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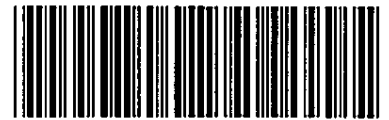
The Amphion Group Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2007

TUESDAY



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COMPANIES HOUSE

Company Registration No 5662199

**The Amphion Group Limited**  
DIRECTORS, OFFICERS AND ADVISORS

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DIRECTORS

Mr R A Usher (Chairman and Managing Director)  
Mr P Young  
Mr W S Morrison  
Mr R Slee (Non-executive)  
Sir M Rifkind (Non-executive)

(Appointed 17 June 2008)

SECRETARY

Mr W S Morrison

COMPANY NUMBER

5662199 (England and Wales)

REGISTERED OFFICE

3 Albert Embankment  
London  
SE1 7SP  
United Kingdom

AUDITORS

Baker Tilly UK Audit LLP  
1st Floor  
46 Clarendon Road  
Watford  
Herts WD17 1JJ  
United Kingdom

BANKERS

Allied Irish Bank Plc  
City Branch  
9-10 Angel Court  
London  
EC2R 7AB  
United Kingdom

# The Amphion Group Limited

## DIRECTORS' REPORT

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The Directors are pleased to present their Annual Report on the affairs of The Amphion Group Limited (hereafter "the Company"), together with the accounts and the auditors' report for the year ended 31 December 2007

### PRINCIPAL ACTIVITIES

The principal activity of the Company is as an investment holding company, as well as the raising of funds and the provision of loans and other financing activities to companies within the group

### REVIEW OF BUSINESS DEVELOPMENTS

#### Financial Results

Results have exceeded management expectations, and reflect positive performance for a business of the Company's size and complexity. This is due primarily to the better-than-expected performance of the Company's subsidiaries. Detailed commentaries on the financial results of these companies are contained in their individual annual financial statements.

During the financial year, it received dividends of £6,864,568 (2006 £588,700) from its wholly-owned subsidiary, Adam Smith International Limited.

#### Future developments

The Company is optimistic about its future prospects and expects to enhance dividend income levels in the short to medium term as the operations of its subsidiaries continue to expand.

#### Risk Management

Risk management is an important issue to the Company. The Board is responsible for the Company's system of internal controls and for reviewing their effectiveness. However, such a system can only manage rather than eliminate risk and provide reasonable but not absolute assurance against misstatement or loss. The Company carefully manages its debtors and cash balances, which it sees as a key driver to success.

#### People

Our success depends largely on the quality of our people. We continue to strive to recruit, retain and develop the best people. Training and development is a priority within the Company. We carry out annual appraisals from which a detailed staff development plan is produced.

In order to attract and retain the best people to the Company, we have in place a number of measures including equal opportunities, a structured bonus scheme, and an employee share option scheme. These are all linked to key performance indicators and a formal induction process.

### FINANCIAL INSTRUMENTS DISCLOSURES

The Company has an overdraft facility with Allied Irish Bank plc (City Branch). 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 Company in relation to the acquisition of all of the issued share capital of Adam Smith International Limited. These facilities are reviewed annually alongside the business plans and budgets for the forthcoming year.

The Company does not enter into any other financial instruments bar short-term creditors and debtors on normal commercial terms.

In addition Mr P Young is a beneficiary of the deferred loan note repayment dependent on future earnings referred to in note 12.

### RESULTS AND DIVIDENDS

The Company did not generate any turnover during the financial year under review, and realised operating losses of £70,447 (2006 £236,890). Profit on ordinary activities before taxation was £6,533,089 (2006 £86,393).

The Company declared and paid a dividend of £28,667 (2006 £nil).

### DIRECTORS

The directors in office during the financial year under review were as follows:

Mr R A Usher (Chairman and Managing Director)

Mr P Young

Mr W S Morrison

Mr A D Ros

Mr R Terry (Non-executive)

Mr R Slee (Non-executive)

(Resigned 8 August 2008)

(Resigned 4 September 2008)

**The Amphion Group Limited**  
DIRECTORS' REPORT (continued)

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**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

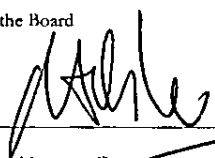
The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

**AUDITORS**

A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditors will be put to the members at the Annual General Meeting.

