CANARGO ENERGY CORP
Form 8-K
December 27, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) December 20, 2007

CANARGO ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**001-32145**	**91-0881481**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

CanArgo Energy Corporation P.O. Box 291, St. Peter Port Guernsey, British Isles	**GY1 3RR**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code (44) 1481 729 980

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

The matters discussed in this Current Report on Form 8-K include forward looking statements, which are subject to various risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated in such forward looking statements. Such risks, uncertainties and other factors include the uncertainties inherent in oil and gas development and production activities, the effect of actions by third parties including government officials, fluctuations in world oil prices and other risks detailed in the Company s Reports on Forms 10-K and 10-Q filed with the Securities and Exchange Commission. The forward-looking statements are intended to help shareholders and others assess the Company s business prospects and should be considered together with all information available. They are made in reliance upon the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company cannot give assurance that the results will be attained.

Section 7 Regulation FD

Item 7.01. Regulation FD Disclosure.

December 20, 2007 Guernsey, Channel Islands CanArgo Energy Corporation (CanArgo or the Company) (OSE: CNR, AMEX: CNR) today announced that it had received confirmation from Schlumberger that mobilisation of the equipment for the planned acid fracturing stimulation program of the Manavi 12 well in Georgia commenced on December 19, 2007 as planned.

The acid for the stimulation work is already on site at M12 and the well is fully prepared and ready for the arrival of the fracturing equipment which is expected to arrive on location during the first or second week of January 2008. Once the equipment has been rigged up and tested, the acid fracturing operation will be performed and the well will be flow tested.

The information in this report (including its exhibit) shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to liability of that section. The information in this report (including its exhibit) shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in such filing.

Copies of the Press Releases are attached hereto as Exhibit 99.1

Section 9 Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits:

Exhibit No.	**Exhibit Description**
99.1	Press Release dated December 20, 2007 issued by CanArgo Energy Corporation.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CANARGO ENERGY CORPORATION

