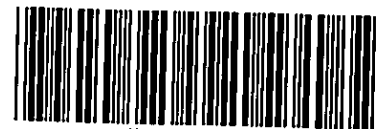


The Amphion Group Limited
GROUP FINANCIAL STATEMENTS
for the year ended
31 December 2010

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COMPANIES HOUSE

The Amphion Group Limited
DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS

Mr P Young

Mr W S Morrison (Managing Director)

Mr R Slee (Chairman)

Sir M Rifkind (Non-executive)

Mr L Bunn (Non-executive)

Mr R Bloem

Mr R Usher

Mr A Shrivastava

(Appointed 6 September 2010)

(Appointed 6 September 2010)

(Resigned 7 September 2010)

(Appointed 16 February 2011)

SECRETARY

Mr P Young

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

The Directors are pleased to present their Annual Report on the affairs of The Amphion Group Limited (hereafter "the group"), together with the accounts and the auditor's report for the year ended 31 December 2010

PRINCIPAL ACTIVITIES

The principal activity of the group is the provision of advisory services in government and economic reform to governments and international organisations throughout the world.

The group's aim is to apply its professional and consulting skills towards improving the quality of life for the citizens of countries facing economic, political and social change and uncertainty. The work we do is collectively referred to as Technical Assistance (TA) in the sector and is, in effect, the provision of specialist advice by expert advisers, to host country governments. Our consulting teams work with their clients to help them achieve measurable performance improvements which are sustained after the project finishes.

REVIEW OF BUSINESS DEVELOPMENTS

Financial Results

The group turnover increased to £45.5 million from £38.4 million in the previous year yielding a growth of 18.6%. The operating profit for the year under review increased to £6.3 million against £5.1 million in the previous year registering a growth of 22.6%. The profits after tax for the year under review increased to £4.2 million as against £2.6 million in the previous year registering a growth of 61.3%.

Our performance has been driven by continued good growth in our core markets. The government reform practice has continued to develop its business in conflict affected countries alongside our more traditional markets and changes we have made to the management of the economic reform practice have delivered significant and sustainable improvements to its performance.

Key performance indicators

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

- Revenue, profitability and cash flows to set targets
- The quality, level and conversion rates of the sales pipeline and level of sales order book
- Project results delivered versus plan
- Size and duration of engagements
- Staff attrition and utilisation

Future developments

The Company is optimistic about its future prospects and expects to maintain current performance in the medium-term. Although public spending is being cut throughout the world, aid budgets in most cases are being protected. The company is well entrenched in key markets with realistic plans to take advantage of upcoming developments. The quality of our work remains high and this helps greatly in bringing in new contracts.

People

Our success depends largely on the quality of our people. We continue to recruit, retain and develop the best people in our business sector. Training and development is a priority within the group.

INTERNAL CONTROL AND RISK MANAGEMENT

Introduction

The Board is responsible for the group'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 group's system of financial and non financial internal controls, including operational and compliance controls and risk management.

The Board's monitoring is based principally on reviewing reports from management to consider whether significant risks have been identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. 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. The Board is of the view that there is an ongoing process for identifying, evaluating and managing the group's significant risks that:

- Has been in place for the year ended 31 December 2010 and up to the date of approval of the Annual Report and Accounts,
- Is regularly reviewed by the Board and complies with the internal control guidance for directors, and
- Necessary actions have been or are being taken to remedy any significant failings identified as part of the ongoing risk management process.

Financial Risk Management Objectives

The Board seeks to identify those financial risks which we believe the management of the business is better at managing than can be achieved by the procurement of hedging, insurance or other financial risk instruments. For example the group is better placed to assess debtor related risks, but will seek to hedge against currency or other risks which are outside the group's capacity to control. The Board takes steps to ensure we understand the potential impact of each risk and its likelihood of its occurrence. We then make an assessment of the best way to manage each risk based on the type of risk and our assessments of impact and likelihood.