3 Albert Embankment  
London  
SE1 7SP  
United Kingdom  
(registered office)

By order of the Board

  
\_\_\_\_\_  
R A Usher  
Chairman and Managing Director

  
\_\_\_\_\_  
Date

## **The Amphion Group Limited**

### **DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS**

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The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to

- a. select suitable accounting policies and then apply them consistently,
- b. make judgements and estimates that are reasonable and prudent and
- c. 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE AMPHION GROUP LIMITED

We have audited the financial statements on pages 6 to 15

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

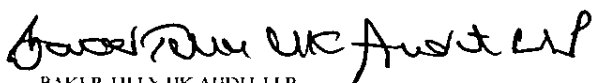
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs at 31 December 2007 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



BAKER TILLY UK AUDIT LLP  
Registered Auditor  
Chartered Accountants  
1st Floor  
46 Clarendon Road  
Watford  
Herts  
WD17 1JJ

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**The Amphion Group Limited**  
**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2007

	<i>Notes</i>	2007 £	2006 (10 months) £
TURNOVER	1	-	-
Cost of sales		-	-
GROSS PROFIT		-	-
Administration costs	2	70,447	236,890
OPERATING LOSS		70,447	236,890
Income from shares in group undertakings	3	6,864,568	588,700
		6,794,121	351,810
Interest payable and similar charges	4	261,032	265,417
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,533,089	86,393
Taxation	7	(99,444)	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	14	6,632,533	86,393

The operating loss for the year arises from the Company's continuing operations

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account

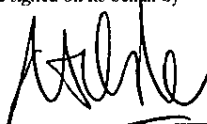
# The Amphion Group Limited

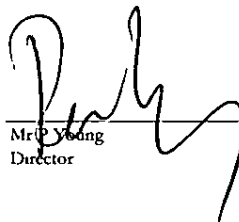
## BALANCE SHEET

31 December 2007

	Notes	2007 £	2006 £
<b>FIXED ASSETS</b>			
Investment in subsidiaries	8	12,014,406	10,187,497
<b>CURRENT ASSETS</b>			
Debtors due within one year	9	1,502,510	-
Cash at bank and in hand	10	5,279	88,977
		1,507,789	88,977
<b>CREDITORS Amounts falling due within one year</b>	11	2,212,053	5,111,311
<b>NET CURRENT LIABILITIES</b>		704,264	5,022,334
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		11,310,142	5,165,163
<b>CREDITORS Amounts falling due after one year</b>	12	4,361,883	4,820,770
<b>NET ASSETS</b>		6,948,259	344,393
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	258,000	258,000
Other reserves	14	54,000	54,000
Profit and loss account	14	6,636,259	32,393
<b>SHAREHOLDERS' FUNDS</b>	15	6,948,259	344,393

The financial statements on pages 6 to 15 were approved by the board of directors and authorised for issue on October 2 2008 and signed on its behalf by

  
Mr R. A. Usher  
Director

  
Mr P. Young  
Director



# The Amphion Group Limited

## CASH FLOW STATEMENT

for the year ended 31 December 2007

	Notes	2007 £	2006 10 months £
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>	16	(4,420,625)	4,874,421
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Dividends received		6,864,568	588,700
Interest paid	4	(261,032)	(265,417)
Net cash inflow for returns on investments and servicing of finance		6,603,536	323,283
<b>TAXATION</b>		99,444	-
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Purchase of fixed asset investments	8	(5)	(10,187,497)
Net cash outflow from capital expenditure and financial investment		(5)	(10,187,497)
Equity dividends paid	14	(28,667)	-
Net cash inflow/(outflow) before financing		2,253,683	(4,989,793)
<b>FINANCING</b>			
AIB Bank loans raised	12	-	3,000,000
AIB Bank loans repaid	12	(1,000,000)	(400,000)
Shareholder loans raised	12	-	2,220,770
Shareholder loans repaid	12	(1,337,381)	-
Issue of ordinary share capital	13	-	312,000
Redemption of ordinary share capital	13	-	(54,000)
		(2,337,381)	5,078,770
(Decrease)/Increase in cash in the year/period		(83,698)	88,977

# **The Amphion Group Limited**

## **ACCOUNTING POLICIES**

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### **BASIS OF ACCOUNTING**

The accounts have been prepared under the historical cost convention

### **GROUP ACCOUNTS**

The accounts present information about the individual undertaking and not about its group. The Company and its subsidiary undertakings comprise a medium-sized group. The Company has therefore taken advantage of the exemptions provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

### **GOING-CONCERN**

The Company has met its day-to-day working capital requirements through a loan from its subsidiary undertaking, Adam Smith International Limited, which is repayable on demand. Continued support will be received from the subsidiary undertaking, and so the directors consider it appropriate to prepare the financial statements on the going-concern basis.

