan note 2011	<b>5,320</b>	3,418
IFDC	<b>3,815</b>	6,152
MMCM Holdings – common stock	<b>1,942</b>	2,169
Valenzuela Capital Partners – 10% convertible loan note 2011	<b>3,909</b>	5,436

All unquoted investments have been valued on the basis detailed in note 1(f). Where this method has determined that the valuations of these investments should materially change, this has resulted in a movement on unrealised gains or losses reflected above.

## Notes to the Financial Statements *continued*

### 13 Fixed asset investments *continued*

#### Details of investments in subsidiaries

Name of company	Class of capital	Percentage of class held	Country of incorporation and operation	Principal activity
AMIC Securities	Ordinary	100.00	United Kingdom	Dealing Company
Asset Management Investment Company Inc.	Ordinary	100.00	United States of America	Investment Company
AMIC Canada	Ordinary	100.00	Canada	Holding Company
Guardian Timing Services*	Ordinary	100.00	Canada	Fund Management
Leon Frazer and Associates*	Ordinary	76.50	Canada	Fund Management
PJ Doherty and Associates*	Ordinary	76.00	Canada	Fund Management

\* Indirect holdings

#### Significant holdings

At 30 September 2002 the Group had holdings of more than 10 per cent of the ordinary share capital of the following companies:

Name of company	Class of capital	Percentage of class held	Country of incorporation
Aberdeen America	Ordinary	19.60	United States of America
AMIC Distribution Partners	Ordinary	31.00	United States of America
City of London Investment Group	Ordinary	22.70	United Kingdom
Columbus Financial Services	Ordinary	28.70	United Kingdom
Financial Management Advisors	Ordinary	18.75	United States of America
Integrated Asset Management	Ordinary	24.03	United Kingdom
IFDC Group	Ordinary	15.00	Luxembourg
MMCM Holdings	Ordinary	49.90	United States of America
Mayberry Group	Ordinary	34.00	United States of America
Turnstone Holdings	Ordinary	12.30	United Kingdom

The investments in AMIC Distribution Partners, City of London Investment Group, Columbus Financial Services, MMCM Holdings and Mayberry Group are not accounted for as associate undertakings as no significant influence is exercised over the activities of these companies.

At 30 September 2002 the Group had holdings of more than 10 per cent of the ordinary share capital of the following companies:

	Aggregate capital and reserves		Profit/(loss) before dividend	
	2002 '000	2001 '000	2002 '000	2001 '000
AMIC Distribution Partners	**	–	**	–
City of London Investment Group	£2,729	£2,803	£(78)	£18
Columbus Financial Services	£(269)	£118	£(306)	£(35)
MMCM Holdings	*	US\$3,326	*	US\$40
Mayberry Group	*	US\$(722)	*	US\$(419)

\* Accounts not available.

\*\* First year of trading.

#### Geographic analysis of investments

	2002 %	2001 %
UK	25	60
USA	66	26
Europe	8	13
Far East	1	1
	100	100

#### Disposal of unlisted investments

AMIC AG, in which the Company had a 70.10 per cent. holding, was liquidated during the year. The consolidated loss on disposal was £88,741.

## Notes to the Financial Statements *continued*

### 14 Current asset investments

	<b>2002</b>	2001
	<b>Group</b>	Group
	<b>£'000</b>	£'000
Current asset investments – listed	<b>322</b>	124

### 15 Debtors

	<b>2002</b>		2001
	<b>Group</b>	<b>Company</b>	Group
	<b>£'000</b>	<b>£'000</b>	Company
			£'000
Trade debtors	<b>24</b>	<b>24</b>	7
Prepayments and accrued income	<b>1,722</b>	<b>1,531</b>	363
Income tax recoverable	<b>125</b>	<b>125</b>	10
Other debtors	<b>7</b>	<b>2</b>	7
Amount due from subsidiary company	<b>–</b>	<b>522</b>	–
	<b>1,878</b>	<b>2,204</b>	387
			481

