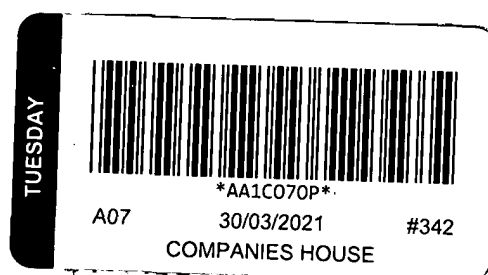


**ADAM SMITH INTERNATIONAL LTD**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**



<b>ADAM SMITH INTERNATIONAL LTD</b>
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**COMPANY INFORMATION**

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<b>Directors</b>	Mr D Hopkins Mrs J Wilson Mr D Hocquard
<b>Company secretary</b>	No company secretary
<b>Registered number</b>	02732176
<b>Registered office</b>	240 Blackfriars Road London SE1 8NW
<b>Independent auditor</b>	RSM UK Audit LLP Chartered Accountants Marlborough House Victoria Road South Essex Chelmsford CM1 1LN
<b>Bankers</b>	Allied Irish Bank Plc 26 Finsbury Square London EC2R 1DS

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**ADAM SMITH INTERNATIONAL LTD**

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**CONTENTS**

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	Page
<b>Strategic report</b>	1 - 5
<b>Directors' report</b>	6 - 7
<b>Directors' responsibilities statement</b>	8
<b>Independent auditor's report</b>	9 - 11
<b>Statement of income and retained earnings</b>	12
<b>Statement of financial position</b>	13 - 14
<b>Notes to the financial statements</b>	15 - 40

**ADAM SMITH INTERNATIONAL LTD****STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019****Introduction**

The Directors present their Strategic Report for the year ended 31 December 2019.

In accordance with section 172 of the Companies Act 2006, the directors report that they have discharged their responsibilities in the following areas:

In summary our strategic report provides an overview of our past performance and our current confidence in the future of the business.

We continue to review on a regular basis our strategic direction and to adjust in light of changing circumstances. As the group of companies form part of an Employee Ownership Trust our governance structure place particular emphasis on the interests of our employees as well as fair treatment of our other obligations.

The Company takes great pride in how it deals with its clients, suppliers and the ultimate beneficiaries of the services it provides. The impact of the services the company delivers aims to change lives in societies around the world for the better and treating clients and suppliers with the ultimate respect is part of this commitment. The Company aims to pay its suppliers within the UK Prompt Payment Code. We are proud to have over these difficult times met our commitments to suppliers within these expected guidelines.

We look forward to the challenges of the coming year and to providing great service to our clients and greet opportunity for our employees and partners.

**Business review**

The purpose of the Company is to transform lives by making economies stronger, societies more stable, and governments more effective. It is principally involved in providing advisory and project implementation services to governments, international development agencies and businesses across the world. In 2019 the Company proudly joined the growing global community of certified B Corporations ("B Corps"). Certified B Corps are businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. The Company's verified score on the B Impact Assessment is the second highest in the UK's B Corp community.

The Company's turnover declined to £54.5 million from £86.5 million in the previous year, a decline of 37%. Gross profit margin declined to 17% against levels reported in 2018 at 21%. An operating loss of £1.7m for the year under review fell from a profit of £4.2 million in the previous year. The loss after tax for the year under review fell to £0.4 million against a profit of £3.2 million in the previous year, a decline of 113%. The Statement of Financial Position remains strong with net assets of £47.8 million (2018: £71.1 million).

In 2019 the Company undertook both significant investments and achieved substantial reductions in operating costs. A notable success, the financial impact of which will only show in subsequent years, was to secure a large reduction in office accommodation costs. On the investment side considerable progress was made in the introduction of a tailored Enterprise Resource Planning (ERP) system, the objective of which is to greatly improve the efficiency of the financial management and enable a much faster financial cycle with consequent improvement in working capital. The benefit of this investment has been seen in 2020 and will continue to be realised in future years.

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**Key performance indicators**

Management uses a number of performance indicators as part of managing the business. These are reported and monitored throughout the year and include the following:

- Social Impact:
  - Corporate: contribution to the Sustainable Development Goals
  - Projects: results delivered and value for money achieved for clients
  - Employees: employee satisfaction, diversity and inclusion
- Environmental Impact:
  - Total carbon footprint
  - Carbon footprint per employee
- Financial Impact:
  - Revenue, profitability and cash flows to set targets
  - Quality, level and conversion rates of the sales pipeline and level of sales order book
  - Size and duration of engagements
  - Staff utilisation

Sustainability is core business but since becoming a certified B Corp, we have made real efforts to improve our environmental practices at a corporate level as well as select programmes with a positive environmental impact:

- We introduced a ban on plastic in the workplace
- We introduced a ban on domestic flights (within Europe)
- We offset carbon from flights (for senior management)
- We have initiated a tree-planting initiative in Pakistan
- We advise regional offices to print on environmentally friendly paper
- We conduct yearly, systematic reviews of facilities and projects worldwide using an environmental assessment questionnaire

Notwithstanding the challenges, our Board have agreed a strategic objective to be carbon neutral by 2025 and a net positive contributor to the environment by 2030.

In addition to our corporate commitment to the environment, a lot of our work around the globe responds to the devastating impact a rapidly changing climate has on communities and environments. Climate change threatens the survival of the world's poorest and most vulnerable people, and has devastating impact on economies, agriculture, infrastructure and communities.