### **FINANCE COSTS**

Finance costs include all interest, charges, and professional fees incurred in raising finance.

### **BORROWING COSTS**

Borrowing costs are recognised in the profit and loss statement in the period in which they are incurred.

### **INVESTMENT IN SUBSIDIARIES**

The Company's investment in subsidiaries are held at cost or provided against where the net worth of the investment falls below this balance. The consideration paid for the investment is contingent upon future earnings. Anticipated future earnings are assessed annually and where necessary the cost of the investment is adjusted through the balance sheet.

### **DEFERRED TAXATION**

Deferred tax arises as a result of including items of income and expenditure in taxation computations in periods different from those in which they are included in the company's accounts. Deferred tax is provided in full on timing differences which result in an obligation to pay more, or less, tax at a future date, at the average tax rates that are expected to apply when the timing differences reverse, based on current tax rates and laws. The deferred tax balance has not been discounted.

### **EMPLOYEE SHARE OPTION SCHEME**

The value of the share options issued to employees of the group are assessed annually with adjustments taken to profit and loss.

**The Amphion Group Limited**  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2007

**1 SEGMENTAL ANALYSIS**

Segmental analysis does not apply as it only has a single business activity

**2 ADMINISTRATION COSTS**

	2007	2006
	£	£
Administrative expenses	70,447	236,890

**3 INCOME FROM SHARES IN GROUP UNDERTAKINGS**

	2007	2006
	£	£
Dividends received from Adam Smith International Limited	6,864,568	588,700

**4 INTEREST PAYABLE AND SIMILAR CHARGES**

	2007	2006
	£	£
Interest and bank charges on Allied Irish Bank loan	235,007	260,892
Interest on shareholder loan notes	26,025	4,525
	261,032	265,417

**5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2007	2006
	£	£
Profit on ordinary activities before taxation is stated after charging		
- Auditors' remuneration	9,000	7,500

**6 EMPLOYEES**

The Company has no employees, and only the fees of the non executive directors are paid by the Company. All other executive directors are remunerated through salaries which are paid for by the Company's wholly-owned subsidiaries.

	2007	2006
	£	£
DIRECTORS' REMUNERATION		
Emoluments for qualifying services	7,388	19,506
Company pension contributions to money purchase schemes	-	-
	7,388	19,506

**7 TAXATION**

	2007	2006
	£	£
Domestic current year tax		
U.K. corporation tax		
Current tax on profits of the year	(99,444)	-
Total current tax	(99,444)	-
Tax on profit on ordinary activities	(99,444)	-
Profit on ordinary activities before taxation	6,533,089	86,393
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00%	1,959,927	25,918
Effects of		
Non deductible expenses	-	62,966
Dividends received	(2,059,371)	-
Income not taxable	-	(176,610)
Tax losses surrendered to group companies	-	87,726
Current tax charge for the year	(99,444)	-

# The Amphion Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 December 2007

## 8 INVESTMENTS IN SUBSIDIARIES

	2007 £	2006 £
At beginning of year		
Cost	10,187,497	-
Movements		
Revaluation of deferred vendor loan notes	1,826,904	-
Additions Acquisition of Adam Smith International Limited	-	10,187,497
Additions Acquisition of Adam Smith International Africa Limited	5	
At end of year		
Cost	12,014,406	10,187,497

A list of group undertakings is set out in Note 22

On 28th February 2006, the Company acquired all of the issued share capital of Adam Smith International Limited for a total consideration of £10,609,780. Part of the consideration was paid in cash and the remainder deferred (see note 12). The deferred consideration is revalued annually resulting in changes to the cost of the investment in Adam Smith International Limited.

On 23rd July 2007, the Company acquired 1% of the issued share capital of Adam Smith International Africa Limited for a total consideration of £5. The remaining 99% of the issued share capital was acquired by the Company's subsidiary, Adam Smith International Limited.

## 9 DEBTORS DUE WITHIN ONE YEAR

	2007 £	2006 £
Loans to subsidiaries	1,500,731	-
Other debtors	1,779	-
	1,502,510	-

The Company has loaned £1,500,731 (2006 £Nil) to its subsidiary Adam Smith International Limited. The loan bears no interest and the Company expects this loan to be repaid during the next year.