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

	<b>2002</b>		2001
	<b>Group</b>	<b>Company</b>	Group
	<b>£'000</b>	<b>£'000</b>	Company
			£'000
Trade creditors	<b>71</b>	<b>71</b>	232
Bank overdraft	<b>749</b>	<b>749</b>	–
Other creditors	<b>4</b>	<b>–</b>	17
Proposed dividend	<b>1,771</b>	<b>1,771</b>	1,535
Corporation tax	<b>224</b>	<b>223</b>	133
Other taxation and social security	<b>14</b>	<b>14</b>	11
Accruals and deferred income	<b>425</b>	<b>225</b>	174
Amount due to subsidiary company	<b>–</b>	<b>19</b>	–
	<b>3,258</b>	<b>3,072</b>	2,102
			2,079

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

	<b>2002</b>		2001
	<b>Group</b>	<b>Company</b>	Group
	<b>£'000</b>	<b>£'000</b>	Company
			£'000
Bank loan	<b>13,662</b>	<b>13,662</b>	10,000
			10,000

At the year end the Company had an outstanding bank loan of US\$21.5 million, repayable after more than five years in one single tranche on 27 October 2006, and bearing interest at the rate of 1.375 per cent over LIBOR. The loan is secured by a debenture over the Company's assets.

## Notes to the Financial Statements *continued*

### 18 Called up share capital

	2002 £'000	2001 £'000
Authorised		
28,000,000 (2001: 24,000,000) ordinary shares of 25p each	7,000	6,000
9,000,000 (2001: 9,000,000) zero dividend preference shares of £1 each	9,000	9,000
	<b>16,000</b>	15,000
Allotted, issued and fully paid		
19,624,899 (2001: 18,718,201) ordinary shares of 25p each	4,906	4,680
8,120,000 (2001: 8,120,000) zero dividend preference shares of £1 each	8,120	8,120
	<b>13,026</b>	12,800

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

Warrants in respect of 906,698 ordinary shares were exercised during the year. No options 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 and Articles 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 2002, 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
30.12.2000	320,000	171½p	Dec 2003	Dec 2010
10.12.2001	303,000	142½p	Dec 2004	Dec 2011

#### Employee Share Ownership

Options were granted under the Company's Save As You Earn Share Option Scheme ('SAYE') on 4 February 2002 at an exercise price of 100p 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 trustees of the AESOP purchased 17,776 Ordinary shares at a cost of £24,000 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.

## Notes to the Financial Statements *continued*

### 19 Share premium

	£'000
At 1 October 2001	21,545
Received on exercise of warrants	660
Transfer from warrant reserve	315
At 30 September 2002	<b>22,520</b>

### 20 Realised capital reserve

Group	Listed £'000	Unlisted £'000	Administration charges £'000	Total £'000
At 1 October 2001	1,290	5,299	(5,100)	1,489
Transfer from unrealised capital reserve	(2,659)	633	–	(2,026)
Charge for the year	–	–	(1,285)	(1,285)
Foreign exchange	–	10	–	10
Minority Interest	–	32	–	32
Loss on disposal of subsidiary	–	–	(31)	(31)
Appropriation in respect of zero dividend preference shares	–	–	(880)	(880)
At 30 September 2002	<b>(1,369)</b>	<b>5,974</b>	<b>(7,296)</b>	<b>(2,691)</b>

Company	Listed £'000	Unlisted £'000	Administration charges £'000	Total £'000
At 1 October 2001	1,353	5,701	(4,766)	2,288
Transfer from unrealised capital reserve	(2,617)	(278)	–	(2,895)
Charge for the year	–	–	(975)	(975)
Appropriation in respect of zero dividend preference shares	–	–	(880)	(880)
At 30 September 2002	<b>(1,264)</b>	<b>5,423</b>	<b>(6,621)</b>	<b>(2,462)</b>

### 21 Unrealised capital reserve

Group	Listed £'000	Unlisted £'000	Total £'000
At 1 October 2001		(4,576)	3,477
Movement in year		(823)	(2,133)
Transfer to capital reserve		2,659	(633)
Foreign exchange		–	(263)
Foreign exchange on debt instruments		–	1,254
At 30 September 2002		<b>(2,740)</b>	<b>1,702</b>