Date: December 24, 2007

By: /s/ Elizabeth Landles
Elizabeth Landles, Corporate Secretary

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2001 ---- ---- Net assets .... $361,942,568 $539,839,060 Net assets per share of Common Stock .... 18.72 28.54 Shares of Common Stock outstanding .... 19,337,284 18,914,599 Comparative operating results are as follows: Year 2002 Year 2001 --------- --------- Net investment income .... $ 2,592,249 $ 3,335,304 Per share of Common Stock .... .14* .18* Net realized gain on sale of investments .... 22,869,274 13,662,612 Decrease in net unrealized appreciation of investments .... (185,386,156) (58,375,994) Decrease in net assets resulting from operations .... (159,924,633) (41,378,078) ---------- * Per-share data are based on the average number of Common shares outstanding during the year. The Corporation made two distributions to holders of Common Stock in 2002, a cash dividend of $.10 per share paid on June 21 and an optional distribution of $1.15 per share in cash, or one share of Common Stock for each 14 shares held, paid on December 26. The Corporation has been advised that of the $1.25 paid in 2002, $.14 represents ordinary income and $1.11 represents long-term capital gains. For Federal income tax purposes, separate notices have been mailed to stockholders. With respect to state and local taxes, the status of distributions may vary. Stockholders should consult with their tax advisors on this matter. In the optional distribution paid in December, the holders of 57% of the outstanding shares of Common Stock elected to receive stock, and 752,785 Common shares were issued. During 2002 the Corporation repurchased 330,100 shares of its Common Stock on the American Stock Exchange at an average price per share of $20.68. The Corporation may from time to time purchase Common Stock in such amounts and at such prices as the Board of Directors may deem advisable in the best interests of stockholders. Purchases may be made on the American Stock Exchange or in transactions directly with stockholders. [5] Central's investment results are shown below together with those of the leading market indexes: To December Central's Dow Jones Standard & 31, 2002 Market Return Industrials Poor's 500 ----------- ------------- ----------- ---------- Quarter .... 4.8% 10.5% 8.4% Year .... -31.2% -15.0% -22.1% Ten Years (annualized) .... 13.4% 12.1% 9.3% The economic recovery which began in the fourth quarter of 2001 continued in 2002, sustained by consumer spending. Government tax cuts and the refinancing of home equity loans at low interest rates stimulated personal consumption. Stock market returns, on the other hand, were dismal. In recent years, stock markets have suffered one of their biggest falls in history. Last year Central experienced its most severe decline since the recession of the mid-1970's, over twenty-five years ago. Our results were adversely affected in large part by price declines in a number of our major investments in information technology and financial companies, including Flextronics, Intel, Convergys, Analog Devices, Capital One, Household International and Bank of New York. The divergence between the overall economy and the stock market is related to the nature of the recession in 2001. It was not a typical consumer led recession. It was led by a slump in business investment which has not yet begun a sustained recovery, especially with respect to information technology. The average technology mutual fund declined by over 40% last year. While not pleasant, the price declines of 2002 are unfortunately part of long-term investing in technology companies. As opposed to the larger and more stable consumer segment, the capital spending area of the economy is subject to periodic bouts of over-expansion and over-valuation in the stock market, followed by under-valuation in many cases. With respect to technology investments, the current condition will ultimately reverse itself as innovation offers new opportunities for productivity gains. The timing and magnitude of a lasting upturn, however, are not predictable. Central's investment portfolio turnover was just under 20%, somewhat more than has been the case in recent years but less than that of the average mutual fund. At year end, 32% of our holdings were classified as information technology investments compared with 39% at the end of 2001. The financial sector accounted for 25%, the same as last year. The comparable percentages for the Standard and Poor's 500 Index were 15% in information technology and 21% in financial companies. Central had 39 holdings at year end, up from 31 at the start of the year. The ten largest, shown on page eight, constituted 51% of assets. Short-term commercial paper amounted to 13.6% of assets. This percentage has been higher