Exposure to risks

The Board's policy on risk management encompasses all significant business risks to the group, including financial, operational and compliance risk, which could undermine the achievement of business objectives. There is clear accountability for risk management, which is a key performance area of line managers throughout the group. The requisite risk and control capability is assured through Board challenge and appropriate management selection and skills development. Continuous monitoring of risk and control processes, across headline risk areas and other business specific risk areas, provides the basis for regular and exception reporting to the Audit Committee and the Board.

- **Liquidity & credit risk**

The group is exposed to liquidity risk arising from the need to finance its ongoing operations and growth. If the group is unable to obtain sufficient credit due to banking and capital market conditions, the group may not be able to raise sufficient funds to develop new projects or meet the group'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 group is exposed to currency risk where transactions are 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.

- **Political, legal and regulatory**

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

- **Operational performance and project delivery**

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

- **Cash flow risk**

The group has no current material risk in terms of cash flow. The group's assets are almost entirely held in currency which is highly liquid, so there is no realistic danger of not being able to raise any cash required in the short and medium term.

FINANCIAL INSTRUMENTS DISCLOSURES

The group has an overdraft facility with Allied Irish Bank plc. A mortgage debenture exists giving the bank a floating charge over the assets of the group as security for the overdraft and loan facilities provided to The Amphion Group Limited. These facilities are reviewed annually alongside the business plans and budgets for the forthcoming year.

The Group uses forward currency contracts, to manage currency risks arising from the Group's operations. The Group does not trade in financial instruments. The Group's treasury policies are designed to mitigate the impact of fluctuations in exchange rates and to manage the Group's financial risks. The Group uses interest rate swaps to limit or manage exposure to fluctuations in interest rates. The Board approves any changes to the policies. The Group does not enter into any other financial instruments bar normal short term creditors and debtors on normal commercial terms.

RESULTS AND DIVIDENDS

Turnover for the year was £45,511,794 (2009 £38,376,980). Profit on ordinary activities before taxation was £6,172,031 (2009 £4,133,111).

The group declared and paid a dividend of £4,000,000 (2009 £815,850) to shareholders.

The Amphion Group Limited
DIRECTORS' REPORT (continued)

PENSION SCHEME

The group operates a defined contribution pension scheme. Contributions during the current year amounted to £73,138 (2009 £65,025)

THIRD PARTY INDEMNITY INSURANCE PROVISION FOR DIRECTORS

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

DIRECTORS

The following directors have held office since 1 January 2010

Mr P Young

Mr W S Morrison (Managing Director)

Mr R Slec (Chairman)

Sir M Rifkind (Non-executive)

Mr L Bunn (Non-executive)

Mr R Bloem

Mr R Usher

Mr A Shrivastava

(Appointed 6 September 2010)

(Appointed 6 September 2010)

(Resigned 7 September 2010)

(Appointed 16 February 2011)

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

The auditor, Baker Tilly UK Audit LLP, Chartered Accountants has indicated its willingness to continue in office.

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

By order of the Board


Mr W S Morrison
Managing Director

29 / 06 / 2011
Date

The Amphion Group Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and the company and of the profit or loss of the group 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 accounting 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 group will continue in business
- d. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

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

We have audited the group and parent company financial statements ("the financial statements") on pages 7 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, 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 as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2010 and of the group's profit 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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.



Glyn Frances
(Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
1st Floor
46 Clarendon Road
Watford
Hertfordshire
WD17 1JJ

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The Amphion Group Limited
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2010

	Notes	2010	2009
		£	£
GROUP TURNOVER	1	45,511,794	38,376,980
Group cost of sales		<u>34,736,043</u>	<u>29,748,746</u>
GROUP GROSS PROFIT		10,775,751	8,628,234
Other operating expenses (net)	2	<u>4,477,580</u>	<u>3,490,446</u>
GROUP OPERATING PROFIT		6,298,171	5,137,788
Investment income	3	<u>23,303</u>	<u>14,373</u>
		6,321,474	5,152,161
Interest payable	4	<u>149,442</u>	<u>1,019,050</u>
GROUP PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	6,172,032	4,133,111
Taxation	7	<u>1,946,602</u>	<u>1,513,270</u>
GROUP PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	16	<u>4,225,430</u>	<u>2,619,841</u>

