



Asset Management Investment Company PLC

Annual Report 2006

Contents

| | |
|-----------|--|
| 2 | Corporate Information |
| 3 | Board of Directors |
| 5 | Chairman's Statement |
| 8 | Investment Portfolio |
| 12 | Directors' Report |
| 16 | Directors' Remuneration Report |
| 18 | Statement of Directors' Responsibilities |
| 19 | Statement of Corporate Governance |
| 23 | Independent Auditors' Report |
| 25 | Consolidated Income Statement |
| 26 | Group and Company Balance Sheets |
| 27 | Group and Company Statement of Changes in Equity |
| 29 | Group and Company Cash Flow Statement |
| 30 | Notes to the Financial Statements |
| 48 | Notice of Meeting |

CORPORATE OBJECTIVE

AMIC operates as a specialist investor in the asset management industry.

Pursuant to the special resolution passed on 20 October 2006 AMIC adopted a new investment objective to effect an orderly realisation of its investment portfolio in order to return capital to shareholders.

Corporate Information

| | |
|--|--|
| Directors | Charles Wilkinson Non-Executive Chairman George Robb Managing Director and Chief Investment Officer Geoff Miller Senior Non-Executive Director Barry Aling Non-Executive Director Hugh Tilney Non-Executive Director |
| Secretary and Registered Office | Bharat Bhagani 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 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: | 63 |
| Length of service: | Appointed June 2005 |
| Relevant experience: | Charles Wilkinson is a retired solicitor who was a partner in Lawrence Graham LLP until 31 March 2005. As a solicitor he specialised in corporate finance law particularly in the investment company sector. He is currently non-executive Chairman of European Utility Trust PLC and a non-executive director of a number of quoted 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: | 64 |
| 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 several companies in which AMIC is invested. |
| Committee membership: | Member of the Nomination Committee |
| Shareholding in the company: | 1,693,826 |

Geoff Miller

| | |
|-------------------------------------|--|
| Status: | Senior Independent Non-Executive Director |
| Age: | 40 |
| 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 |

Board of Directors *continued*

Barry Aling

| | |
|-------------------------------------|---|
| Status: | Non-Executive Director |
| Age: | 56 |
| 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 management sector. |
| Committee membership: | Chairman of the Audit Committee and member of the Remuneration and Nomination Committees. |
| Shareholding in the company: | 1,871,800 |

Hugh Tilney

| | |
|-------------------------------------|---|
| Status: | Non-Executive Director |
| Age: | 63 |
| 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. 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 |

Chairman's Statement

The year to 30 September 2006 was a very active and significant one for your Company. During the period your Board formulated and implemented a strategy to finance the repayment of the zero dividend preference shares, negotiated a new lending facility and secured the approval of shareholders for proposals for the continuation of the Company and a new investment objective. During the period world stock markets performed strongly, continuing a good operating environment for the companies in the investment portfolio, which produced an encouraging performance.

Corporate developments

A priority of the Board was to create additional liquidity well ahead of the prescribed repayment date for the issue of zero dividend preference shares, in order to avoid the risk of a forced realisation of illiquid assets to meet the liability and the resulting damage to shareholder value. To this end negotiations were successfully concluded with FX Concepts, the largest investment in the portfolio, for the sale to that company of the conversion rights on the convertible note held by AMIC for a consideration of \$20 million, to be paid by instalments, of which the first three instalments, amounting to \$12 million have been received. This transaction was subsequently approved by shareholders and was a major step towards securing the required liquidity, and was followed by the sale for £6,036,450 of 58% of your Company's holding in City of London Investment Group plc on the listing of that company on AIM. These measures together with existing liquidity and other disposals meant that your Company had more than adequate liquidity to repay the zero dividend preference shares comfortably in advance of the repayment date.

Your Board were of the view that the existing level of gearing should be initially maintained and repaid over a period of years. Accordingly, new lending facilities were negotiated with Investec Bank (UK) Limited, comprising a term facility of \$12 million which will be repaid from the instalments received from FX Concepts no later than July 2009 and a revolving facility loan of £4 million.

At an Extraordinary General Meeting held on 20 October 2006 the virtually unanimous approval of those shareholders voting in person or by proxy was obtained to the adoption of new Articles of Association which relieved the Board of its existing obligation to put forward a winding-up date in October 2006. The Company at the same time adopted a new investment objective whereby there will be an orderly realisation of the investment portfolio enabling cash in due course to be returned to shareholders. Except in very limited circumstances it is not intended to make further new investments. The Company was also granted powers to buy back its ordinary shares as and when appropriate. Since the year-end the first such re-purchase, amounting to 1.27% of the issued ordinary share capital, has been made.

The Company proposes to adopt a new set of Articles of Association at the Annual General Meeting to reflect the first set of changes brought in by the Companies Act 2006 ("2006 Act") particularly with regard to electronic communications.

Investments

World stock markets have performed well for much of the year under review and in the main are close to their highest levels since the recovery of markets began in 2003. In this favourable operating environment the companies in which AMIC is invested have made useful progress, and assets under management are at the highest levels seen for some time. This has been reflected in the revenue returns to AMIC and in the level of net asset value per share.

FX Concepts, which has mandates in excess of \$12 billion and is one of the leading currency managers in the United States, remains our largest investment, although the value of the holding is now defined by the agreement

Chairman's Statement *continued*

for the disposal of the conversion rights on the note. The company is a major contributor to our revenue, the return this year on the convertible loan note reaching the maximum in terms of the investment agreement. Impressive performance has also been achieved by **IFDC Group S.A.**, a high performance manager of funds invested in the Japanese stock markets, whose funds under management have reached \$2.5 billion. **Principal Investment Holdings**, located in Sevenoaks, Kent has increased its assets under management to a highest ever £950 million. **Lombardia Capital Partners** (formerly Valenzuela Capital Partners) is showing encouraging signs of solving the problems which were inherited from the previous management, but nevertheless significant challenges remain and your Directors consider that prudence dictates continuing to make a full provision against the investment. There is also an element of uncertainty affecting **Financial Management Advisors** in Los Angeles, which in December received an unfavourable judgement in a significant litigation and is considering its position with its legal and financial advisers. Until the situation is clearer your Directors in January 2007 have considered it prudent to make a full provision against the value of the equity and to write down the value of the convertible note by 25%.

The two quoted investments, **City of London Investment Group** and **Integrated Asset Management**, both of whom are listed on AIM, have made significant progress in the course of the year. City of London now manages funds in excess of \$3 billion and achieved its listing in April 2006. As mentioned above, your Company took the opportunity of raising liquidity by the disposal of approximately half the holding at the time of the listing, realising a profit of £4.4 million. Integrated Asset Management has trebled its assets under management in the course of the year to \$1.5 billion following an important transaction with Sal. Oppenheim, one of the largest private banks in Europe, which is expected in due course to contribute significantly to assets under management. The rise in the level of assets under management has been mirrored by the increase in the price of the ordinary shares.

Your Directors are of the opinion that the valuation methodology presently adopted is robust. 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 where possible 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.

International Financial Reporting Standards

As indicated in the Interim Report in June 2006, the Group has adopted International Financial Reporting Standards, in common with all United Kingdom listed companies producing consolidated accounts. Information relating to the prior year restatements can be found in the notes to the accounts.

Financial results

Following the repayment of the zero dividend preference shares, requiring £14.2 million in the year under review, and certain adjustments to the valuation of investments, consolidated total assets less current liabilities decreased by 22.5% to £35,182,000 (2005: £45,397,000). The net asset value per ordinary share increased by 39% to 127.27p (2005: 91.66p). This compared with a rise in the FTSE-100 Index of 8% and in the Dow Jones Industrial Average of 4% over the same period.

Revenue profit before tax and minority interests for the year was £2,431,000 (2005: £1,258,000), an increase of 93%. Profit after taxation and minority interests increased by 98% to £1,892,000 (2005: £952,000) and revenue return per ordinary share increased by 98% to 8.88p (2005: 4.48p). As previously announced your Board is recommending payment of a final dividend of 3.5p net per share (2005: 3.0p net per share), which together with the interim dividend of 1.5p net per share (2005: 1.0p net per share) paid on 25 August 2006 will make a total

Chairman's Statement *continued*

payment of 5.0p net per share (2005: 4.0p net per share). This excludes the special dividend of 2.0p net per share paid on 20 October 2006, reflecting the view of Directors that certain revenue received in the course of the year should be regarded as non-recurring. The final dividend will be proposed at the Annual General Meeting on 6 March 2007 for payment on 9 March 2007 to shareholders on the register at the close of business on 16 February 2007.

Outlook

The year under review has presented many challenges to your Company, but your Directors are satisfied that the outcome has been in the interests of shareholders and has prevented the destruction of shareholder value. While there will be challenges ahead in maximising the return to shareholders your Board is confident that your Company is now well placed to meet these. Your Board and management will continue to work closely with the companies in the investment portfolio to our mutual advantage.

While much has been achieved since the election of the present Board in June 2005, your Directors view 2007 and beyond with confidence. Several of the companies in the investment portfolio have demonstrated that, within their segment of the asset management industry, they are able to compete and grow effectively in terms of both assets under management and profitability, with a corresponding impact on the value of your Company's investment. Given the present favourable operating environment, and barring unforeseen events, further progress should be possible in the current year.

In July 2006 John Taylor, Chairman and Chief Executive Officer of FX Concepts, resigned as a Director of the Company, following approval of the disposal of the conversion rights. John had been a Director since 8 June 2005, during an extremely important period for your Company, and on behalf of the Board I would like to thank him for his unfailing support throughout this period and for his wise counsel, particularly on matters of foreign exchange.

Charles Wilkinson *Chairman*

9 February 2007

Investment Portfolio – Listed Investments (as at 30 September 2006)

Integrated Asset Management plc

| | Percentage of equity instrument % | Cost £ | Value at 30 September 2006 £ | Percentage of portfolio % | Country and year of investment |
|-----------------|--|-----------|---------------------------------------|---------------------------------|--------------------------------------|
| Ordinary shares | 10.7% | 1,545,608 | 2,892,828 | 9.6 | UK – 1997 |

Integrated Asset Management is a global alternative investment group listed on the AIM Market of the London Stock Exchange. The company's core businesses are "fund of hedge fund" management and institutional broking. The company has approximately US\$1.5 billion under management.

| Year End | December 2005 | December 2004 |
|------------------------------|---------------|---------------|
| Loss per share | (3.73)p | (4.06)p |
| Net Dividend per Share | Nil | Nil |
| Dividend Cover | n/a | n/a |
| Attributable Net Assets '000 | £412 | £289 |

City of London Investment Group PLC

| | Percentage of equity held % | Cost £ | Value at 30 September 2006 £ | Percentage of portfolio % | Country and year of investment |
|-----------------|-----------------------------------|-----------|---------------------------------------|---------------------------------|--------------------------------------|
| Ordinary shares | 13.6% | 1,226,582 | 4,100,666 | 13.6 | UK – 1997 |

City of London Investment Group was founded in 1991 and has funds under management in excess of US\$3 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, New Jersey and Singapore and manages funds on behalf of clients in the United States, the United Kingdom and Canada.

| Year End | May 2006 | May 2005 |
|------------------------------|----------|----------|
| Earnings per share | 13.8p | 6.4p |
| Net Dividend per Share | 215p | 60p |
| Dividend Cover | 1.32 | 3.75 |
| Attributable Net Assets '000 | £409 | £514 |

AMIC Distribution Partners Inc

| | Percentage of equity instrument % | Cost £ | Value at 30 September 2006 £ | Percentage of portfolio % | Country and year of investment |
|---------------------------------|--|-----------|---------------------------------------|---------------------------------|--------------------------------------|
| Ordinary shares | 31.25 | 376,682 | – | – | US 2001 |
| Convertible Promissory Note | 14.75 | 711,062 | – | – | US 2001 |
| Non convertible promissory Note | 100 | 656,365 | – | – | US 2001 |
| Working capital loan | 100 | 2,444,320 | – | – | 2002-2004 |

AMIC Distribution Partners Inc. ('ADPI'), formerly located 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 in the last bear market and your board decided that it was not in the best interest of shareholders to continue support for the company. Since the year-end confirmation has been received that the company has been dissolved.

