AMIC

Asset Management Investment Company PLC

Annual Report 2005

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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 industry. AMIC believes that the sector will benefit from economic and demographic trends in the years ahead to out-perform many other areas of the market.

AMIC is one of the few stock market quoted organisations in the United Kingdom at the present time operating as a specialist investor in the asset management industry.

Corporate Information

Directors	Charles Wilkinson Non-Executive Chairman George Robb Managing Director and Chief Investment Officer Barry Aling Non-Executive Director Geoff Miller Non-Executive Director John Taylor Non-Executive Director Hugh Tilney Non-Executive Director
Secretary and Registered Office	David Buckley 32 Ludgate Hill London EC4M 7DR
Company Number	2918390 (Incorporated in England and Wales)
Auditors	Solomon Hare Audit LLP Oakfield House Oakfield Grove Bristol BS8 2BN
Bankers	Bank of Scotland Corporate Banking 155 Bishopsgate London EC2M 3YB
Registrars	Lloyds TSB Registrars Scotland Finance House Orchard Brae Edinburgh EH4 1WQ
Solicitors	Maclay Murray & Spens One London Wall London EC2Y 5AB Burges Salmon Narrow Quay House Narrow Quay Bristol BS1 4AH Salans Rockefeller Center 620 Fifth Avenue New York NY 10020 USA
Stockbrokers	Teather & Greenwood Limited Beaufort House 15 St Botolph Street London EC3A 7QR

Board of Directors

Charles Wilkinson	
Status:	Independent Non-Executive Chairman
Age:	62
Length of service:	Appointed June 2005
Relevant experience:	Charles Wilkinson retired as a partner from Lawrence Graham LLP on 31 March 2005. His legal career was primarily in corporate finance and he has extensive experience and is a recognised expert in the investment trust sector. He is also non-executive Chairman of European Utilities Trust plc, an authorised investment trust, as well as a director of several other companies.
Committee membership:	Chairman of the Nomination and Remuneration Committees and a member of the Audit Committee
Shareholding in the company:	Nil
George Robb	
Status:	Managing Director and Chief Investment Officer
Age:	63
Length of service:	Appointed June 2005
Relevant experience:	George Robb qualified as a solicitor before becoming fully involved with the asset management sector in 1971. He was a founder director and shareholder of Aberdeen Asset Management and in 1994 was instrumental in establishing AMIC. He is a non-executive director of Integrated Assets Management Plc and of several other companies in which AMIC is invested.
Committee membership:	Member of the Nomination Committee
Shareholding in the company:	1,693,826
Barry Aling	
Status:	Non-Executive Director
Age:	55
Length of service:	Appointed June 2005
Relevant experience:	Barry Aling has had a career centred on international capital markets with experience covering asset management, investment research and corporate finance. His appointments have included positions with Phillips & Drew, Gaffney Cline and Swiss Bank Corporation and the role of managing director of W.I. Carr Overseas based in Hong Kong. More recently he has been active in the private client investment management sector.
Committee membership:	Chairman of the Audit Committee and member of the Remuneration and Nomination Committees.
Shareholding in the company:	1,871,800

Board of Directors *continued*

Geoff Miller

Status:	Senior Independent Non-Executive Director
Age:	39
Length of service:	Appointed August 2005
Relevant experience:	Geoff Miller is Director of Equity Research at Bridgewell Securities, whom he joined in June 2003 as an analyst covering the financial sector. Prior to joining Bridgewell he was head of UK equities at Exeter Asset Management, managing equity income funds and the largest UK quoted financials fund. Prior to this he was head of research at Brewin Dolphin Securities.
Committee membership:	Member of the Audit, Remuneration and Nomination Committees
Shareholding in the company:	Nil

Hugh Tilney

Status:	Non-Executive Director
Age:	62
Length of service:	Appointed June 2005
Relevant experience:	Hugh Tilney is a member of the board of directors, Chairman of the Management Committee, Chief Operating Officer and Chief Compliance Officer of FX Concepts in New York. He joined FX Concepts in 1993 following a 28 year career in the insurance industry, both in the United States and the United Kingdom.
Committee membership:	Member of the Audit Committee
Shareholding in the company:	55,000

John Taylor

Status:	Non-Executive Director
Age:	62
Length of service:	Appointed June 2005
Relevant experience:	John Taylor is the Chairman, Chief Executive Officer and founder of FX Concepts, with 35 years' experience in the foreign exchange and related fixed income markets. He is a recognised expert in the management of foreign exchange and a pioneer in the analysis of cyclicality in the foreign exchange and interest rate markets. Prior to founding FX Concepts Mr Taylor held positions at Citibank and Chemical Bank.
Committee membership:	Member of the Remuneration Committee
Shareholding in the company:	1,568,422

Chairman's Statement

The new board appointed on 8 June 2005 has now held office for over seven months. During that period your Directors have comprehensively reviewed all aspects of the business of your Company, including the financial background and the investment portfolio. Detailed consideration has been given to the obligations of the Company which crystallise on 27 October 2006. George Robb was reappointed Managing Director and Chief Investment Officer and Teather & Greenwood were appointed Stockbrokers to the Company.

Investments

World stock markets have performed well for much of the year under review and are currently enjoying a period of buoyancy, achieving the highest levels of the last four years. These conditions have meant a good operating environment for the companies in the investment portfolio and an encouraging performance has been produced by a number of the companies. City of London has experienced steady growth in its funds over the past two years and continues to perform extremely well with assets under management of approximately $2.5 billion, which is flowing through to strong financial performance and increased dividends.

Significant progress has also been made by IFDC, a manager of funds invested principally in the strongly performing Japanese stockmarket, which has achieved assets under management of $1 billion, and Principal Investment Management, a leading United Kingdom private client manager with assets under management of £800 million, the highest in the history of each company. Integrated Asset Management, which is focusing its business development on extending its management of funds of hedge funds, has also achieved record levels of assets under management. FX Concepts, which now has mandates in excess of $12 billion and is one of the leading currency managers in the United States, has continued to be our largest investment and a major contributor to both capital and revenue. The year has featured a further increase in the revenue received from the convertible loan note held in FX Concepts.

As reported in the Chairman's Statement in the March 2005 Interim Accounts, AMIC Distribution Partners Inc was deemed to be unviable as an ongoing concern and was placed into liquidation. Your management are taking every precaution to minimise any costs in the process. Proceedings are now well advanced and it is expected that the company will be dissolved shortly.

There have been two successful exits since the year-end. Following the successful start of dealings on the AIM market of New Star Asset Management in November 2005 your Company took the opportunity to add to its liquidity and sell its holding. This disposal realised a capital gain of £857,709 or 121% of the original cost, an internal rate of return of 25%. Clark Capital Management in Philadelphia completed the full repayment of principal and interest on the $1 million debenture previously held by your Company, and AMIC has now completely exited from this investment.

Valenzuela Capital Partners LLC has been faced with a difficult operating and managerial environment following an internal management buyout, supported by AMIC, which has resulted in a change of senior management and a strengthening of the investment management team. The company has embarked on an aggressive cost cutting program including the closing of the office in New York and moving all operations to the office in Los Angeles with a small office in Chicago. Your management are confident that the change has placed the company in a better position to address the considerable challenges which are before it. There are, however, significant issues still to be addressed and your Directors decided to take the prudent course of making a full provision against the investment.

The agreement by which Norman Riddell & Associates Limited (NRAL) supplied services to management was terminated on 27 June 2005 and agreement was reached, following legal advice, on the terms of severance. Subsequent to the year end your Company sold its investment in NRAL back to the management of NRAL for a loss of

£578,075 and repaid the convertible notes in AMIC held by the management of NRAL.

Your management continues to work with the companies in the investment portfolio in a constructive manner in the interests of maximising shareholder value. As a shareholder AMIC has always played a pro-active, supportive and responsible role and seeks to assist these companies in every way possible with the objective of adding value to our holdings.

Financial results

In the financial year to 30 September 2004 substantial cost savings were effected through the closing of your Company's offices in the United States and Canada and by other economies in the United Kingdom. It is a matter of regret that the effect of these savings was diluted in the year under review by unforeseen corporate expenses, not least of which were the professional fees incurred by the previous board in their unsuccessful attempt to defeat the resolutions before the Extraordinary General Meeting on 8 June 2005.

During the year consolidated total assets less current liabilities decreased by 0.7% to £44,497,000 (2004: £44,828,000). The net asset value per ordinary share fell by 8.4% to 84.42p (2004: 92.19p). This compared with a rise in the FTSE-100 Index of 19.8% and in the Dow Jones Industrial Average of 4.8% over the same period. No additions of any significance have been made to the investment portfolio during the year and since the year-end there has been a gradual build up of liquid resources.

Revenue profit before tax and minority interests for the year was £1,260,000 (2004: £1,778,000), a decrease of 29.13%. The 2004 figure included profit before tax from operations discontinued during 2004 of £411,000. Profit after taxation and minority interests decreased by 20.69% to £954,000 (2004: £1,203,000) and revenue return per ordinary share decreased by 20.25% to 4.49p (2004: 5.63p). Your Board is recommending payment of a final dividend of 3.0p net per share (2004: 3.0p net per share), which together with the interim dividend of 1.0p net per share (2004: 1.0p net per share) paid on 16 August 2005 will make a total dividend of 4.0p net per share (2004: 4.0p net per share). The final dividend will be proposed at the Annual General Meeting on 7 February 2006 for payment on 9 February 2006 to shareholders on the register at the close of business on 13 January 2006.

In my letter to shareholders dated 31 August I reported that after due deliberation and the taking of advice with regard to the financial future of your Company your Directors had concluded that the interests of shareholders would be best served by seeking to dispose of the whole or a significant part of the investment in FX Concepts, your Company's largest investment. To that end the Board engaged Berkshire Capital Securities LLC to advise on the transaction.

Your Board is constantly keeping under review in conjunction with our advisers the obligations of the Company with regard to the redemption of the zero dividend preference shares and the repayment of bank debt which are due on 27 October 2006 and I will be in further contact with shareholders in this connection in due course. During what has been a challenging and frequently difficult year the management of your Company have shown loyalty and dedication and I would thank them for their efforts. Meanwhile your Board and management will continue to work closely with the companies in the investment portfolio and prudently manage the resources of your Company.

