

For immediate release Friday 26 January 2007

## ASSET MANAGEMENT INVESTMENT COMPANY PLC

### PRELIMINARY ANNOUNCEMENT OF UNAUDITED RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

Asset Management Investment Company PLC ('AMIC'), the only United Kingdom investment trust specialising in investment in the global asset management industry, announces its results for the year ended 30 September 2006.

#### Highlights

- Increased dividend for the year of 5p net per share – up 25% on 2005
- Special dividend of 2p net per share paid on 20 October 2006
- Pre-tax profit of £2.43 million (2005 £1.26 million) – up 93%
- Net assets of £27.11 million (2005 £19.43 million) – up 39%
- NAV per share of 127.27p (2005 91.66p) – up 39%
- Announcement of repayment of zero dividend preference shares - £16.3 million
- New borrowing facility
- Proposals for the future of the Company approved by shareholders

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 substantial investment in the portfolio, for the sale to the company of the conversion rights on the convertible note held by AMIC for a consideration of \$20 million, 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.

## **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 substantial investment, although the value of the holding is now defined by the agreement 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. Their results for 2006 will be available early in February and are expected to reflect a most successful year. **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 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% in January 2007..

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 proactive, 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 payment of 5.0p net per share (2004: 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. On behalf of the Board, I would like to thank him for his unfailing support and wise counsel throughout this period. John had been a Director since 8 June 2005 during an extremely important period for your Company, and his wise counsel, particularly on matters of foreign exchange, was greatly valued by his colleagues.

**Charles Wilkinson**  
*Chairman*

26 January 2007

**CONSOLIDATED INCOME STATEMENT – (UNAUDITED)**  
**for the year ended 30 September 2006**

	Year ended 30-Sep-06			Year ended 30-Sep-05 <i>Restated-see note5</i>		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on fair value through profit or loss	-	9,979	9,979	-	1,122	1,122
Investment income	2,597	-	2,597	1,709	-	1,709
Administration expenses	(266)	(803)	(1,069)	(349)	(969)	(1,318)
Exceptional administration expenses	(172)	(516)	(688)	(124)	(372)	(496)
<b>Profit/(loss) before finance costs and taxation</b>	<b>2,159</b>	<b>8,660</b>	<b>10,819</b>	<b>1,236</b>	<b>(219)</b>	<b>1,017</b>
Interest payable	(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)
	<b>2,431</b>	<b>6,272</b>	<b>8,703</b>	<b>1,258</b>	<b>(1,781)</b>	<b>(523)</b>
<b>Profit/(loss) before taxation</b>						
Taxation	(539)	539	-	(306)	326	20
<b>Profit/(loss) for the period</b>	<b>1,892</b>	<b>6,811</b>	<b>8,703</b>	<b>952</b>	<b>(1,455)</b>	<b>(503)</b>
<b>Earnings per share</b>						
Return per ordinary share (basic)	8.88p	31.96p	<b>40.84p</b>	4.48p	(6.85p)	<b>(2.37p)</b>
Return per ordinary share (diluted)	8.88p	31.96p	<b>40.84p</b>	4.48p	(6.85p)	<b>(2.37p)</b>
Return per zero dividend preference share	-	22.91p	<b>22.91p</b>	-	14.30p	<b>14.30p</b>

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.