Columbus Financial Services Limited

| | Percentage of equity instrument % | Cost £ | Value at 30 September 2006 £ | Percentage of portfolio % | Country and year of investment |
|-----------------|--|-----------|---------------------------------------|---------------------------------|--------------------------------------|
| Ordinary shares | – | 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. During 2006, the business was not deemed to be a viable ongoing entity and the company is being wound up.

Investment Portfolio – Unlisted Investments (as at 30 September 2006)

Financial Management Advisors, LLC

| | Percentage of equity instrument % | Percentage of equity upon conversion | Cost £ | Value at 30 September 2006 £ | Percentage of portfolio % | Country and year of investment |
|---------------------------|-----------------------------------|--------------------------------------|-----------|------------------------------|---------------------------|--------------------------------|
| Ordinary shares | 18.75 | 18.75 | 4,659,855 | 481,141 | 1.6 | US – 2002 |
| 2012 Convertible Note 10% | 100 | 6.25 | 1,553,048 | 1,202,205 | 4.0 | 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 which 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. As mentioned in the Chairman's statement FMA received an unfavourable judgement in a significant litigation in December 2006 and is considering its position with its legal and financial advisers.

| Year End | December 2005 | December 2004 |
|------------------------------|---------------|---------------|
| Loss per share | US\$(3.04) | US\$(3.24) |
| Net Dividend per Share | Nil | Nil |
| Dividend Cover | n/a | n/a |
| Attributable Net Assets '000 | US\$471 | US\$775 |

Hillview Capital Advisors LLC

| | Percentage of equity held % | Cost £ | Value at 30 September 2006 £ | Percentage of portfolio % | Country and year of investment |
|-----------------|-----------------------------|-----------|------------------------------|---------------------------|--------------------------------|
| Ordinary shares | 33.6% | 5,014,288 | 874,967 | 2.9 | 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 a full range of services from initial planning through to final implementation. Hillview is headquartered in Philadelphia, Pennsylvania and manages approximately \$750 million of assets.

| Year End | December 2005 | December 2004 |
|-----------------------------------|---------------|---------------|
| Loss per share | US\$(426.91) | US\$(5.01) |
| Net Dividend per Share | Nil | Nil |
| Dividend Cover | n/a | n/a |
| Attributable Net Liabilities '000 | US\$(226) | US\$(1,062) |

IFDC S.A. Group

| | Percentage of equity held % | Cost £ | Value at 30 September 2006 £ | Percentage of portfolio % | Country and year of investment |
|-----------------|-----------------------------|-----------|------------------------------|---------------------------|--------------------------------|
| Ordinary shares | 15.0% | 2,417,169 | 9,244,361 | 30.6 | 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 and North Africa. The company has several investment funds ranked amongst the top performers within their category. The group has assets under management in excess of US\$2.5 billion.

| Year End | December 2005 | December 2004 |
|------------------------------|---------------|---------------|
| Earnings per share | US\$1,831 | US\$1,098 |
| Net Dividend per Share | US\$1,155 | US\$989 |
| Dividend Cover | 1.59 | 1.11 |
| Attributable Net Assets '000 | US\$986 | US\$475 |

Investment Portfolio – Unlisted Investments (as at 30 September 2006) *continued*

International Foreign Exchange Concepts, Inc.

| | Percentage of equity instrument % | Cost £ | Value at 30 September 2006 £ | Percentage of portfolio % | Country and year of investment |
|-----------------|-----------------------------------|-----------|------------------------------|---------------------------|--------------------------------|
| 2011 | | | | | |
| Note 10% | 100 | 3,567,351 | 4,707,912 | 15.6 | US 2001 |
| Ordinary shares | 8.4 | 779,290 | 3,665,740 | 12.1 | 2002 |

International Foreign Exchange Concepts, established in 1981, is headquartered in New York City with offices in London, Singapore, Sydney and Rochester NY. 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 approximately US\$12 billion under management.

| Year End | May 2006 | May 2005 |
|------------------------------|-----------|----------|
| Earnings per share | US\$24.16 | US\$8.50 |
| Net Dividend per Share | Nil | Nil |
| Dividend Cover | n/a | n/a |
| Attributable Net Assets '000 | US\$1,078 | US\$371 |

The Mayberry Group, Inc.

| | Percentage of equity held % | Cost £ | Value at 30 September 2006 £ | Percentage of portfolio % | Country and year of investment |
|-----------------|-----------------------------|---------|------------------------------|---------------------------|--------------------------------|
| Ordinary shares | 7.89 | 702,190 | 34,038 | 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\$78 million.

| Year End | December 2005 | December 2004 |
|------------------------------|---------------|---------------|
| Loss per share | US\$0.12 | US\$(0.04) |
| Net Dividend per Share | Nil | Nil |
| Dividend Cover | n/a | n/a |
| Attributable Net Assets '000 | US\$118 | US\$115 |

MMCM Holding Inc.

| | Percentage of equity instrument % | Diluted percentage of the equity upon conversion % | Cost £ | Value at 30 September 2006 £ | Percentage of portfolio % | Country and year of investment |
|------------------|-----------------------------------|--|-----------|------------------------------|---------------------------|--------------------------------|
| Ordinary shares | 47.95 | 36.49 | 2,411,799 | – | – | US 1995 |
| Class 'B' shares | 0 | 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 US 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.

Investment Portfolio – Unlisted Investments (as at 30 September 2006) *continued*

Principal Investment Management Ltd

| | Percentage of equity held % | Percentage of equity upon conversion % | Cost £ | Value at 30 September 2006 £ | Percentage of portfolio % | Country and year of investment |
|----------------------------------|-----------------------------------|---|-----------|---------------------------------------|---------------------------------|--------------------------------------|
| Ordinary shares | 2.86 | | 411,404 | 889,290 | 2.9 | UK 2000-2005 |
| Deferred ordinary shares | 1.56 | | 92,404 | 330,962 | 0.6 | 2000 |
| Convertible preference shares 6% | | 2.50 | 1,300,000 | 627,090 | 2.1 | 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 £950 million in assets. Since the year-end the deferred ordinary and convertible preference shares have been converted, and AMIC now holds 139,508 ordinary shares representing 8.05% of the equity.

| Year End | December 2005 | December 2004 |
|--|---------------|---------------|
| Earnings/(loss) per share | £0.71 | £0.20 |
| Net Dividend per Share | 22p | 14p |
| Dividend Cover | 2.15 | 1.05 |
| Attributable Net Assets/(Liabilities) '000 | £107 | £100 |

Directors' Report (as at 30 September 2006)

The Directors present their report and financial statements for the year to 30 September 2006.

Principal Activity

The business of the Company is that of an investment trust investing in global private asset management companies.

Business Review

A review of the Group's activities and key performance indicators is given in the Chairman's Statement on pages 5 to 7.

Additionally, each Director confirms that, so far as he is aware, there is no relevant audit information of which the Group's auditors are unaware, and he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information. Additionally, there are no important events since the year end which have not been disclosed. Details of the Directors are given on page 3 and 4 and also below in the Directors Report.

In common with most investment trusts, Directors & Officers liability insurance cover has been maintained throughout the year at the expense of the Company.

Status

The Company is an investment company as defined by Section 266 of the Companies Act 1985 and is registered as a public limited company. The company is also a member of the Association of Investment Companies ("AIC").

The Company has been approved by the HM Revenue & Customs as an investment trust under 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 years ended 30 September 2005 and 30 September 2006 so as to be able to obtain approval as an Investment Trust.

Results and Dividends

The Group profit after tax for the year was £1,892,000. An interim dividend of 1.5p per share was paid on 25 August 2006. The Directors propose to pay a final dividend of 3.5p per share on 9 March 2007. In addition a special dividend of 2.0p per share was paid on 20 October 2006.

Contributions

No charitable or political donations were made during the year (2005: £Nil).

Directors' Report (as at 30 September 2006) continued

Directors

The current Directors of the Company are shown on pages 3 and 4 along with brief biographical details. John Taylor retired as Director of the Company during the year. In accordance with the Articles of Association Barry Aling and George Robb offer themselves for re-election.

The Directors at 30 September 2006 and their beneficial interests in the Ordinary shares of the Company are as follows:

| | | At 30 September 2006 | | At 1 October 2005 (or date of appointment if later) | |
|-------------------|----------------|---------------------------------|----------------------|--|----------------------|
| | | Number of Ordinary Shares | Number of Options | Number of Ordinary Shares | Number of Options |
| George Robb | beneficial | 1,693,826 | – | 1,693,826 | – |
| | non-beneficial | 30,314 | – | 30,314 | – |
| Barry Aling | beneficial | 1,871,800 | – | 1,871,800 | – |
| | non-beneficial | – | – | – | – |
| Geoff Miller | beneficial | – | – | – | – |
| | non-beneficial | – | – | – | – |
| Hugh Tilney | beneficial | 55,000 | – | – | – |
| | non-beneficial | – | – | – | – |
| Charles Wilkinson | beneficial | – | – | – | – |
| | non-beneficial | – | – | – | – |

None of the Directors had any interest in the Group's zero dividend preference shares at any time during the year.

Corporate Governance

The Statement of Corporate Governance is shown on pages 19 to 22.

Financial Statements

The Directors' responsibilities regarding the financial statements are set out on page 18. The Directors acknowledge that their responsibility to present a balanced and understandable assessment extends to interim and other price sensitive public reports as well as to information required to be presented by statutory requirements.

Risk Management

The major risks associated with the Group's businesses are market risk, foreign currency risk, liquidity risk and credit risk. The Group has established a comprehensive framework for managing these risks, which evolves as the Group's business activities change in response to market, credit and other developments. The Group's policies for managing each of these risks and its exposure there to are detailed in note 26 to the financial statements.

Going Concern

The Company adopted a new investment objective requiring the Company to effect an orderly realisation of its investment portfolio and return cash to shareholders. After making enquiries and given the nature of the Group and its investments, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Directors' Report (as at 30 September 2006) continued

Substantial Interests

On 31 January 2007 the following were registered or had notified the Company as being interested in 3% or more of the Company's Ordinary share capital:

| | Number of Ordinary Shares Held | % Held |
|--|-----------------------------------|--------|
| PJ Milton (IFA) and clients | 3,239,733 | 15.20% |
| Advance UK Trust plc | 2,275,000 | 10.67% |
| Barry Aling | 1,871,800 | 8.78% |
| George Robb | 1,693,826 | 7.95% |
| John Taylor | 1,568,422 | 7.36% |
| State Street Nominees Ltd | 792,200 | 3.72% |
| Transact Nominees – private clients | 729,168 | 3.42% |
| City Group Global Market – private clients | 675,000 | 3.16% |

Creditor Payment Policy

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which the transaction is effected. All other expenses are paid on a timely basis in the ordinary course of business. The Directors do not consider any creditors to represent trade creditors.

Special Business at the Annual General Meeting

Under Resolution 7, which is an ordinary resolution, it is proposed that those 880,000 unissued zero dividend preferences shares that are redundant to the Company are cancelled.

Under Resolution 8, it is proposed that in line with common practice the Directors are authorised to allot up to £1,758,110 of relevant securities in the Company (equivalent to 7,032,440 ordinary shares of 25 pence, representing approximately 33% of the Company's issued share capital) for a period ending at the conclusion of the Annual General Meeting in 2008. The Directors have no present intention to issue further ordinary shares in the Company.