Charles Wilkinson *Chairman* 11 January 2006

Investment Portfolio – Listed Investments *(As at 30 September 2005)*

Integrated Asset Management plc

	Percentage of equity/debt instrument	Cost £	Value at 30 September 2005 £	Percentage of portfolio	Country and year of investment
Ordinary shares	15.8%	1,545,608	1,358,882	3.3%	UK – 1997
5% Convertible loan note 2008	55.56%	2,000,000	1,620,000	4.0%	2003

Integrated Asset Management is a global alternative investment group listed on the Alternative Investment Market (AIM) of the London Stock Exchange. The company's core businesses are "fund of hedge fund" management and institutional broking. The company has approximately US$700m under management.

Year End	December 2004	December 2003
Loss per share	(4.06)p	(6.94)p
Net dividend per share	Nil	Nil
Dividend cover	n/a	n/a
Attributable net assets '000	£289	£324

Stockcube plc

	Percentage of equity held	Cost £	Value at 30 September 2005 £	Percentage of portfolio	Country and year of investment
Ordinary shares	0.86%	150,008	35,269	0.1%	UK – 1999

Stockcube is listed on AIM and provides technical investment research through its operating subsidiary EFM Technical Research. The business supplies research products to both international institutional and private clients. The product is distributed via the internet, with hard copy supplied if requested.

Year End	December 2004	December 2003
Earnings per share	16.0p	13.0p
Net dividend per share	0.05p	0.05p
Dividend cover	3.2	2.6
Attributable net assets '000	£36	£35

Investment Portfolio – Unlisted Investments *(As at 30 September 2005)*

City of London Investment Group PLC

	Percentage of equity held	Diluted percentage of equity upon exercise of options and warrants	Cost £	Value at 30 September 2005 £	Percentage of portfolio	Country and year of investment
Ordinary shares	22.7%	18.31%	2,741,532	4,909,394	12.0%	UK – 1997
Warrants		2.2%	–	589,103	1.4%	2004

City of London Investment Group was founded in 1991 and has funds under management of approximately US$2.5 billion invested in emerging markets through the medium of international closed-end funds listed on some twenty stock markets around the world. The company has offices in London, Philadelphia and Singapore and manages funds on behalf of clients in the United States, the United Kingdom and Canada.

Year End	May 2005	May 2004 restated
Earnings per share	£2.25	45.0p
Net Dividend per Share	60p	18p
Dividend cover	3.75	2.48
Attributable net assets '000	£514	£325

Financial Management Advisors, LLC

	Percentage of equity/debt instrument	Percentage of equity upon conversion	Cost £	Value at 30 September 2005 £	Percentage of portfolio	Country and year of investment
Ordinary shares	18.75%	18.75%*	4,659,855	1,238,216	3.0%	US – 2002
2012 Convertible note 10%	100%	6.25%	1,553,048	1,282,736	3.1%	2002

Financial Management Advisors LLC ('FMA'), headquartered in Los Angeles, is a registered investment advisor with approximately US$1.5 billion in 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: equity growth with income, intermediate and core investment grade fixed income, high yield and opportunistic fixed income, tax exempt and balanced portfolios.

*non-dilutive

Year End	December 2004	December 2003
Loss per share	US$(3.24)	US$(0.22)
Net dividend per share	Nil	Nil
Dividend cover	n/a	n/a
Attributable net assets '000	US$775	US$1,236

Hillview Capital Advisors LLC

	Percentage of equity held	Cost £	Value at 30 September 2005 £	Percentage of portfolio	Country and year of investment
Ordinary shares	33.3%	4,956,796	894,396	2.2%	US – 2002

Hillview Capital Advisors, founded in 1999, serves as an independent financial advisor to individuals, foundations, endowments, pension plans and other entities with substantial financial resources. The company provides its clients with the full range of capabilities from initial planning through to final implementation. Hillview is headquartered in Philadelphia, Pennsylvania and manages approximately $670 million of assets.

Year End	December 2004	December 2003
Loss per share	US$(5.01)	US$(2,887)
Net dividend per share	Nil	Nil
Dividend cover	n/a	n/a
Attributable net liabilities '000	US$(1,062)	US$(107)

Investment Portfolio – Unlisted Investments *(As at 30 September 2005) continued*

IFDC S.A. Group

	Percentage of equity held	Cost £	Value at 30 September 2005 £	Percentage of portfolio	Country and year of investment
Ordinary shares	15.0%	2,166,419	3,707,029	9.1%	Europe – 1998

IFDC operates through various offices and advisory companies. The group has specialist expertise in the highly reactive and complex markets of Japan, the Far East, the Middle East, North Africa and technology. The company has several investment funds ranked amongst the top performers within their category. The group has assets under management of approximately US$1 billion.

Year End	December 2004	December 2003
Earnings per share	US$1,098	US$852
Net dividend per share	US$989	US$519
Dividend cover	1.11	1.64
Attributable net assets '000	US$475	US$291

International Foreign Exchange Concepts, Inc.

	Percentage of equity/debt instrument	Percentage of equity upon conversion	Cost £	Value at 30 September 2005 £	Percentage of portfolio	Country and year of investment
2011 convertible note 10%	100%	25.0%	3,567,351	15,837,596	38.8%	US – 2001
Ordinary shares	8.4%	6.3%	779,290	4,221,641	10.3%	2002

International Foreign Exchange Concepts, established in 1981, is headquartered in New York City with offices in Rochester NY, Paris, Singapore and Sydney. The company was founded as a specialist in foreign exchange and interest rate research, which it now provides to a list of clients including a variety of banks, international corporations and financial institutions. Since 1987 the company has been providing a wide selection of currency overlay and currency management solutions. The company is one of the largest private managers of foreign exchange risk with mandates of approximately US$12 billion.

Year End	May 2005	May 2004
Earnings per share	US$8.50	US$19.50
Net dividend per share	Nil	Nil
Dividend cover	n/a	n/a
Attributable net assets '000	US$371	US$162

Jovian Asset Management

	Percentage of debt instrument	Cost £	Value at 30 September 2005 £	Percentage of portfolio	Country and year of investment
Promissory note 6%	100.0%	1,650,000	2,023,338	5.0%	Canada – 2004

Jovian Asset Management, a Canadian based fund manager, acquired 100% of AMIC's interest in Leon Frazer and Associates in 2004 for which AMIC received an upfront cash payment and a promissory note payable in July 2006.

Investment Portfolio – Unlisted Investments *(As at 30 September 2005) continued*

The Mayberry Group, Inc.

	Percentage of equity held	Cost £	Value at 30 September 2005 £	Percentage of portfolio	Country and year of investment
Ordinary shares	7.81%	702,190	25,593	0.1%	US – 1995

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$71 million.

Year End	December 2004	December 2003
Loss per share	US$(0.04)	US$(0.24)
Net dividend per share	Nil	Nil
Dividend cover	n/a	n/a
Attributable net assets/(liabilities) '000	US$115	US$(81)

Principal Investment Management Ltd

	Percentage of equity held	Percentage of equity upon conversion	Cost £	Value at 30 September 2005 £	Percentage of portfolio	Country and year of investment
Ordinary shares	2.86%	–	411,404	776,647	1.9%	UK – 2000-2005
Deferred ordinary shares	1.56%	–	92,404	188,153	0.5%	2000
Convertible preference shares 6%	–	2.50%	1,300,000	543,478	1.3%	2000

Principal Investment Management, founded in 1987, is an independent specialist investment manager catering to private individuals, trusts, charities and corporate clients. The firm has offices in Sevenoaks, London and Bath and manages approximately £800 million in assets. AMIC's initial investment was in Turnstone Holdings in 2000 which subsequently merged with Principal in 2003.

Year End	December 2004	December 2003
Earnings per share	£5.70	20p
Net dividend per ordinary share	22p	15p
Dividend cover	0.26	1.33
Attributable net assets '000	£98	£297

Valenzuela Capital Partners LLC

	Percentage of equity/debt instrument	Diluted percentage of equity upon conversion	Cost £	Value at 30 September 2005 £	Percentage of portfolio	Country and year of investment
Convertible note 2011	–	20.0%	3,458,588	–	–	US – 2001
Ordinary shares	2.65%	2.12%	185,579	–	–	2003
Loan (Sep 06)	100%	n/a	165,508	171,028	0.4%	2005

Valenzuela Capital Partners located in Los Angeles, is a registered investment adviser managing primarily tax-exempt institutional accounts with approximately US$860 million under management. The company adopts a value approach and is one of the larger minority managers in the United States specialising in small-cap and large-cap stocks. AMIC recently assisted a management buyout for which it provided a short term loan.

Investment Portfolio – Unlisted Investments *(As at 30 September 2005) continued*

Investments disposed of subsequent to 30 September 2005

Clark Capital Management Group, Inc.

	Cost £	Value at 30 September 2005 £	Percentage of portfolio	Year-end	Country and year of investment
Convertible debenture – 11%	163,881	142,523	0.3%	December	US – 1996

Clark Capital Management Group is an independent investment adviser with corporate headquarters in Philadelphia, Pennsylvania. The company provides a diverse range of investment-related services and products to 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. The above debenture has recently been repaid in full resulting in a complete exit from this investment.

New Star Asset Management Limited

	Percentage of equity held	Cost £	Value at 30 September 2005 £	Percentage of portfolio	Country and year of investment
Ordinary shares	0.0003%	708,030	1,127,460	2.8%	UK – 2001

John Duffield, formerly founder and chief executive of Jupiter Asset Management, established New Star Asset Management in June 2000 to become one of the leading brands in the UK retail fund management industry as well as a significant manager of institutional funds and alternative investments. The company has recently listed on AIM at a valuation above the 30 September carrying value and was sold by AMIC subsequent to the year-end for net proceeds amounting to £1,565,000.

Year End	December 2004	December 2003
Operating earnings per share	£8.57	£4.75
Net dividend per share	Nil	Nil
Dividend cover	n/a	n/a
Attributable net assets '000	£2	£3

Norman Riddell & Associates Limited

	Percentage of equity held	Cost £	Value at 30 September 2005 £	Percentage of portfolio	Country and year of investment
Ordinary shares	47.67%	603,075	25,000	0.5%	UK – 2003

Norman Riddell & Associates Limited, established in 1996, provides management consultancy and corporate finance services to the financial services sector, with an emphasis on advice to asset management businesses. The company seeks to improve the strength, quality and profitability of its clients through the provision of creative and custom tailored practical advice on issues of strategy, management and mergers and acquisitions. AMIC disposed of its holding in this company subsequent to the year-end for the value of £25,000.