Company	Listed £'000	Unlisted £'000	Total £'000
At 1 October 2001		(4,694)	3,090
Movement in year		(839)	(1,293)
Transfer from capital reserve		2,617	278
Foreign exchange on debt instruments		–	1,254
At 30 September 2002		<b>(2,916)</b>	<b>3,329</b>

## Notes to the Financial Statements *continued*

### 22 Warrant reserve

	£'000
At 1 October 2001	315
Transfer to share premium	(315)
At 30 September 2002	–

On 1 December 1994 5,037,017 ordinary shares of 25p each were allotted, issued and fully paid at 100p, with 1 warrant for every 5 ordinary shares attached. In accordance with Financial Reporting Standard No. 4, the net proceeds attributable to these warrants were transferred to this reserve. All warrants have now expired.

### 23 Revenue reserve

	Group £'000	Company £'000
At 1 October 2001	541	185
(Loss)/profit for the year	(791)	194
Exchange difference on net assets of foreign subsidiary	(5)	–
Goodwill previously written off	44	–
At 30 September 2002	<b>(211)</b>	<b>379</b>

### 24 Zero dividend appropriation reserve

	£'000
At 1 October 2001	2,277
Appropriation for the year	880
At 30 September 2002	<b>3,157</b>

This reserve represents the amount due to zero dividend preference shareholders, which as explained in note 18 represents a premium on redemption payable on 27 October 2006, and is accruing at an annual rate of 8 per cent.

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

	2002 £'000	2001 £'000
Revenue return retained for the financial year	<b>(791)</b>	(213)
Capital return for the financial year	<b>(4,124)</b>	(6,780)
Foreign exchange	–	(25)
Goodwill realised	<b>44</b>	–
Allocation in respect of zero dividend preference shares	<b>880</b>	839
Proceeds of share issues	<b>886</b>	20,972
Net (reduction)/addition to shareholders' funds	<b>(3,105)</b>	14,793
Opening shareholders' funds	<b>37,868</b>	23,075
Closing shareholders' funds	<b>34,763</b>	37,868

## Notes to the Financial Statements *continued*

### 26 Net asset value

The basic net asset value per ordinary share at 30 September 2002 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 fully diluted net asset value per ordinary share at 30 September 2002 is calculated on the basis of the net assets attributable to equity shareholders divided by the number of shares should all options be exercised.

The net asset value per zero dividend preference share at 30 September 2002 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 number of shares are detailed in Note 10.

### 27 Contingent liabilities

There were no contingent liabilities at 30 September 2002 (2001: £nil).

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

	2002 £'000	2001 £'000
Net return before finance costs and taxation	3,603	2,758
Depreciation of tangible fixed assets	48	10
Amortisation of intangibles	267	–
Foreign exchange	(66)	78
(Increase) in debtors	(614)	(93)
(Decrease)/increase in creditors	(1,247)	171
Administration expenses (before finance costs and taxation) charged to capital reserve	(1,403)	(798)
Net cash inflow from operating activities	588	2,126

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

	2002 £'000	2001 £'000
(Decrease)/increase in cash in the year	(2,128)	3,054
Cash inflow from increase in debt	(4,916)	(10,000)
Cash inflow from decrease in liquid resources	(1,238)	(198)
Change in net debt resulting from cash flows and movement in net debt in the year	(8,282)	(7,144)
Liquid resources acquired with subsidiaries	1,021	–
Exchange difference on debt instruments	1,254	–
Net debt at beginning of year	(8,156)	(1,012)
Net debt at end of year	(14,163)	(8,156)

### 30 Analysis of net debt

	At 1 October 2001 £'000	Cash flows £'000	Acquisition excluding cash balances £'000	Exchange difference £'000	At 30 September 2002 £'000
Cash at bank and in hand	1,627	(1,379)	–	–	248
Overdraft	–	(749)	–	–	(749)
	1,627	(2,128)	–	–	(501)
Debt due after 1 year	(10,000)	(4,916)	–	1,254	(13,662)
Liquid resources	217	(1,238)	1,021	–	–
	(8,156)	(8,282)	1,021	1,254	(14,163)