Resolution 9 proposes that the Directors be conferred the authority to issue equity securities of the Company for cash other than on a pre-emptive basis as provided in the Companies Act 1985 ("the Act"). Other than in connection with a rights or scrip dividend or other similar issue, the authority contained in this resolution will be limited to issues of ordinary shares and/or sales of treasury shares representing an aggregate nominal value of £266,380, which in turn represents 5% of the issued ordinary share capital at 9 February 2007. This authority will expire at the conclusion of next year's Annual General Meeting. As at 9 February 2007, the Company did not hold any shares in treasury.

Resolution 10, which is a special resolution, renews the authority granted at the Extraordinary General Meeting held on 20 October 2006 and gives the Company authority to buy back its own ordinary shares as permitted by the Act. The authority limits the number of ordinary shares that could be purchased to a maximum of 3,194,432, representing 14.99% of the issued share capital as at 9 February 2007 and sets the minimum and maximum prices that can be paid. The authority would only be exercised if the Directors believed that to do so would result in an increase in earnings per shares and would be in the interests of shareholders generally.

Under Resolution 11, which is a special resolution, it is proposed that new Articles of Association are adopted, to reflect the new provisions of the 2006 Act and the Disclosure and Transparency Rules of the FSA with regard to electronic communications. Apart from these there are no other substantive changes to the new Articles of Association adopted on 20 October 2006. The 2006 Act allows the Company, to deliver, *inter alia*, notices of

Directors' Report (as at 30 September 2006) *continued*

meeting and any other documentation (which will include, but not be limited to, the Company's annual report and financial statements) to shareholders either by electronic communication or by publishing such notices information or documentation on the Company's website if a shareholder has either agreed in advance or is deemed to have agreed in accordance with the provisions of the 2006 Act. Notices to shareholders requesting confirmation of their shareholding pursuant to Section 793 of the 2006 Act can also be sent electronically. The full terms of the proposed new Articles of Association (together with a comparison of the proposed and the current Articles of Association) will be available for inspection from the date of this document until the close of the Annual General Meeting in the offices of the Company at 32 Ludgate Hill, London, EC4M 7DR and at the place of the Annual General Meeting for at least 15 minutes before and during the Meeting.

Recommendation

Your Directors believe that the adoption of the Resolutions to be proposed at the Annual General Meeting is in the best interests of the Company and its Shareholders as a whole and accordingly recommend Shareholders to vote in favour of the Resolutions.

Auditors

Solomon Hare Audit LLP have indicated their willingness to continue in office and a resolution to re-appoint Solomon Hare Audit LLP as auditors will be proposed at the forthcoming Annual General Meeting, along with a resolution to authorise the Directors to fix their remuneration.

By order of the Board

B Bhagani *Secretary*

9 February 2007

Directors' Remuneration Report

This Report is prepared in accordance with Schedule 7A of the Companies Act 1985.

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 15 January 2007 and will be put to the shareholders for approval at the Annual General Meeting on 6 March 2007.

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 the non-executive Directors, Charles Wilkinson (Chairman), Barry Aling, Geoff Miller and Hugh Tilney. The members of the Remuneration Committee will attend the Company's Annual General Meeting and will be available to answer questions from shareholders about the remuneration of Directors.

Remuneration Policy

Subject to an aggregate limit of £150,000 as set out in the Articles, it is the Company's policy to determine the level of non-executive Directors' fees having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs.

No element of the non-executive Directors' remuneration is performance related.

The long-term incentive for the Managing Director is set out below.

Under the terms of a letter agreement between the Company and Mr. George Robb it has been agreed during the year to vary the terms of Mr. Robb's service contract, the effect of which is:

- (1) To reduce the basic salary payable per annum to Mr. Robb to £100,000 effective 20 October 2006.
- (2) To replace the existing bonus with a performance bonus comprised of the following:
 - (a) A separate payment of £5,000 payable for each increase of 5 pence in the NAV per ordinary share during the period commencing with the date the variation became effective; and
 - (b) A separate payment of £5,000 payable for every 5 pence per share realised above the predetermined benchmark NAV of 121.27p per share (being the NAV per share as at, the date the variation became effective) provided always that the aggregate performance bonus payable in any one year shall not exceed 5 per cent. of the Company's market capitalisation at that time.
- (3) To replace the termination provisions with a requirement for either party to give not less than 6 months' notice to terminate.

Half of the bonus element will be retained in escrow and only paid when the process of liquidating the portfolio and returning cash to shareholders has been completed. The amount held in escrow will be subject to adjustment by reference to the amounts actually realised on the disposal of the company's investments. Adjustment will also

Directors' Remuneration Report *continued*

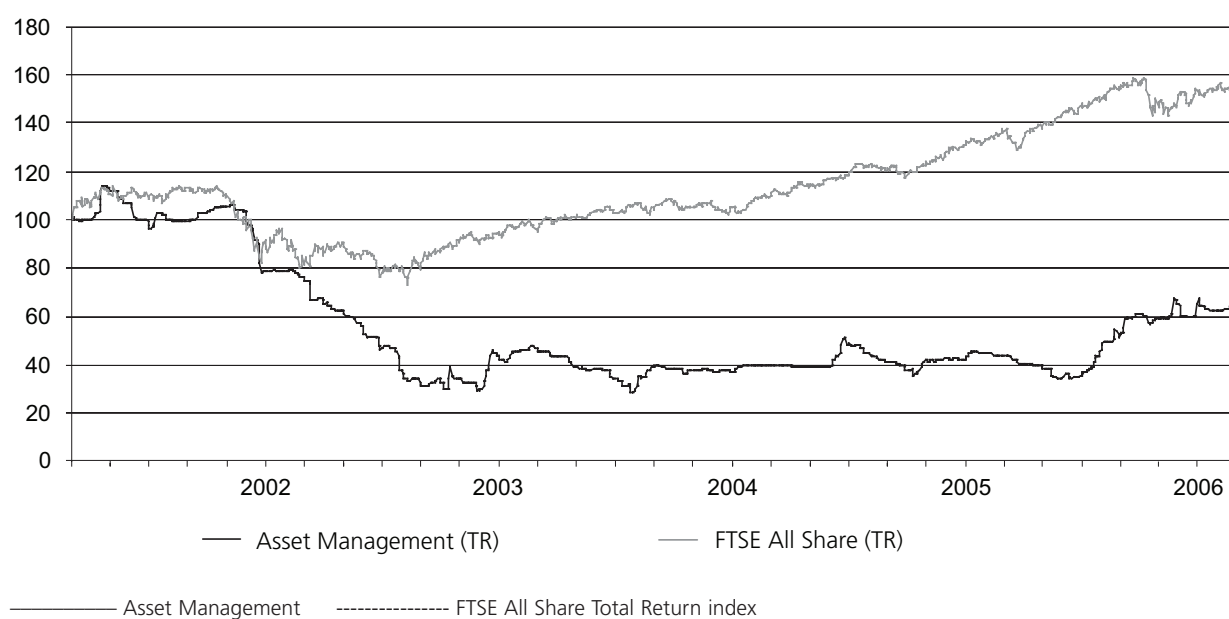
be made as deemed appropriate, to take account of any return of capital (including the purchase of ordinary shares by the company out of its capital profits).

A resolution to receive and adopt the Directors' Remuneration policy will be proposed at the Annual General Meeting.

Total Shareholder Return

The graph below illustrates the total shareholder return for a holding in the Company's Ordinary shares as compared to the FTSE All Share Total Return Index for the five years until 30 September 2006.

The following graph charts the total return index of the Company since 1 October 2001 against FTSE All Share index which is regarded as the most direct comparator for this purpose.



Source: Teather and Greenwood Research

Service Contracts

Each of the non-executive Directors is appointed under the terms of a letter of appointment pursuant to which the Chairman is entitled to an annual fee of £25,000 and each of the other non-executive Directors is entitled to a fee of £17,500 payable in equal monthly instalments. Each of the Director's appointments is terminable upon three months written notice by either party. Save as disclosed above, there are no proposed service contracts or letters of engagement between any of the Directors and the Company.

Pension benefits

Pension benefit is provided and is based on basic salary. A contribution of £14,625 was paid to George Robb during the year which represents 15% of basic salary.

Information subject to Audit

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

On behalf of the Board

Charles Wilkinson, *Chairman Remuneration Committee*

London, 9 February 2007

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors have chosen to prepare financial statements for the Company and the Group in accordance with International Financial Reporting Standards.

Company law requires the directors to prepare such financial statements in accordance with International Financial Reporting Standards, the Companies Act 1985 and Article 4 of the IAS Regulation. International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the accounts on a going concern basis unless, having assessed the ability of the Company to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

Statement of Corporate Governance

The Company is committed to a high standard of corporate governance. This statement describes how the principles and supporting principles identified in the Combined Code, published in July 2003, have been applied by the Group throughout the year ended 30 September 2006 as set out below:

The Board

The Board currently consists of four non-executive Directors and one Executive Director. During the year there were five non-executive Directors prior to the resignation of Mr John Taylor on 30 June 2006.

All Directors, with the exception of Mr George Robb, are considered by the Board to be independent. Mr Robb is the Managing Director and the Chief Investment Officer and as such is not considered to be independent.

Each Director has the requisite high level and range of business and financial experience which enables the Board to provide clear and effective leadership of the Company. The Board considers that the post of chief executive officer is not relevant as this role has effectively been delegated to Mr Robb.

Mr Geoff Miller has been identified as the senior independent non-executive Director, to whom any concerns can be conveyed by shareholders.

The biographies of the Directors appear on pages 3 and 4 of this annual report and indicate the range of Directors' investment, commercial and professional experience.

The Board met seven times during the year ended 30 September 2006. In addition, the Audit Committee met twice. Between these formal meetings there is regular contact with the Managing Director.

To enable the Board to function effectively and allow Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including a review of the investment portfolio and discussion documents regarding specific matters.

The Board and Committees have undertaken their annual performance evaluation, to ensure that members have devoted sufficient time and contributed adequately to the work of the Board and Committees. The Chairman has been evaluated by his fellow Directors.

The Board sets the Group's values and objectives and ensures that its obligations to its Shareholders are met. It has formally adopted a schedule of matters which are required to be brought to it for decision by the Managing Director, thus ensuring that it maintains full and effective control over strategic, financial, operational and compliance issues.

These matters include:

- The maintenance of clear investment objectives and risk management policies;
- The monitoring of the business activities of the Group;
- Companies Act requirements such as the approval of the interim and annual financial statements and approval of the interim dividends;
- Major changes relating to the Group's structure, including share buybacks;
- Board appointments and related matters;
- Terms of reference and membership of Board Committees; and Stock Exchange, UK Listing Authority and Financial Services Authority matters, such as approval of all circulars and releases concerning matters decided by the Board.

Statement of Corporate Governance *continued*

There is an agreed procedure for Directors to take independent legal advice, if necessary, at the Group's expense.

The Directors have access to the advice and services of the Company Secretary, who is responsible to the Board:

- For ensuring that Board procedures are complied with;
- Under the direction of the Chairman, for ensuring good information flows with the Board and its committees; and
- For advising on corporate governance matters.

An induction meeting will be arranged by the Chairman on the appointment of any new Director, covering details about the Group, the investment strategy, legal responsibilities and investment trust industry matters. Directors are provided on a regular basis with key information on the Group's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise.

The Chairman of the Group is a non-executive Director.

External Agencies

The Board has contractually delegated the registration services to an external agency, whose contract was entered into after full and proper consideration by the Board of the quality and cost of services offered.

Board Committees

Separate Audit and Remuneration and Nomination Committees have been established.

Nomination Committee

A Nomination Committee has been established with written terms of reference and at year-end comprised Charles Wilkinson (Chairman), George Robb, Barry Aling and Geoff Miller. John Taylor resigned during the year and Hugh Tilney was appointed since the year-end.

The Nomination Committee reviewed the composition of the Board to ensure that the balance of its membership and the experience of individual Directors remained appropriate to lead the Company. A formal, rigorous and transparent process for the appointment of any new Directors has been established.