Year End	December 2004	December 2003
Earnings/(loss) per share	£7	£(2.97)
Net dividend per share	Nil	Nil
Dividend cover	n/a	n/a
Attributable net assets '000	£10	£23

Nil value investments

AMIC Distribution Partners Inc

	Percentage of equity/debt instrument	Cost £	Value at 30 September 2005 £	Country and year of investment
Ordinary shares	31.25%	376,682	–	US – 2001
Convertible promissory note	14.75%	711,062	–	– 2001
Non-convertible promissory note	100%	656,365	–	– 2001
Working capital loan	100%	2,444,320	–	2002-2004

AMIC Distribution Partners Inc. based in New York City, was established to provide specialised sales and support services in the managed account, institutional and mutual fund markets. The company was faced with a challenging ongoing environment and an uncertain future. Your board decided that it was not in the best interest of shareholders to continue operations and the company has since been placed into liquidation.

Columbus Financial Services Limited

	Percentage of equity/debt instrument	Cost £	Value at 30 September 2005 £	Country and year of investment
Ordinary shares	25.5%	411,498	–	UK – 1996
Loans	–	118,242	–	2001-2003

Columbus Financial Services was a London based provider of financial services to private individuals and their advisers. Despite management's best efforts, the business was not deemed to be a viable ongoing entity and the company is being wound up.

MMCM Holding Inc

	Percentage of equity/debt instrument	Diluted percentage of the equity upon conversion	Cost £	Value at 30 September 2005 £	Country and year of investment
Ordinary shares	47.95%	36.49%	2,411,779	–	US – 1995
Class 'B' shares	–	0	357,716	–	1995
Convertible note	–	23.87%	643,926	–	2001-2002
Loans	100%	–	531,068	–	2002-2004

MMCM Holdings is a New York based manager of UK equity stocks. The firm uses a propriety equity product combining quantitative analysis of stock price movements with fundamental analysis and has approximately $80 million in assets under management.

Midhurst Asset Management

	Percentage of equity held	Cost £	Value at 31 March 2005 £	Country and year of investment
Ordinary shares	n/a	635,562	–	UK – 1998
'A' Preference shares	n/a	468,566	–	1998-2000
'B' Ordinary shares	n/a	55,750	–	2001

The company was placed into liquidation in 2001.

Directors' Report

The Directors present their report and the audited financial statements for the year ended 30 September 2005.

Review of the Business

A review of the Company's activities is contained in the Chairman's Statement on pages 5 and 6.

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') and adheres to the principals and follows the recommendations in the AITC Code of Corporate Governance.

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 1988 for the year ended 30 September 2004.

The Directors are of the opinion, under advice, that the Company has conducted its affairs for the year ended 30 September 2005 so as to be able to obtain approval as an Investment Trust.

Results and Dividends

The Group profit after tax for the year was £954,000 (Company: £990,000) (2004: Group: £1,236,000 (Company: £990,000)). An Interim dividend of 1.0p per share was paid on 16 August 2005. The Directors propose to pay a final dividend of 3.0p per share on 9 February 2006, subject to approval by shareholders at the Annual General Meeting to be held on 7 February 2006. A consolidated profit of £91,000 (Company profit: £127,000) will be transferred to revenue reserves (2004: Group: £340,000 (Company: £127,000)).

The total expense ratio of the Company as at 30 September 2005 was 5.6% (2004: 5.7%).

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 2005		At 1 October 2004 (or date of appointment if later)	
		Number of Ordinary Shares	**Number of Options**	Number of Ordinary Shares	Number of Options
Sir David Thomson	beneficial	**N/A**	**N/A**	86,775	–
(resigned 8 June 2005)	non-beneficial	**N/A**	**N/A**	–	–
George Robb	beneficial	**1,693,826**	**–**	1,432,923	387,822
(resigned 17 December 2004, appointed 8 June 2005)	non-beneficial	**30,314**	**–**	219,818	–
David Martin-Clark	beneficial	**N/A**	**N/A**	5,833	–
(resigned 8 June 2005)	non-beneficial	**N/A**	**N/A**	5,834	–
Norman Riddell	beneficial	**N/A**	**N/A**	90,000	–
(resigned 8 June 2005)	non-beneficial	**N/A**	**N/A**	–	–
Hugh Ward	beneficial	**N/A**	**N/A**	–	–
(resigned 8 June 2005)	non-beneficial	**N/A**	**N/A**	25,000	–
Barry Aling	beneficial	**1,871,800**	**–**	871,800	–
(appointed 8 June 2005)	non-beneficial	**–**	**–**	–	–
Geoff Miller	beneficial	**–**	**–**	–	–
(appointed 1 August 2005)	non-beneficial	**–**	**–**	–	–
Hugh Tilney	beneficial	**55,000**	**–**	–	–
(appointed 8 June 2005)	non-beneficial	**–**	**–**	–	–
John Taylor	beneficial	**1,568,422**	**–**	1,568,422	–
(appointed 8 June 2005)	non-beneficial	**–**	**–**	–	–
Charles Wilkinson	beneficial	**–**	**–**	–	–
(appointed 8 June 2005)	non-beneficial	**–**	**–**	–	–

None of the Directors holds any zero dividend preference shares.

As at 30 September 2005, Mr Riddell held £273,375 of 9.50% convertible loan notes 2005/8. This was redeemed at par plus accrued interest on 8 December 2005 (see note 32 on page 49).

There have been no changes to Directors' share holdings between 30 September 2005 and 31 December 2005.

In accordance with the Company's Articles of Association, all current members of the Board offer themselves for election at the Company's Annual General Meeting.

Details of transactions with directors are given in note 31 to the accounts.

At 30 September 2005, the market price of the Company's shares was 56.0p (2004: 50.5p). The maximum share price in the year was 65.25p (2004: 58.25p) and the minimum share price was 45.5p (2004: 36.0p).

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 between now and that date 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 2005 the Group and Company had outstanding trade creditors of £121,000 (2004: £6,000). As at 30 September 2005 the Group and Company's outstanding trade creditors represented 24 days purchases (2004 Group and Company: 1 day).

Contributions

No charitable or political donations were made during the year (2004: £Nil).

Substantial Interests

The Board has been advised that the following shareholders owned 3% or more of the issued share capital of the Company on 31 December 2005.

	Number of Ordinary Shares Held	% Held
PJ Milton (IFA)	2,951,730	13.67%
Charles Stanley (Private Clients)	2,451,679	11.36%
Barry Aling	1,871,800	8.67%
George Robb	1,693,826	7.85%
John Taylor	1,568,422	7.27%
RBS International Ltd	1,087,378	5.04%
Terrace Hill Group	750,000	3.47%
Lloyds TSB (Private Clients)	731,312	3.39%

Corporate Governance

The Company is committed to practicing the highest standards of corporate governance. As such it strongly supports the Code of Best Practice set out in section 1 of the July 2003 FRC Combined Code on Corporate Governance (the Code). The Company complied with all provisions of 'The Code' during the year with the exception of certain instances. Where the Company has not complied an explanation of the circumstances surrounding this decision have been given.

The Board

The Board of Directors currently comprises one Executive Director and five Non-Executive Directors, Charles Wilkinson and Geoff Miller, two Non-Executive Directors, being regarded as independent directors. Geoff Miller is the Senior independent Director. The biographies of the Directors appear on page 3.

These biographies 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.

It is considered that all Non-Executive Directors seeking re-election at the AGM have the appropriate experience and expertise to carry out these roles.

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 four 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 may 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 Board met twelve times during the last year. All Directors attended each meeting subsequent to their appointment, or up until their removal during the year.

The Board review the tenure of office of all Directors to ensure that all Directors continue to provide the necessary independence and judgement to enable the Company to succeed.

Board Committees

The Board has appointed three committees, the Nomination Committee, the Remuneration Committee and the Audit Committee. The Nomination Committee comprises Charles Wilkinson (Chairman), Barry Aling, Geoff Miller and George Robb. The Committee has not met during the year. The terms of reference of the Committee are available for inspection upon request. The Nomination Committee does not consider it appropriate to engage external search consultants when seeking to appoint new Non-Executive Directors due to the size of the organisation.

The Remuneration Committee comprises Charles Wilkinson (Chairman), Barry Aling, Geoff Miller and John Taylor. The Committee met once during the year with all members attending. The terms of reference of the Committee are available for inspection upon request. Given the Board changes that have occurred during the year, no formal evaluation of Directors' performance has taken place. The Committee intends that this will be addressed in the current financial year.

The Audit Committee comprises Barry Aling (Chairman), Geoff Miller, Hugh Tilney and Charles Wilkinson. The Committee met twice in the last year, once to review the Annual Report and Accounts and once to review the effectiveness of the system of internal financial control. All members attended each meeting. These meetings were also attended by the Managing Director, the Financial Controller, the Company Secretary and by a senior partner of the Company's auditors, Solomon Hare Audit LLP as required. The terms of reference of the Committee are available for inspection upon request.

Internal Controls

The Code requires the Directors to review the effectiveness of the Company's system of internal controls, and have an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. 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 in accordance with Turnbull guidance via preparation and Audit Committee review of an Internal Controls Report which is revised as required and reviewed annually. The Directors do not consider it appropriate for the Company to have an internal audit function due to the size of the organisation. The system of internal controls was in place during the entire period under review.

Going Concern

After reviewing the Company's budget for the year ended 30 September 2006 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, and at least until 27 October 2006. The Company will be wound up on that date, unless the shareholders vote to continue the Company. As at the date that these accounts were approved this shareholders' vote had not taken place and therefore there exists a fundamental uncertainty over the going concern status of the Company.

The Directors are currently considering the options available to the Company given the theoretical wind up date of the Company in October 2006. Accordingly they adopt the going concern basis in preparing the financial statements.

International Financial Reporting Standards

European Law requires that the next annual consolidated financial statements of the Company, for the year ended 30 September 2006, be prepared in accordance with International Financial Reporting Standards ('IFRS') adopted for use in the European Union.

The Company and its management have commenced work on a thorough review of the requirements and implications of the implementation of these standards to ensure that all information required for disclosure will be available in advance of reporting deadlines.

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

During the year, Solomon Hare LLP changed its name to Solomon Hare Audit LLP.

In accordance with section 385 of the Companies Act 1985 a resolution to re-appoint Solomon Hare Audit LLP as the Company's auditors will be proposed at the Annual General Meeting. The Directors ensure that the Auditors maintain their independence by limiting the amount of non-audit services provided by them, and also by engaging non-audit staff on work not related to the audit of the Company. Provision of non-audit services is reviewed by the Audit Committee.

Annual General Meeting

The Annual General Meeting will be held at the offices of Maclay Murray & Spens, One London Wall, London EC2Y 5AB at 10.00am on 7 February 2006. The following resolution will be proposed as ordinary business in addition to the other ordinary business to be transacted:

Resolution 10: Directors' Remuneration Report

The Directors' Remuneration Report contains information about the Company's remuneration policy, details of the Remuneration Committee, a performance graph showing the Company's total shareholder return ('TSR') compared with the TSR of the FTSE All Share (TR) index over a period of the five most recent financial years, details of Directors' service contracts and details of Directors' remuneration.

