



**Asset Management Investment Company PLC**

Interim Report  
For the six months ended  
31 March 2007

## **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**

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## Corporate Information

<b>Directors</b>	<p>Charles Wilkinson, <i>Non-Executive Chairman</i> George Robb, <i>Managing Director and Chief Investment Officer</i> Geoff Miller, <i>Senior Non-Executive Director</i> Barry Aling, <i>Non-Executive Director</i> Hugh Tilney, <i>Non-Executive Director</i></p> <p>Messrs Wilkinson, Aling (Chairman), Miller and Tilney are members of the Audit Committee Messrs Wilkinson (Chairman), Miller, Aling and Tilney are members of the Remuneration Committee Messrs Wilkinson (Chairman), Miller, Aling, Tilney and Robb are members of the Nominations Committee</p>
<b>Secretary &amp; Registered Office</b>	<p>Bharat Bhagani 32 Ludgate Hill London EC4M 7DR</p>
<b>Company Number</b>	2918390 (Incorporated in England and Wales)
<b>Auditors</b>	<p>Smith &amp; Williamson Solomon Hare Audit LLP Chartered Accountants Oakfield House, Oakfield Grove Bristol BS8 2BN</p>
<b>Bankers</b>	<p>Bank of Scotland Corporate Banking 155 Bishopsgate London EC2M 3YB</p>
<b>Registrar</b>	<p>Lloyds TSB Registrars Scotland Finance House Orchard Brae Edinburgh EH4 1WQ</p>
<b>Solicitors</b>	<p>Maclay Murray and Spens One London Wall London EC2Y 5AB</p>
<b>Stockbrokers</b>	<p>Teather &amp; Greenwood Limited Beaufort House 15 St Botolph Street London EC3A 7QR</p>

## Chairman's Statement

I am pleased to report continuing encouraging progress by your Company since my last statement with the Annual Report for 2006. In a favourable operating environment for the asset management industry the majority of the investments in the portfolio have performed very satisfactorily, and this has been reflected in a rising share price, an increased net asset value per share and a narrowing of the discount at which the ordinary shares trade. The current share price of 114.50p has not been achieved since July 2002, at the start of the last bear market, and the net asset value of 137.18p is close to the highest level since September 2002.

### Corporate Developments

As reported in my statement with the Annual Report for the year to 30 September 2006, at an Extraordinary General Meeting held on 20 October 2006 the virtually unanimous approval of shareholders was obtained for the continuation of the Company and the adoption of an investment strategy of gradually realising the investment portfolio and returning cash to shareholders. Your Board continues to consider all options for the future of the Company which will enhance this objective.

In January 2007 your Board negotiated with FX Concepts the early payment of the next tranche of \$4 million due in July 2007 in terms of the agreement regarding the disposal of the convertible rights on the loan note held by your Company. This reduced the amount due on the term facility from Investec Bank (UK) Limited to \$8 million, which will be fully repaid from the final two tranches due to be received from FX Concepts in July 2008 and July 2009.

Provided the discount at which the ordinary shares trade makes it in the interests of shareholders for the Company to buy back its ordinary shares, your Board is ready to use the powers granted to them in October 2006 and renewed at the Annual General Meeting in March 2007. So far the Company has not had the opportunity of buying any significant lines of stock other than a modest repurchase of 1.27% of the equity in November 2006.

### Investment portfolio

Your Company holds two quoted investments, both listed on AIM. **City of London Investment Group** has made significant progress since its listing in April 2006 and now has \$3.8 billion under management. In February 2007 your Company participated in a placing of ordinary shares in City of London and sold 750,000 shares for a total of £1,893,374. The balance of 1,781,275 shares is valued at £4.8 million compared with a cost of £0.9 million. **Integrated Asset Management**, which is a manager of funds of hedge funds, has made an excellent start to 2007, following a significant increase of its assets under management in 2006 to \$1.5 billion.