in the past two years than Central's norm, reflecting our caution in the face of high equity prices. It is not an indication that we are changing our policy of remaining generally fully invested. We reduced the carrying value of our largest investment, Plymouth Rock, at year end by 13% to reflect the price at which the company has the opportunity to repurchase a substantial block of its own stock. We have been pleased with the improved operating performance at Plymouth Rock and believe that it is well positioned to take advantage of opportunities in its major markets. [6] Our investment approach continues to be based on the long-term view. We look for companies with good economic fundamentals and the capacity for growth. We are sensitive to valuation. It is important to be able to make investments at a reasonable if not a bargain price. We attempt to estimate the probable value of a company over a period of three to five years into the future. We think that many, if not most, investors have a shorter time horizon and that our ability to take a long-term view has been a great advantage to Central. Our best results have come from holding investments in companies that grow significantly over a number of years, not from active trading for short-term gains. Finally, we are especially interested in the integrity of management and the alignment of its interests with those of stockholders. Our practice has been to keep about one half our assets in a small number of investments, with the remainder in a general market portfolio. We believe that the risk associated with this approach can be reduced through intimate knowledge of the companies in which we invest. Ideally we want to hold for extended periods of time investments in companies with high returns on capital, high margins and sustained growth. We recognize, however, that the period of significant growth for a particular company will not last indefinitely and that over time the composition of our assets will change as long-term investments are reduced or sold and the proceeds redeployed. It is our goal to provide shareholders with investment management that will be judged as excellent over the long term. We are confident that under reasonably favorable economic conditions our investment approach will continue to provide satisfactory results. Shareholder inquiries are welcome. CENTRAL SECURITIES CORPORATION WILMOT H. KIDD, President 375 Park Avenue New York, NY 10152 January 29, 2003 [7] TEN LARGEST INVESTMENTS December 31, 2002 % of Year ---------------- Net First Cost Value Assets Acquired ----------------- ------ -------- (millions) The Plymouth Rock Company, Inc. .... $ 2.2 $42.0 11.6% 1982 American Management Systems, Inc. ..... 22.2 19.4 5.4 1984 Murphy Oil Corporation .... 5.3 18.0 5.0 1974 Intel Corporation .... 0.5 17.4 4.8 1986 Brady Corporation Class A .... 2.4 17.3 4.8 1984 Capital One Financial Corporation ..... 2.5 14.9 4.1 1994 The Bank of New York Company, Inc. .... 4.4 14.4 4.0 1993 Analog Devices, Inc. .... 0.7 14.3 4.0 1987 SunGard Data Systems, Inc. .... 6.7 13.9 3.8 1999 Convergys Corporation .... 16.7 13.3 3.7 1998 PRINCIPAL PORTFOLIO CHANGES October 1 to December 31, 2002 (Common Stock unless specified otherwise) Number of Shares -------------------------------------- Held Purchased Sold December 31, 2002 --------- ---- ----------------- Accenture Ltd. .... 10,000 280,000 American Management Systems, Inc. ..... 120,000 1,620,000 ArvinMeritor, Inc. .... 220,000 520,000 AT&T Wireless Services, Inc. .... 130,000 200,000 The Bank of New York Company, Inc. .... 20,000 600,000 Brady Corporation Class A .... 40,400 520,000 Broadwing Inc. .... 100,000 1,000,000 Capital One Financial Corporation ..... 10,000 500,000 Convergys Corporation .... 100,000 880,000 Duke Energy Corporation .... 100,000 100,000 EnCana Corporation .... 160,000 160,000 Household International, Inc. .... 200,000 200,000 Murphy Oil Corporation .... 210,000(a) 30,000 420,000 Schering-Plough Corporation .... 160,000 160,000 Solectron Corporation .... 100,000 800,000 The TriZetto Group, Inc. .... 165,300 430,000 Unisys Corporation .... 50,000 1,150,000 ---------- (a) Stock Split [8] STATEMENT OF ASSETS AND LIABILITIES December 31, 2002 ASSETS: Investments: General portfolio securities at market value (cost $189,652,547) (Note 1) .... $268,001,108 Securities of affiliated companies (cost $3,462,486) (Notes 1, 5 and 6) ..... 44,615,409 Short-term investments (cost $49,181,437) .. 49,181,437 $361,797,954 ----------- Cash, receivables and other assets: Cash .... 63,920 Dividends receivable .... 233,200 Office equipment, net .... 30,936 Other assets .... 39,050 367,106 ------------ ------------ Total Assets .... 362,165,060 LIABILITIES: Accrued expenses and reserves .... 222,492 ------------ Total Liabilities