For us this means that our work and our projects achieve most when they help communities around the world adapt their agricultural practices to changes in the climate and support them in being more resilient and better prepared for climate shocks. It also means that we need to help governments and businesses around the globe to create markets for renewable energy sources and help cities design their infrastructure in a way that withstands climate impact.

From 2020 onwards, for the previous reporting year, the Company will produce a publicly available impact report describing its performance against social and environmental indicators.

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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## **Internal control and risk management**

### **Introduction**

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Board regularly reviews the effectiveness of the Company's system of financial and non-financial internal controls, including operational and compliance controls and risk management. Internal controls and risk management continued to be strengthened in 2019.

The Board is of the view that an ongoing process for identifying, evaluating and managing the Company's significant risks has been in place for the year ended 31 December 2019 and up to the date of approval of the Annual Report and Accounts. The Board monitors the risks of the Company on a regular basis to ensure significant risks have been identified, evaluated, managed and controlled and that necessary actions have been or are being taken to remedy any significant failings identified. Risk is measured in terms of impact, inherent risk and residual risk, and takes account of management's control actions in mitigating against both external and internal risk events.

There is clear accountability for risk management throughout the business; risk management is a key responsibility of line managers throughout the Company. Continuous monitoring of risk and control processes by management, across headline risk areas and other business-specific risk areas, provides the basis for regular and exception reporting to the Board.

### **Exposure to risks**

The Board's oversight of risk covers all significant risks to the Company, including strategic, financial, operational and governance risk, which could impact on the achievement of business objectives.

### **Strategic risks**

#### **Changing UK market conditions:**

In 2020 the UK Prime Minister the Department for International Development and the Foreign and Commonwealth Office – the Group's two largest clients – were merged into a single department. This merger, in addition to the government's Integrated Review of Security, Defence, Development and Foreign Policy that define the government's vision for the UK's role in the world over the next decade, constitute a significant change in market conditions.

#### **Reputational risk:**

Failure to meet the expectations of clients and the wider public in the ethical delivery of publicly funded development projects may result in a reluctance to award contracts to the Company. The Company trains all its staff in the prevention of fraud, bribery and corruption, meeting the requirements of the UN Global Compact, the UK Modern Slavery Act, a comprehensive Code of Conduct, prevention of conflicts of interest and safeguarding measures. The Board maintains regular oversight of the effectiveness of this training.

### **Finance risks**

#### **Liquidity and credit risk:**

The Company is exposed to liquidity risk arising from the need to finance its ongoing operations and growth. If the Company is unable to obtain sufficient credit due to banking and capital market conditions, the Company may not be able to raise sufficient funds to develop new projects or meet the Company's ongoing financing needs and as a result operating results, revenues, cash flows or financial condition may be adversely affected.

#### **Currency risk:**

Because of the global nature of its business, the Company is exposed to currency risk where transactions are

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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not conducted in Sterling. Fluctuations in the exchange rates of the most important currencies influencing operating costs may adversely affect financial results to a material extent. The Company uses forward currency contracts, to manage currency risks arising from the Company's operations. The Company does not trade in financial instruments. The Company's treasury policies are designed to mitigate the impact of fluctuations in exchange rates and to manage the Company's financial risks. The Board approves any changes to the policies. The Company does not enter into any other financial instruments other than normal short-term creditors and debtors on normal commercial terms.

**Fraud and corruption risk:**

Given the challenges faced by many of the countries in which we operate, we are exposed to fraud and corruption risk. The Company further strengthened its Internal Audit and Legal, Ethics and Compliance functions during 2019. These functions are charged with ensuring that our procedural framework is robust and responsive to an evolving legal and regulatory environment and report activities and issues to the Board on a quarterly basis.

*Operational risks*

**Political, legal and regulatory risk:**

The Company's businesses may be affected by political or regulatory developments in any of the countries and jurisdictions in which the Company operates. Political instability can also result in civil unrest or nullification of existing agreements. Any of these threats may adversely affect the Company's operations or the results of those operations. The Company actively monitors regulatory and political developments on a continuous basis.

**Programme delivery risk:**

Failure to meet project delivery times and costs could have a negative effect on operational performance and lead to increased costs and/or reductions in revenue and profitability. A number of strategies are used to mitigate these risks including management oversight of operating performance and project implementation through introducing an improved new quality delivery framework, through regular management briefings, increased effectiveness of procurement activities and business improvement initiatives to reduce costs and improve delivery of projects.

**BREXIT-related risks:**

The UK's departure from the European Union will most likely mean the Company will not be eligible to bid for EU funded work. However, in 2018, as part of its client diversification strategy, the Company established a subsidiary in the Netherlands to lead its growing portfolio work with the European Commission. The Company has won a number of large, long-term contracts with the Commission, participates in several framework agreements providing good market access, and has built a strong pipeline of future opportunities. The directors are therefore of the opinion that the Company is well-placed to manage BREXIT-related risks.

**COVID-19 related risks:**

Management and the Directors reacted quickly to the risks faced by the COVID-19 pandemic, the Company made strong representations to its clients to ensure that issues such as payment terms and remote working policies were taken into account in the allowances made to how our consulting services could be delivered. Furthermore, from a staff perspective our duty of care team put in place measures to ensure that our staff and other team members followed the appropriate protocols to stay in line with Government requirements on issues such as Travel, Social Distancing and disinfection. Our board and management continue to monitor closely the impact of the pandemic on our people and business moving into the coming year.