## 10 CASH AT BANK AND IN HAND

	1 January 2007 £	Cash flow £	Other non-cash changes £	31 December 2007 £
Net cash				
Cash at bank and in hand	88,977	(83,698)	-	5,279
Net funds	88,977	(83,698)	-	5,279

## 11 CREDITORS, Amounts falling due within one year

	2007 £	2006 £
Trade creditors		1,599
Allied Irish Bank Loan	800,000	1,000,000
Shareholder Loan Notes	1,342,622	1,194,212
Loans from subsidiaries	40,904	2,899,025
Corporation tax	-	-
Accruals	28,527	16,475
	2,212,053	5,111,311

# The Amphion Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 December 2007

## 12 CREDITORS Amounts falling due after one year

	Allied Insh Bank Loan £	Shareholder Loan Notes £	Total £
1 January 2007	2,600,000	2,220,770	4,820,770
Transfer to amounts falling due within one year	200,000	(148,410)	51,590
Repayments	(1,000,000)	(1,337,381)	(2,337,381)
Loan revaluation	-	1,826,904	1,826,904
31 December 2007	<u>1,800,000</u>	<u>2,561,883</u>	<u>4,361,883</u>

On 28 February 2006 the Company took out a term loan from the AIB Group (UK) plc in the amount of £4 million bearing interest at the bank's base rate plus a margin of 1.75% per annum and repayable over a 5-year period with quarterly repayments of £200,000.

In addition, the bank has provided the Company with an overdraft facility of £750,000 bearing interest at the bank's base rate plus a margin of 1.75% per annum and repayable on demand and subject to annual review. At 31 December 2007 the Company had not used any of this facility (2006: £nil).

The bank has a mortgage debenture dated 28 February 2006 providing security over all the Company's and its subsidiaries' assets.

On 28 February 2006 the Company agreed to issue, as part of the consideration for the acquisition of all of the issued share capital of Adam Smith International Limited, variable rate loan notes to the former shareholders of this company. There are two forms of loan notes: (i) the minimum deferred earn-out loan notes, and (ii) the variable deferred earn-out loan notes.

The first type of loan notes were issued on 28 February 2006 and are redeemable between 2007 and 2010.

The second type of loan notes will be issued annually 6 months after the signing of the Company's accounts for each of the years 2006 through 2009. The repayment date, and interest terms of these loan notes are fixed but their value are contingent in nature.

These earn-out loan notes are repayable on the date they are issued. However, if they are not repaid immediately they become interest-bearing at the AIB Group (UK) plc's base rate.

There is a pre-agreed formula in place to calculate the value of these earn-out loan notes which is dependent on future profit levels. The notes are revalued annually with differences taken through the balance sheet. As at 31 December 2007, the directors have used a best estimate of future profit levels to determine the value of the contingent consideration. The current year estimate used a discount rate of 8%.

	Allied Insh Bank Loan £	Shareholder Loan Notes £	Loans from subsidiaries £	Total £
Analysis of repayments				
Due in 1 year or less	800,000	1,342,622	40,904	2,183,526
Due after 1 year but not more than 2 years	800,000	1,766,507	-	2,566,507
Due after 2 years but not more than 5 years	1,000,000	795,376	-	1,795,376
	<u>2,600,000</u>	<u>3,904,505</u>	<u>40,904</u>	<u>6,545,409</u>

## 13 SHARE CAPITAL

	2007 £	2006 £
Authorised		
300,000 ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>
Allotted, issued and fully paid		
258,000 ordinary shares of £1 each	<u>258,000</u>	<u>258,000</u>

On 3 October 2006, the Company issued 42,000 share options of £1 each to employees as part of an employee share incentive scheme. These share options can be exercised only if either (i) the business is sold, (ii) the business is listed, or (iii) the scheme administrator otherwise permits it. At present management believe that the likelihood of any of these events occurring is remote.

# The Amphion Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 December 2007

## 14 STATEMENT OF MOVEMENT ON RESERVES

	Capital redemption reserve £	Profit and loss account £	Total £
1 January 2007	54,000	32,393	86,393
Retained profit for the year	-	6,632,533	6,632,533
Dividends paid	-	(28,667)	(28,667)
31 December 2007	<u>54,000</u>	<u>6,636,259</u>	<u>6,690,259</u>

2007  
£

2006  
£

The Company declared and paid dividends during the course of the year:

Ordinary

First interim paid of 11 11 pence (2006 Nil pence) per share

28,667 -

On 4 December 2007 a dividend of 11 11 pence (2006 Nil pence) per share was paid to shareholders

In respect of the current year, the directors propose that a dividend of 48.45 pence per share be paid to shareholders on 28 March 2008. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend for 2007 is payable to all shareholders on the Register of Members on 28 March 2008. The total estimated dividend to be paid is £125,000.