**CONSOLIDATED STATEMENT OF CHANGE IN EQUITY (UNAUDITED)**

	Share Capital	Share Premium	Special Reserve	Capital Redemption Reserve	Own shares	Other equity reserve	Other capital reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net assets at 30 September 2005 (restated – see note 5)	5,396	23,588	-	-	(171)	33	(10,727)	1,307	19,426
Profit for the period	-	-	-	-	-	(33)	6,805	1,892	8,664
Transfer to special reserve	-	(23,588)	23,588	-	-	-	-	-	-
Cancellation of shares	-	-	(14,208)	7,107	-	-	7,101	-	-
Ordinary dividend paid	-	-	-	-	-	-	-	(972)	(972)
Issue costs relating to zero dividend preference shares	-	-	-	-	-	-	-	-	-
Net equity at 30 September 2006	<u>5,396</u>	<u>-</u>	<u>9,380</u>	<u>7,107</u>	<u>(171)</u>	<u>-</u>	<u>3,179</u>	<u>2,227</u>	<u>27,118</u>
	Share capital	Share Premium	Special Reserve	Capital Redemption Reserve	Own shares	Other equity reserve	Other capital reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net assets at 30 September 2004 (restated – see note 6)	5,396	23,588	-	-	(169)	33	(9,326)	1,218	20,740
Profit for the year	-	-	-	-	-	-	(1,455)	952	(503)
Ordinary dividend paid	-	-	-	-	-	-	-	(863)	(863)
Issue costs relating to zero dividend preference shares	-	-	-	-	-	-	54	-	54
Net movement	-	-	-	-	(2)	-	-	-	(2)
Net equity at 30 September 2005	<u>5,396</u>	<u>23,588</u>			<u>(171)</u>	<u>33</u>	<u>(10,727)</u>	<u>1,307</u>	<u>19,426</u>

**CONSOLIDATED GROUP BALANCE SHEET (UNAUDITED)**  
**for the year ended 30 September 2006**

	<b>30 September 2006</b>	<b>30 September 2005</b>
	<b>Unaudited Group</b>	<b>Unaudited Group</b>
	<b>£'000</b>	<i>Restated – note 5</i> <b>£'000</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>	10	15
<b>Investments</b>		
At fair value through profit or loss		
- Listed investments	6,994	3,265
- Unlisted investments	22,042	36,958
	<u>29,046</u>	<u>40,238</u>
<b>Current assets</b>		
Receivables	7,809	191
Cash and cash equivalents	3,123	5,338
<b>Total assets</b>	<u>39,978</u>	<u>45,767</u>
<b>Current liabilities</b>		
Payables	(635)	(370)
Bank loans	(2,137)	-
Zero dividend preference shares	(2,024)	-
	<u>(4,796)</u>	<u>(370)</u>
<b>Total assets less current liabilities</b>	35,182	45,397
<b>Non-current liabilities</b>		
Bank loans	(8,064)	(11,257)
Convertible loan notes 2008	-	(345)
Zero dividend preference shares	-	(14,369)
<b>Net assets</b>	<u>27,118</u>	<u>19,426</u>
<b>Equity</b>		
Ordinary share capital	5,396	5,396
Special Reserve	9,380	-
Share premium account	-	23,588
Capital Redemption Reserve	7,107	-
Other capital reserves	3,179	(10,727)
Retained earnings	2,227	1,307
Other equity reserve	-	33
Own share reserve	(171)	(171)
<b>Total equity</b>	<u>27,118</u>	<u>19,426</u>
<b>Allocation of shareholders' funds</b>		
Net asset value per ordinary		
25p share (basic)	127.27p	91.66p
Net asset value per ordinary		
25p share (diluted)	127.27p	91.66p

**CONSOLIDATED CASH FLOW STATEMENT  
(UNAUDITED)**

	<b>Year ended 30-Sep-06 Group  £'000</b>	<b>Year ended 30-Sep-05 Group <i>Restated see note 5</i> £'000</b>
<b>Net income/(loss) from operations before tax</b>	8,703	(523)
Depreciation	5	4
Loss on disposal of plant, property and equipment	-	2
Foreign exchange	-	23
Decrease in receivables	27	592
Increase in payables	259	103
Gains on investments held at fair value through profit and loss	(9,979)	(1,122)
Other finance charges	-	7
Appropriation in respect of zero dividend preference shares	<u>1,860</u>	<u>1,161</u>
<b>Cash generated by operations</b>	875	247
Taxes refunded	<u>-</u>	<u>18</u>
<b>Net cashflow from operating activities</b>	875	265
<b>Investing activities</b>		
Purchase of investments	(475)	(672)
Sale of investments	13,722	966
Disposal of subsidiary	-	-
Purchase of property, plant and equipment	<u>-</u>	<u>(12)</u>
<b>Net cash inflow from operating activities</b>	14,122	547
<b>Financing activities</b>		
Re-purchase of shares	(14,276)	(49)
Repayment of loan notes	(365)	-
Equity dividend paid	<u>(972)</u>	<u>(863)</u>
<b>Net cash outflow from financing</b>	<u>(15,613)</u>	<u>(912)</u>
Decrease in cash	(1,491)	(365)
Effect of foreign exchange rate changes	<u>(724)</u>	<u>110</u>
<b>Changes in cash and cash equivalents</b>	<u>(2,215)</u>	<u>(255)</u>
<b>Cash and cash equivalents at beginning of period</b>	5,338	5,593
<b>Cash and cash equivalents at end of period</b>	<u>3,123</u>	<u>5,338</u>