The operating profit for the year arises from the group's continuing operations

The Amphion Group Limited

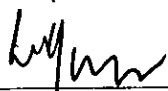
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2010

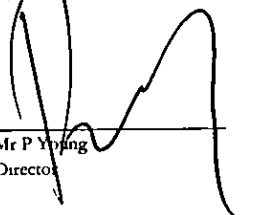
	<i>Notes</i>	2010	2009
		£	£
GROUP PROFIT FOR THE FINANCIAL YEAR		4,225,430	2,619,841
Currency translation gains and losses on foreign currency net investments		<u>(5,452)</u>	<u>3,703</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		<u>4,219,978</u>	<u>2,623,544</u>

The Amphion Group Limited
CONSOLIDATED BALANCE SHEET
As at 31 December 2010

	Notes	2010 £	2009 £
FIXED ASSETS			
Intangible fixed assets	8	4,768,534	5,237,570
Tangible assets	10	152,804	59,553
		<u>4,921,338</u>	<u>5,297,123</u>
CURRENT ASSETS			
Debtors due within one year	11	9,956,160	7,385,385
Cash at bank and in hand	12	4,852,115	4,716,954
		<u>14,808,275</u>	<u>12,102,339</u>
CREDITORS: Amounts falling due within one year	13	(10,287,886)	(7,043,714)
NET CURRENT ASSETS		<u>4,520,389</u>	<u>5,058,625</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,441,727</u>	<u>10,355,748</u>
CREDITORS: Amounts falling due after one year	14	(1,469,500)	(2,603,500)
NET ASSETS		<u>7,972,227</u>	<u>7,752,248</u>
CAPITAL AND RESERVES			
Called up share capital	15	225,000	225,000
Capital redemption reserve	16	87,000	87,000
Profit and loss account	16	7,660,227	7,440,248
SHAREHOLDERS' FUNDS	17	<u>7,972,227</u>	<u>7,752,248</u>

The financial statements on pages 7 to 21 were approved by the board of directors and authorised for issue on 29/06/2011 and signed on its behalf by


Mr W S Morrison
Director

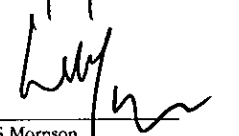

Mr P Young
Director

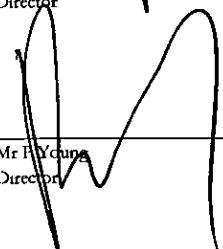
The Amphion Group Limited
COMPANY BALANCE SHEET
As at 31 December 2010

Company Registration No 5662199

	Notes	2010 £	2009 £
FIXED ASSETS			
Investment in subsidiaries	9	12,093,835	12,093,835
CURRENT ASSETS			
Debtors due within one year	11	45,725	39,568
Cash at bank and in hand		-	-
		<u>45,725</u>	<u>39,568</u>
CREDITORS Amounts falling due within one year	13	<u>(7,592,297)</u>	<u>(6,249,346)</u>
NET CURRENT LIABILITIES		<u>(7,546,572)</u>	<u>(6,209,778)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,547,264</u>	<u>5,884,058</u>
CREDITORS Amounts falling due after one year	14	<u>(1,469,500)</u>	<u>(2,603,500)</u>
NET ASSETS		<u><u>3,077,764</u></u>	<u><u>3,280,558</u></u>
CAPITAL AND RESERVES			
Called up share capital	15	225,000	225,000
Capital redemption reserve	16	87,000	87,000
Profit and loss account	16	<u>2,765,764</u>	<u>2,968,558</u>
SHAREHOLDERS' FUNDS	17	<u><u>3,077,764</u></u>	<u><u>3,280,558</u></u>