## Notes to the Financial Statements *continued*

### 31 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 US Dollars
- Listed and unlisted securities held within the portfolio
- Zero dividend preference shares which carry predetermined payment rights as explained in note 18

At 30 September 2002 the Group had invested 83.9 (2001: 54.79) per cent of the portfolio in unlisted assets and the balance of the portfolio, 16.1 per cent, largely consists of investment in fixed interest securities, providing liquidity and revenue.

At the year end the Company had an outstanding bank loan of US\$21.5 million with Bank of Scotland, repayable not later than 27 October 2006, and bearing interest at the rate of 1.375 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 comprises mainly unlisted securities, which represent a potential delay in realisation to meet funding commitments. The Group will continue to hold quoted securities, which are realisable to meet funding requirements if necessary.

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

- Movements in rates affecting the value of investments
- Movements in rates affecting 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 2002, the Group had no open forward contracts.

Interest rate risk arises in respect of the Group's bank loan. As at 30 September 2002 the Group's loan carried a variable rate of interest of 1.375 per cent over LIBOR.

#### Currency exposures

An analysis of the Group's fixed assets and net current (liabilities)/assets at 30 September 2002 is:

	<b>Sterling</b> <b>£'000</b>	<b>US\$</b> <b>£'000</b>	<b>C\$</b> <b>£'000</b>	<b>Other</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
<b>2002</b>					
Investments	<b>14,220</b>	<b>29,940</b>	<b>5</b>	<b>312</b>	<b>44,165</b>
Net current (liabilities)/assets	<b>(1,193)</b>	<b>25</b>	<b>358</b>	<b>–</b>	<b>(810)</b>
Net assets	<b>32,812</b>	<b>(303)</b>	<b>2,319</b>	<b>–</b>	<b>34,828</b>
<b>2001</b>					
Investments	<b>28,527</b>	<b>18,886</b>	<b>–</b>	<b>288</b>	<b>47,681</b>
Net current (liabilities)/assets	<b>(504)</b>	<b>754</b>	<b>–</b>	<b>2</b>	<b>252</b>
Net assets	<b>37,529</b>	<b>182</b>	<b>–</b>	<b>232</b>	<b>37,943</b>

The above currency analysis equates to the geographical analysis of net assets.

## Notes to the Financial Statements *continued*

### 31 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 instruments which exhibit one or both of these characteristics. The analysis of such investments at 30 September 2002 is:

	Sterling £'000	US\$ £'000	Total £'000
<b>2002</b>			
Fixed rate investments	3,720	12,799	16,519
Weighted average interest rate	11.1%	10.0%	10.3%
Weighted average period for which interest rate is fixed	5 Years	9 Years	8 Years
<b>2001</b>			
Fixed rate investments	3,720	10,210	13,930
Weighted average interest rate	11.0%	9.3%	10.0%
Weighted average period for which interest rate is fixed	4 Years	5 Years	4 Years

##### Financial liabilities

As at 30 September 2002, the Company's bank loan of US\$21.5 million carried a variable rate of interest of 1.375 per cent over LIBOR. In 2001 the Group overdraft carried a variable rate of 1.25 per cent over Bank of Scotland Base Rate. Details are given in note 17 of 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.

	Carrying value £'000	2002 Fair value £'000	Carrying value £'000	2001 Fair value £'000
Zero dividend preference shares	11,778	9,582	10,771	11,043
Long term loan	13,662	13,667	10,000	10,020

##### Borrowing facilities

As at 30 September 2002 there was an available overdraft facility of £1,000,000 which is due for review on the 10 October 2002.