Audit Committee

An Audit Committee has been established with written terms of reference and comprises Barry Aling (Chairman), Charles Wilkinson, Geoff Miller and Hugh Tilney. Two meetings were held during the year. The terms of reference of the Committee, which are available on request, are periodically reviewed and re-assessed for their adequacy.

The terms of reference of the Audit Committee include:

- The review of the effectiveness of the internal control environment of the Group including receiving reports from the secretary and external auditors on a regular basis;
- The review of the interim and annual reports and financial statements;
- The review of the terms of appointment of the Auditors together with their remuneration as well as any non-audit services provided by the Auditors;
- The review of the scope and results of the audit and the independence and objectivity of the Auditors.

The Audit Committee examined the annual or interim report and financial statements, reviewed the Group's internal controls and reviewed the scope of the audit and the auditors' management report to the Board.

Statement of Corporate Governance *continued*

The Group has in place a policy for controlling the provision of non-audit services by the Auditors, in order to safeguard their independence and objectivity. Non-audit work which might compromise independence is prohibited.

Remuneration Committee

At year-end this comprised Charles Wilkinson (Chairman), Barry Aling and Geoff Miller. John Taylor resigned during the year and Hugh Tilney was appointed since the year-end.

Details of the work of the Remuneration Committee are set out in the Directors' remuneration report.

Communication with Shareholders

The Group places a great deal of importance on communication with its Shareholders. As required under the Combined Code, the Annual Report is posted to Shareholders at least twenty business days before the Annual General Meeting. At the last Annual General Meeting, details of proxy votes received (including the number of abstentions) were disclosed in accordance with the Combined Code.

Shareholders also have direct access to the Group via the Company website, and the Managing Director and Company Secretary respond to any shareholder queries.

Accountability and audit

The Directors' Statement of Responsibilities in respect of the Financial Statements is on page 18 and the Statement of Going Concern is included in the Directors' Report on page 13. The Board is satisfied that the members of the Audit Committee have recent and relevant financial experience.

Internal Controls

The Board is responsible for the Group's system of internal control and reviews its effectiveness at least annually. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Through the regular meetings of the Board and the schedule of matters reserved to the Board or its duly authorised Committees for decision, the Board aims to maintain full and effective control over appropriate strategic, financial, operational and compliance issues. The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority. Each year, the Board considers and approves a strategic plan and an annual budget. In addition, there are established procedures and processes for planning and controlling expenditure and the making of investments. There are also information and reporting systems for monitoring the Group's investments and their performance.

The risk process is reviewed by the Board and the Audit Committee and complies with the internal control guidance for Directors on the Combined Code issued by the Turnbull Committee. The processes as established for the Group include:

Statement of Corporate Governance *continued*

- A planning framework which incorporates a Board approved strategic plan;
- Formal business risk reviews performed by management which evaluate the potential financial impact and likelihood of identified risks and possible new risk areas;
- a comprehensive system of financial reporting to the Board, based on an annual budget with monthly reports against actual results, analysis of variances, scrutiny of key performance indicators and regular re-forecasting;
- regular treasury reports to the Board, which analyse the funding requirements of each class of assets, track the generation and use of capital and the volume of liquidity, measure the Group's exposure to interest and exchange rate movements and record the level of compliance with the Group's funding objectives;
- Well defined procedures governing the appraisal and approval of investments including detailed investment and divestment approval procedures incorporating appropriate levels of authority and regular post investment reviews.

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 control was in place during the entire period under review.

Independent Auditors' Report to the shareholders of Asset Management Investment Company PLC

We have audited the Group and Parent Company financial statements (the 'financial statements') of Asset Management Investment Company PLC for the year ended 30 September 2006, which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statement of Change in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referred from the Business Review section of the Directors' Report. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if 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 nine provisions of the 2003 FRC 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 statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, 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.

Independent Auditors' Report *continued*

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report 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 Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited 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 Directors' Remuneration report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 September 2006 and of its income for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 30 September 2006; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Solomon Hare Audit LLP *Chartered Accountants & Registered Auditors*

Date: 9 February 2007

Consolidated Income Statement

for the year ended 30 September 2006

| | Notes | 30 September 2006 | | | 30 September 2005 restated – see note 28 | | |
|---|-------|-------------------|------------------|----------------|---|------------------|----------------|
| | | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Gains/(losses) on financial assets at fair value through profit or loss | 2 | – | 9,973 | 9,973 | – | 1,122 | 1,122 |
| Investment income | 3 | 2,597 | – | 2,597 | 1,709 | – | 1,709 |
| Administration expenses | 4 | (266) | (803) | (1,069) | (349) | (969) | (1,318) |
| Exceptional administration expenses | 4 | (172) | (516) | (688) | (124) | (372) | (496) |
| Profit/(loss) before finance costs and taxation | | 2,159 | 8,654 | 10,813 | 1,236 | (219) | 1,017 |
| Interest payable | 5 | (176) | (528) | (704) | (132) | (396) | (528) |
| Interest receivable | | 448 | – | 448 | 156 | – | 156 |
| Other finance charges | | – | – | – | (2) | (5) | (7) |
| Zero dividend preference shares | | – | (1,860) | (1,860) | – | (1,161) | (1,161) |
| Profit/(loss) on ordinary activities before taxation | | 2,431 | 6,266 | 8,697 | 1,258 | (1,781) | (523) |
| Taxation | 8 | (539) | 539 | – | (306) | 326 | 20 |
| Profit/(loss) for the year | | 1,892 | 6,805 | 8,697 | 952 | (1,455) | (503) |
| Earnings per share | | | | | | | |
| Return per ordinary share (basic) | 10 | 8.88p | 31.96p | 40.84p | 4.48p | (6.85p) | (2.37p) |
| Return per ordinary share (diluted) | 10 | 8.88p | 31.96p | 40.84p | 4.48p | (6.85p) | (2.37p) |

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

The notes on pages 30 to 47 form part of the financial statements.

Group and Company Balance Sheets

for the year ended 30 September 2006

| | Notes | 30 September 2006 | | 30 September 2005 restated – see note 28 | |
|--|-------|-------------------|------------------|---|------------------|
| | | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 11 | 10 | 10 | 15 | 15 |
| Investments | | | | | |
| At fair value through profit or loss | | | | | |
| – Listed investments | 12 | 6,994 | 6,994 | 3,265 | 3,265 |
| – Unlisted investments | 12 | 22,042 | 22,354 | 36,958 | 36,982 |
| | | 29,046 | 29,358 | 40,238 | 40,262 |
| Current assets | | | | | |
| Receivables | 13 | 7,809 | 7,798 | 191 | 180 |
| Cash and cash equivalents | 14 | 3,123 | 3,123 | 5,338 | 5,314 |
| Total assets | | 39,978 | 40,279 | 45,767 | 45,756 |
| Current liabilities | | | | | |
| Payables | 15 | (635) | (803) | (370) | (507) |
| Bank loans | 15 | (2,137) | (2,137) | – | – |
| Zero dividend preference shares | 23 | (2,024) | (2,024) | – | – |
| | | (4,796) | (4,964) | (370) | (507) |
| Total assets less current liabilities | | 35,182 | 35,315 | 45,397 | 45,249 |
| Non-current liabilities | | | | | |
| Bank loans | 16 | (8,064) | (8,064) | (11,257) | (11,257) |
| Convertible loan notes 2008 | | – | – | (345) | (345) |
| Zero dividend preference shares | | – | – | (14,369) | (14,369) |
| Net Equity | | 27,118 | 27,251 | 19,426 | 19,278 |
| Equity | | | | | |
| Ordinary share capital | 17 | 5,396 | 5,396 | 5,396 | 5,396 |
| Special Reserve | 18 | 9,380 | 9,380 | – | – |
| Share premium account | 18 | – | – | 23,588 | 23,588 |
| Capital Redemption Reserve | | 7,107 | 7,107 | – | – |
| Other capital reserves | 19,20 | 3,179 | 2,995 | (10,727) | (11,192) |
| Retained earnings | 21 | 2,227 | 2,544 | 1,307 | 1,624 |
| Other equity reserve | | – | – | 33 | 33 |
| Own share reserve | 22 | (171) | (171) | (171) | (171) |
| Total equity | | 27,118 | 27,251 | 19,426 | 19,278 |
| Allocation of shareholders' funds | | | | | |
| Net asset value per ordinary | | | | | |
| 25p share (basic) | 24 | 127.27p | 127.89p | 91.66p | 90.96p |
| Net asset value per ordinary | | | | | |
| 25p share (diluted) | 24 | 127.27p | 127.89p | 91.66p | 90.96p |

The financial statements were approved by a committee of the Board of Directors on 9 February 2007 and on its behalf by:

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

The notes on pages 30 to 47 form part of the financial statements.

Group and Company Statement of Changes in Equity

for the year ended 30 September 2006

Group

| | Share capital £'000 | Share premium £'000 | Special reserve account £'000 | Capital redemption reserve account £'000 | Own shares £'000 | Other equity reserve £'000 | *Other capital reserve £'000 | Retained earnings £'000 | Total £'000 |
|--|------------------------|------------------------|----------------------------------|---|---------------------|-------------------------------|---------------------------------|----------------------------|----------------|
| Net equity at 30 September 2005 – restated see note 28 | 5,396 | 23,588 | – | – | (171) | 33 | (10,727) | 1,307 | 19,426 |
| Transfer to special reserve | – | (23,588) | 23,588 | – | – | – | – | – | – |
| Cancellation of ZDP shares | – | – | (14,208) | 7,107 | – | – | 7,101 | – | – |
| Profit for the period | – | – | – | – | – | (33) | 6,805 | 1,892 | 8,664 |
| Ordinary dividend paid | – | – | – | – | – | – | – | (972) | (972) |
| Net equity at 30 September 2006 | 5,396 | – | 9,380 | 7,107 | (171) | – | 3,179 | 2,227 | 27,118 |

Company

| | Share capital £'000 | Share premium £'000 | Special reserve account £'000 | Capital redemption reserve account £'000 | Own shares £'000 | Other equity reserve £'000 | Other capital reserve £'000 | Retained earnings £'000 | Total £'000 |
|--|------------------------|------------------------|----------------------------------|---|---------------------|-------------------------------|--------------------------------|----------------------------|----------------|
| Net equity at 30 September 2005 – restated | 5,396 | 23,588 | – | – | (171) | 33 | (11,192) | 1,624 | 19,278 |
| Transfer to special reserve | – | (23,588) | 23,588 | – | – | – | – | – | – |
| Cancellation of ZDP shares | – | – | (14,208) | 7,107 | – | – | 7,101 | – | – |
| Profit for the period | – | – | – | – | – | (33) | 7,086 | 1,892 | 8,945 |
| Ordinary dividend paid | – | – | – | – | – | – | – | (972) | (972) |
| Net equity at 30 September 2006 | 5,396 | – | 9,380 | 7,107 | (171) | – | 2,995 | 2,544 | 27,251 |

* The “capital reserve – realised” and the “capital reserve unrealised” are now reclassified as “other capital reserves”.