*Governance*

**Board effectiveness risk:**

Reforms in the sector and of the business itself led to significant changes in Board composition during 2017 and into 2018. Throughout 2019, the board has operated successfully meeting regularly to consider and review business risks and issues. During the course of the year Board membership has been adjusted to reflect the

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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strategic direction of the business as determined by the Company's shareholders. At all times however, the Company has maintained the appropriate level of control so as to provide appropriate oversight of the ongoing operation and the risks that arose.

**Management oversight and control risk:**

Navigating challenging market conditions, growth and plans to diversify, also poses a significant challenge to the executive management of the Company. Strengthened Board oversight, including an Audit Committee, is in place to hold management to account for its performance. Our independent Internal Audit function, which reports directly into the Audit Committee, also plays an important role in providing objective oversight and advice to both the Board and executive management.

**Financial controls risk:**

Identifying and eliminating weaknesses in the design and application of key financial controls, procedures and systems are a risk in the context of a complex, multinational business that operates in challenging locations. The Company has a Finance and Risk function in place to provide oversight and advice in relation to financial controls, procedures and systems. Reporting directly to the Audit Committee, this function places particular emphasis on ensuring consistency and quality across the entire business, including the most remote operational locations.

**Conflict of interest risk:**

With responsibility for managing large amounts of public funds, the Company encounters conflicts of interest that need to be managed proactively and decisively. The Legal, Ethics and Compliance function maintains a framework of policies, procedures and systems to ensure that all conflicts of interest are reported and managed effectively on a timely basis from Board level down.

**Financial risk management objectives**

The Board seeks to identify those financial risks which it believes the management of the business is better placed to manage than can be achieved by the procurement of hedging, insurance or other financial risk instruments. For example, the Company is better placed to assess debtor related risks, but will seek to hedge against currency or other risks which are outside the company's capacity to control. The Board takes steps to ensure it understands the impact of each risk and the likelihood of each occurring. The Board then makes an assessment of the best way to manage each risk based on the type of risk and an assessment of impact and likelihood.

**Financial instrument disclosures**

The Company has an overdraft facility with Allied Irish Bank Plc. A mortgage debenture exists giving the bank a floating charge over the assets of the Company as security for the overdraft and loan facilities provided to the ultimate parent company, Adam Smith Advisory Group Limited. These facilities are reviewed annually alongside the business plans and budgets for the forthcoming year.

This report was approved by the board and signed on its behalf.

DocuSigned by:

*David Hopkins*

Mr D Hopkins

Director

Date: 24 March 2021



**ADAM SMITH INTERNATIONAL LTD**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report and the financial statements for the year ended 31 December 2019.

**Results and dividends**

The loss for the year, after taxation, amounted to £356,717 (2018 - profit £3,199,130).

On 25 March 2019 the board declared dividends of £23m to The Amphion Group Limited. These dividends were declared to clear intercompany loan balances and had no cash impact.

**Principal activities**

As a certified B Corp, the Company focuses its performance on the triple bottom-line objectives: social, financial, and environmental performance.

The principal activity of the Company is social - our people, who often risk their lives to achieve results in very difficult and dangerous conditions, help make the world a safer and more secure place, help alleviate poverty, and help incomes and economies to grow sustainably.

We do this by providing advisory and project implementation services to governments, international development organisations and businesses across the world. We employ leading experts with specialist skills to tackle some of the world's most complex development challenges. Much of our work is in fragile and conflict-affected countries. The Company's main clients in the UK include the Home Office, the Ministry of Defence and the Foreign Commonwealth & Development Office.

In 2019 assignments for our clients included:

- working towards a peaceful, secure and stable Somalia by providing sustained support to long-term locally driven efforts
- supporting more children in Pakistan to go to school, stay longer, and learn more
- improving welfare outcomes of underserved communities in Nigeria by increasing the solar power electrification of public institutions, such as schools and hospitals
- improving the effectiveness and efficiency of the public sector in Samoa
- improving the investment climate for responsible mining in Mongolia
- reducing corruption in Uganda, Ghana and Nigeria
- supporting the growth of small business in Democratic Republic of Congo

**Third party indemnity insurance for directors**

Qualifying third party indemnity insurance provision was in place for the benefit of all directors of the company.

**Directors**

The directors who served during the year and through to the date of this report were:

Mr R Slee (resigned 1 November 2020)  
Mr J Pell (resigned 30 October 2020)  
Mr D Hopkins (appointed 23 September 2020)  
Mr L Ahmad (resigned 30 October 2020)  
Mrs J Wilson (appointed 1 October 2019)  
Mr D Hocquard (appointed 13 November 2020)

**ADAM SMITH INTERNATIONAL LTD****DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019****Future developments**

Throughout this period, the Company continued to deliver on existing assignments for the UK government and other clients, and remains well-placed to grow revenue in key markets as the high quality of our work continues to be recognised by our international clients.

The Company's most significant client remains the UK government and diversification of our client base is a priority. In Autumn 2020, the UK Government announced its foreign aid budget would be reduced as a % of GDP from 0.7% to 0.5% in a move expected to reduce the foreign aid budget by £4bn, further emphasising the need to diversify our portfolio. During the year, we continued to pursue and win opportunities in the US and EU markets and directly with governments in some countries. Our Australian subsidiary continues to win contracts from the Australian government.

**Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Post balance sheet events**

The World Health Organisation (WHO) officially declared the COVID-19 outbreak a global pandemic on 11th March 2020. The impact of the pandemic on the UK and the countries in which the Company operates has been significant, including a substantial reduction to the UK's aid budget caused by the recession and a general slowdown in programme delivery caused by the travel restrictions in our operating environments. Nonetheless, the investments the Company has made in IT upgrades over the past three years have made significant contribution to business continuity plans and efficiency. With this in mind the Directors believe that the Company has the necessary recourses, management information and Governance arrangements in place to navigate through these uncertain times. Continuous review of the contextual changes as they may arise will provide the means to make early and immediate action to mitigate this risk.

**Auditor**

The auditor, RSM UK Audit LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 24 March 2021 and signed on its behalf.

DocuSigned by:

*David Hopkins*

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Mr D Hopkins  
Director

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**ADAM SMITH INTERNATIONAL LTD**

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**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**ADAM SMITH INTERNATIONAL LTD****INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADAM SMITH INTERNATIONAL LTD****Opinion**

We have audited the financial statements of ADAM SMITH INTERNATIONAL LTD (the 'Company') for the year ended 31 December 2019, which comprise the Statement of income and retained earnings, the Statement of financial position and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material

**ADAM SMITH INTERNATIONAL LTD**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADAM SMITH INTERNATIONAL LTD  
(CONTINUED)**

misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**ADAM SMITH INTERNATIONAL LTD**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADAM SMITH INTERNATIONAL LTD  
(CONTINUED)**

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.

**Use of our report**

This report is made solely to the Company's members in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members for our audit work, for this report, or for the opinions we have formed.

Rsm UK Audit LLP

Andrew Monteith (Senior statutory auditor)

for and on behalf of

**RSM UK Audit LLP (Statutory auditor)**

Chartered Accountants

Marlborough House  
Victoria Road South  
Essex  
Chelmsford  
CM1 1LN

25 March 2021

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	2018 £
Turnover	4	54,467,676	86,501,665
Cost of sales		(45,080,907)	(68,146,138)
<b>Gross profit</b>		<b>9,386,769</b>	<b>18,355,527</b>
Administrative expenses		(11,101,709)	(14,106,799)
Other operating income		-	1,600
Other operating charges		-	(26,978)
<b>Operating (loss)/profit</b>	5	<b>(1,714,940)</b>	<b>4,223,350</b>
Income from shares in group undertakings		-	333,658
Amounts written off investments	15	-	(2,387,663)
Interest receivable and similar income	9	2,154,163	2,421,747
Interest payable and expenses	10	(28,597)	(41,755)
<b>Profit before tax</b>		<b>410,626</b>	<b>4,549,337</b>
Tax on profit	11	(767,343)	(1,350,207)
<b>(Loss)/profit after tax</b>		<b>(356,717)</b>	<b>3,199,130</b>
Retained earnings at the beginning of the year		71,110,197	67,911,067
		71,110,197	67,911,067
(Loss)/profit for the year		(356,717)	3,199,130
Dividends declared and paid		(23,000,000)	-
<b>Retained earnings at the end of the year</b>		<b>47,753,480</b>	<b>71,110,197</b>

The notes on pages 15 to 40 form part of these financial statements.

**ADAM SMITH INTERNATIONAL LTD**  
**REGISTERED NUMBER: 02732176**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Intangible assets	13	968,562	518,226
Tangible assets	14	128,150	142,355
Investments	15	1,528,370	1,528,370
		<u>2,625,082</u>	<u>2,188,951</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	16	53,334,338	77,295,321
Cash at bank and in hand	17	3,087,651	10,746,536
		<u>56,421,989</u>	<u>88,041,857</u>
Creditors: amounts falling due within one year	18	(11,198,510)	(18,993,543)
<b>Net current assets</b>		<u>45,223,479</u>	<u>69,048,314</u>
<b>Total assets less current liabilities</b>		<u>47,848,561</u>	<u>71,237,265</u>
Creditors: amounts falling due after more than one year	19	-	(126,542)
<b>Provisions for liabilities</b>			
Deferred tax		(94,555)	-
		<u>(94,555)</u>	<u>-</u>
<b>Net assets</b>		<u>47,754,006</u>	<u>71,110,723</u>
<b>Capital and reserves</b>			
Called up share capital	21	406	406
Other reserves	22	120	120
Profit and loss account	22	47,753,480	71,110,197
		<u>47,754,006</u>	<u>71,110,723</u>



**ADAM SMITH INTERNATIONAL LTD**  
**REGISTERED NUMBER: 02732176**

**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 31 DECEMBER 2019**

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 March 2021.

DocuSigned by:

*David Hopkins*

**Mr D Hopkins**  
Director

DocuSigned by:

*Mr D Hocquard*

**Mr D Hocquard**  
Director

The notes on pages 15 to 40 form part of these financial statements.

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**1. General information**

Adam Smith International Ltd ("the Company") is a private company limited by shares domiciled and incorporated in England. The address of the Company's registered office and principal place of business is 240 Blackfriars Road, London, SE1 8NW. The Company's principal activities and nature of operations are set out within the Director's Report.

**2. Accounting policies****2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Monetary amounts in these financial statements are recorded to the nearest £1, except where otherwise indicated.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

**2.2 Financial reporting standard 102 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Adam Smith Advisory Group Limited as at 31 December 2019 and these financial statements may be obtained from Companies House.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Adam Smith Advisory Group Limited.