**FX Concepts** continues to be the largest investment in the portfolio. The company has close to \$13 billion under management and its revenues for the year to 31 May 2007 are again ahead of the level which ensures that AMIC will receive the maximum revenue of \$1,425,000 from its note. The next largest investment, **IFDC Group S.A.**, a manager of funds invested in the Japanese stock market, also continues to perform well and is a major contributor to our revenue. **Principal Investment Holdings**, located in Sevenoaks, Kent performed strongly in 2006, and now has £1 billion under management. **Lombardia Capital Partners** in Pasadena, California has made very encouraging progress in developing its business and now has \$1.5 billion under management in a range of large, medium and small cap products. The problems inherited from the previous management are gradually being resolved, and your Board felt that it was appropriate to restore value to the convertible note and the common shares held by your Company. **Hillview Capital Management** in New York has also made reasonable progress and now manages assets of \$820 million. As reported in my last statement, **Financial Management Advisors** in Los Angeles in December 2006 received an unfavourable judgement in a significant litigation and is continuing to explore possible solutions to the problems affecting the company.

### Financial results

Consolidated profit after tax for the period was £647,000 compared with £671,000 at the previous half year. The investment income was £1.1 million compared with £0.9 million at the previous half year. This performance was achieved despite a lower capital base following the repayment of the zero dividend preference shares and unfavourable foreign exchange rates due to the strengthening of the pound against the United States dollar and the resultant effects on the revenue of the Company. A substantial part of the revenue received by the Company is received in the second half, and the Directors are confident that in the absence of unforeseen circumstances the total revenue for the year to 30 September 2007 will not be less than £2.4 million and the distributable revenue will not be less than £1.5 million.

A charge of £205,000 has been reflected in the Consolidated Income Statement, being the movement in the equity-based derivative for the redemption premium payable to Investec Bank 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

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

from 13 September 2006, the date of funding.

The Company will pay an interim dividend of 1.5p net per share (2006: 1.5p) on 15 August 2007 to shareholders on the register at 20 July 2007.

### **Outlook**

World stock markets have made considerable progress since the recovery from the last bear market began in the spring of 2003 and this has been reflected in the performance of the investment portfolio. The companies in the portfolio are well positioned to continue to take advantage of these favourable operating conditions and your Directors view the future with confidence.

**Charles Wilkinson** *Chairman*

12 June 2007

## Consolidated Income Statement (Unaudited)

	Notes	Six months ended 31 March 2007		
		Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on financial assets at fair value through profit or loss		–	3,452	3,452
Investment income		1,112	–	1,112
Administration expenses		(131)	(394)	(525)
Exceptional administration expenses		–	–	–
<b>Profit/(loss) before finance costs and taxation</b>		<b>981</b>	<b>3,058</b>	<b>4,039</b>
Interest payable		(90)	(270)	(360)
Movement on the fair value of derivatives		(51)	(154)	(205)
Interest receivable		48	–	48
Other finance charges		–	–	–
Appropriation in respect of zero dividend preference shares		–	–	–
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>888</b>	<b>2,634</b>	<b>3,522</b>
Taxation		(241)	241	–
<b>Profit/(loss) for the period</b>		<b>647</b>	<b>2,875</b>	<b>3,522</b>
<b>Earnings per share</b>				
Return per ordinary share (basic)	2	3.04p	13.50p	16.54p
Return per ordinary share (diluted)	2	3.04p	13.50p	16.54p
Return per zero dividend preference share		–	–	–

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.

Revenue £'000	Six months ended 31 March 2006		Revenue £'000	Year ended 30 September 2006	
	Capital £'000	Total £'000		Capital £'000	Total £'000
–	836	836	–	9,973	9,973
903	–	903	2,597	–	2,597
(127)	(336)	(463)	(266)	(803)	(1,069)
–	–	–	(172)	(516)	(688)
776	500	1,276	2,159	8,654	10,813
(80)	(240)	(320)	(176)	(528)	(704)
–	–	–	–	–	–
127	–	127	448	–	448
(5)	(15)	(20)	–	–	–
–	(585)	(585)	–	(1,860)	(1,860)
818	(340)	478	2,431	6,266	8,697
(147)	147	–	(539)	539	–
671	(193)	478	1,892	6,805	8,697
3.16p	(0.91p)	2.25p	8.88p	31.96p	40.84p
3.16p	(0.91p)	2.25p	8.88p	31.96p	40.84p
–	7.20p	7.20p	–	–	–