Group and Company Statement of Change in Equity

for the year ended 30 September 2005

Group

| | Share capital £'000 | Share premium £'000 | Special reserve account £'000 | Capital redemption reserve account £'000 | Own shares £'000 | Other equity reserve £'000 | Other capital reserve £'000 | Retained earnings £'000 | Total £'000 |
|--|------------------------|------------------------|-------------------------------------|---|---------------------|----------------------------------|-----------------------------------|----------------------------|----------------|
| Net equity at 30 September 2004 – restated see note 29 | 5,396 | 23,588 | – | – | (169) | 33 | (9,326) | 1,218 | 20,740 |
| Profit for the period | – | – | – | – | – | – | (1,455) | 952 | (503) |
| Ordinary dividend paid | – | – | – | – | – | – | – | (863) | (863) |
| Zero dividend preference shares | – | – | – | – | – | – | 54 | – | 54 |
| Net movement sale/purchase | – | – | – | – | (2) | – | – | – | (2) |
| Net equity at 30 September 2005 | 5,396 | 23,588 | – | – | (171) | 33 | (10,727) | 1,307 | 19,426 |

Company

| | Share capital £'000 | Share premium £'000 | Special reserve account £'000 | Capital redemption reserve account £'000 | Own shares £'000 | Other equity reserve £'000 | Other capital reserve £'000 | Retained earnings £'000 | Total £'000 |
|--|------------------------|------------------------|-------------------------------------|---|---------------------|----------------------------------|-----------------------------------|----------------------------|----------------|
| Net equity at 30 September 2004 – restated | 5,396 | 23,588 | – | – | (171) | 33 | (9,381) | 1,499 | 20,964 |
| Profit for the period | – | – | – | – | – | – | (1,811) | 988 | (823) |
| Ordinary dividend paid | – | – | – | – | – | – | – | (863) | (863) |
| Zero dividend preference shares | – | – | – | – | – | – | – | – | – |
| Net equity at 30 September 2005 | 5,396 | 23,588 | – | – | (171) | 33 | (11,192) | 1,624 | 19,278 |

Group and Company Flow Statement

for the year ended 30 September 2006

| | 30 September 2006 | | 30 September 2005 restated – see note 28 | |
|--|-------------------|------------------|---|------------------|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Net income from operations before tax | 8,697 | 9,236 | (523) | (309) |
| Depreciation | 5 | 5 | 4 | 4 |
| Loss on disposal of plant, property and equipment | – | – | 2 | 2 |
| Foreign exchange | – | – | 23 | 23 |
| (Increase)/decrease in other receivables | 27 | 27 | 592 | 610 |
| Increase/(decrease) in payables | 259 | 296 | 103 | 34 |
| (Gains)/losses on investments held at fair value through profit and loss | (9,973) | (10,227) | (1,122) | (781) |
| Other finance charges | – | – | 7 | 7 |
| Appropriation in respect of zero dividend preference shares | 1,860 | 1,860 | 1161 | 1161 |
| Cash generated by operations | 875 | 1,197 | 247 | 751 |
| Taxes refunded | – | – | 18 | 18 |
| Net cashflow from operating activities | 875 | 1,197 | 265 | 769 |
| Investment activities | | | | |
| Purchase of investments | (475) | (475) | (672) | (672) |
| Sale of investments | 13,722 | 13,437 | 966 | 709 |
| Disposal of subsidiary | – | – | – | – |
| Purchase of property, plant and equipment | – | – | (12) | (12) |
| Net cash inflow from investment activities | 13,247 | 12,962 | 282 | 25 |
| Net cash inflow before financing | 14,122 | 14,159 | 547 | 794 |
| Financing activities | | | | |
| Purchase of shares | (14,276) | (14,276) | (49) | (49) |
| Repayment of loan notes | (365) | (378) | – | – |
| Equity dividend paid | (972) | (972) | (863) | (863) |
| Net cash outflow from financing | (15,613) | (15,626) | (912) | (912) |
| Increase/(decrease) in cash | (1,491) | (1,467) | (365) | (118) |
| Effect of foreign exchange rate changes | (724) | (724) | 110 | 110 |
| Changes in cash and cash equivalents | (2,215) | (2,191) | (255) | (8) |
| Cash and cash equivalents at beginning of period | 5,338 | 5,314 | 5,593 | 5,322 |
| Cash and cash equivalents at end of period | 3,123 | 3,123 | 5,338 | 5,314 |

Notes to the Financial Statements

1 Accounting policies

(a) Basis of preparation

The consolidated financial information for the year ended 30 September 2006 is based on International Financial Reporting Standards ("IFRS"), comprising standards and interpretations approved by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (IFRIC). The Consolidated financial Statements are presented in pounds sterling, rounded to the nearest thousand.

These are the first full consolidated financial statements of the Company and its subsidiaries prepared in accordance with IFRS. The financial statements are prepared under the historic cost convention except for measurement at fair value of investments. The financial statements have been prepared on a going concern basis.

Previously the financial statements were prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" (the SORP).

(b) First time adoption of IFRS

In line with IFRS 1 'First-time Adoption of International Financial Reporting Standards' an opening IFRS balance sheet has been prepared as at 1 October 2004, the date of the Group's transition to IFRS. To the extent that the IFRS accounting policies differ from those applied under UK GAAP, adjustments to the balances reported under UK GAAP have been made.

An explanation of the effect of the transition to IFRS on the reported financial position and financial performance of the Group is provided in notes 28 and 29. This includes reconciliations of equity and profit and loss for comparative figures previously reported under UK GAAP to the restated figures reported under IFRS.

(c) Valuation of investments

Investments are classified as financial assets at fair value through profit or loss.

- (i) Listed investments are initially recognised on purchase at trade date and measured at fair value. Subsequent to initial recognition, all listed investments are measured at fair value.
- (ii) Unlisted investments are valued by the Directors at fair value having regard to the International Private Equity and Venture Capital Valuation Guidelines. They are valued at cost unless subsequent financing 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 transaction 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.

- (iii) Changes in the fair value of all held-at-fair-value assets are taken to the Consolidated Income Statement.
- (iv) Investments are de-recognised at the trade date of disposal. On disposal, realised gains and losses are recognised in the Income Statement.

(d) Presentation of Consolidated Income Statement

In order to better reflect the activities of an investment trust company, and in accordance with guidance issued by the Association of Investment Companies ('AIC'), supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. In accordance with the Company's status as a UK investment company under section 266 of the Companies Act 1985, net capital returns may not be distributed by way of dividend. Additionally, the net revenue is the measure the directors believe appropriate in assessing the Group's compliance with certain requirements set out in section 842 of the Income and Corporation Taxes Act 1988.

(e) Income

Dividends receivable on equity shares are recognised as revenue for the year on an ex-dividend basis. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Income from fixed interest debt securities is recognised using the effective interest rate method. Bank deposit interest is accounted for on an accruals basis.

Notes to the Financial Statements *continued*

(f) Expenses

All expenses and interest payable are accounted for on an accruals basis. Expenses are charged to the capital column of the Income Statement (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 column of the Income Statement and 25 per cent to the revenue column of the Income Statement, 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.

(g) Taxation

The charge for taxation is based on taxable profits for the period.

Deferred taxation is provided on all taxable temporary differences that have originated but not reversed by the balance sheet date, other than those differences regarded as permanent. Any liability to deferred tax is provided at the average rate of tax expected to apply, based on tax law that had been enacted or substantially enacted by the balance sheet date. A deferred tax asset is recognised only to the extent that it is considered probable that sufficient taxable profits will be available to allow the deferred tax benefits of that asset to be utilised.

(h) Foreign currency

For the purposes of the consolidated accounts, the results and financial position of each entity are expressed in pounds sterling, which is the functional currency of the Company and the presentational currency of the Group. Sterling is the functional currency because it is the currency of the primary economic environment in which the Group operates.

Transactions recorded in overseas currencies during the year are translated into sterling at the appropriate daily exchange rates. Assets and liabilities denominated in overseas currencies at the balance sheet date are translated into sterling at the exchange rates ruling at that date. Exchange differences are dealt with in the capital column of the Income Statement or revenue column of the Income Statement depending on the nature of the transaction.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and money held by the Group's bankers on fixed term deposit.

(j) Property, plant and equipment

Depreciation is provided on a straight-line basis on all property, plant and equipment 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

(k) Bank borrowings

Interest-bearing bank loans and overdrafts are recorded as the proceeds are received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(l) Capital instruments

The ordinary shares are classified as equity share capital whilst the zero dividend preference shares are classified as a debt instrument and included within liabilities. The cost of providing for the accrued premium payable on the zero dividend preference shares is recognised in the capital column of the Income Statement and included as part of finance costs.

(m) Dividends payable

Dividends are recognised from the date on which they are declared ex-dividend.

(n) Going concern and valuation of investments

Whilst the Company's Articles of Association previously contained a provision that the Company had a fixed duration to 27 October 2006, on 20 October 2006 the shareholders voted to continue the Company and the Company adopted a new investment objective requiring the Company to effect an orderly realisation of its investment portfolio. Therefore, the financial statements have been prepared on a going concern basis.

(o) Pension costs

Contributions made by the Company to personal pension plans held by employees are charged to the Income Statement as incurred.

Notes to the Financial Statements *continued*

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

| Group | Listed £'000 | Unlisted £'000 | 2006 Total £'000 | 2005 Total £'000 |
|---|-----------------|-------------------|------------------------|------------------------|
| Realised | (3,736) | (10,371) | (14,107) | 537 |
| Unrealised | 9,368 | 14,499 | 23,867 | 1,196 |
| Foreign exchange movement | – | 213 | 213 | (611) |
| Total return on investments in the year | 5,632 | 4,341 | 9,973 | 1,122 |

3 Income

| | 2006 Group £'000 | 2005 Group £'000 |
|---|------------------------|------------------------|
| Income from listed investments | | |
| Franked investment income | 1 | 1 |
| Unfranked investment income | 66 | 100 |
| | 67 | 101 |
| Income from unlisted investments | | |
| Franked investment income | 614 | 228 |
| Unfranked investment income | 928 | 889 |
| Foreign income dividends | 958 | 444 |
| Other income | 30 | 47 |
| | 2,530 | 1,608 |
| Total Income | 2,597 | 1,709 |
| Total income comprises: | | |
| Dividends | 1,574 | 673 |
| Interest | 994 | 989 |
| Other investment income | 29 | 47 |
| | 2,597 | 1,709 |
| Income from investments | | |
| Listed UK | 559 | 101 |
| Unlisted | 2,038 | 1,608 |
| Other | – | – |
| | 2,597 | 1,709 |
| Return after tax and minority interest | | |
| UK | 1,892 | 952 |
| Overseas | – | – |
| | 1,892 | 952 |

Notes to the Financial Statements *continued*

4 Administration expenses

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

| | 2006 Revenue £'000 | 2005 Revenue £'000 |
|---------------------------------------|--------------------------|--------------------------|
| Depreciation of tangible fixed assets | 3 | 4 |
| Directors' remuneration | 42 | 79 |
| Auditors' remuneration: | | |
| for audit | 6 | 6 |
| for other services | 4 | 4 |
| Requisition and reorganisation costs | 172 | 124 |
| Other expenses | 211 | 256 |
| | 438 | 473 |

Auditors' remuneration for the period in respect of UK audit services amounted to £24,283 (2005: £21,850). Total fees in respect of non-audit services amounted to £39,099 (2005: £16,000). Non-audit services during the year related to tax compliance/(£5,052 (2005: £7,000)) and other services/(£34,047 (2005: £9,000)). These fees have been recognised in the Consolidated Income Statement. These services are reviewed by the Audit Committee to ensure that the independence and objectivity of the auditors is not compromised.

A further £1,319,000 (2005: £1,339,000) 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

| | 2006 Group £'000 | 2005 Group £'000 |
|--|------------------------|------------------------|
| Interest due on bank loans and Loan Notes repayable, within five years not by instalments | 176 | 132 |
| | 176 | 132 |

A further £528,000 (2005: £396,000) of interest payable has been charged to the capital reserve (note 19).

6 Staff costs

| | 2006 Group £'000 | 2005 Group £'000 |
|--|------------------------|------------------------|
| Average number of persons employed during the year | 2 | 3 |
| Staff costs for the year (including Executive Directors) | | |
| Salaries | 349 | 364 |
| Social Security costs | 27 | 38 |
| Pension costs | 23 | 26 |
| Other Staff costs | 61 | 406 |
| | 460 | 834 |

Notes to the Financial Statements *continued*

7 Directors' remuneration

| | 2006 Group £'000 | 2005 Group £'000 |
|--------------------------------|------------------------|------------------------|
| Directors' fees and emoluments | 170 | 215 |
| Pension costs | 15 | 6 |
| Ex gratia payments | – | 335 |
| | 185 | 556 |

Included in the above are Directors' remuneration of £138,000 (Group and Company) (2005: £417,000) 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 16.