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. Accounting policies (continued)**

**2.3 Going concern**

The directors have taken consideration of the forecasted outturn for 2020 and also reviewed the business plans and cash flow forecasts for the period to 31 December 2021 as well as the mid-term growth models covering the period to December 2025. The conclusion is that the business has begun to reap the benefits of the restructure undertaken in previous years and a welcome return to profitability will enable the business to continue to trade well, meet its financial obligations and its delivery commitments for its clients.

Over the past year the Company has carefully considered the impact of COVID-19 from a duty of care perspective for its staff and has adjusted working practices quickly to align to government led guidelines. All staff have been continuously informed of the changes of expectations for them as employees. The investment in the Company's technical platform has assisted greatly in the ability of our staff to work remotely and this continues to be the case. It remains to be seen if these will impact the future way of working for the company as a whole. The delivery of our services to our clients has also been greatly impacted by the COVID-19 Pandemic, however the Company's management and staff have quickly adjusted to this challenge and adapted the way our services are delivered accordingly, again demonstrating that remote working can be effective for our delivery model. Without the investment in technology in previous years this effort would have been a struggle.

The other aspect of the Pandemic has been the changing view of our clients to delivery and the spending commitments. The Company's management are in constant contact with our key client counterparts and where cuts or changes have had to be made management has reacted quickly to make adjustments. The current 2021 budget is prepared in a conservative manner and we are confident management has factored in changes to budgets and spending of our clients. Fully contracted work for the year contribute £47m of the budgeted revenue of £59m and only £5m of revenue is unidentified which is well within the usual expectations from previous years.

In the coming year the company will be able to fund its activities from its revenues and profits. Working capital needs for the year have been assessed and forecasted using the approved conservative approach to budgeting. Whilst our forecasts show we will be able to fund our ongoing business through our own working capital, we have an approved facility from Allied Irish Bank of £1m overdraft to provide added head room if the need arises. This facility is approved until the end of April 2021 subject to extension until the end of December 2021 once the 2019 audited accounts are available. This approval comes after a recent review by our banking partner of our current performance and our future forecast performance.

In Autumn 2020, the UK Government announced the foreign aid budget would be reduced as a % of GDP from 0.7% to 0.5% in a move expected to reduce the foreign aid budget by £4bn. The directors have prepared models that demonstrate the company's resilience and ability to manage any consequential reduction in the company's pipeline. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. As a consequence of the above, the directors believe that the Company is well placed to manage its business risks successfully. The directors believe that the Company has the resources to continue to operate successfully for the foreseeable future and at least 12 months from the date of approval of these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

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<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. Accounting policies (continued)**

**2.4 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of income and retained earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of income and retained earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of income and retained earnings within administrative expenses.

**ADAM SMITH INTERNATIONAL LTD****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019****2. Accounting policies (continued)****2.5 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Revenue represents the value of services provided to clients net of VAT. Revenue represents fees receivable for the provision of services falling within the Company's ordinary activities, and is recognised to the extent to which a contract is completed when the amounts earned are fixed or determinable and collectability is reasonably assured.

Revenue is recognised in profit or loss as contract activity progresses and entitlement to consideration is earned. The amount by which recorded revenue is in excess of payments on account and invoiced amounts is recognised in debtors as amounts recoverable on long term contracts. Payments received in excess of recorded revenue are included in creditors as payments on account. For milestone contracts, turnover is recognised based on the stage of completion which is measured by the proportion of contract costs incurred for work performed to date compared to estimated total cost of completion which is measured by the proportion of contract costs incurred for work performed to date compared to estimated total contract costs for each contract. The directors feel that this represents the most appropriate evidence of performance under the contract and right to consideration.

**2.6 Agency Arrangements**

Projects where the Company receives and disburses funds on behalf of clients but earns no margin are treated as agency arrangements. Receipts under the terms of such contracts are excluded from turnover. Similarly, disbursements are excluded from cost of sales.

**2.7 Proposal Costs**

Expenditure on proposals undertaken for new contracts is recognised in profit or loss as it is incurred.

**ADAM SMITH INTERNATIONAL LTD****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019****2. Accounting policies (continued)****2.8 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Statement of income and retained earnings on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**2.9 Interest income**

Interest income is recognised in the Statement of income and retained earnings using the effective interest method.

**2.10 Finance costs**

Finance costs are charged to the Statement of income and retained earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.11 Borrowing costs**

All borrowing costs are recognised in the Statement of income and retained earnings in the year in which they are incurred.

**2.12 Pensions****Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of income and retained earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. Accounting policies (continued)**

**2.13 Share based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of income and retained earnings over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of income and retained earnings over the remaining vesting period.

**2.14 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of income and retained earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is not discounted.

Taxable losses are bought from group companies, at the appropriate tax rates paid by the relevant company.

**ADAM SMITH INTERNATIONAL LTD****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019****2. Accounting policies (continued)****2.15 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Computer software	-	5	years
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Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives.

**2.16 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Furniture	-	10	years
Office equipment	-	3	years
Computer equipment	-	3	years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of income and retained earnings.

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal for the asset as if it were at the age and in the condition expected at the end of its useful life.