.... 222,492 ------------ NET ASSETS .... $361,942,568 ============ NET ASSETS are represented by: Common Stock $1 par value: authorized 30,000,000 shares; issued 19,347,284 (Note 2) .... $ 19,347,284 Surplus: Paid-in .... $221,065,405 Undistributed net gain on sale of investments .... 2,174,359 Undistributed net investment income .... 24,386 223,264,150 ------------ Net unrealized appreciation of investments .... 119,501,484 Treasury stock, at cost (10,000 shares of Common Stock) (Note 2) .... (170,350) ------------ NET ASSETS .... $361,942,568 ============ NET ASSET VALUE PER COMMON SHARE (19,337,284 shares outstanding) .... $18.72 ====== See accompanying notes to financial statements. [9] STATEMENT OF OPERATIONS For the year ended December 31, 2002 INVESTMENT INCOME Income: Dividends .... $ 3,623,342 Interest .... 1,234,312 $ 4,857,654 ------------ Expenses: Administration and operations .... 654,429 Investment research .... 617,251 Rent and utilities .... 174,561 Employees' retirement plans .... 124,602 Franchise and miscellaneous taxes .... 114,264 Directors' fees .... 97,500 Listing, software and sundry fees .... 85,553 Legal, auditing and tax fees .... 78,040 Insurance .... 76,628 Stationery, supplies, printing and postage ... 50,098 Transfer agent and registrar fees and expenses .... 35,571 Travel and telephone .... 27,317 Custodian fees .... 26,387 Publications and miscellaneous .... 103,204 2,265,405 ----------- ------------ Net investment income .... 2,592,249 NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS Net realized gain from investment transactions .... 22,869,274 Net decrease in unrealized appreciation of investments .... (185,386,156) ------------ Net loss on investments .... (162,516,882) ------------ NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS .... ($159,924,633) ============ See accompanying notes to financial statements. [10] STATEMENTS OF CHANGES IN NET ASSETS For the years ended December 31, 2002 and 2001 2002 2001 ---- ---- FROM OPERATIONS: Net investment income .... $ 2,592,249 $ 3,335,304 Net realized gain on investments .... 22,869,274 13,662,612 Net decrease in unrealized appreciation of investments .... (185,386,156) (58,375,994) ------------ ------------ Decrease in net assets resulting from operations .... (159,924,633) (41,378,078) ------------ ------------ DIVIDENDS TO STOCKHOLDERS FROM: Net investment income .... (2,571,208) (3,956,197) Net realized gain from investment transactions .... (20,694,915) (18,650,364) Return of capital .... -- (9,911,422) ------------ ------------ Decrease in net assets from distributions .... (23,266,123) (32,517,983) ------------ ------------ FROM CAPITAL SHARE TRANSACTIONS: (Note 2) Distribution to stockholders reinvested in Common Stock .... 12,119,838 18,466,903 Cost of shares of Common Stock repurchased .... (6,825,574) (1,020,868) ------------ ------------ Increase in net assets from capital share transactions .... 5,294,264 17,446,035 ------------ ------------ Total decrease in net assets .... (177,896,492) (56,450,026) NET ASSETS: Beginning of year .... 539,839,060 596,289,086 ------------ ------------ End of year (including undistributed net investment income of $24,386 and $0, respectively) .... $361,942,568 $539,839,060 ============ ============ See accompanying notes to financial statements. [11] STATEMENT OF INVESTMENTS December 31, 2002 PORTFOLIO SECURITIES 86.4% STOCKS (COMMON UNLESS SPECIFIED OTHERWISE) Prin. Amt. or Shares Value ---------- ----- Banking and Finance 10.3% 600,000 The Bank of New York Company, Inc. .... $14,376,000 500,000 Capital One Financial Corporation .... 14,860,000 100,000 FleetBoston Financial Corporation .... 2,430,000 200,000 Household International, Inc. .... 5,562,000 ----------- 37,228,000 ----------- Business Services 1.1% 100,000 Concord EFS, Inc.(a) .... 1,574,000 240,000 ProBusiness Services, Inc.(a) .... 2,400,000 ----------- 3,974,000 ----------- Chemicals 4.2% 1,372,400 PolyOne Corporation .... 5,379,808 300,000 Rohm and Haas Company .... 9,744,000 ----------- 15,123,808 ----------- Computer Software & Services 18.8% 280,000 Accenture Ltd.(a) .... 5,037,200 1,620,000 American Management Systems, Inc.(a) .... 19,423,800 880,000 Convergys Corporation(a) .... 13,332,000 200,000 Peerless Systems Corporation(a) .... 278,000 590,000 SunGard Data Systems Inc.(a) .... 13,900,400 430,000 The TriZetto Group, Inc.(a) .... 2,640,200 1,150,000 Unisys Corporation(a) .... 11,385,000 500,000 Wind River Systems, Inc.(a) .... 2,050,000 ----------- 68,046,600 ----------- Electronics 13.4% 600,000 Analog Devices, Inc.(a) .... 14,322,000 1,350,000 Flextronics International Ltd.(a) .... 11,056,500 1,120,000 Intel Corporation .... 17,438,400 330,000 Motorola, Inc. .... 2,854,500 800,000 Solectron Corporation(a) 2,840,000