Details of remuneration

| | Salary and fees £'000 | Bonus payments £'000 | Other benefits £'000 | Ex-Gratia payments £'000 | Total before pension £'000 | Pension costs £'000 | 2006 Total £'000 | 2005 Total £'000 |
|----------------------|-----------------------------|----------------------------|----------------------------|--------------------------------|-------------------------------------|---------------------------|------------------------|------------------------|
| Executive | | | | | | | | |
| G A Robb | 98 | – | 4 | – | 102 | 15 | 117 | 289 |
| N M Riddell | – | – | – | – | – | – | – | 201 |
| Non-Executive | | | | | | | | |
| Sir David Thomson | – | – | – | – | – | – | – | 23 |
| D Martin-Clark | – | – | – | – | – | – | – | 15 |
| H Ward | – | – | – | – | – | – | – | 12 |
| G Miller | 17 | – | – | – | 17 | – | 17 | 3 |
| B Aling | 22 | – | – | – | 22 | – | 22 | 5 |
| H Tilney | 4 | – | – | – | 4 | – | 4 | – |
| J Taylor | – | – | – | – | – | – | – | – |
| C Wilkinson | 25 | – | – | – | 25 | – | 25 | 8 |
| | 166 | – | 4 | – | 170 | 15 | 185 | 556 |

There were no Directors share options outstanding on 30 September 2006.

8 Taxation

| | Group £'000 | 2006 Company £'000 | Group £'000 | 2005 Company £'000 |
|--------------------------------------|----------------|--------------------------|----------------|--------------------------|
| UK Corporation Tax | | | | |
| Current tax on income for the period | – | – | – | – |
| Double Taxation relief | – | – | – | – |
| Foreign Tax | | | | |
| Current tax on income for the period | – | – | (20) | – |
| Tax on profit on ordinary activities | – | – | (20) | – |
| Allocated: | | | | |
| Revenue | 539 | 539 | 306 | 335 |
| Capital (Note 19) | (539) | (539) | (326) | (335) |
| | – | – | (20) | – |

Notes to the Financial Statements *continued*

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% (2005: 30%). The differences are explained below.

| | Group % | 2006 Company % | Group % | 2005 Company % |
|-------------------------------------|--------------|----------------------|------------|----------------------|
| Standard rate of tax for the period | 30.0 | 30.0 | 30.0 | 30.0 |
| Non-taxable income | (7.6) | (7.6) | (5.2) | (4.7) |
| Expenses not deductible | – | – | – | – |
| Irrecoverable withholding tax | – | – | – | – |
| Overseas tax rate differences | – | – | (1.4) | – |
| Consolidation adjustments | – | – | 0.9 | – |
| Effective rate of tax | 22.4 | 22.4 | 24.3 | 25.3 |

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

| | 2006 £'000 | 2005 £'000 |
|--|---------------|---------------|
| Amounts recognised as distributions to equity shareholders in the period | | |
| Final dividend of 3.0p per ordinary share (2004: 3.0p) | 648 | 648 |
| Interim dividend of 1.5p per ordinary share (2005: 1.0p) | 324 | 215 |
| | 972 | 863 |
| Amounts not recognised as distributions in the period: | | |
| Special interim dividend of 2.0p per ordinary share (2005: nil) | 432 | – |
| Proposed final dividend of 3.5p per ordinary share (2005: 3.0p) | 745 | 648 |
| | 1,177 | 648 |

The special interim dividend for the year ended 30 September 2006 of 2.0p per ordinary share was approved and the proposed final dividend of 3.5p per ordinary share will be approved after the year-end and have not been included as liabilities in these financial statements.

We also set below the total dividend payable in respect of the financial year, which is the basis on which the requirements of Section 842 Income and Corporation Taxes Act 1988 are considered:

| | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Proposed final dividend of 3.5p per ordinary share (2005: 3.0p) | 745 | 648 |
| Interim dividend of 1.5p per ordinary share (2005: 1.0p) | 324 | 215 |
| Special interim dividend of 2.0p per ordinary share (2005: nil) | 432 | – |
| | 1,501 | 863 |

Notes to the Financial Statements *continued*

10 Earnings per share

The earnings per ordinary share are based on the net profit (loss) after taxation of £1,892,000 (2005 – £952,000) and on 21,307,632 (2005 – 21,253,274) being the weighted average number of ordinary shares in issue during the year, following adjustments for shares held in an Employee Benefit Trust and All Share Employee Share Ownership Plan.

The return per Ordinary share can be further analysed between revenue and capital as follows:

| | Revenue | 2006 Capital | Total | Revenue | 2005 Capital | Total |
|-------------------------------------|--------------|-----------------|---------------|---------|-----------------|---------|
| Profit/(loss) for the period | 1,892 | 6,805 | 8,697 | 952 | (1,455) | (503) |
| Earnings per share | | | | | | |
| Return per ordinary share (basic) | 8.88p | 31.96p | 40.84p | 4.48p | (6.85p) | (2.37p) |

11 Property, plant and equipment

| Group | Office equipment £'000 | Fixtures and fittings £'000 | Total £'000 | 2005 Total £'000 |
|-----------------------|------------------------------|-----------------------------------|----------------|------------------------|
| Cost | | | | |
| At 1 October 2005 | 9 | 12 | 21 | 11 |
| Additions | 2 | 1 | 3 | 12 |
| Disposals | – | – | – | (2) |
| At 30 September 2006 | 11 | 13 | 24 | 21 |
| Depreciation | | | | |
| At 1 October 2005 | 3 | 3 | 6 | 2 |
| Charge for the year | 5 | 3 | 8 | 4 |
| At 30 September 2006 | 8 | 6 | 14 | 6 |
| Net book value | | | | |
| At 30 September 2006 | 3 | 7 | 10 | – |
| At 30 September 2005 | 6 | 9 | 15 | 15 |
| Company | | | | |
| Cost | | | | |
| At 1 October 2005 | 9 | 12 | 21 | 85 |
| Additions | 2 | 1 | 3 | 12 |
| Disposals | – | – | – | (76) |
| At 30 September 2006 | 11 | 13 | 24 | 21 |
| Depreciation | | | | |
| At 1 October 2005 | 3 | 3 | 6 | 76 |
| Charge for the year | 5 | 3 | 8 | 4 |
| Disposals | – | – | – | (74) |
| At 30 September 2006 | 8 | 6 | 14 | 6 |
| Net book value | | | | |
| At 30 September 2006 | 3 | 7 | 10 | – |
| At 30 September 2005 | 6 | 9 | 15 | 15 |

12 Investments held at fair value through profit and loss

| Group | Listed investments £'000 | Unlisted investments £'000 | Total £'000 |
|---------------------------------------|--------------------------------|----------------------------------|----------------|
| Cost | | | |
| At 1 October 2005 | 3,696 | 39,727 | 43,423 |
| Transfer from unlisted to listed | 2,742 | (2,742) | – |
| Additions | 167 | 308 | 475 |
| Disposals | (3,832) | (3,483) | (7,315) |
| At 30 September 2006 | 2,773 | 33,810 | 36,583 |
| Unrealised capital (loss)/gain | | | |
| At 1 October 2005 | (431) | (2,769) | (3,200) |
| Transfer from unlisted to listed | 2,756 | (2,756) | – |
| Movement in year | 5,632 | 4,128 | 9,760 |
| Transfer to realised capital reserve | (3,736) | (10,371) | (14,107) |
| At 30 September 2006 | 4,221 | (11,768) | (7,547) |
| Valuation | | | |
| At 30 September 2006 | 6,994 | 22,042 | 29,036 |
| At 30 September 2005 | 3,265 | 36,958 | 40,223 |

The market value of listed investments at the year-end was £6,994,000 (2005: £3,265,000)

| Company | Subsidiary undertaking £'000 | Listed investments £'000 | Unlisted investments £'000 | Total £'000 |
|---------------------------------------|------------------------------------|--------------------------------|----------------------------------|----------------|
| Cost | | | | |
| At 1 October 2005 | 1,553 | 3,696 | 39,127 | 44,376 |
| Transfer from unlisted to listed | – | 2,742 | (2,742) | – |
| Additions | – | 167 | 308 | 475 |
| Disposals | (1,553) | (3,832) | (2,679) | (8,064) |
| At 30 September 2006 | – | 2,773 | 34,014 | 36,787 |
| Unrealised capital gain/(loss) | | | | |
| At 1 October 2005 | (801) | (431) | (2,897) | (4,129) |
| Transfer from unlisted to listed | – | 2,756 | (2,756) | – |
| Movement in year | 232 | 5,632 | 4,128 | 9,992 |
| Transfer to realised capital reserve | 805 | (3,736) | (10,371) | (13,302) |
| At 30 September 2005 | 236 | 4,221 | (11,896) | (7,439) |
| Valuation | | | | |
| At 30 September 2006 | 236 | 6,994 | 22,118 | 29,348 |
| At 30 September 2005 | 752 | 3,265 | 36,230 | 40,247 |

Notes to the Financial Statements *continued*

Details of investments in subsidiaries

| Name of company | Class of capital | Percentage of class held % | Country of incorporation and operation | Principal activity |
|---|------------------|----------------------------|--|--------------------|
| AMIC Securities Limited | Ordinary | 100.00 | United Kingdom | Winding up |
| Asset Management Investment Company Inc | Ordinary | 100.00 | United States of America | Winding up |
| AMIC Canada Limited | Ordinary | 100.00 | Canada | Holding Company |

Significant Holdings

At 30 September 2006 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 | 9.45 | United Kingdom |
| Columbus Financial Services | Ordinary | 25.50 | United Kingdom |
| Financial Management Advisors | Ordinary | 18.75 | United States of America |
| Hillview Capital Partners | Ordinary | 33.60 | United States of America |
| Integrated Asset Management | Ordinary | 10.70 | United Kingdom |
| IFDC Group | Ordinary | 17.25 | Luxembourg |
| International Foreign Exchange Concepts | Ordinary | 8.40 | United States of America |
| MMCM Holdings | Ordinary | 47.95 | United States of America |
| Principal Investment Holdings Limited | Ordinary | 2.86 | United Kingdom |
| The Mayberry Group | Ordinary | 7.89 | United States of America |

None of the above Holdings are associate undertakings, 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.

Geographic analysis of investments

| | 2006 % | 2005 % |
|---------------|------------|--------|
| UK | 26 | 29 |
| North America | 50 | 62 |
| Europe | 24 | 9 |
| | 100 | 100 |

13 Receivables

| | Group £'000 | 2006 Company £'000 | Group £'000 | 2005 Company £'000 |
|--------------------------------------|----------------|--------------------------|----------------|--------------------------|
| Trade debtors | – | – | – | 1 |
| Prepayments and accrued income | 136 | 136 | 168 | 157 |
| Other debtors | 17 | 17 | 23 | 22 |
| Amount due from subsidiary companies | 11 | – | – | – |
| *Amount due from FX Concepts | 7,645 | 7,645 | – | – |
| | 7,809 | 7,798 | 191 | 180 |

* Included in Receivables is an amount of 7,645,000 which is being paid by instalments of \$4,000,000 each in July 2007 (paid earlier in January 2007), July 2008 and July 2009.

Notes to the Financial Statements *continued*

14 Cash and bank

| | Group £'000 | 2006 Company £'000 | Group £'000 | 2005 Company £'000 |
|---------------------------------|----------------|--------------------------|----------------|--------------------------|
| Cash and cash equivalents | 3,123 | 3,123 | 1,483 | 1,459 |
| Fixed Term Deposits | – | – | 1,354 | 1,354 |
| Bank of Scotland charge account | – | – | 2,501 | 2,501 |
| | 3,123 | 3,123 | 5,338 | 5,314 |

Cash and cash equivalents include £2,024,331 held in escrow as required by the terms of the Investec loan agreement to repay the remaining Zero Dividend Preference shareholders as at year-end.