This resolution is an ordinary resolution that allows shareholders the opportunity to consider the Company's remuneration policies and the remuneration actually paid to Directors in the previous financial year. No entitlement of a Director to remuneration is conditional on the passing of this resolution.

Capital

Included in the financial statements is a balance of £171,000 (2004: £169,000) relating to 392,453 (2004: 342,453) ordinary shares in Asset Management Investment Company PLC, held on behalf of the AESOP and Employee Benefit Trust ('EBT'). This represents a holding of 1.81% of the issued ordinary share capital of the Company.

Post Balance Sheet Events

On 17 October 2005, the Company paid Norman Riddell and Associates £85,000 in settlement of notice following the removal of Norman Riddell as a director of the Company on 8 June 2005.

On 1 November 2005, Mrs J Prince was paid £91,125 plus interest accrued to that date in settlement of the convertible loan notes that were issued to her when the Company made its investment in Norman Riddell and Associates in 2003.

On 30 November 2005 David Buckley replaced Michael Pritchard as Company Secretary.

On 8 December 2005, an agreement was reached with Norman Riddell and Associates to repay the remaining £273,375 convertible loan notes at par plus accrued interest. The agreement also included the sale of Norman Riddell & Associates Limited for £25,000, which resulted in a capital loss of £578,075.

By order of the Board

D Buckley *Secretary* London, 11 January 2006

Report of the Board on Remuneration

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 (the 'Regulations'), which introduced new statutory requirements for the disclosure of Directors' remuneration in respect of periods ending on or after 31 December 2002. It has been approved by the Directors on 11 January 2006 and will be put to the shareholders for approval at the Annual General Meeting on 7 February 2006.

The Regulations require the auditors to report to the members of the Company on the "auditable part" of the Directors' Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for audited and unaudited information.

Information not Subject to Audit

The remuneration of the Executive Director is determined by the Remuneration Committee, which consists of three of the Non-Executive Directors, Charles Wilkinson (Chairman), Barry Aling, Geoff Miller and John Taylor. The members of the Remuneration Committee attend the Company's Annual General Meeting and are available to answer questions from shareholders about the remuneration of Directors.

Remuneration Policy

In designing remuneration policy and practices, the Committee has had regard to the provisions of Schedule A to the Combined Code. In preparing this report, the Board has followed the provisions of Schedule B to the Combined Code, and SI 2002/1986.

The principal function of the Committee is to determine the policy on executive remuneration, including that of Executive Directors. The Committee has access to external advisers when required.

The main aim of the policy of the Committee is to attract, retain and motivate high calibre individuals with a competitive package of basic salary, incentives and rewards that are linked to the overall performance of the group and in turn, to the interests of shareholders.

The overall package, which will be reviewed on a regular basis, may contain the following elements:

Basic Salaries

The basic salary for each Director and senior employee is fixed and is reviewed annually by the Committee. When an executive director serves as a non-executive of an investee company, the fees payable for this role are received by the Company.

Annual Bonus Payments

The Company operates an annual bonus scheme to provide an incentive for Executives. The Remuneration Committee awards an annual bonus on a discretionary basis after consideration of individual performance for the year. Bonus payments are not pensionable. Following George Robb's appointment as a director on 8 June 2005, his employment contract allows for a total bonus payment of up to £140,000, payable on an incremental basis and dependent on the performance of the Company's ordinary share price, net asset value and discount of share price to net asset value up to 27 October 2006. The amounts paid by way of bonus in the year amounted to £nil.

Pension benefits

Pension benefit is provided and is based on basic salary. A contribution of £5,813 was paid to George Robb during the year, which represents 15% of basic salary for the period up to 17 December 2004.

Executive Share Option Scheme

The Share Option Scheme is an unapproved scheme. An Executive may receive options with an exercise price equal to the market value at the time of grant, exercisable between three and ten years after grant. The options can only be exercised if the criteria are achieved based on the following principles:

(1) The performance yardstick is the total return, as defined in the Consolidated Statement of Total Return in the annual financial statements as 'Return on ordinary activities before taxation;

(2) The target to be set will be a minimum of the Retail Price Index plus 3% during the annual period; and

(3) This minimum target has to be achieved in three separate financial years of the Company during the period between the grant of the options and the final date on which the options can be exercised.

The Company's policy is to offer share options only to Executive Directors. However, given the theoretical wind-up date of the Company in October 2006, it has been decided that no share options will be issued prior to that date.

Service Contracts

The Company has entered into the following service agreements:

(a) A service agreement with Mr Robb dated 7 November 2005 that provides for a basic salary of £130,000 with effect from 1 January, 2006 and is terminable by either party on 12 months' notice or immediately if the Company is wound up on 27 October 2006, or Mr Robb reaches the age of 68. It also provides for payment of a bonus based on the period from 8 June 2005 to 27 October 2006 dependent on predetermined benchmarks related to net asset value, ordinary share price and discount to net asset value up to a maximum of £46,667 per benchmark. No bonus was paid in respect of the year to 30 September 2005 (2004: £nil). Also provided is a pension contribution equal to 15% of basic salary.

    In addition to this contract, Mr Robb received an ex-gratia payment of £240,000.

(b) The Non-Executive Directors of the Company, with the exception of Mr Tilney and Mr Taylor, have entered into agreements to provide services to the Company. The agreements are terminable on three months' notice.

    The services of Charles Wilkinson are provided to the Company pursuant to the terms of an engagement letter date 1 August 2005 for a Director's fee of £25,000 per annum.

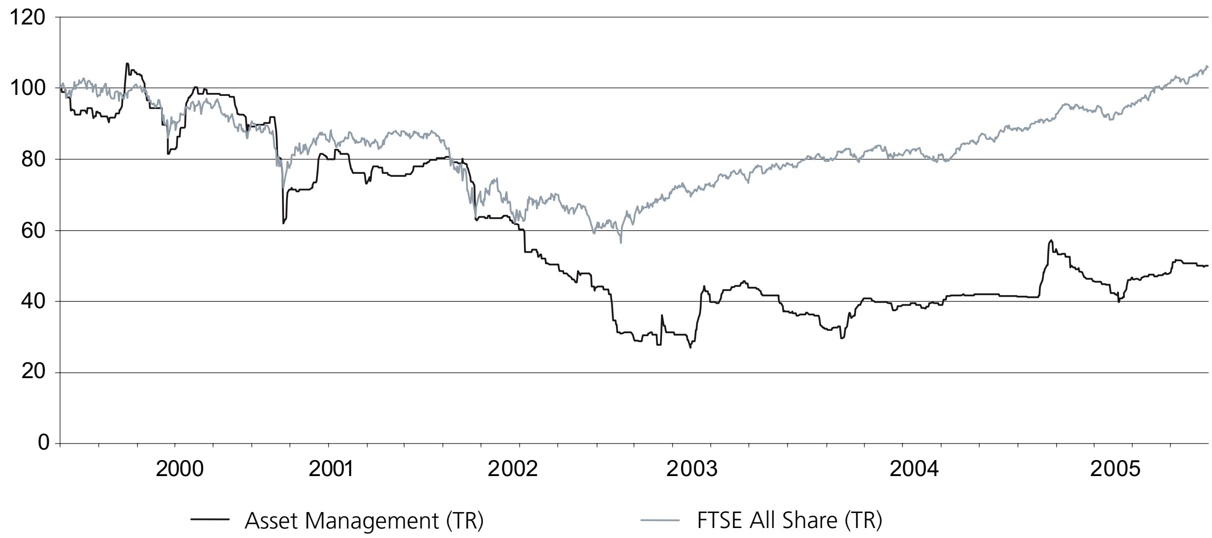
    The services of Mr Miller and Mr Aling are provided to the Company pursuant to the terms of engagement letters both dated 1 August 2005. Both receive fees of £17,500 per annum.

    Messrs Tilney and Taylor do not receive a fee for the provision of their services.

Total Shareholder Return

The regulations require the presentation of a performance graph of the total shareholder return (TSR) compared to a comparator for a period of five years.

The following graph charts the total return index of the Company since 1 October 2000 against the FTSE All Share index which is regarded as the most direct comparator for this purpose.



Source: Teather and Greenwood Research

Information Subject to Audit

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

Share Options

Details of share options in the Company held by the Directors are as follows:

	As at 1 October 2004 number	Date of grant	Number of shares	As at 30 September 2005 number
Mr Robb	387,822	22.12.2000	200,000	–
		10.12.2001	100,000	–
		21.01.2003	87,822	–

All options lapsed during the year

On behalf of the Board

Charles Wilkinson *Chairman, Remuneration Committee* London, 11 January 2006

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 2005, 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. We have also audited the information in the Report of the Board on Remuneration that is described as having been audited.

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

Respective Responsibilities of the Directors and the Auditors

The Directors are responsible for preparing the Annual Report, the Report of the Board on Remuneration 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 and 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 whether the financial statements and the part of the Report of the Board on Remuneration to be audited have been 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 regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

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

We read the 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 unaudited part of the Report of the Board on Remuneration, the Chairman's Statement, the Investment Portfolio 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.

Going concern

In arriving at our audit opinion, we have considered the adequacy of the disclosures made in note 1(k) to the financial statements concerning the provision in the Articles of Association that the Company has a fixed duration to 27 October 2006 and will be wound up on that date, unless the shareholders vote to continue the Company. The accounts do not include any adjustments to the valuation of the unquoted investment portfolio that would result from an extension to the Company's life not being approved by the shareholders. As at the date that the accounts are approved this shareholders' vote has not taken place. In view of the significance of this matter we consider that it should be brought to your attention but our opinion is not qualified in this respect.

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 and the part of the Report of the Board on Remuneration to be audited. 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 and the part of the Report of the Board on Remuneration to be audited.

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 2005 and of the total return of the Group and the Company for the year then ended; and
- the financial statements and the parts of the Report of the Board on Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985.