**ADAM SMITH INTERNATIONAL LTD****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019****2. Accounting policies (continued)****2.17 Impairment of fixed assets and goodwill**

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

**2.18 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of income and retained earnings for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

**2.19 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.20 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.21 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. Accounting policies (continued)**

**2.22 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of income and retained earnings in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

**2.23 Financial instruments**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Statement of income and retained earnings if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of income and retained earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. Accounting policies (continued)**

**2.23 Financial instruments (continued)**

financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

**2.24 Financial Liabilities**

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Financial liabilities within the scope of FRS102 are initially classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. Derivatives, including separately embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

**Interest bearing loans and borrowings**

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

**Derecognition of financial liabilities**

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as an exchange or modification, this is treated as a derecognition of the original liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Long-term contracts**

Profit is recognised based upon stage of completion, measured by basing costs incurred to date as a proportion of total estimated costs. There is a degree of management estimation in determining the level of total estimated costs for a project.

**Share based payments**

Equity-settled share-based payments are measured at fair value at the date of grant, using various option modelling techniques. There are various assumptions made within these modelling techniques as well as determining the length of the vesting period and the number of options expected to vest over which any calculated charge will be spread.

**Debtors**

Included within the Company's debtors due within one year balance is an amount totalling £38.0m (2018: £56.7m) which principally relates to amounts previously advanced to the company's parent undertakings, The Amphion Group Limited and Adam Smith Advisory Group Limited. The balance was part-cleared in the year by way of a distribution and the expectation of the Board and shareholders is that the remainder of this balance will be cleared by way of future distributions, albeit at the discretion of the Board and as such no provision has been deemed necessary in respect of this balance. At the balance sheet date, neither parent undertaking has sufficient funds to repay the funds in full. There have been no further distributions made in the 12 months from the balance sheet date, or up to the date of approval of these financial statements. The balances are unsecured and have no fixed repayment terms and therefore are presented as a component of current assets.

**4. Turnover**

The whole of the turnover is attributable to provision of technical assistance.

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	30,488	317,747
Asia & Pacific	78,830	15,478,574
Africa & Middle East	54,358,358	70,705,344
	<u>54,467,676</u>	<u>86,501,665</u>

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**5. Operating (loss)/profit**

The operating (loss)/profit is stated after charging/(crediting):

	2019 £	2018 £
Fair value (gains) or losses on forward rate agreements	-	26,978
Amortisation	71,165	103,964
Depreciation of tangible assets	79,044	161,199
Exchange differences	137,128	874,433
Loss on disposal of tangible assets	16,023	-
Other operating lease rentals	360,207	693,422
Share based payment	<u>(219,678)</u>	<u>210,207</u>

**6. Auditor's remuneration**

	2019 £	2018 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>73,000</u>	<u>57,000</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**7. Employees**

Staff costs, including directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	5,012,809	5,486,912
Social security costs	472,370	430,754
Cost of defined contribution scheme	239,333	309,865
	<u>5,724,512</u>	<u>6,227,531</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Directors	2	4
Office and project management	72	96
	<u>74</u>	<u>100</u>

**8. Directors' remuneration**

	2019 £	2018 £
Directors' emoluments	333,584	395,687
Company contributions to defined contribution pension schemes	18,276	19,795
Compensation for loss of office	-	46,348
	<u>351,860</u>	<u>461,830</u>

During the year retirement benefits were accruing to 2 directors (2018 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £179,138 (2018 - £173,338).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9,963 (2018 - £9,575).

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**9. Interest receivable**

	2019 £	2018 £
Interest receivable from group companies	2,152,227	2,403,920
Other interest receivable	1,936	17,827
	<u>2,154,163</u>	<u>2,421,747</u>

**10. Interest payable and similar expenses**

	2019 £	2018 £
Bank overdraft interest payable	28,597	29,459
Loans from group undertakings	-	12,296
	<u>28,597</u>	<u>41,755</u>

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**11. Taxation**

	2019 £	2018 £
<b>Corporation tax</b>		
Current tax on profits for the year	-	530,196
Adjustments in respect of previous periods	(15,349)	5,486
	<u>(15,349)</u>	<u>535,682</u>
Group taxation relief	-	801,566
	<u>(15,349)</u>	<u>1,337,248</u>
<b>Foreign tax</b>		
Foreign tax on income for the year	589,561	-
	<u>589,561</u>	<u>-</u>
<b>Total current tax</b>	<u>574,212</u>	<u>1,337,248</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	193,131	12,959
<b>Total deferred tax</b>	<u>193,131</u>	<u>12,959</u>
<b>Taxation on profit on ordinary activities</b>	<u>767,343</u>	<u>1,350,207</u>



<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**11. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is the same as (2018 - the same as) the standard rate of corporation tax in the UK of 19% (2018 - 19%) as set out below:

	2019 £	2018 £
Profit on ordinary activities before tax	<b>410,626</b>	4,549,337
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	<b>78,019</b>	864,374
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	<b>12,361</b>	510,086
Capital allowances for year in excess of depreciation	<b>5,489</b>	10,977
Change in tax rate	<b>(8,429)</b>	1,023
Adjustments to tax charge in respect of prior periods	<b>(15,349)</b>	5,486
Adjustments to deferred tax charges in respect of prior periods	<b>105,691</b>	21,656
Non-taxable income	-	(63,395)
Foreign tax charges	<b>589,561</b>	-
Group relief	-	(801,566)
Payments for group relief	-	801,566
<b>Total tax charge for the year</b>	<b>767,343</b>	1,350,207

**Factors that may affect future tax charges**

The future reduction in corporation tax rates will impact future tax charges. A reduction to the rate of corporation tax to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. However, in the budget on 11 March 2020, it was confirmed that the corporation tax rate would remain at 19%.