The financial statements on pages 7 to 21 were approved by the board of directors and authorised for issue on 29/06/2011 and signed on its behalf by


Mr W S Mornson
Director


Mr P Young
Director

The Amphion Group Limited
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2010

	<i>Notes</i>	2010	2009
		£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	12	7,947,432	9,536,744
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received	3	23,303	14,373
Interest paid		<u>(149,442)</u>	<u>(225,030)</u>
Net cash outflow for returns on investments and servicing of finance		(126,139)	(210,657)
TAXATION			
UK corporation tax paid		(1,550,000)	(1,464,363)
Foreign tax paid		<u>(91,666)</u>	<u>(191,301)</u>
		(1,641,666)	(1,655,665)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets	10	<u>(137,681)</u>	<u>(28,403)</u>
Net cash outflow from capital expenditure and financial investment		(137,681)	(28,403)
Equity dividends paid		<u>(4,000,000)</u>	<u>(815,850)</u>
Net cash inflow/(outflow) before financing		2,041,946	6,826,168
FINANCING			
AIB Bank loans repaid	14	(1,134,000)	(1,362,500)
Shareholder loans repaid	14	(633,236)	(1,697,424)
Redemption of ordinary share capital	15	<u>-</u>	<u>(500,000)</u>
		<u>(1,767,236)</u>	<u>(3,559,924)</u>
Increase in cash in the year	12	<u>274,710</u>	<u>3,266,244</u>

The Amphion Group Limited

ACCOUNTING POLICIES

31 December 2010

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of The Amphion Group Limited and all of its subsidiary undertakings for the year. Subsidiaries acquired during the year are consolidated using the acquisition method. Their results are incorporated from the date that control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised as purchased goodwill and amortised through the profit and loss account over its economic life. Provision is made for any impairment through the profit and loss account. All financial statements are made up to 31 December 2010 except for Adam Smith International India Limited, whose financial year ends on 31 March. The directors do not consider it appropriate to alter the year end of Adam Smith International India Limited because all companies in India are required to have a 31 March year end for tax purposes.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

BASIS OF ACCOUNTING

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

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. The Company funded its acquisition of Adam Smith International Limited, its subsidiary undertaking, with a Bank Loan from Allied Irish Bank Plc. Continued support will be received from the subsidiary undertaking.

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. The group has sufficient financial resources. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

GOODWILL

Goodwill represents the excess of the purchase price compared with the fair value of assets acquired. It is capitalised and written off over 15 years as in the opinion of the directors, this represents the period over which the goodwill is expected to give rise to economic benefits.

Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost less accumulated depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Furniture	10% Straight line
Office equipment	33% Straight line
IT equipment	33% Straight line

IMPAIRMENT

Fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable or as otherwise required by relevant accounting standards.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of net realisable value and value in use, are recognised as impairment. Impairment losses are recognised in the Profit and Loss Account when they arise.

LONG TERM CONTRACTS

Profit is recognised on long term milestone contracts based on the profitability expected on the contract at its conclusion. Turnover and direct costs are recognised in the profit and loss account as the contract activity progresses. The stage of completion is measured by the proportion of the contract costs incurred for work performed to date compared to the estimated total contract costs for each contract, as the directors feel that this provides the most accurate method of assessment.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arises from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

The Amphion Group Limited

ACCOUNTING POLICIES - continued

31 December 2010

DEFERRED TAXATION - continued

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

TAXATION

Taxable losses are sold by the group holding company, The Amphion Group Limited, to other UK group companies at the appropriate rates.

LEASED ASSETS

The annual rentals on 'operating leases' are charged to the profit and loss account on a straight line basis over the lease term. Lease incentives primarily include rent-free periods. Lease incentives are capitalised and spread over the period of the lease term.

FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the accounting date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Assets and liabilities of overseas subsidiaries are translated at the rate ruling at the balance sheet date and results of these subsidiaries are translated at an average rate. Exchange differences arising are dealt with through reserves.