## Asset Management Investment Company PLC

### Notes:

#### 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 an ongoing 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 5 and 6. This includes reconciliations of equity and profit and loss for comparative figures previously reported under UK GAAP to the revised 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.

**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 Company'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.

### 2. Dividends

An interim dividend of 1.5p was paid on 25 August 2006 to the shareholders on the register on 28 July 2006. A special interim dividend of 2.0p was paid on 20 October 2006 to the shareholders on the register on 29 September 2006. A final dividend of 3.5p will be proposed at the next Annual General Meeting.

### 3. Return per share

Basic returns per ordinary share are calculated on the basis of retained net revenue after taxation divided by the weighted average number of shares in issue during the period being 21,307,632 (30 September 2005: 21,253,274) following adjustments for shares held in an Employee Benefit Trust and All Employee Share Ownership Plan..

Return per zero dividend preference share is calculated on the appropriation in respect of the zero dividend preference shares of £1,860,000 (30 September 2005: £1,161,000) divided by 8,119,746 being the weighted average number of shares in issue.

### 4. Net asset value

The net asset value per ordinary share at 30 September 2006 is calculated on the shares in issue to equity shareholders.

The net asset value per zero dividend preference share at 30 September 2006 is calculated on the basis of the net assets attributable to zero dividend preference shareholders, divided by the number of zero dividend preference shares in issue at the year end.

### 5. (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 )	668	(350)
Total assets less current liabilities		44,497	920	45,417
Non-current liabilities	3, 4	(11,622 )	(14,369)	(25,991)
		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)	-
		<u>32,875</u>	<u>(13,449)</u>	<u>19,426</u>

### Restatement of balances as at 30 September 2005

#### 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".

#### (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	0.02 p
Change in valuation due to removal of marketability discount.	1	331	1.56 p
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		<u>(503 )</u>	<u>(2.36) p</u>

#### Notes to the reconciliation

- 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 the Cash Flow Statement 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	-
		<u>(316 )</u>	<u>863</u>	<u>547</u>
Management of liquid resources	3	566	(566 )	-
Net cash inflow before financing	1, 2	<u>250</u>	<u>297</u>	<u>547</u>
Financing	1, 2	(49 )	(863 )	(912 )
	3	<u>201</u>	<u>(566 )</u>	<u>(365 )</u>
Foreign exchange movements		-	110	110
Change in cash		<u>201</u>	<u>(456 )</u>	<u>(255 )</u>

**Notes to the reconciliation**

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

**6. 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		<u>44,828</u>	<u>564</u>	<u>45,392</u>
Creditors: amounts falling due after one year	3, 4	(11,417 )	(13,235)	(24,652)
		<u>33,411</u>	<u>(12,671)</u>	<u>20,740</u>

**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)	-
		<u>33,411</u>	<u>(12,671)</u>	<u>20,740</u>

### 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".

### 7 Basis of preparation

The financial information set out above does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

The statutory accounts for 2006 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Annual General Meeting. Copies of the Annual Report for 2006 will be posted to shareholders on the 9<sup>th</sup> February 2007.

The information for the year ended 30 September 2005 has been extracted from the latest published audited accounts as restated to comply with IFRS (see note 5). The audited accounts for the year ended 30 September 2005 have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under either section 237(2) or (3) of the Companies Act 1985.

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