Solomon Hare Audit LLP *Chartered Accountants & Registered Auditors* Bristol, 11 January 2006

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

Year ended 30 September 2005

	Notes	**Revenue £'000**	**Capital £'000**	**2005 Total £'000**	Revenue £'000	Capital £'000	2004 Total £'000
Return on investments	2	**–**	**786**	**786**	–	4,772	4,772
Income – Continuing	3	**1,709**	**–**	**1,709**	1,829	–	1,829
Income – Discontinued		**–**	**–**	**–**	2,137	–	2,137
Administration expenses – Continuing	4	**(349)**	**(969)**	**(1,318)**	(301)	(900)	(1,201)
Administration expenses – Discontinued		**–**	**–**	**–**	(1,726)	(708)	(2,434)
Administration expenses – Group reorganisation costs	4	**(124)**	**(372)**	**(496)**	(124)	(374)	(498)
Net return before finance costs and taxation – Continuing		**1,236**	**(555)**	**681**	1,404	3,498	4,902
– Discontinued		**–**	**–**	**–**	411	(708)	(297)
Profit on disposal of subsidiaries		**–**	**–**	**–**	–	2,757	2,757
Interest payable	5	**(132)**	**(396)**	**(528)**	(84)	(253)	(337)
Interest receivable		**156**	**–**	**156**	47	–	47
Return on ordinary activities before taxation		**1,260**	**(951)**	**309**	1,778	5,294	7,072
Taxation on ordinary activities	8	**(306)**	**326**	**20**	(542)	323	(219)
Return on ordinary activities after taxation		**954**	**(625)**	**329**	1,236	5,617	6,853
Minority interests		**–**	**–**	**–**	(33)	–	(33)
Appropriation in respect of zero dividend preference shares		**–**	**(1,161)**	**(1,161)**	–	(1,069)	(1,069)
Return attributable to equity shareholders		**954**	**(1,786)**	**(832)**	1,203	4,548	5,751
Dividend in respect of equity shares	9	**(863)**	**–**	**(863)**	(863)	–	(863)
Reserves transfer		**91**	**(1,786)**	**(1,695)**	340	4,548	4,888
Return per ordinary share (basic)	10	**4.49p**	**(8.40)p**	**(3.91)p**	5.63p	21.30p	26.93p
Return per ordinary share (diluted)	10	**4.49p**	**(8.40)p**	**(3.91)p**	5.63p	21.30p	26.93p
Return per zero dividend preference share	10	**–**	**14.30p**	**14.30p**	–	13.17p	13.17p

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

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

The notes on pages 29 to 49 form part of the financial statements.

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

Year ended 30 September 2005

	Notes	**2005 Revenue £'000**	**2005 Capital £'000**	**2005 Total £'000**	2004 Revenue £'000	2004 Capital £'000	2004 Total £'000
Return on investments	2	**–**	**427**	**427**	–	5,206	5,206
Income	3	**1,709**	**–**	**1,709**	2,082	–	2,082
Administration expenses	4	**(284)**	**(851)**	**(1,135)**	(442)	(1,326)	(1,768)
Administration expenses – Group reorganisation costs	4	**(124)**	**(372)**	**(496)**	(127)	(381)	(508)
Net return before finance costs and taxation		**1,301**	**(796)**	**505**	1,513	3,499	5,012
Interest payable	5	**(132)**	**(396)**	**(528)**	(84)	(253)	(337)
Interest receivable		**156**	**–**	**156**	47	–	47
Return on ordinary activities before taxation		**1,325**	**(1,192)**	**133**	1,476	3,246	4,722
Taxation on ordinary activities	8	**(335)**	**335**	**–**	(486)	462	(24)
Return on ordinary activities after taxation		**990**	**(857)**	**133**	990	3,708	4,698
Appropriation in respect of zero dividend preference shares		**–**	**(1,161)**	**(1,161)**	–	(1,069)	(1,069)
Return attributable to equity shareholders		**990**	**(2,018)**	**(1,028)**	990	2,639	3,629
Dividend in respect of equity shares	9	**(863)**	**–**	**(863)**	(863)	–	(863)
Reserves transfer		**127**	**(2,018)**	**(1,891)**	127	2,639	2,766
Return per ordinary share (basic)	10	**4.66p**	**(9.50)p**	**(4.84)p**	4.63p	12.35p	16.98p
Return per ordinary share (diluted)	10	**4.66p**	**(9.50)p**	**(4.84)p**	4.63p	12.35p	16.98p
Return per zero dividend preference share	10	**–**	**14.30p**	**14.30p**	–	13.17p	13.17p

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

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

The notes on pages 29 to 49 form part of the financial statements.

Consolidated Balance Sheet

As at 30 September 2005

	Notes	£'000	2005 £'000	£'000	2004 £'000
Tangible fixed assets	11		**15**		9
Fixed asset investments					
Listed investments	12	**3,013**		3,722	
Unlisted investments	12	**36,958**		35,679	
			39,971		39,401
			39,986		39,410
Current Assets					
Debtors	13	**191**		758	
Cash and bank	14	**5,338**		5,593	
		5,529		6,351	
Current Liabilities					
Creditors: Amounts falling due within one year	15	**(1,018)**		(933)	
Net current assets			**4,511**		5,418
Total assets less current liabilities			**44,497**		44,828
Creditors: Amounts falling due after one year	16		**(11,622)**		(11,417)
			32,875		33,411
Capital and reserves					
Called up share capital	17		**13,516**		13,516
Share premium account	18		**23,588**		23,588
Capital reserve – realised	19		**(9,980)**		(7,999)
Capital reserve – unrealised	20		**(989)**		(1,238)
Revenue reserve	21		**662**		571
Own Share Reserve	22		**(171)**		(169)
Zero dividend appropriation reserve	23		**6,249**		5,142
Total shareholders' funds			**32,875**		33,411
Total shareholders funds are attributable to:					
Equity shareholders			**17,890**		19,587
Non-equity shareholders			**14,985**		13,824
			32,875		33,411
Net asset value per ordinary share (basic)	25		**84.42p**		92.19p
Net asset value per ordinary share (diluted)	25		**84.42p**		92.19p
Net asset value per zero dividend preference share	25		**184.54p**		170.25p

The financial statements were approved by a Committee of the Board of Directors on 11 January 2006 and signed on its behalf by:

Charles Wilkinson *Chairman* **George Robb** *Managing Director*

The notes on pages 29 to 49 form part of the financial statements.

Company Balance Sheet

As at 30 September 2005

	Notes	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Tangible fixed assets	11		**15**		9
Fixed asset investments					
Listed investments	12	**3,013**		3,722	
Unlisted investments	12	**36,982**		36,059	
			39,995		39,781
			40,010		39,790
Current assets					
Debtors	13	**180**		765	
Bank and Cash	14	**5,314**		5,322	
		5,494		6,087	
Current liabilities					
Creditors: Amounts falling due within one year	15	**(1,155)**		(1,001)	
Net current assets			**4,339**		5,086
Total assets less current liabilities			**44,349**		44,876
Creditors: Amounts falling due after one year	16		**(11,622)**		(11,417)
			32,727		33,459
Capital and reserves					
Called up share capital	17		**13,516**		13,516
Share premium account	18		**23,588**		23,588
Capital reserve – realised	19		**(9,187)**		(7,333)
Capital reserve – unrealised	20		**(2,247)**		(2,137)
Revenue reserve	21		**979**		852
Own share reserve	22		**(171)**		(169)
Zero dividend appropriation reserve	23		**6,249**		5,142
Total shareholders' funds			**32,727**		33,459
Total shareholders' funds are attributable to:					
Equity shareholders			**17,742**		19,635
Non-equity shareholders			**14,985**		13,824
			32,727		33,459
Net asset value per ordinary share (basic)	25		**83.72p**		92.43p
Net asset value per ordinary share (fully diluted)	25		**83,72p**		92.43p
Net asset value per zero dividend preference share	25		**184.54p**		170.25p

The financial statements were approved by a Committee of the Board of Directors on 11 January 2006 and signed on its behalf by:

Charles Wilkinson *Chairman* **George Robb** *Managing Director*

The notes on pages 29 to 49 form part of the financial statements.

Consolidated Cash Flow Statement

Year ended 30 September 2005

	Notes	**2005** **£'000**	**2005** **£'000**	2004 £'000	2004 £'000
Net cash flow from operating activities	27		**619**		931
Returns on investment and servicing of finance					
Interest paid		**(528)**		(337)	
Interest received		**156**		47	
Net cash flow from returns on investment and servicing of finance			**(372)**		(290)
Taxation received/(paid)			**18**		(228)
Capital expenditure and financial investment					
Purchase of investments		**(672)**		(2,136)	
Sale of investments		**966**		2,386	
Purchase of tangible fixed assets		**(12)**		(22)	
Net cash flow from capital expenditure and financial investment			**282**		228
Acquisitions and disposals					
Proceeds of sale of subsidiaries		**–**		4,819	
Cash sold with subsidiaries		**–**		(339)	
Net cash flow from acquisitions and disposals			**–**		4,480
Equity dividends paid			**(863)**		(863)
Management of liquid resources					
Short term deposits		**566**		(3,726)	
Purchase of current asset investments		**–**		(815)	
Sale of current asset investments		**–**		848	
Net cash flow from management of liquid resources			**566**		(3,693)
Net cash flow before financing			**250**		565
Financing					
Purchase of shares into trust		**(49)**		(80)	
Net cash flow from financing			**(49)**		(80)
Change in cash during the year	28		**201**		485

The notes on pages 29 to 49 form part of the financial statements.

1 Accounting policies

The principal accounting policies applied by the Group in the preparation of the financial statements to 30 September 2005 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 and the Statement of Recommended Practice (`SORP`) issued by the Association of Investment Trust Companies in January 2003.

(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.

(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 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 bid price at the balance sheet date with consideration of the total percentage held. The unrealised gain or loss 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.

(g) Subsidiary undertakings

Investments in subsidiary undertakings are stated at valuation in the balance sheet of the Company. The most up to date information available is used when valuing these entities.

(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 or revenue reserve depending on the nature of the transaction.

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) 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.

(k) Going Concern

The Company' Articles of Association contain a provision that the Company has a fixed duration to 27 October 2006. The Company will be wound up on that date, unless within the preceding 12 months the shareholders vote to continue the Company. As at the date that the accounts are approved this shareholders' vote has not taken place and therefore there exists a fundamental uncertainty over the going concern status of the Company.

The accounts do not include any adjustments that would result from an extension to the Company's life not being approved by the shareholders. Such adjustments would affect the valuation of the unquoted investment portfolio which have been valued on the basis that the Company will continue to be a going concern and that individual investments will not be disposed of on a break up basis.

The Directors have prepared the accounts on a going concern basis in accordance with guidelines produced by the AITC in the Statement of Recommended Practice for Investment Trusts and on the basis that they consider that the Company will be able to settle the obligations of the Company which are due for repayment on 27 October 2006.

(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.

(m) Liquid Resources

Liquid resources comprise money held by the Company's bankers on fixed term deposit or in a charge account. These amounts are included within cash at bank and in hand in the balance sheet.