## Consolidated Balance Sheet (Unaudited)

Notes	31 March 2007		31 March 2006		30 September 2006	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Non-current assets</b>						
Property, plant and equipment		7		14		10
<b>Investments</b>						
Fair value through profit or loss						
– Listed investments	7,550		2,672		6,994	
– Unlisted investments	22,705		34,380		22,042	
		30,255		37,052		29,036
		30,262		37,066		29,046
<b>Current assets</b>						
Receivables	3,778		203		7,809	
Cash and cash equivalents	2,408		8,341		3,123	
		6,186		8,544		10,932
Total assets		36,448		45,610		39,978
<b>Current liabilities</b>						
Payables	(108)		(364)		(635)	
Bank loans	–		(11,367)		(2,137)	
Zero dividend preference shares	–		(14,954)		(2,024)	
		(108)		(26,685)		(4,796)
<b>Total assets less current liabilities</b>		<b>36,340</b>		<b>18,925</b>		<b>35,182</b>
<b>Non-current liabilities</b>						
Bank loans		(6,828)		–		(8,064)
Derivative financial instrument		(205)		–		–
Net assets		29,307		18,925		27,118
<b>Equity</b>						
Ordinary share capital		5,328		5,396		5,396
Special Reserve		7,356		–		9,380
Share premium account		–		23,588		–
Capital Redemption Reserve		8,188		–		7,107
Other capital reserves		6,807		(11,251)		3,179
Retained earnings		1,696		1,330		2,227
Other equity reserve		–		33		–
Own share reserve		(68)		(171)		(171)
<b>Total equity</b>		<b>29,307</b>		<b>18,925</b>		<b>27,118</b>
<b>Allocation of shareholders' funds</b>						
Net asset value per ordinary						
25p share (basic)	3	137.54p		89.15p		127.27p
Net asset value per ordinary						
25p share (diluted)	3	137.54p		89.15p		127.27p
Net asset value per zero dividend						
preference share		–		191.75p		–

## Consolidated Statement of Change in Equity (Unaudited)

	Share Capital £'000	Share Premium £'000	Special Reserve £'000	Capital Redemption Reserve £'000	Own shares £'000	Other equity reserve £'000	Other capital reserve £'000	Retained earnings £'000	Total £'000
<b>For six months ended 31 March 2007</b>									
Net assets at 30 September 2006	5,396	–	9,380	7,107	(171)	–	3,179	2,227	27,118
Profit for the period	–	–	–	–	–	–	2,875	647	3,522
Cancellation of ZDP shares	–	–	(2,024)	1,013	–	–	1011	–	–
Cancellation of ordinary shares	(68)	–	–	68	–	–	(258)	–	(258)
Ordinary dividend paid	–	–	–	–	–	–	–	(1,178)	(1,178)
Movement in own shares	–	–	–	–	103	–	–	–	103
Net assets at 31 March 2007	5,328	–	7,356	8,188	(68)	–	6,807	1,696	29,307

	Share Capital £'000	Share Premium £'000	Special Reserve £'000	Capital Redemption Reserve £'000	Own shares £'000	Other equity reserve £'000	Other capital reserve £'000	Retained earnings £'000	Total £'000
<b>For the six months ended 31 March 2006</b>									
Net assets at 30 September 2005	5,396	23,588	–	–	(171)	33	(11,058)	1,307	19,095
Profit for the period	–	–	–	–	–	–	(193)	671	478
Ordinary dividend paid	–	–	–	–	–	–	–	(648)	(648)
Net assets at 31 March 2006	5,396	23,588	–	–	(171)	33	(11,251)	1,330	18,925

	Share Capital £'000	Share Premium £'000	Special Reserve £'000	Capital Redemption Reserve £'000	Own shares £'000	Other equity reserve £'000	Other capital reserve £'000	Retained earnings £'000	Total £'000
<b>For the year ended 30 September 2006</b>									
Net assets at 30 September 2005 (restated)	5,396	23,588	–	–	(171)	33	(10,727)	1,307	19,426
Profit for the year	–	–	–	–	–	(33)	6,805	1,892	8,664
Ordinary dividend paid	–	–	–	–	–	–	–	(972)	(972)
Transfer to Special Reserve	–	(23,588)	23,588	–	–	–	–	–	–
Cancellation of ZDP shares	–	–	(14,208)	7,107	–	–	7,101	–	–
Net assets at 30 September 2006	5,396	–	9,380	7,107	(171)	–	3,179	2,227	27,118