**12. Dividends**

	2019 £	2018 £
Final dividend	<b>23,000,000</b>	-
	<b>23,000,000</b>	-

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**13. Intangible assets**

	<b>IT Software £</b>
<b>Cost</b>	
At 1 January 2019	<b>703,281</b>
Additions	<b>521,501</b>
At 31 December 2019	<b>1,224,782</b>
<b>Amortisation</b>	
At 1 January 2019	<b>185,055</b>
Charge for the year	<b>71,165</b>
At 31 December 2019	<b>256,220</b>
<b>Net book value</b>	
At 31 December 2019	<b>968,562</b>
<i>At 31 December 2018</i>	<b>518,226</b>

Amortisation has been charged to profit and loss and included in administrative expenses.

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**14. Tangible fixed assets**

	Furniture £	Office equipment £	Computer equipment £	Total £
<b>Cost or valuation</b>				
At 1 January 2019	221,878	153,548	918,083	1,293,509
Additions	-	1,644	79,218	80,862
Disposals	(138,250)	(120,530)	(882,018)	(1,140,798)
At 31 December 2019	<u>83,628</u>	<u>34,662</u>	<u>115,283</u>	<u>233,573</u>
<b>Depreciation</b>				
At 1 January 2019	138,271	151,352	861,531	1,151,154
Charge for the year on owned assets	18,688	5,984	54,372	79,044
Disposals	(117,624)	(125,582)	(881,569)	(1,124,775)
At 31 December 2019	<u>39,335</u>	<u>31,754</u>	<u>34,334</u>	<u>105,423</u>
<b>Net book value</b>				
At 31 December 2019	<u>44,293</u>	<u>2,908</u>	<u>80,949</u>	<u>128,150</u>
At 31 December 2018	<u>83,607</u>	<u>2,196</u>	<u>56,552</u>	<u>142,355</u>

**15. Investments**

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 January 2019	1,528,370
At 31 December 2019	<u>1,528,370</u>

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**15. Investments (continued)****Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Registered office</b>	<b>Class of shares</b>	<b>Holding</b>
Adam Smith Services Limited	240 Blackfriars Road, London, SE1 8NW, United Kingdom	Ordinary	100%
Adam Smith International Africa Limited	2nd Floor Cavendish, 14 Riverside, Riverside Drive, Nairobi, Kenya	Ordinary	99%
Adam Smith International India Limited	Bharat Yuvak Bhawan, 1 Jai Singh Road, New Delhi, 110 001, India	Ordinary	99%
Adam Smith International (Australia) PTY Ltd	301/88 Foveaux Street, Surry Hills, Sydney NSW, 2010, Australia	Ordinary	100%
Adam Smith International Mongolia Limited	202, Infrastructure LLC Building, Tourist Street- 35, Khoroo 1, Chingeltei District, Ulaanbaatar, Mongolia	Ordinary	100%
Adam Smith International Turkey Limited	Kavaklik Mah, Ahmet Apaydin Cad, No: 3 Park Apt, Daire, 5 27100 Sahinbey, Turkey	Ordinary	100%
AS Operations West Africa Limited	24 Buchanan Crescent, Off Aminu Kano Crescent, Wuse 2, Abuja, Nigeria	Ordinary	99%
Adam Smith International Uganda Limited	S&L Chambers, plot 14, Mackinnon Road, Nakasero, P. O. Box 12088, Kampala, Uganda	Ordinary	100%
Adam Smith International Ghana Limited	Secant Tower, Plot H 309, Papa Morovia, Morovia Street, Osu Re, Accra, Greater Accra, Ghana	Ordinary	100%
Adam Smith International South Africa (PTY) Limited	1st Floor Block G, Hatfield Gardens, 333 Grosvenor Street, Gauteng, 0127, South Africa	Ordinary	100%
Adam Smith International US Inc.	1025 Conneticut Avenue, NW; Suite 615, Washington, District of Columbia 20036, United States of America	Ordinary	100%

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**15. Investments (continued)**

**Subsidiary undertakings (continued)**

<b>Name</b>	<b>Registered office</b>	<b>Class of shares</b>	<b>Holding</b>
Adam Smith Europe B.V.	Keizersgracht 62, 1015CS Amsterdam, Netherlands	Ordinary	100%
Adam Smith International Pakistan (SMC-Pvt) Ltd	11th Floor, Ufone Towers, Blue Area, Islamabad, Pakistan	Ordinary	100%

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**15. Investments (continued)****Subsidiary undertakings (continued)**

The aggregate of the share capital and reserves as at 31 December 2019 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
Adam Smith Services Limited	351,161	-
Adam Smith International Africa Limited	2,513,501	301,512
Adam Smith International India Limited	(3,559)	-
Adam Smith International (Australia) PTY Ltd	1,080,917	(590,556)
Adam Smith International Mongolia Limited	100,359	23,721
Adam Smith International Turkey Limited	198,839	(86,953)
AS Operations West Africa Limited	127,022	67,458
Adam Smith International Uganda Limited	285,692	33,294
Adam Smith International Ghana Limited	20,840	(12,931)
Adam Smith International South Africa (PTY) Limited	(196,061)	10,098
Adam Smith International US Inc.	(541,195)	(122,020)
Adam Smith Europe B.V.	11,990	166,383
Adam Smith International Pakistan (SMC-Pvt) Ltd	4,933	5,022