----------- 48,511,400 ----------- Energy 9.6% 100,000 Duke Energy Corporation .... 1,954,000 160,000 EnCana Corporation .... 4,976,000 220,000 Kerr-McGee Corporation .... 9,746,000 420,000 Murphy Oil Corporation .... 17,997,000 ----------- 34,673,000 ----------- [12] Prin. Amt. or Shares Value ---------- ----- Health Care 5.0% 420,000 Impath Inc.(a) .... $ 8,282,400 100,000 Merck & Co. Inc. .... 5,661,000 160,000 Schering-Plough Corporation .... 3,552,000 150,000 Vical Inc.(a) .... 520,500 ----------- 18,015,900 ----------- Insurance 14.8% 200,000 Arch Capital Group Ltd.(a) .... 6,234,000 50,000 Everest Re Group Ltd. .... 2,765,000 50,000 PartnerRe Ltd. .... 2,591,000 70,000 The Plymouth Rock Company, Inc. Class A(b)(c) .... 42,000,000 ----------- 53,590,000 ----------- Manufacturing 7.2% 520,000 ArvinMeritor, Inc. .... 8,668,400 520,000 Brady Corporation Class A .... 17,342,000 ----------- 26,010,400 ----------- Telecommunications 1.3% 200,000 AT&T Wireless Services, Inc.(a) .... 1,130,000 1,000,000 Broadwing Inc.(a) .... 3,520,000 ----------- 4,650,000 ----------- Transportation 0.7% 533,757 Transport Corporation of America, Inc. Class B(a)(b) .... 2,615,409 ----------- Miscellaneous 0.0% Grumman Hill Investments, L.P.(a)(c) .... 178,000 ----------- Total Portfolio Securities (cost $193,115,033) .... 312,616,517 ----------- [13] SHORT-TERM INVESTMENTS 13.6% Prin. Amt. or Shares Value ---------- ----- Commercial Paper 13.6% $ 2,645,000 American Express Credit Corp. 1.0089%-1.1502% due 1/3/03 .... $ 2,644,846 37,812,000 General Electric Capital Corp. 1.1411%-1.1913% due 1/3/03-1/29/03 .... 37,789,568 8,750,000 Sears Roebuck Discount Corp. 1.7770% due 1/8/03 .... 8,747,023 ------------ 49,181,437 ------------ Total Short-Term Investments (cost $49,181,437) .... 49,181,437 ------------ Total Investments (cost $242,296,470)(100.0%) .... 361,797,954 Cash, receivables and other assets less liabilities (0.0%) .... 144,614 ----------- Net Assets (100%) .... $361,942,568 ============ ---------- (a) Non-dividend paying. (b) Affiliate as defined in the Investment Company Act of 1940. (c) Valued at estimated fair value. See accompanying notes to financial statements. [14] NOTES TO FINANCIAL STATEMENTS 1. Significant Accounting Policies--The Corporation is registered under the Investment Company Act of 1940, as amended, as a non-diversified, closed-end management investment company. The following is a summary of the significant accounting policies consistently followed by the Corporation in the preparation of its financial statements. The policies are in conformity with generally accepted accounting principles. Security Valuation--Securities are valued at the last sale price or, if unavailable, at the closing bid price. Corporate discount notes are valued at amortized cost, which approximates market value. Securities for which no ready market exists, including The Plymouth Rock Company, Inc. Class A Common Stock, are valued at estimated fair value by the Board of Directors. Federal Income Taxes--It is the Corporation's policy to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income to its stockholders. Therefore, no Federal income taxes have been accrued. Use of Estimates--The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Actual results may differ from those estimates. Other--Security transactions are accounted for on the date the securities are purchased or sold, and cost of securities sold is determined by specific identification. Dividend income and distributions to stockholders are recorded on the ex-dividend date. 2. Common Stock--The Corporation repurchased 330,100 shares of its Common Stock in 2002 at an average price of $20.68 per share representing an average discount from net asset value of 12.77%. It may from time to time purchase Common Stock in such amounts and at such prices as the Board of Directors may deem advisable in the best interests of the stockholders. Purchases will only be made at less than net asset value per share, thereby increasing the net asset value of shares held by the remaining stockholders. Shares so acquired may be held as treasury stock, available for optional stock distributions, or may be retired. The Corporation made two distributions to holders of Common Stock in 2002, a cash dividend of $.10 per share paid on June 21 and an optional distribution of $1.15 per share in cash, or one share of Common Stock for each 14 shares held, paid on December 26. In the optional distribution, 583,796 shares of Common Stock held as treasury shares by the Corporation were distributed, and 168,989 Common shares were issued. 3. Investment Transactions--The aggregate cost of securities purchased and the aggregate proceeds of securities sold during the year ended December 31, 2002, excluding short-term investments, were $80,589,140 and $79,623,294, respectively. Purchases and sales of U.S. Government securities aggregated $21,845,171 and $21,940,774, respectively. [15] NOTES TO FINANCIAL STATEMENTS -- Continued As of December 31, 2002, based on cost for Federal income tax purposes, the aggregate gross unrealized appreciation and depreciation for all securities were