## Notes to the Financial Statements *continued*

### 32 Acquisition of subsidiary

On 21 December 2001 AMIC Canada, a wholly owned subsidiary of the Company, acquired the entire ordinary share capital of InterUnion Asset Management (IUAM) for a cash consideration of £4.7 million. Subsequently, AMIC Canada issued further shares to the Company for a cash consideration of £1.6 million in order to acquire outstanding preference shares of IUAM. Following the acquisition AMIC Canada holds investments of 76 per cent in PJ Doherty 76.5 per cent in Leon Frazer and 100 per cent in Guardian Timing Services.

On 30 September 2002 AMIC Canada redeemed part of its share capital to AMIC PLC. The consideration of £3,568,000 was paid via the transfer of 49 per cent shareholdings in PJ Doherty and Leon Frazer to AMIC PLC.

The consolidated results have been accounted for using the acquisition method of accounting in line with the guidelines laid out in Financial Reporting Standard No. 6.

#### Fair value table

<b>Class of asset/(liability)</b>	Book value at acquisition and fair value £'000
Fixed asset investments	5
Intangible assets	622
Tangible fixed assets	124
Debtors	310
Current asset investments	1,021
Cash	397
Creditors	(751)
Deferred income	(74)
Long term liabilities	(46)
	<b>1,608</b>
Less minority interest	(1,600)
<b>Net assets acquired</b>	<b>8</b>
Fair value of consideration	4,717
<b>Goodwill arising</b>	<b>4,709</b>

The goodwill arising upon acquisition is being amortised over twenty years in line with Financial Reporting Standard No. 10. At 30 September 2002 the Directors have reviewed the assets and liabilities acquired and consider there to be no material difference between the book values and the fair values on acquisition.

#### Statement of Total Return for InterUnion Asset Management Limited

	1 April 2001 to 21 December 2001 £'000	1 April 2000 to 31 March 2001 £'000
<b>Turnover</b>	<b>1,640</b>	2,564
<b>Operating profit</b>	<b>(319)</b>	(722)
<b>Profit after tax and minority interest</b>	<b>(350)</b>	(1,748)

## Notes to the Financial Statements *continued*

### 32 Acquisition of subsidiary *continued*

#### Impact on cashflow headings of InterUnion Asset Management Limited

Cashflow heading	£'000
Net cashflow from operating activities	(605)
Returns on investment and servicing of finance	(2)
Capital expenditure and financial investment	(23)
Management of liquid resources	830
<b>Total impact on cashflow statement</b>	<b>200</b>

### 33 Related party transactions

Where 90 per cent or more of subsidiary companies' voting rights are controlled within the Group, disclosure of transactions between these entities eliminated on consolidation has not been made in these accounts, as permitted by Financial Reporting Standard No. 8.

### 34 Post balance sheet events

On 28 October 2002 the Company became registered for Value Added Tax.

On 4 December 2002 the Company opened a representative office in Australia.

On 16 December 2002 the Company issued 1,960,527 ordinary shares in exchange for a further investment in FX Concepts.

The overdraft facility of £1,000,000 was replaced by a new facility of £250,000 by Bank of Scotland on 17 December 2002.

Subsequent to the release of the preliminary announcement on 20 December 2002 the Directors have effected changes to the financial statements that have been reflected in this annual report.

## Notice of Class Meeting of Ordinary Shareholders

NOTICE is hereby given that an Extraordinary General Meeting of ordinary shareholders of the Company will be held at 32 Ludgate Hill, London EC4M 7DR on 19 February 2003 at 1.50 pm to consider and, if thought fit, to pass the following resolutions as extraordinary resolutions:

1. THAT this meeting hereby consents to and sanctions the Company proposing an ordinary resolution to authorise the Directors to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of zero dividend preference shares in the capital of the Company by way of resolution 8 to be proposed at the Annual General Meeting of the Company convened for 2 pm on 19 February 2003 or at any adjournment thereof ('the 2003 AGM.').
2. THAT this meeting hereby consents to and sanctions the amendment to the Articles of Association of the Company to be proposed at resolution 10 of the 2003 AGM.