15 Payables: amounts falling due within one year

| | Group £'000 | 2006 Company £'000 | Group £'000 | 2005 Company £'000 |
|------------------------------------|----------------|--------------------------|----------------|--------------------------|
| Other Creditors | 534 | 534 | 121 | 121 |
| Other taxation and social security | 5 | 5 | 21 | 21 |
| Accruals and deferred income | 96 | 45 | 228 | 177 |
| Amount due to subsidiary company | – | 219 | – | 188 |
| Bank loan | 2,137 | 2,137 | – | – |
| | 2,772 | 2,940 | 370 | 507 |

16 Non-current liabilities: amounts falling due after one year

| | Group £'000 | 2006 Company £'000 | Group £'000 | 2005 Company £'000 |
|----------------------------------|----------------|--------------------------|----------------|--------------------------|
| Bank Loan | 8,064 | 8,064 | 11,257 | 11,257 |
| 9.5% Convertible Loan Notes 2008 | – | – | 345 | 345 |
| | 8,064 | 8,064 | 11,602 | 11,602 |

At the year end the Company had outstanding bank loans from Investec Bank (UK) Limited comprising a revolving facility of £4 million and US\$12 million, the latter repayable over three years in three annual payments of US\$4 million each to be repaid from the receipt of monies due from International Foreign Exchange Concepts Inc ("IFEC") under the terms of a disposal agreement between the Company and IFEC dated 30 June 2006 and bearing interest at a rate of 250 basis points above the London interbank rate and calculated monthly in arrears. The loans are secured by a debenture over the Company's assets.

Of the outstanding bank loan \$4 million was repaid on 9 January 2007 to Investec Bank (UK) Limited. Following this repayment, the outstanding amount due to Investec are \$8 million under the term facility and £4 million under the revolving credit facility.

There is a liability at 30 September 2006 in that there is a redemption premium payable to Investec on the date the last loan facility is settled in full, equal to 5% of the increase in market capitalisation of the LSE listed ordinary shares of the Company from the date of funding (13 September 2006).

Notes to the Financial Statements *continued*

17 Called up share capital

| | 2006 £'000 | 2005 £'000 |
|--|---------------|---------------|
| Authorised | | |
| 28,000,000 (2005: 28,000,000) ordinary shares of 25p each | 7,000 | 7,000 |
| 9,000,000 (2005: 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 (2005: 21,585,426) ordinary shares of 25p each | 5,396 | 5,396 |
| 1,012,672 (2005: 8,120,000) zero dividend preference shares of £1 each | 1,013 | 8,120 |
| | 6,409 | 13,516 |

8,120,000 zero dividend preference shares were cancelled or redeemed by October 2006. There are 880,000 zero dividend preference shares which are proposed to be cancelled at the next Annual General Meeting of the Company.

The Company AESOP scheme is being wound up and currently holds 2,794 shares and the Company Employee Benefit Trust had 275,000 shares as at 30 September 2006. The EBT shares were bought back by the Company in November 2006.

18 Share Premium Account and Special Reserve

| | Share Premium Account £'000 | Special Reserve £'000 |
|-----------------------------|-----------------------------------|-----------------------------|
| At 1 October 2005 | 23,588 | – |
| Transfer to Special Reserve | (23,588) | 23,888 |
| Movements during the year | – | (14,208) |
| At 30 September 2006 | – | 9,380 |

During the year the share premium account was cancelled and a special reserve was created to enable the company to purchase its own zero dividend preference shares.

19 Realised Capital Reserve

| Group | Listed £'000 | Unlisted £'000 | Administration charges £'000 | Total £'000 |
|---|-----------------|-------------------|------------------------------------|----------------|
| At 1 October 2005 | (4,258) | 9,368 | (15,090) | (9,980) |
| Transfer from unrealised capital reserve (Investments) | 3,736 | 10,371 | – | 14,107 |
| Gain of foreign exchange (loans) | – | 2,817 | – | 2,817 |
| Charge for the year | – | – | (1,311) | (1,311) |
| Appropriation in respect of zero dividend preference shares | – | – | (1,860) | (1,860) |
| Transfer from special reserve for buyback of shares | – | – | 7,101 | 7,101 |
| Stamp duty on zero dividend preference shares tender offer | – | (71) | – | (71) |
| At 30 September 2006 | (522) | 22,485 | (11,160) | 10,803 |

Notes to the Financial Statements *continued*

| Company | Administration charges | | | Total £'000 |
|---|------------------------|-------------------|------------------|----------------|
| | Listed £'000 | Unlisted £'000 | charges £'000 | |
| At 1 October 2005 | (4,153) | 8,752 | (13,786) | (9,187) |
| Transfer from unrealised capital reserve (Investments) | – | 13,303 | – | 13,303 |
| Gain on foreign exchange (loans) | – | 2,817 | – | 2,817 |
| Charge for the year | – | – | (1,311) | (1,311) |
| Appropriation in respect of zero dividend preference shares | – | – | (1,860) | (1,860) |
| Transfer from special reserve for buyback of shares | – | – | 7,101 | 7,101 |
| Stamp duty on ZDP tender offer | – | (71) | – | (71) |
| At 30 September 2006 | (4,153) | 24,801 | (9,856) | 10,792 |

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

20 Unrealised capital reserve

| Group | | | Total £'000 |
|---|-----------------|-------------------|----------------|
| | Listed £'000 | Unlisted £'000 | |
| At 1 October 2005 | (571) | (176) | (747) |
| Movement in year | 5,632 | 4,128 | 9,760 |
| Transfer to capital reserve (Investments) | (3,736) | (10,371) | (14,107) |
| Transfer to capital reserve (loans) | – | (2,720) | (2,720) |
| Foreign exchange | – | 190 | 190 |
| Foreign exchange on debt instruments | – | – | – |
| At 30 September 2006 | 1,325 | (8,949) | (7,624) |

| Company | | | Total £'000 |
|---|-----------------|-------------------|----------------|
| | Listed £'000 | Unlisted £'000 | |
| At 1 October 2005 | (760) | (1,245) | (2,005) |
| Movement in year | 5,632 | 4,360 | 9,992 |
| Transfer from capital reserve (Investments) | – | (13,303) | (13,303) |
| Transfer from capital reserve (loans) | – | (2,720) | (2,720) |
| Foreign exchange | – | 239 | 239 |
| At 30 September 2006 | 4,872 | (12,669) | (7,797) |

21 Revenue reserve

| | 2006 | | 2005 | |
|---------------------------------|----------------|------------------|----------------|------------------|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| At 1 October 2005 (as restated) | 1,307 | 1,624 | 1,218 | 1,499 |
| Profit for the year | 1,892 | 1,892 | 952 | 988 |
| Dividends paid | (972) | (972) | (863) | (863) |
| At 30 September 2006 | 2,227 | 2,544 | 1,307 | 1,624 |

22 Own Share Reserve

| | Group and Company £'000 |
|-----------------------------|-------------------------------|
| At 1 October 2005 | 171 |
| At 30 September 2006 | 171 |

Notes to the Financial Statements *continued*

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. The market value of these shares as at 30 September 2006 was £251,403.

23 Non-current liabilities – Zero Dividend Preference Shares Appropriation

The zero dividend preference shares in issue on 30 September 2006 were 1,012,672. These shares in issue were all redeemed or repurchased in October 2006. The entitlement due in respect of the zero dividend preference shares at the year end was £2,024,331.57. The fair value of the zero dividend preference shares is not materially different to their carrying value.

24 Net asset value

The net asset value per ordinary share for the Group is based on a net asset value of £27,118,000 (30 September 2005 – £19,426,000) and on 21,307,632 (30 September 2005 – 21,192,973) ordinary shares in issue at year-end.

The basic and net asset value per ordinary share at 30 September 2006 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 (275,000) and All Employee Share Ownership Plan (2,794).

25 Contingent liabilities

Nil (2005: Nil).

26 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.

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 Investment Manager constantly monitors the price of listed investments held by the Group on a real-time basis. The Investment Manager reports to the Board on the unlisted investments and constantly monitors their carrying values. A list of the main investments held by the Group is shown in the Investment Portfolio on pages 8 to 11. All investments are stated at fair value.

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 to meet payments in the foreseeable future.

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

- Movements in exchange rates affecting the value of investments
- Movement in exchange rates affecting the income received
- Movement in exchange rates affecting 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 being denominated in currencies other than sterling which is the Group's reporting currency. As at 30 September 2006, the Group had no open forward contracts.

Notes to the Financial Statements *continued*

Interest rate risk arises in respect of the Group's bank loans. As at 30 September 2006 the Group's loans carried a variable rate of interest of 2.5 per cent over LIBOR.

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 2006 is:

| | Sterling £'000 | US\$ £'000 | C\$ £'000 | Total £'000 |
|--|-------------------|---------------|--------------|----------------|
| 2006 | | | | |
| Fixed rate investments | 627 | 13,706 | – | 14,333 |
| Weighted average interest rate | 6.0% | 10.00% | – | 9.83% |
| Weighted average period for which interest rate is fixed | 1.0 Years | 5.0 Years | – | 6.0 Years |
| 2005 | | | | |
| 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 |

Financial liabilities

As at 30 September 2006, the Company's bank loans of US\$12 million and £4.0 million bearing interest at a rate of 250 basis points above the London interbank rate and is calculated monthly in arrears. Details are given in note 16 of the maturity of the bank loan.

In accordance with the SORP, the following covenants are attached to the loans at 30 September 2006:

- 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 3:1;
- At all times the total debt: income ratio shall less than 5:1.

In addition, Investec retain charge over the Company's current and future investment holdings, cash and rights to receive payments under the International Foreign Exchange Concepts Inc agreement.

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.

| | Carrying value £'000 | 2006 Fair value £'000 | Carrying value £'000 | 2005 Fair value £'000 |
|---------------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|
| Zero dividend preference shares | 2,024 | 2,024 | 14,985 | 15,022 |
| Long term loan | 10,201 | 10,201 | 11,258 | 11,263 |

27 Related party transaction and ultimate controlling party

Following the amendment of the service agreement with the Managing Director the Company has an agreement for a performance bonus with the Managing Director. Pursuant to L.R. 11.1.10 the details of the transaction are set out below:

Under the terms of a letter agreement between the Company and the Managing Director it has been agreed to vary the terms of Mr Robb's service contract on 20 October 2006 the effect of which will be:

- (1) to reduce the basic salary payable per annum to Mr Robb to £100,000;
- (2) to replace the existing bonus with a performance bonus comprised of the following:
 - (a) a separate payment of £5,000 payable for each increase of 5 pence in the NAV per share during the period commencing with the date the variation became effective; and
 - (b) a separate payment of £5,000 payable for every 5 pence per share realised above the predetermined benchmark NAV of 121.27p per share (being the NAV per share as at the date the variation became effective).

Provided always that the aggregate performance bonus payable in any one year shall not exceed 5 per cent of the market capitalisation of the Company's ordinary shares at that time.

- (3) to replace the termination provisions with a requirement for either party to give not less than 6 months' notice to terminate.

Half of the bonus element will be retained in escrow and only paid when the process of liquidating the portfolio and returning cash to shareholders has been completed. The amount held in escrow will be subject to adjustment by reference to the amounts actually realised on the disposal of the Company's investments. Adjustment will also be made as deemed appropriate, to take account of any return of capital (including the purchase of ordinary shares by the Company out of its capital profits).

The Directors consider there is no ultimate controlling party.