2 Analysis of total gains and losses on investments in the year

Group

	Listed £'000	Unlisted £'000	2005 Total £'000	2004 Total £'000
Realised	–	537	537	392
Unrealised	(751)	1,611	860	3,505
Foreign exchange movement	–	(611)	(611)	875
Total return on investments in the year	(751)	1,537	786	4,772

Company

	Listed £'000	Unlisted £'000	2005 Total £'000	2004 Total £'000
Realised	–	537	537	2,621
Unrealised	(751)	1,253	502	1,710
Foreign exchange movement	–	(612)	(612)	875
Total return on investments in the year	(751)	1,178	427	5,206

The calculation of 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

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Income from listed investments				
Franked investment income	**1**	**1**	1	1
Unfranked investment income	**100**	**100**	100	100
Foreign income dividends	**–**	**–**	–	–
Dealing (loss) in subsidiary company	**–**	**–**	(6)	–
	101	**101**	95	101
Income from unlisted investments				
Franked investment income	**228**	**228**	117	117
Unfranked investment income	**889**	**889**	1,038	1,038
Foreign income dividends	**444**	**444**	484	683
Other income	**47**	**47**	2,232	143
	1,608	**1,608**	3,871	1,981
Total Income	**1,709**	**1,709**	3,966	2,082
Total income comprises:				
Dividends	**673**	**673**	602	801
Interest	**989**	**989**	1,138	1,138
Other investment income	**47**	**47**	2,226	143
	1,709	**1,709**	3,966	2,082
Income from investments				
Listed – UK	**101**	**101**	101	101
Unlisted – UK	**271**	**271**	275	275
Unlisted – North America	**892**	**892**	967	1,220
Unlisted – Europe	**445**	**445**	486	486
Other – North America	**–**	**–**	2,137	–
	1,709	**1,709**	3,966	2,082
Return after tax and minority interest				
UK	**954**	**990**	1,367	990
Overseas	**–**	**–**	411	–
	954	**990**	1,778	990

4 Administration expenses

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

		2005		2004
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Depreciation of tangible fixed assets	**4**	**4**	14	1
Amortisation of intangible fixed assets	**–**	**–**	38	–
Directors' remuneration	**79**	**79**	156	156
Auditors' remuneration:				
for audit	**6**	**6**	12	6
for other services	**4**	**4**	3	3
Group reorganisation costs	**–**	**–**	124	127
Requisition and reorganisation costs	**124**	**124**	–	–
Other expenses	**256**	**191**	1,804	276
	473	**408**	2,151	569

Auditors' remuneration for the period in respect of UK audit services amounted to £21,850 (2004: £23,500). Total fees in respect of non-audit services amounted to £16,000 (2004: £9,000). Non-audit services during the year related to tax compliance (£7,000 (2004: £6,000)) and other services (£9,000 (2004: £3,000)).These fees have been recognised in the Statement of Total Return. These services are reviewed by the Audit Committee to ensure that the independence and objectivity of the auditors is not compromised.

Requisition and reorganisation costs are made up of the costs of the defence of the former Board to the requisition of the EGM held on 8 June 2005 and the ex gratia payment made to G.A. Robb in December 2004.

A further £1,339,000 (Group) and £1,223,000 (Company) (2004: £1,982,000 (Group) and £1,707,000 (Company)) of administration expenses have been charged to the capital reserve (note 19).

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

5 Interest

		2005		2004
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Interest due on bank loans	**123**	**123**	75	75
Interest due on loan notes	**9**	**9**	9	9
	132	**132**	84	84

A further £396,000 (Group and Company) (2004: £253,000 (Group and Company)) of interest payable have been charged to the capital reserve (note 19).

6 Staff costs

	2005 Group	2005 Company	2004 Group	2004 Company
Average number of persons employed during the year	**3**	**3**	32	4

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Staff costs for the year (including Executive Directors)				
Salaries	**364**	**364**	2,051	534
Social security costs	**38**	**38**	75	43
Pension costs	**26**	**26**	56	53
Other staff costs	**406**	**406**	355	162
	834	**834**	2,537	792

7 Directors' remuneration

	2005 Group and Company £'000	2004 Group and Company £'000
Directors' fees and emoluments	**215**	458
Pension costs	**6**	23
Ex gratia payment	**335**	142
	556	623

Included in the above are Directors' remuneration of £417,000 (Group and Company) (2004: £467,000) which has been charged to capital reserve (note 19).

Details of service contracts with Directors are given in the Report of the Board on Remuneration on page 19.

Details of remuneration

	Salary and fees £'000	Bonus payments £'000	Other benefits £'000	Ex-Gratia payments £'000	Total before pension £'000	Pension costs £'000	2005 Total £'000	2004 Total £'000
Executive								
G A Robb	**41**	–	**2**	**240**	**283**	**6**	**289**	197
J W Spurdle	–	–	–	–	–	–	–	284
N M M Riddell	**116**	–	–	**85**	**201**	–	**201**	97
Non–Executive								
Sir David Thomson	**17**	–	–	**6**	**23**	–	**23**	25
D L Martin-Clark	**11**	–	–	**4**	**15**	–	**15**	17
H Ward	**12**	–	–	–	**12**	–	**12**	3
G Miller	**3**	–	–	–	**3**	–	**3**	–
B Aling	**5**	–	–	–	**5**	–	**5**	–
H Tilney	–	–	–	–	–	–	–	–
J Taylor	–	–	–	–	–	–	–	–
C E Wilkinson	**8**	–	–	–	**8**	–	**8**	–
	213	–	**2**	**335**	**550**	**6**	**556**	623

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

8 Taxation

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
UK Corporation Tax				
Current tax on income for the period	**–**	**–**	–	–
Double taxation relief	**–**	**–**	24	24
	–	**–**	24	24
Foreign Tax				
Current tax on income for the period	**(20)**	**–**	195	–
Tax on profit on ordinary activities	**(20)**	**–**	219	24
Allocated:				
Revenue	**306**	**335**	542	486
Capital (Note 19)	**(326)**	**(335)**	(323)	(462)
	(20)	**–**	219	24

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% (2004: 30%). The differences are explained below.

	2005 Group %	2005 Company %	2004 Group %	2004 Company %
Standard rate of tax for the period	**30.0**	**30.0**	30.0	30.0
Non-taxable income	**(5.2)**	**(4.7)**	(2.0)	(2.4)
Expenses not deductible	**–**	**–**	3.1	3.7
Irrecoverable withholding tax	**–**	**–**	1.3	1.7
Overseas tax rate differences	**(1.4)**	**–**	(0.6)	–
Consolidation adjustments	**0.9**	**–**	(1.3)	–
	24.3	**25.3**	30.5	33.0

The group has tax losses carried forward for offset against future profits at 30 September 2005 of £897,000 (2004: £397,000).

Deferred tax is not provided on capital gains and losses arising on the revaluation or disposal of investments because the Company meets (and intends to continue for the foreseeable future to meet) the conditions for approval as an investment trust company.

9 Dividends

	2005 £'000	2004 £'000
Interim dividend of 1.0p per ordinary share (2004: 1.0p)	**215**	215
Proposed final dividend of 3.0p per ordinary share (2004: 3.0p)	**648**	648
	863	863

10 Return per share

(a) Basic return per ordinary share

Basic revenue return per ordinary share for the year ended 30 September 2005 is calculated on the basis of the net revenue on ordinary activities after tax and minority interest of £954,000 (Company: £990,000) ((2004: £1,203,000) (Company: £990,000)) divided by 21,253,274 (2004: 21,347,709), 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, and also taking into account the impact of Urgent Issues Task Force Abstract 38 – Accounting for ESOP Trusts (UITF 38).

Basic capital return per ordinary share for the year ended 30 September 2005 is based on net capital loss of £1,786,000 (Company: £2,018,000) (2004: Gain £4,548,000 (Company: Gain £2,639,000)) divided by 21,253,274 (2004: 21,347,709), 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, and also taking into account the impact of Urgent Issues Task Force Abstract 38 – Accounting for ESOP Trusts (UITF 38).

(b) Diluted return per ordinary share

Diluted revenue and capital returns per ordinary share for the year ended 30 September 2005 are calculated on 21,253,274 (2004: 21,347,709) shares. The dilutive effect of share options in issue is nil shares. Details of share options are given in note 19.

(c) Return per zero dividend preference share

Return per zero dividend preference share for the year ended 30 September 2005 is calculated on the appropriation in respect of the zero dividend preference shares of £1,161,000 (Company: £1,161,000) (2004: £1,069,000 (Company: £1,069,000)) divided by 8,120,000 (2004: 8,120,000), being the number of zero dividend preference share of £1 each in issue during the year.

11 Tangible fixed assets

Group

	Office equipment £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1 October 2004	11	–	11
Additions	–	12	12
Disposals	(2)	–	(2)
At 30 September 2005	**9**	**12**	**21**
Depreciation			
At 1 October 2004	2	–	2
Charge for the year	1	3	4
Disposals	–	–	–
At 30 September 2005	**3**	**3**	**6**
Net book value			
At 30 September 2005	**6**	**9**	**15**
At 30 September 2004	9	–	9

Company

	Office equipment £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1 October 2004	55	30	85
Additions	–	12	12
Disposals	(46)	(30)	(76)
At 30 September 2005	**9**	**12**	**21**
Depreciation			
At 1 October 2004	46	30	76
Charge for the year	1	3	4
Disposals	(44)	(30)	(74)
At 30 September 2005	**3**	**3**	**6**
Net book value			
At 30 September 2005	**6**	**9**	**15**
At 30 September 2004	9	–	9

12 Fixed asset investments

Group

	Listed investments £'000	Unlisted investments £'000	Total £'000
Cost			
At 1 October 2004	3,654	40,059	43,713
Additions	42	628	670
Disposals	–	(960)	(960)
At 30 September 2005	**3,696**	**39,727**	**43,423**
Unrealised capital (loss)/gain			
At 1 October 2004	68	(4,380)	(4,312)
Movement in year	(751)	1,617	866
Transfer to realised capital reserve	–	(6)	(6)
At 30 September 2005	**(683)**	**(2,769)**	**(3,452)**
Valuation			
At 30 September 2005	**3,013**	**36,958**	**39,971**
At 30 September 2004	3,722	35,679	39,401

The market value of listed investments at the year-end was £3,014,151 (2004: £3,722,000).