TURNOVER

Turnover represents fees receivable for the provision of consultancy services falling within the Group's ordinary activities, and is recognised over the period for which the services are delivered.

Turnover from the provision of consulting services is only recognised when the amounts to be recognised are fixed or determinable and collectability is reasonably assured.

AGENCY ARRANGEMENTS

Projects where the Group 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.

PROPOSAL COSTS

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

PENSIONS CONTRIBUTIONS

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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 its subsidiaries is held at cost or impaired where the net worth of the investment falls below cost. The cost of acquisition includes the fair value of deferred consideration discounted to its present value at the date of acquisition. The differences between the fair value at which the liability is stated and the total amount payable at future dates is a finance cost charged as an interest expense over the period the liability is outstanding. Contingent consideration is reasonably estimated and the estimate is revised as the contingent element becomes more certain until the ultimate amount is known. The revision to the estimate of the contingent consideration is accounted for prospectively with the revised estimate discounted back to the beginning of the year and the increase in provision being added to the cost of investment.

EMPLOYEE SHARE OPTION SCHEME

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

The Amphion Group Limited
NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2010

1 TURNOVER

The contributions of the various activities of the Group to turnover, which are in respect of continuing activities, are set out below

	2010	2009
	£	£
By geographical market		
Eastern Europe	-	61,854
Western Europe	-	35,898
Asia	19,423,847	14,866,309
Caribbean	412,318	1,216,728
Africa	20,830,920	14,108,532
Middle East	4,844,709	8,087,659
	<u>45,511,794</u>	<u>38,376,980</u>

The disclosed analysis above reflects the location of project activity. The majority of the above amounts are invoiced to government bodies located in the United Kingdom.

2 OTHER OPERATING EXPENSES (NET)

	2010	2009
	£	£
Administrative expenses	4,477,580	3,490,446
Other operating income	-	-
	<u>4,477,580</u>	<u>3,490,446</u>

3 INVESTMENT INCOME

	2010	2009
	£	£
Bank interest	23,303	14,373
	<u>23,303</u>	<u>14,373</u>

4 INTEREST PAYABLE

	2010	2009
	£	£
Bank interest	143,204	216,120
Other interest	6,238	802,930
	<u>149,442</u>	<u>1,019,050</u>

Included in the other interest payable charge for the year is interest of £Nil (2009 £794,020) on discounted loan notes issued during the financial years 2006 through to 2009 in connection with the acquisition of Adam Smith International Limited by The Amphion Group Limited on 28th February 2006.

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2010	2009
	£	£
Profit on ordinary activities before taxation is stated after charging		
Amortisation of goodwill	469,036	418,340
Depreciation of tangible assets		
Charge for the year on owned assets	44,430	30,122
Operating lease rentals		
Land and buildings	81,813	72,000
Loss on foreign exchange transactions	32,345	230,114
Auditors' remuneration		
Statutory audit of parent and consolidated accounts	9,750	9,500
Other services - Audit of subsidiaries	40,500	40,500
Other services - Tax related services	38,250	38,250
Other services - Other	26,256	26,256

The Amphion Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2010

6 EMPLOYEES

	2010 No	2009 No
The average monthly number of persons (including directors remunerated by this group) employed by the group during the year was		
Directors	5	5
Office and project management	41	39
	<u>46</u>	<u>44</u>
Staff costs for the above persons		
Wages and salaries	2,969,069	2,075,145
Social security costs	227,958	199,565
Other pension costs	73,138	65,025
	<u>3,270,165</u>	<u>2,339,735</u>
Outstanding pension contributions at year-end	<u>6,587</u>	<u>5,467</u>
DIRECTORS' REMUNERATION		
Emoluments for qualifying services	501,184	393,193
Company pension contributions to money purchase schemes	14,676	13,468
	<u>515,861</u>	<u>406,661</u>
Emoluments disclosed above include the following amounts paid to the highest paid director:		
Emoluments for qualifying services	200,270	174,581
Pension scheme contributions	6,968	6,968
	<u>207,238</u>	<u>181,549</u>
Number of directors for whom retirement benefits are accruing under money purchase pension schemes	<u>3</u>	<u>2</u>