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**16. Debtors**

	2019 £	2018 £
Trade debtors	4,098,114	3,396,647
Amounts owed by group undertakings	38,070,297	56,854,255
Other debtors	801,400	1,648,411
Prepayments and accrued income	3,495,432	6,265,026
Amounts recoverable on long term contracts	6,869,095	9,032,406
Deferred taxation	-	98,576
	<u>53,334,338</u>	<u>77,295,321</u>

**17. Cash and cash equivalents**

	2019 £	2018 £
Cash at bank and in hand	3,087,651	10,746,536
Less: bank overdrafts	(279,565)	-
	<u>2,808,086</u>	<u>10,746,536</u>

The Company has an overdraft facility with Allied Irish Bank Plc. A mortgage debenture exists giving the bank a floating charge over the assets of the Company as security.

Cash at bank and in hand includes an amount of £1,026,447 held in Papua New Guinea that is currently restricted and cannot be transferred outside the country. A further £8,680 (2018: £5,816) deposited with banks in India is restricted due to exchange control restrictions.

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**18. Creditors: Amounts falling due within one year**

	2019 £	2018 £
Bank overdrafts	279,565	-
Payments received on account	1,546,116	4,762,812
Trade creditors	2,178,875	4,793,249
Amounts owed to group undertakings	3,546,034	2,716,624
Other taxation and social security	119,997	151,956
Other creditors	1,224,932	868,489
Accruals and deferred income	2,302,991	5,700,413
	<u>11,198,510</u>	<u>18,993,543</u>

The Company has an overdraft facility with Allied Irish Bank Plc. A mortgage debenture exists giving the bank a floating charge over the assets of the Company as security.

**19. Creditors: Amounts falling due after more than one year**

	2019 £	2018 £
Other loans	-	126,542
	<u>-</u>	<u>126,542</u>

On 5th August 2017 the Company entered into a financing agreement with Microsoft in the amount of £559,381 repayable over a 3-year period. Interest is charged at 8% per annum.

**20. Deferred taxation**

	2019 £
At beginning of year	98,576
Charged to profit or loss	(193,131)
<b>At end of year</b>	<u><u>(94,555)</u></u>



<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**20. Deferred taxation (continued)**

The deferred taxation balance is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	(133,690)	98,576
Short-term timing differences	39,135	-
	<u>(94,555)</u>	<u>98,576</u>

**21. Share capital**

	2019 £	2018 £
<b>Allotted, called up and fully paid</b>		
406 (2018 - 406) Ordinary shares of £1 each	<u>406</u>	<u>406</u>

**22. Reserves****Other reserves**

The nominal value of shares repurchased and still held at the end of the reporting period.

**Profit and loss account**

Cumulative profit and loss net of distributions to owners.

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**Equity Settled share option plan**

Under the group plan, share options are granted at the average price of the ultimate Parent Company's shares at the grant date. The option shall not be exercisable before the third anniversary from 6 November 2015 (the "vesting period"). If options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the group before they become entitled to exercise the share option.

	<b>Number 2019</b>	<i>Number 2018</i>
Outstanding at the beginning of the year	<b>5,709</b>	6,468
Forfeited during the year	<b>(1,786)</b>	(759)
<b>Outstanding at the end of the year</b>	<b>3,923</b>	5,709

The weighted average fair value of options granted in the year was determined using the Black-Scholes option pricing model. The Black-Scholes model is considered to apply the most appropriate valuation method due to the relatively short contractual lives of the options and the requirement to exercise within a short period after the employee becomes entitled to the shares (the "vesting date").

The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting conditions and market conditions are taken into account when estimating the fair value of the option at grant date. Service conditions and non-market performance conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

**23. Contingent liabilities**

The company is party to cross guarantees securing the borrowings of other group companies. At the year-end these borrowings amounted to nil within Adam Smith Advisory Group Limited (2018: £1,333,333).

**24. Pension commitments**

The company operates a defined contribution pension scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charges represent contributions payable by the company and amounted to £239,333 (2018: £309,865). Balance outstanding as at year-end is £51,207 (2018: £35,629)

<b>ADAM SMITH INTERNATIONAL LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**25. Commitments under operating leases**

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	337,813	696,436
Later than 1 year and not later than 5 years	1,351,250	3,008,604
Later than 5 years	-	4,204,523
	1,689,063	7,909,563

**26. Related party transactions**

The company has taken advantage of the exemption under FRS 102 section 33 related parties not to disclose transactions with other wholly owned group companies on the basis that group accounts are prepared. There are no other related party transactions.

**27. Post balance sheet events**

The World Health Organisation (WHO) officially declared the COVID-19 outbreak a global pandemic on 11th March 2020. The impact of the pandemic on the UK and the countries in which the Company operates has been significant, including a substantial reduction to the UK's aid budget caused by the recession and a general slowdown in programme delivery caused by the travel restrictions in our operating environments. Nonetheless, these events have not had a material impact on either asset or liability values as reported at the balance sheet date.

**28. Controlling party**

The immediate parent company is The Amphion Group Limited, a company incorporated in England and Wales. The ultimate parent company is Adam Smith Advisory Group Limited. The registered address of Adam Smith Advisory Group Limited is 240 Blackfriars Road, London, SE1 8NW, and the group accounts are available from this address.

The directors are of the view that there is no sole controlling party of this entity.