By Order of the Board

**A Corbo** *Secretary*

20 January 2003

Registered Office:

32 Ludgate Hill  
London EC4M 7DR

### Notes:

1. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that to be entitled to attend and vote at the meeting (and for the purposes of determination by the Company of the number of votes they may cast) holders of ordinary shares must be entered in the relevant register of securities by 9.30 am on 17 February 2003. Changes to entries on the register after 9.30 am on 17 February 2003 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
2. A member or the duly authorised representative of a corporation entitled to attend and vote at the meeting may appoint one or more proxies to attend and (on a poll) to vote instead of him/her. A proxy need not be a member of the Company. A blue form of proxy is enclosed. The appointment of a proxy will not prevent an ordinary shareholder from subsequently attending and voting at the meeting in person.
3. To be effective, the form of proxy and the power of attorney or other authority, if any, under which they are signed must be sent to the Company's registrars, Lloyds TSB Registrars, The Causeway, Worthing BN99 6ZR so as to arrive no later than 9.30 am on 17 February 2003

## Notice of Class Meeting of Zero Dividend Preference Shareholders

NOTICE is hereby given that an Extraordinary General Meeting of zero dividend preference shareholders of the Company will be held at 32 Ludgate Hill, London EC4M 7DR on 19 February 2003 at 1.55 pm (or if later, upon the conclusion of the class meeting of the ordinary shareholders) to consider and, if thought fit, to pass the following resolutions as extraordinary resolutions:

1. THAT this meeting hereby consents to and sanctions the Company to authorise the Directors to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of zero dividend preference shares in the capital of the Company by way of ordinary resolution 8 to be proposed at the Annual General Meeting of the Company convened for 2 pm on 19 February 2003 or at any adjournment thereof ('the 2003 AGM').
2. THAT this meeting hereby consents to and sanctions the amendment to the Articles of Association of the Company to be proposed at resolution 10 of the 2003 AGM.

By Order of the Board

**A Corbo** *Secretary*

20 January 2003

Registered Office:  
32 Ludgate Hill  
London EC4M 7DR

### Notes:

1. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that to be entitled to attend and vote at the meeting (and for the purposes of determination by the Company of the number of votes they may cast) holders of zero dividend preference shares must be entered in the relevant register of securities by 9.30 am on 17 February 2003. Changes to entries on the register after 9.30 am 17 February 2003 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
2. A member or the duly authorised representative of a corporation entitled to attend and vote at the meeting may appoint one or more proxies to attend and (on a poll) to vote instead of him/her. A proxy need not be a member of the Company. A pink form of proxy is enclosed. The appointment of a proxy will not prevent a zero dividend preference shareholder from subsequently attending and voting at the meeting in person.
3. To be effective, the form of proxy and the power of attorney or other authority, if any, under which they are signed must be sent to the Company's registrars, Lloyds TSB Registrars, The Causeway, Worthing BN99 6ZR as to arrive no later than 9.30 am on 17 February 2003.

## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting ('the AGM') of Asset Management Investment Company PLC will be held at 32 Ludgate Hill, London EC4M 7DR at 2.00 pm (or, if later, at the conclusion of the class meetings of the ordinary and zero dividend preference shareholders) on 19 February 2003 for the following purposes:

1. To receive and adopt the Directors' Report and Financial Statements for the year ended 30 September 2002, together with the Auditors' Report thereon.
2. To approve the proposed final dividend of 9p per ordinary share.
3. To re-elect Mr Norman Riddell, who retires by rotation, as a Director.
4. To re-elect Mr John Spurdle, who retires by rotation, as a Director.
5. To approve the reappointment of Solomon Hare LLP 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 18 February 2008 (and in substitution of 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 £2,483,643.50 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 after such expiry and notwithstanding such expiry the Directors may allot relevant securities 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) up to 604,440 ordinary shares of 25p each pursuant to the terms of the Company's Executive Share Option Scheme;
  - (ii) 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
  - (iii) otherwise than pursuant to (i) and (ii) above up to 1,017,211 ordinary shares with an aggregate nominal amount of £269,817.75;

provided always that the authority conferred by this Resolution 7 shall expire on 18 May 2004 or at the conclusion of the AGM of the Company held in 2004, whichever is the earlier, and the Company may before such expiry make offers or arrangements which would or might require equity securities to be

## Notice of Annual General Meeting *continued*

allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements.