## Consolidated Cash Flow Statement (Unaudited)

	Six months ended 31 March 2007		Six months ended 31 March 2006		Year ended 30 September 2006	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net income from operations</b>						
<b>before tax</b>	<b>3,522</b>		478		8,697	
Depreciation	3		1		5	
(Increase)/decrease in receivables	4,032		(12)		27	
Increase/(decrease) in payables	(527)		(6)		259	
(Gains)/losses on investments held at fair value through profit and loss	(3,452)		(836)		(9,973)	
(Gain)/loss on derivative	205		–		–	
Other finance charges	–		20		–	
Receipt from EBT scheme	103		–		–	
Appropriation in respect of zero dividend preference shares	–		585		1,860	
<b>Cash generated by operations</b>		<b>3,886</b>		230		875
<b>Net cashflow from operating activities</b>		<b>3,886</b>		230		875
<b>Investing activities</b>						
Purchase of investments	(1)		(200)		(475)	
Sale of investments	2,122		3,918		13,722	
<b>Net cashflow inflow from investment activities</b>		<b>2,121</b>		3,718		13,247
<b>Net cash inflow before financing</b>		<b>6,007</b>		3,948		14,122
<b>Financing activities</b>						
Purchase of shares	(2,284)		–		(14,276)	
Repayment of loan	(3,373)		(365)		(365)	
Equity dividend paid	(1,178)		(648)		(972)	
<b>Net cash outflow from financing</b>		<b>(6,835)</b>		(1,013)		(15,613)
Increase/(decrease) in cash		<b>(828)</b>		2,935		(1,491)
Effect of foreign exchange rate changes		<b>113</b>		68		(724)
<b>Changes in cash and cash equivalents</b>		<b>(715)</b>		3,003		(2,215)
<b>Cash and cash equivalents at beginning of period</b>		<b>3,123</b>		5,338		5,338
<b>Cash and cash equivalents at end of period</b>		<b>2,408</b>		8,341		3,123

## Notes to the Financial Statements

### 1. Accounting policies

#### a. Basis of preparation

The financial statements have been prepared in accordance with 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”) that remain in effect, to the extent that they have been adopted by the European Union. The Consolidated financial Statements are presented in pounds sterling, rounded to the nearest thousand.

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. The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice (“the SORP”) for investment trusts issued by the Association of Investment Companies (“the AIC”) in December 2005 is consistent with the requirements of IFRS, the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

#### b. 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.

#### c. 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.

#### d. 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.

#### e. 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.

## Notes to the Financial Statements *continued*

### **f. 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.

### **g. 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.

### **h. Cash and cash equivalents**

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

### **i. 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

### **j. 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.

### **k. 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.

### **l. Dividends payable**

Dividends are recognised from the date on which they are paid.

### **m. 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.

### **n. Pension costs**

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

## Notes to Financial Statements *continued*

### 2. Earnings per share

The earnings per ordinary share are based on the profit (loss) after taxation £647,000 (2006 - £671,000) and on 21,307,632 (2006 - 21,228,665) being the weighted number of ordinary shares in issue during period, following adjustments for shares held in the All Share Employee Share Ownership Plan.

	(Unaudited)			(Unaudited)			(Audited)		
	Half year ended 31 March 2007			Half year ended 31 March 2006			Year ended 30 September 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Profit/(loss) for the period</b>	<b>647</b>	<b>2,875</b>	<b>3,522</b>	671	(193)	478	1,892	6,805	8,697
<b>Earnings per share</b>									
Return per ordinary share (basic)	<b>3.04p</b>	<b>13.50p</b>	<b>16.54p</b>	3.16p	(0.91p)	2.25p	8.88p	31.96p	40.84p

### 3. Net asset value

The net asset value per ordinary share for the Group at 31 March 2007 is based on a net asset value of £29,307,000 (2006 – £18,925,000) and on 21,307,632 (31 March 2006 – 21,228,665) ordinary shares in issue at year-end as noted above.

### 4. Transaction costs

	Half year ended 31 March 2007 £000	Half year ended 31 March 2006 £000	Year ended 30 September 2006 £000
Purchases	1	–	–
Sales	19	1	1

### 5. Special Dividend

No provision has been made for the special dividend of 2p per share paid to shareholders on 20 April 2007 in these interim financial statements because under IFRS, the special dividend is not recognised until paid to shareholders.

### 6. Basis of preparation

The financial information contained in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the half years ended 31 March 2007 and 31 March 2006 has not been audited.

The information for the year ended 30 September 2006 has been extracted from the latest published audited accounts. The audited accounts for the year ended 30 September 2006 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.

Copies of this document are being sent to all Shareholders and may also be obtained from the Registered Office of the Company, 32 Ludgate Hill, London EC4M 7DR.

26 June 2007

*Company Secretary*







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