$154,341,912 and $34,840,428, respectively. 4. Operating Expenses--The aggregate remuneration paid during the year ended December 31, 2002 to officers and directors amounted to $1,196,500, of which $97,500 was paid as fees to directors who were not officers. Benefits to employees are provided through a profit sharing retirement plan. Contributions to the plan are made at the discretion of the Board of Directors, and each participant's benefits vest after three years. The amount contributed for the year ended December 31, 2002 was $109,752. 5. Affiliates--The Plymouth Rock Company, Inc., and Transport Corporation of America, Inc. are affiliates as defined in the Investment Company Act of 1940. The Corporation received dividends of $328,300 from affiliates during the year ended December 31, 2002. Unrealized appreciation related to affiliates decreased by $2,280,255 for the year 2002 to $41,152,923. 6. Restricted Securities--The Corporation from time to time invests in securities the resale of which is restricted. On December 31, 2002 such investments had an aggregate value of $42,178,000, which was equal to 11.7% of the Corporation's net assets. Investments in restricted securities at December 31, 2002, including acquisition dates and cost, were: Company Shares Security Date Purchased Cost ------------------------------ ------ ------------------- ------------- ---------- Grumman Hill Investments, L.P. Limited Partnership 9/11/85 $ 21,647 Interest The Plymouth Rock Company, Inc. 70,000 Class A Common 12/15/82 1,500,000 Stock 6/9/84 699,986 The Corporation does not have the right to demand registration of the restricted securities. Unrealized appreciation related to restricted securities decreased by $2,197,419 for the year ended December, 31, 2002 to $39,956,367. [16] FINANCIAL HIGHLIGHTS 2002 2001 2000 1999 1998 ---- ---- ---- ---- ---- Per Share Operating Performance: Net asset value, beginning of year $ 28.54 $ 32.94 $ 35.05 $ 31.43 $ 29.97 Net investment income* .14 .18 .32 .30 .34 Net realized and unrealized gain (loss) on securities (8.71) (2.78) 1.92 5.96 3.11 -------- -------- -------- -------- -------- Total from investment operations (8.57) (2.60) 2.24 6.26 3.45 Less: Dividends from net investment income** To Preference Stockholders -- -- -- .04 .05 To Common Stockholders .14 .22 .32 .26 .29 Distributions from capital gains** To Common Stockholders 1.11 1.03 4.03 2.34 1.65 Return of capital** To Common Stockholders -- .55 -- -- -- -------- -------- -------- -------- -------- Total distributions 1.25 1.80 4.35 2.64 1.99 -------- -------- -------- -------- -------- Net asset value, end of year $ 18.72 $ 28.54 $ 32.94 $ 35.05 $ 31.43 ======== ======== ======== ======== ======== Per share market value, end of year $ 16.28 $ 25.31 $ 28.25 $ 27.25 $ 24.38 Total return based on market(%) (31.23) (2.42) 17.75 22.96 (11.57) Total return based on NAV(%) (29.43) (6.54) 7.02 31.79 13.75 Ratios/Supplemental Data: Net assets, end of year(000) $361,943 $539,839 $596,289 $590,656 $476,464 Ratio of expenses to average net assets for Common(%) .50 .45 .38 .45 .51 Ratio of net investment income