### ORDINARY RESOLUTION

8. THAT, subject to the passing of resolution 1 to be proposed at the class meetings of each of the ordinary shareholders and zero dividend preference shareholders convened to be held immediately prior to the AGM at which this resolution is proposed (or at any such class meeting as reconvened following adjournment), the Company be and is hereby generally and unconditionally authorised in accordance with section 166 of the Companies Act 1985 (the 'Act') to make market purchases (within the meaning of section 163(3) of the Act) of any zero dividend preference shares in issue in the capital of the Company provided that:
- (i) the maximum number of zero dividend preference shares hereby authorised to be purchased shall not exceed 14.99 per cent. of the Company's issued share capital of that class, namely 1,217,188 zero dividend preference shares;
  - (ii) the minimum price (exclusive of expenses) which may be paid for any zero dividend preference share to be purchased is an amount equal to 95 per cent. of the average of the middle market quotations for the relevant class of share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased;
  - (iii) the maximum price (exclusive of expenses) which may be paid for any zero dividend preference share to be purchased is an amount equal to 105 per cent. of the average of the middle market quotations for the relevant class of share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; and
  - (iv) the authority conferred by this resolution shall expire at the conclusion of the next AGM of the Company, except that the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of shares in pursuance of any such contract as if the authority hereby conferred had not expired.

### SPECIAL RESOLUTIONS

9. THAT the Articles of Association of the Company be altered by the addition of the following new words at the end of Article 150.1:
- "provided that this Article shall not prohibit the Company from redeeming or purchasing its own shares out of its capital profits in accordance with Sections 160 or 162 of the Act to the extent permitted under Section 266(2A) of the Act."*
10. THAT the Articles of Association of the Company be altered by the deletion of all of Article 48.1 except for the first sentence thereof.

## Notice of Annual General Meeting *continued*

### SPECIAL RESOLUTION

#### 11. THAT:

- (i) the Directors of the Company be authorised to approve the adoption of the Asset Management Investment Company PLC Employee Benefit Trust ('the EBT') to be constituted in substantially the same terms as it is described in the letter to shareholders accompanying the Notice of AGM subject to such modifications (if any) as they consider necessary or desirable and do all acts and things which they may consider necessary or expedient for implementing and giving effect to the EBT; and
- (ii) the Directors be and are hereby authorised to vote and to be counted in the quorum at any meeting of the directors at which any matter in connection with the EBT is under consideration notwithstanding that they may be interested in the same in any present or proposed capacity whatsoever, provided that no Director may vote or be counted in a quorum in the consideration of any matter concerning his individual rights of benefiting from the EBT.

By Order of the Board

**A Corbo** *Secretary*

20 January 2003

Registered Office:  
32 Ludgate Hill  
London EC4M 7DR

#### Notes:

1. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that to be entitled to attend and vote at the meeting (and for the purposes of determination by the Company of the number of votes they may cast) holders of ordinary shares must be entered in the relevant register of securities by 9.30 am on 17 February 2003. Changes to entries on the register after 9.30 am on 17 February 2003 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
2. A member or the duly authorised representative of the corporation entitled to attend and vote at the meeting may appoint one or more proxies to attend and (on a poll) to vote instead of him/her. A proxy need not be a member of the Company. A white 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.
3. To be effective, the form of proxy and the power of attorney or other authority, if any, under which they are signed must be sent to the Company's registrars, Lloyds TSB Registrars, The Causeway, Worthing BN99 6ZR so as to arrive no later than 9.30 am on 17 February 2003.
4. The copies of the following documents will be available for inspection at the registered office of the Company during normal business hours from the date of this notice until the conclusion of the annual general meeting:
  - (a) the register of interests of the Directors and their families in the share capital of the Company;
  - (b) the contracts of service of the Directors with the Company or any of its subsidiary undertakings;
  - (c) the text of the Articles of Association showing the wording proposed to be adopted pursuant to resolutions 9 and 10.





**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)