## 15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Opening shareholders' funds	344,393	-
Issue of shares	-	300,000
Redemption of shares	-	(54,000)
Issue of shares	-	12,000
Dividends paid	(28,667)	-
Profit for the financial year	6,632,533	86,393
Closing shareholders' funds	<u>6,948,259</u>	<u>344,393</u>

## 16 CASH FLOWS

	2007 £	2006 10 months £
<b>a. Reconciliation of operating profit to net cash inflow from operating activities</b>		
Operating loss	(70,447)	(236,890)
(Increase) in debtors due within one year	(1,502,510)	-
Increase/(Decrease) in creditors falling due within one year	(2,847,668)	5,111,311
Net cash inflow from operating activities	<u>(4,420,625)</u>	<u>4,874,421</u>
<b>b. Reconciliation of net cash flow to movement in net debt</b>		
Increase/(Decrease) in cash in the year	(83,698)	88,977
Opening net funds	88,977	-
Closing net funds	<u>5,279</u>	<u>88,977</u>

## 17 PENSION COMMITMENTS

The Company does not have any employees, and therefore there are no pension commitments.

# The Amphion Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 December 2007

## 18 RELATED PARTY TRANSACTIONS

The Company has borrowed funds from its subsidiary Adam Smith Services Limited (see note 11)

	2007 £	2006 £
Dividends received from subsidiary undertaking, Adam Smith International Limited	6,864,568	588,700
Loans to/(from) subsidiary undertaking, Adam Smith International Limited	1,500,239	(2,899,025)
Loans to/(from) subsidiary undertaking, Adam Smith International Africa Limited	492	-
Amounts billed by subsidiary undertaking, Adam Smith Services Limited	46,212	-
Amounts due to subsidiary undertaking, Adam Smith Services Limited	40,904	-

Mr P Young is a beneficiary of the shareholder loan notes that are dependent upon future earnings referred to in note 12

## 19 POST BALANCE SHEET EVENT

On 4 April 2008 a deed of rectification to the original sale and purchase agreement for the acquisition of all of the issued share capital of Adam Smith International Limited was signed

The deed of rectification provided that the variable deferred earn out loan note in respect of the 2007 financial year, and the minimum deferred earn-out loan notes due on 1 January 2009 and 1 January 2010 be settled on 4 April 2008 for a value of £2,190,523. The deferred earn-out loan notes in respect of the 2008 and 2009 financial years remain in place in accordance with the original agreement. In order to finance the revised consideration the Company has taken out a term loan from the AIB Group (UK) plc in the amount of £5,700,000 bearing interest at a rate of 2% over 3-month LIBOR and repayable over a 5 year period with quarterly repayments of £245,000 starting 30 June 2008.

## 20 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 (2006: £nil).

## 21 CONTROL

There is no ultimate controlling party.

**The Amphion Group Limited**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2007

**1 LIST OF GROUP UNDERTAKINGS**

Name	Nature of Business	Country of incorporation	Description of shares	Ownership 2007 %	2006 %	Profit/ (Loss) after taxation		Capital and reserves	
						2007 £	2006 £	2007 £	2006 £
Adam Smith International Limited	International development consultancy	England and Wales	Ordinary shares	100	100	£3,197,844	£2,613,986	£3,077,537	£6,744,262
Adam Smith Services Limited <sup>1,2</sup>	Provision of business services	England and Wales	Ordinary shares	100	100	£92,711	£120,875	£4,633	£120,876
Adam Smith International Africa Limited <sup>3</sup>	International development consultancy	Kenya	Ordinary shares	100	100	(£43,999)	n/a	(£43,512)	n/a

On 28 February 2006, the Company acquired all of the issued share capital of Adam Smith International Limited for a total consideration of £10,977,041. Part of the consideration was paid in cash and the remainder deferred (see note 12).

<sup>1</sup> The prior year comparative numbers for "Profit after taxation" relate to a 10 month period rather than a full year as for 2007

<sup>2</sup> The prior year comparative numbers for "Capital and Reserves" have been restated

<sup>3</sup> Adam Smith Services Limited is classified as a subsidiary as shares are held by Adam Smith International Limited

<sup>4</sup> The Company holds 1% of the issued ordinary shares of Adam Smith International Africa Limited directly. The remaining 99% are held indirectly via its subsidiary, Adam Smith International Limited