to average net assets for Common(%) .57 .60 .83 .89 1.09 Portfolio turnover rate(%) 19.50 10.32 13.54 12.06 6.21 ---------- * Per-share data are based on the average number of Common Shares outstanding during the year. ** Computed on the basis of the Corporation's status as a "regulated investment company" for Federal income tax purposes. See accompanying notes to financial statements. [17] --- INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF CENTRAL SECURITIES CORPORATION We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Central Securities Corporation as of December 31, 2002, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of December 31, 2002 by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Central Securities Corporation as of December 31, 2002, and the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended in conformity with accounting principles generally accepted in the United States of America. The information set forth for each of the years in the ten-year and two-year periods ended December 31, 2002 appearing in the tables on pages 4 and 5, in our opinion, is fairly stated in all material respects in relation to the financial statements from which it has been derived. KPMG LLP New York, NY January 29, 2003 -- [18] BOARD OF DIRECTORS AND OFFICERS Principal Occupations (last five years) Independent Directors Age and Position with the Corporation (if any) --------------------- --- --- DONALD G. CALDER 65 President, G.L. Ohrstrom & Co. Inc. Director since 1982 (private investment firm); Director of Brown-Forman Corporation, Carlisle Companies Incorporated and Roper Industries, Inc. (manufacturing companies) JAY R. INGLIS 68 Executive Vice President, National Marine Director since 1973 Underwriters (insurance management company) since 2001; Executive Vice President, Holt Corporation (insurance holding company) prior thereto DUDLEY D. JOHNSON 63 President, Young & Franklin Inc. (private Director since 1984 manufacturing company) C. CARTER WALKER, JR. 68 Private investor Director since 1974 Interested Director ------------------- WILMOT H. KIDD 61 Investment and research--President, Director since 1972 Central Securities Corporation --------------------- CHARLES N. EDGERTON 58 Vice President and Treasurer, Central Securities Corporation MARLENE A. KRUMHOLZ 39 Secretary, Central Securities Corporation since 2001; Senior Manager, PricewaterhouseCoopers LLP prior thereto The address of each Director and Officer is c/o Central Securities Corporation, 375 Park Avenue, New York, New York 10152. [19] BOARD OF DIRECTORS Donald G. Calder Jay R. Inglis Dudley D. Johnson Wilmot H. Kidd C. Carter Walker, Jr. OFFICERS Wilmot H. Kidd, President Charles N. Edgerton, Vice President and Treasurer Marlene A. Krumholz, Secretary OFFICE 375 Park Avenue New York, NY 10152 212-688-3011 www.centralsecurities.com CUSTODIAN UMB Bank, N.A. P.O. Box 419226, Kansas City, MO 64141-6226 TRANSFER AGENT AND REGISTRAR EquiServe Trust Company P.O. Box 43069, Providence, RI 02940-3069 781-575-2724 www.equiserve.com INDEPENDENT AUDITORS KPMG LLP 757 Third Avenue, New York, NY 10017 [20]