Company

	Subsidiary undertaking £'000	Listed investments £'000	Unlisted investments £'000	Total £'000
Cost				
At 1 October 2004	1,790	3,654	39,220	44,664
Additions	–	42	628	670
Disposals	(237)	–	(721)	(958)
At 30 September 2005	**1,553**	**3,696**	**39,127**	**44,376**
Unrealised capital gain/(loss)				
At 1 October 2004	(570)	68	(4,381)	(4,883)
Movement in year	(213)	(751)	1,472	508
Transfer to realised capital reserve	(18)	–	12	(6)
At 30 September 2005	**(801)**	**(683)**	**(2,897)**	**(4,381)**
Valuation				
At 30 September 2005	**752**	**3,013**	**36,230**	**39,995**
At 30 September 2004	1,220	3,722	34,839	39,781

12 Fixed asset investments *continued*

Material movements on valuation of unlisted investments

Unquoted investment	**Valuation 2005 £'000**	Valuation 2004 £'000
City of London Investment Group – ordinary shares	**4,909**	3,023
Hillview Capital Partners – ordinary shares	**894**	1,195
IFDC – ordinary shares	**3,707**	4,016
International Foreign Exchange Concepts – common stock	**4,222**	3,594
International Foreign Exchange Concepts – 10% convertible loan note 2011	**15,838**	13,485
MMCM Holdings – 10% loan	**–**	214
Norman Riddell and Associates Limited – ordinary shares	**25**	240
New Star Asset Management – ordinary shares	**1,127**	653
Valenzuela Capital Partners – 10% convertible loan note 2011	**–**	1,382

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.

Details of investments in subsidiaries

Name of company	Class of capital	Percentage of class held %	Country of incorporation and operation	Principal activity
AMIC Securities Limited	Ordinary	100.00	United Kingdom	Dealing Company
AMIC Australia Pty	Ordinary	100.00	Australia	Holding Company
Asset Management Investment Company Inc	Ordinary	100.00	United States of America	Dormant Company
AMIC Canada Limited	Ordinary	100.00	Canada	Holding Company

Significant holdings

At 30 September 2005 the Group had the following holdings of more than 3 per cent of the ordinary share capital of the investee company:

Name of company	Class of capital	Percentage of equity held %	Country of incorporation
AMIC Distribution Partners	Ordinary	31.25	United States of America
City of London Investment Group	Ordinary	18.31	United Kingdom
Columbus Financial Services	Ordinary	25.50	United Kingdom
Financial Management Advisors	Ordinary	18.75	United States of America
Hillview Capital Partners	Ordinary	33.30	United States of America
Integrated Asset Management	Ordinary	15.80	United Kingdom
IFDC Group	Ordinary	15.00	Luxembourg
International Foreign Exchange Concepts	Ordinary	8.40	United States of America
MMCM Holdings	Ordinary	47.95	United States of America
Norman Riddell and Associates Limited	Ordinary	47.67	United Kingdom
Principal Investment Holdings Limited	Ordinary	4.42	United Kingdom
The Mayberry Group	Ordinary	7.81	United States of America

The investments in AMIC Distribution Partners, City of London Investment Group, Columbus Financial Services, Hillview Capital Advisors, MMCM Holdings and Norman Riddell and Associates Limited are not associate undertakings under Financial Reporting Standard 9, Associates and Joint Ventures, as investment trust companies should include all investments that are held as part of their investment portfolio in the same way, even those over which the investor has significant influence or joint control. Investments are held as part of the investment portfolio. Further information relating to the investee companies in which the Company held more than 20 per cent of the ordinary share capital is disclosed below.

12 Fixed asset investments *continued*

	Aggregate capital and reserves 2005 '000	Aggregate capital and reserves 2004 '000	Profit/(loss) before dividend 2005	Profit/(loss) before dividend 2004
AMIC Distribution Partners	*	US$(7,491)	*	US$(2,168)
City of London Investment Group	£2,265	£1,431 (restated)	£1,333	£319
Columbus Financial Services	*	*	*	*
Hillview Capital Advisors	*	US$(3,187)	*	US$(5)
MMCM Holdings	*	*	*	*
Norman Riddell & Associates	*	£120	*	£75

* Accounts not available.

Analysis of split of investments

	2005 %	2004 %
Equities	48.5	42.2
Convertibles	46.2	52.4
Loans	5.3	5.4
	100	100

Geographic analysis of investments

	2005 %	2004 %
UK	29	25
North America	62	64
Europe	9	11
	100	100

13 Debtors

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Trade debtors	–	1	6	1
Prepayments and accrued income	168	157	169	166
Other debtors	23	22	583	583
Amount due from subsidiary companies	–	–	–	15
	191	180	758	765

14 Cash and bank

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Cash	**1,483**	**1,459**	1,172	901
Fixed term deposits	**1,354**	**1,354**	1,988	1,988
Bank of Scotland charge account	**2,501**	**2,501**	2,433	2,433
	5,338	**5,314**	5,593	5,322

Fixed term deposits and the Bank of Scotland charge account have been classed as Liquid Resources in the preparation of the Cash Flow Statement.

Bank of Scotland retain a charge over the cash deposit of $4,400,000 included in cash and bank on the balance sheet.

15 Creditors: amounts falling due within one year

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Trade creditors	**121**	**121**	6	6
Proposed dividend	**648**	**648**	648	648
Other taxation and social security	**21**	**21**	15	15
Accruals and deferred income	**228**	**177**	264	198
Amount due to subsidiary company	**–**	**188**	–	134
	1,018	**1,155**	933	1,001

16 Creditors: amounts falling due after one year

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Bank Loan	**11,257**	**11,257**	11,052	11,052
9.5% Convertible Loan Notes 2008	**365**	**365**	365	365
	11,622	**11,622**	11,417	11,417

At the year end the Company had outstanding bank loans of US$17 million and £1.5 million, repayable in one single tranche on 27 October 2006, and bearing interest at a rate of 1.25 per cent to 1.75 per cent over LIBOR. The Loans are secured by a debenture over the Company's assets.

Subsequent to the year end, the Convertible Loan Notes have been redeemed in full (see note 32).

17 Called up share capital

	2005 £'000	2004 £'000
Authorised		
28,000,000 (2004: 28,000,000) ordinary shares of 25p each	**7,000**	7,000
9,000,000 (2004: 9,000,000) zero dividend preference shares of £1 each	**9,000**	9,000
	16,000	16,000
Allotted, issued and fully paid		
21,585,426 (2004: 21,585,426) ordinary shares of 25p each	**5,396**	5,396
8,120,000 (2004: 8,120,000) zero dividend preference shares of £1 each	**8,120**	8,120
	13,516	13,516

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.

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 2005, 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
10.12.2001	35,000	142½p	Dec 2004	Dec 2011
21.01.2003	33,664	65½p	Jan 2006	Jan 2013

Employee share ownership

Options were granted under the Company's Save As You Earn Share Option Scheme 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. This scheme ceased during the year.

On 6 June 2001, the Company implemented its 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 117,453 Ordinary shares at a cost of £66,187 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. During the year 35,692 shares were distributed.

On 19 June 2003, the Company implemented its Employee Benefit Trust. During the year the Company purchased 90,000 shares into the trust for the benefit of present and future employees of the Company. In addition 40,000 shares were distributed during the year. The closing balance of shares in the trust is 275,000.

18 Share premium

	£'000
At 1 October 2004	23,588
At 30 September 2005	**23,588**

19 Realised capital reserve

Group

	Listed £'000	Unlisted £'000	Administration charges £'000	Total £'000
At 1 October 2004	(4,258)	8,831	(12,572)	(7,999)
Transfer from unrealised capital reserve (Investments)	–	6	–	6
Transfer from unrealised capital reserve (loans)	–	531	–	531
Charge for the year	–	–	(1,411)	(1,411)
Appropriation in respect of zero dividend preference shares	–	–	(1,107)	(1,107)
At 30 September 2005	**(4,258)**	**9,368**	**(15,090)**	**(9,980)**

Company

	Listed £'000	Unlisted £'000	Administration charges £'000	Total £'000
At 1 October 2004	(4,153)	8,215	(11,395)	(7,333)
Transfer from unrealised capital reserve (Investments)	–	6	–	6
Transfer from unrealised capital reserve (loans)	–	531	–	531
Charge for the year	–	–	(1,284)	(1,284)
Appropriation in respect of zero dividend preference shares	–	–	(1,107)	(1,107)
At 30 September 2005	**(4,153)**	**8,752**	**(13,786)**	**(9,187)**

The charge for the year represents net transfer of administration costs, interest payable and taxation to capital in the statement of total return. This is made in line with the Group's accounting policy 1(c).

20 Unrealised capital reserve

Group	Listed £'000	Unlisted £'000	Total £'000
At 1 October 2004	259	(1,497)	(1,238)
Movement in year	(751)	1,617	866
Transfer to capital reserve (Investments)	–	(6)	(6)
Transfer to capital reserve (loans)	–	(531)	(531)
Foreign exchange	–	1	1
Foreign exchange on debt instruments	–	(81)	(81)
At 30 September 2005	**(492)**	**(497)**	**(989)**

Company	Listed £'000	Unlisted £'000	Total £'000
At 1 October 2004	70	(2,207)	(2,137)
Movement in year	(751)	1,259	508
Transfer from capital reserve (Investments)	–	(6)	(6)
Transfer from capital reserve (loans)	–	(531)	(531)
Foreign exchange on debt instruments	–	(81)	(81)
At 30 September 2005	**(681)**	**(1,566)**	**(2,247)**

21 Revenue reserve

	Group £'000	Company £'000
At 1 October 2004	571	852
Profit for the year	91	127
At 30 September 2005	662	979

22 Own share reserve

	Group and Company £'000
At 1 October 2004	169
Additions	49
Disposals	(47)
At 30 September 2005	**171**

The Company's investment in its own shares consists of shares held by the Trustees of the AESOP and shares purchased by the Company's EBT. During the year the trustees of the AESOP have distributed 35,692 ordinary shares at a cost of £28,000 to former and current employees. At the year end the trustees held 81,761 shares at a cost of £38,000. The trustees of the EBT have purchased 90,000 shares at a cost of £49,000 to be retained in trust for the benefit of employees. During the year 40,000 shares have been allocated to staff members at a cost of £19,000. At the year-end the trustees of the EBT held 275,000 shares at a cost of £133,000. The market value of the total shares as at 30 September 2005 was £200,000.

23 Zero dividend appropriation

	£'000
At 1 October 2004	5,142
Appropriation for the year	1,107
At 30 September 2005	**6,249**

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

The Net Asset Value (NAV) stated on the Balance Sheet as at 30 September 2005 is 184.54p. This differs from that reported via Association of Investment Trust Companies publications. This difference is created by the treatment of issue costs associated with the ZDP's that, in accordance with FRS 4 (Capital Instruments) are written off over the life of ZDP's. The redemption value on the 27 October 2006 is the same as that reported in note 17.