Notes to the Financial Statements *continued*

28 (a) Restatement of balances for the year ended 30 September 2005

As at 1 October 2004 the Group adopted International Financial Reporting Standards. In accordance with IFRS 1 (First-time Adoption of International Financial Reporting Standards) the following is a reconciliation of the results for the year ended 30 September 2005 and balance sheet as at that date, previously reported under the applicable UK Accounting Standards and the SORP, to the restated IFRS results.

| | Note | Previously reported 30 September 2005 £'000 | Effect of transition to IFRS £'000 | Restated 30 September 2005 £'000 |
|---------------------------------------|---------|--|---|---|
| Non-current assets | 1 | 39,986 | 252 | 40,238 |
| Current assets | | 5,529 | – | 5,529 |
| Current liabilities | 2 | (1,018) | 648 | (370) |
| Total assets less current liabilities | | 44,497 | 900 | 45,397 |
| Non-current liabilities | 3, 4 | (11,622) | (14,349) | (25,971) |
| | | 32,875 | (13,449) | 19,426 |
| Capital and reserves | | | | |
| Called up share capital: | | | | |
| Ordinary shares | | 5,396 | – | 5,396 |
| Preference shares | 3 | 8,120 | (8,120) | – |
| Share premium account | | 23,588 | – | 23,588 |
| Capital reserve – realised | 5 | (9,980) | 9,980 | – |
| Capital reserve – unrealised | 5 | (989) | 989 | – |
| Other capital reserve | 1, 4, 5 | – | (10,727) | (10,727) |
| Own share reserve | | (171) | – | (171) |
| Other equity reserve | 4 | – | 33 | 33 |
| Retained earnings | 2, 4 | 662 | 645 | 1,307 |
| Zero dividend appropriation reserve | 3 | 6,249 | (6,249) | – |
| | | 32,875 | (13,449) | 19,426 |

Notes to the reconciliation

- Listed investments are classified as held at fair value through profit or loss under IFRS and are carried at bid prices which total their fair value. Previously under UK GAAP they were carried at mid-price and in some cases, marketability discounts had been applied. The aggregate difference, being an upward valuation of £252,000, also increases other capital reserves.
- No provision has been made for the final dividend on the ordinary shares for the year ended 30 September 2005 of £648,000. Under IFRS, the final dividend is not recognised until approved by the shareholders at the Annual General Meeting.
- Under IFRS the Company's zero dividend preference shares and zero dividend appropriation reserve are classified as non-current liabilities. Under UK GAAP these were classified as part of capital and reserves.
- Under IFRS the 2008 convertible loan note of £365,000 has been split between an equity instrument element and a liability element. The calculation of the liability element has been based on the discounted present value of the cash flows expected to be paid over the life of the instrument. In the period since the loan was granted the discount applied in calculating the net present value of the cash flows has partly unwound and accordingly a finance charge of £13,000 has been made through the Income Statement, split between the capital and revenue columns in the ratio 75%/25% respectively. The corresponding entry increases the value of the loan note liability.
- The "capital reserve – realised" and the "capital reserve – unrealised" are now reclassified as "other capital reserves".

Notes to the Financial Statements *continued*

(b) Reconciliation of the Statement of Total Return to the Income Statement for the year ended 30 September 2005

Under IFRS the Income Statement is the equivalent of the Statement of Total Return as reported previously.

| | Note | 2005 £'000 | EPS impact pence |
|---|------|---------------|---------------------|
| Return attributable to equity shareholders per Statement of Total Return as previously reported | | (832) | (3.91)p |
| Change from mid to bid basis at 30 September 2005 | 1 | 5 | 0.02p |
| Change in valuation due to removal of marketability discount. | 1 | 331 | 1.56p |
| Finance charge in relation to unwinding of discount on 2008 convertible loan notes | 2 | (7) | (0.03)p |
| Net loss per Income Statement under IFRS | | (503) | (2.36)p |

- The portfolio valuations at 30 September 2005 are valued at fair value under IFRS. These values are lower than the previous valuation under UK GAAP by £79,000 respectively. At the date of the previous valuation 30 September 2004 the valuation under IFRS was lower than the valuation under UK GAAP by £84,000. Hence the movement in the period has the effect of increasing the net return on ordinary activities after taxation by £5,000. The adjustments under IFRS also include the removal of marketability discounts applied in some cases. The aggregate difference being a valuation upwards of £331,000.
- Under IFRS the liability element of the convertible loan notes is valued using a discounted cash flow model. In the year to 30 September 2005 the discount applied has been partly unwound and accordingly a finance charge of £7,000 has been made through the income statement, split between the capital and revenue columns in the ratio 75%/25% respectively.

(c) Reconciliation of the Statement of Cash Flow for the year ended 30 September 2005

| | Note | Previously reported cash flows 2005 £'000 | Effect of transition to IFRS £'000 | Adjusted cash flows 2005 £'000 |
|---|------|--|---------------------------------------|-----------------------------------|
| Net cash inflow from operating activities | 1 | 619 | (354) | 265 |
| Returns on investments and servicing of finance | 1 | (372) | 372 | – |
| Taxation | 1 | 18 | (18) | – |
| Net cash inflow from financial investment | | 282 | – | 282 |
| Equity dividends paid | 2 | (863) | 863 | – |
| | | (316) | 863 | 547 |
| Management of liquid resources | 3 | 566 | (566) | – |
| Net cash inflow before financing | 1, 2 | 250 | 297 | 547 |
| Financing | 1, 2 | (49) | (863) | (912) |
| | 3 | 201 | (566) | (365) |
| Foreign exchange movements | | – | 110 | 110 |
| Change in cash and cash equivalents | | 201 | (456) | (255) |

Notes to the reconciliation

- Servicing of finance, taxation and net cash inflow from financial investment have now been analysed within operating activities.
- Equity dividends paid on equity shares are now analysed within financing.
- Management of liquid resources are now included within cash and cash equivalents.

Notes to the Financial Statements *continued*

29 (a) Restatement of balances for the year ended 30 September 2004

As at 1 October 2004 the Company adopted International Financial Reporting Standards. In accordance with IFRS 1 the following is a reconciliation of the balance sheet as at the date of transition, previously reported under the applicable UK Accounting Standards and the SORP, to the restated IFRS results.

| | Note | Previously reported 30 September 2004 £'000 | Effect of transition to IFRS £'000 | Restated 30 September 2004 £'000 |
|--|---------|--|---|---|
| Investments | 1 | 39,410 | (84) | 39,326 |
| Current assets | | 6,351 | – | 6,351 |
| Creditors: amounts falling due within one year | 2 | (933) | 648 | (285) |
| Total assets less current liabilities | | 44,828 | 564 | 45,392 |
| Creditors: amounts falling due after one year | 3, 4 | (11,417) | (13,235) | (24,652) |
| | | 33,411 | (12,671) | 20,740 |
| Capital and reserves | | | | |
| Called up share capital: | | | | |
| Ordinary shares | | 5,396 | – | 5,396 |
| Zero dividend preference shares | 3 | 8,120 | (8,120) | – |
| Share premium account | | 23,588 | – | 23,588 |
| Capital reserve – realised | 5 | (7,999) | 7,999 | – |
| Capital reserve – unrealised | 5 | (1,238) | 1,238 | – |
| Other capital reserves | 1, 4, 5 | – | (9,326) | (9,326) |
| Retained earnings | 2, 4 | 571 | 647 | 1,218 |
| Own share reserve | | (169) | – | (169) |
| Other equity reserves | 4 | – | 33 | 33 |
| Zero dividend appropriation reserve | 3 | 5,142 | (5,142) | – |
| | | 33,411 | (12,671) | 20,740 |

Notes to the reconciliation

- Listed investments are classified as held at fair value through profit or loss under IFRS and are carried at bid prices which total their fair value of £3,638,000. Previously, under UK GAAP, they were carried at mid prices. The aggregate difference, being a revaluation downwards of £84,000, also decreases other capital reserves.
- No provision has been made for the final dividend on the ordinary shares for the year ended 30 September 2004 of £648,000. Under IFRS, the final dividend is not recognised until approved by the shareholders at the Annual General Meeting.
- Under IFRS the Company's zero dividend preference shares and zero dividend appropriation reserve are classified as non-current liabilities. Previously under UK GAAP they were classified as part of capital and reserves.
- Under IFRS, the 2008 convertible loan note of £365,000 has been split between an equity instrument element and a liability element. The liability element calculation has been based on the present value of the discounted cash flows expected to be paid over the life of this instrument. The equity element of £33,000 has been transferred to another equity reserve. During the year the discount applied to the net future cash flows has partly unwound and accordingly finance charges of £6,000 have been made through the income statement, split between the capital and revenue columns in the ratio 75%/25% respectively. The corresponding entry increases the value of the loan note liability.
- The "capital reserve – realised" and the "capital reserve – unrealised" are now reclassified as "other capital reserves".

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Asset Management Investment Company PLC will be held at One London Wall, London, EC2Y 5AB at 10.00 am on 6 March 2007 for the following purposes:

Ordinary Business

- 1 To receive and adopt the Directors' Report and Financial Statements for the year ended 30 September 2006, together with the Auditors' Report thereon.
- 2 To approve the proposed final dividend of 3.5p per ordinary share.
- 3 To receive and adopt the Directors' Remuneration Report.
- 4 To elect Barry Aling, who retires by rotation, as a Director.
- 5 To elect George Robb, who retires by rotation, as a Director.
- 6 To approve the re-appointment of Solomon Hare Audit LLP as Auditors and to authorise the Directors to agree their remuneration.

Special Business

To consider the following resolutions which will be proposed as ordinary resolutions:

- 7 THAT pursuant to section 121(e) of the Companies Act 1985 ("the Act") and Article 10 of the Articles of Association of the Company ("the Articles") the 880,000 zero dividend preference shares of 100 pence each be and they are hereby cancelled.
- 8 THAT the Directors be and are hereby generally and unconditionally authorised for the purpose of Section 80 of the Act to exercise all the powers conferred pursuant to Article 13 of the Company's Articles of Association up to an aggregate nominal amount equal to £1,758,110 ("section 80 amount") representing 33% of the present issued share capital provided that this authority shall expire (unless previously renewed varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company to be held in 2008 (the "prescribed period").

To consider the following resolutions which will be proposed as special resolutions:

- 9 THAT the Directors be generally and unconditionally authorised to exercise all powers conferred pursuant to Article 13 of the Company's Articles of Association and pursuant to Section 94 (2) to Section 94 (3A) of the Act up to an aggregate nominal amount equal to £266,380 such authority to expire at the conclusion of the prescribed period (the "section 89 amount").
- 10 THAT the Company is, pursuant to Section 166 of the Act, hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Act) of ordinary shares provided that:
 - 1 The maximum number of ordinary shares hereby authorised to be purchased is 3,194,432 representing 14.99% of the issued ordinary share capital of the Company;
 - 2 The minimum price which may be paid for ordinary shares is 25 pence per ordinary share;
 - 3 The maximum price (exclusive of expenses) which may be paid for an ordinary share shall be the higher of not more than (i) 5 per cent above the average of the middle market quotations for an ordinary share on the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which any such purchase is made and (ii) the higher of the last independent trade and the highest current bid on the London Stock Exchange;
 - 4 the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which contract to purchase will be executed wholly or partly after the expiry of such authority, and may make the purchase of the ordinary shares in pursuance of any such contract; and

Notice of Annual General Meeting *continued*

- 5 the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2008.
- 11 (a) THAT the Company adopt new articles of association (in the form of the draft tabled to the meeting and initialled by the Chairman for the purposes of identification) in substitution for and to the entire exclusion of the existing Articles of Association of the Company.
- (b) THAT the Company be authorised to issue electronic communications to shareholders in accordance with the Disclosure and Transparency Rules of the FSA.

By Order of the Board

Bharat Bhagani *Secretary*

9 February 2007

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 4 March 2007. Changes to entries on the register after 6.00 pm on 4 March 2007 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 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 4 March 2007.
- 4 The copies of the following documents will be available for inspection at the registered office of the Company during normal business hours from the date of this notice until the conclusion of the Annual General Meeting:
 - (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; and
 - (iii) the full terms of the proposed new Articles of Association (together with a comparison of the current and proposed new Articles of Association).



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