24 Reconciliation of movement in consolidated shareholders' funds

	2005 Group £'000	2004 Group £'000	**2005 Company £'000**	2004 Company £'000
Revenue return retained for the financial year	**91**	340	**127**	127
Capital return for the financial year	**(1,786)**	4,548	**(2,018)**	2,639
Allocation in respect of zero dividend preference shares	**1,161**	1,069	**1,161**	1,069
Transfer to Own Share Reserve	**(2)**	(30)	**(2)**	(30)
Net change to shareholders' funds	**(536)**	5,927	**(732)**	3,805
Opening shareholders' funds	**33,411**	27,484	**33,459**	29,654
Closing shareholders' funds	**32,875**	33,411	**32,727**	33,459

25 Net asset value

The basic net asset value per ordinary share at 30 September 2005 is calculated on the basis of the net assets attributable to equity shareholders divided by 21,192,973 (2004: 21,242,973) being the number of ordinary shares in issue at that date.

The basic and diluted net asset value per ordinary share at 30 September 2005 is calculated on the basis of net assets attributable to equity shareholders divided by the number of shares that would be in issue following adjustment for shares held in an Employee Benefit Trust and All Employee Share Ownership Plan in accordance with UITF 38.

The net asset value per zero dividend preference share at 30 September 2005 is calculated on the basis of the net assets attributable to zero dividend preference shareholders, less issue costs, divided by the number of zero dividend preference shares in issue at that date.

26 Contingent liabilities

There were no contingent liabilities in the group at 30 September 2005 (2004: Nil).

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

	2005 £'000	2004 £'000
Net return before finance costs and taxation	**1,236**	1,815
Depreciation of tangible fixed assets	**4**	58
Loss on disposal of fixed assets	**2**	–
Amortisation of intangibles	**–**	151
Foreign exchange	**23**	33
Movement in debtors	**592**	242
Movement in creditors	**101**	614
Administration expenses (before finance costs and taxation) charged to capital reserve including Group reorganisation costs	**(1,339)**	(1,982)
Net cash inflow from operating activities	**619**	931

28 Reconciliation of net cash flow to movement in net debt

	2005 £'000	2004 £'000
Cash movement in the year	**201**	485
Cashflow from movement in liquid resources	**(566)**	3,726
Amortisation of bank loan charges	**(15)**	(14)
Change in net debt resulting from cash flows and movement in net debt in the year	**(380)**	4,197
Exchange difference on debt instruments	**(80)**	875
Net debt at beginning of year	**(5,824)**	(10,896)
Net debt at end of year	**(6,284)**	(5,824)

29 Analysis of net debt

	At 1 October 2004 £'000	Cash flows £'000	Foreign exchange movement £'000	Non cash movement £'000	At 30 September 2005 £'000
Cash at bank and in hand	1,172	201	110	–	**1,483**
Debt due after 1 year	(11,417)	–	(190)	(15)	**(11,622)**
Liquid resources	4,421	(566)	–	–	**3,855**
	(5,824)	(365)	(80)	(15)	**(6,284)**

30 Analysis of financial assets and liabilities

The Group's financial instruments comprise:

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

At 30 September 2005, the Group had invested 92.6 per cent (2004: 90.5 per cent) of the portfolio in unlisted investments and the balance of the portfolio, 7.4 per cent (2004: 9.5 per cent), in listed investments.

At the year end the Company had outstanding bank loans of US$17 million and £1.56 million with Bank of Scotland, repayable at notice but not later than 27 October 2006, and bearing interest at rates of 1.25 per cent to 1.75 per cent over LIBOR.

The Company has £nil undrawn committed borrowing facilities at 30 September 2005 (2004: £nil).

Short term debtors and creditors have been included for all further disclosures.

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 management report 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 on pages 7 to 12.

Liquidity risk arises as the investment portfolio will comprise mainly unlisted securities, which represent a potential delay for realisation. This risk is managed by the holding of cash balances.

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

- Movements in rates affect the value of investments
- Movement in rates affect the income received
- Movement in rates affect the value of bank borrowings and interest payments

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. As at 30 September 2005, the Group had no open forward contracts.

Interest rate risk arises in respect of the Group's bank loans. As at 30 September 2005 the Group's loans carried a variable rate of interest of 1.25 per cent to 1.75 per cent over LIBOR.

Currency exposures

An analysis of the Group's fixed assets and net current assets at 30 September 2005 is:

2005	Sterling £'000	US$ £'000	C$ £'000	Total £'000
Investments	11,342	26,606	2,023	39,971
Net current assets	629	3,632	250	4,511
Net assets	42,443	(9,696)	128	32,875
2004				
Investments	10,034	27,051	2,316	39,401
Net current assets	2,789	2,451	178	5,418
Net assets	44,168	(11,034)	277	33,411

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

30 Analysis of financial assets and liabilities *continued*

Interest rate risk profile of financial assets and financial liabilities

Financial assets

The majority of the Group's financial assets are equity shares or other investments which neither pay interest nor have maturity dates. However, the portfolio does contain certain instruments which exhibit one or both of these characteristics. The analysis of such investments at 30 September 2005 is:

2005	Sterling £'000	US$ £'000	C$ £'000	Total £'000
Fixed rate investments	2,163	17,263	2,023	21,449
Weighted average interest rate	5.25%	10.01%	6.00%	9.15%
Weighted average period for which interest rate is fixed	3.0 Years	6.0 Years	1.0 Years	5.2 Years
2004				
Fixed rate investments	3,469	17,607	2,316	23,392
Weighted average interest rate	5.72%	9.17%	6.00%	8.34%
Weighted average period for which interest rate is fixed	3.8 Years	6.9 Years	2 Years	6 Years

Financial liabilities

As at 30 September 2005, the Company's bank loans of US$17 million and £1.56 million carried a variable rate of interest of between 1.25 per cent and 1.75 per cent over LIBOR. Details are given in note 16 of the maturity of the bank loan.

In accordance with the Investment Trust SORP, the following covenants are attached to the loans at 30 September 2005:

- At least £3,500,000 of the Total Assets of the Company be invested in cash or listed investments;
- At all times the ratio of Income to loan Interest shall not be less than 4:1;
- At all times the value of Total Assets of the Company shall be at least 300 per cent of Total Borrowings being £11.258 million at 30 September 2005;
- At all times the market capitalisation of the Borrower including Zero Dividend Preference Shares shall not be less than £17,500,000.

During the year, all covenants were met successfully, with the exception of the income to interest cover for 30 September 2005. This has been acknowledged by the Bank of Scotland who have agreed to take no action as a result of this breach.

In addition, Bank of Scotland retain charge over a cash deposit of $4,400,000 held on the Company's balance sheet and disclosed in note 14.

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. The carrying value represents issue proceeds plus cumulative 8 per cent coupon attached to the instrument at the balance sheet date.

		2005		2004
	Carrying value £'000	**Fair value £'000**	Carrying value £'000	Fair value £'000
Zero dividend preference shares	**14,985**	**15,022**	13,824	13,154
Bank loans	**11,258**	**11,263**	11,052	11,057
Loan notes	**365**	**365**	365	365

31 Related party transactions and ultimate controlling party

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.

During the year Norman Riddell and Associates Limited was paid £116,000 for the provision of services of Mr Norman Riddell as a Director up to 8 June 2005 (2004: £97,290). An amount of £107,000 was outstanding at the balance sheet date, and was subsequently settled for £85,000.

Subsequent to the removal of the former Board, and following the appointment of a new Board of Directors on 8 June 2005, expenses that were incurred prior to their appointment as directors were reimbursed by the Company to Mr Barry Aling (£4,944), and Mr George Robb (£9,321). These expenses represented legal fees and other costs incurred in requisitioning an EGM to propose the removal of all directors which took place on 8 June 2005 and represented a proportion of the total expenses incurred by both Mr Aling and Mr Robb. No amounts were outstanding at the balance sheet date and no similar amounts were paid in the prior year.

The Directors consider that there is no ultimate controlling party.

32 Post balance sheet events

On 17 October 2005, the Company paid Norman Riddell and Associates £85,000 in settlement of notice following the removal of Norman Riddell as a director of the Company on 8 June 2005.

On 1 November 2005, Mrs J Prince was paid £91,125 plus interest accrued to that date in settlement of the convertible loan notes that were issued to her when the Company made its investment in Norman Riddell and Associates in 2003.

On 30 November 2005 David Buckley replaced Michael Pritchard as Company Secretary.

On 8 December 2005, an agreement was reached with Norman Riddell and Associates to repay the remaining £273,375 convertible loan notes at par plus accrued interest. The agreement also included the sale of Norman Riddell & Associates Limited for £25,000, which resulted in a capital loss of £578,075.

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 the offices of Maclay Murray & Spens, One London Wall, London EC2Y 5AB at 10.00 am on 7 February 2006 for the following purposes:

1 To receive and adopt the Directors' Report and Financial Statements for the year ended 30 September 2005, together with the Auditors' Report thereon.

2 To approve the proposed final dividend of 3.0p per ordinary share.

3 To elect Barry Aling (Member of the Audit, Remuneration and Nomination Committees), who stands for election, as a Director.

4 To elect Geoff Miller (Member of the Audit, Remuneration and Nomination Committees), who stands for election, as a Director.

5 To elect George Robb (Member of the Nomination Committee), who stands for election, as a Director.

6 To elect John Taylor (Member of the Remuneration Committee), who stands for election, as a Director.

7 To elect Hugh Tilney (Member of the Audit Committee), who stands for election, as a Director.

8 To elect Charles Wilkinson (Member of the Audit, Remuneration and Nomination Committees), who stands for election, as a Director.

9 To approve the re-appointment of Solomon Hare Audit LLP as Auditors and to authorise the Directors to agree their remuneration.

10 To approve the Directors' Remuneration Report set out on pages 18 to 20 of the Directors' Report and Financial Statements for the year ended 30 September 2005.

By Order of the Board

David Buckley *Secretary* 11 January 2006

Notes:

1. Pursuant to Regulation 41 of the Uncertified 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 6.00 pm on 5 February 2006. Changes to entries on the register after 6.00 pm on 5 February 2006 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. The 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 Registrar, Lloyds TSB Registrars, The Causeway, Worthing, BN99 6ZR so as to arrive no later than 10.00 am on 5 February 2006.

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 AGM:

   (i) The register of the interests of Directors and their families in the share capital of the Company;

   (ii) The contracts of service of the Directors with the Company or any of its subsidiary undertakings.

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