7 TAXATION

	2010 £	2009 £
Domestic current year tax		
U.K. corporation tax		
Current tax on profits of the year	1,888,452	1,431,875
Double-tax relief	-	-
Adjustment for prior years	-	21,821
Total current tax	<u>1,888,452</u>	<u>1,453,696</u>
Foreign tax credits not recoverable	<u>39,687</u>	<u>57,988</u>
	<u>1,928,139</u>	<u>1,511,684</u>
Deferred tax		
Origination and reversal of timing differences	18,463	1,586
Total deferred tax	<u>18,463</u>	<u>1,586</u>
	<u>1,946,602</u>	<u>1,513,270</u>
Tax on profit on ordinary activities		
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>6,172,032</u>	<u>4,133,111</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2009: 28.00%)	1,728,169	1,157,271
Effects of		
Expenses not deductible for tax purposes	8,443	175,924
Capital allowances in excess of depreciation	(18,535)	(1,625)
Benefit of small companies rate	(4,226)	(5,848)
Adjustments to tax charge in respect of previous years	-	21,821
Other - amortisation	131,330	117,135
Other tax adjustments	43,272	(11,088)
Group relief received not at standard rate	-	106
Overseas losses not recoverable	39,687	57,988
	<u>199,971</u>	<u>354,413</u>
Current tax charge	<u>1,928,139</u>	<u>1,511,684</u>

The Amphion Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2010

8 INTANGIBLE FIXED ASSETS - Group

2010

£

GOODWILL

Cost

1 January 2010	7,035,542
31 December 2010	7,035,542

Amortisation

1 January 2010	1,797,972
Charge in the year	469,036
31 December 2010	2,267,008

Net book value

31 December 2009	5,237,570
31 December 2010	4,768,534

9 INVESTMENTS IN SUBSIDIARIES

2010

£

At beginning of year

Cost	12,093,835
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At end of year

Cost	12,093,835
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On 28th February 2006, the Company acquired all of the issued share capital of Adam Smith International Limited. Part of the consideration was paid in cash and the remainder deferred (see note 14).

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

On 28th January 2008, the Company acquired 1% of the issued share capital of Adam Smith International India Limited for a total consideration of £1. The remaining 99% of the issued share capital was acquired by the Company's subsidiary, Adam Smith International Limited.

10 TANGIBLE FIXED ASSETS - Group

	Furniture	Office equipment	IT equipment	Total
	£	£	£	£
Cost				
1 January 2010	42,746	33,969	157,236	233,951
Additions	15,501	70,423	51,757	137,681
31 December 2010	58,247	104,392	208,993	371,632
Depreciation				
1 January 2010	23,737	22,930	127,731	174,398
Charge in the year	4,880	13,342	26,208	44,430
31 December 2010	28,617	36,272	153,939	218,828
Net book value				
31 December 2010	29,630	68,120	55,054	152,804
31 December 2009	19,009	11,039	29,505	59,553

The Amphion Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2010

11 DEBTORS

	Group 2010	2009	Company 2010	2009
	£	£	£	£
Due within one year:				
Trade debtors	3,578,533	2,918,715	-	-
Amounts recoverable on long term contracts	678,246	251,811	-	-
Loans to subsidiaries	-	-	492	492
Deferred tax	-	2,601	-	-
Other debtors	397,497	402,805	-	-
Prepayments and accrued income	5,301,884	3,809,453	45,233	39,076
	<u>9,956,160</u>	<u>7,385,385</u>	<u>45,725</u>	<u>39,568</u>

Amounts recoverable on long term contracts reflect the provisions of UITF 40 Revenue recognition and service contracts

12 CASH FLOWS

a Reconciliation of operating profit to net cash inflow from operating activities

	2010	2009
	£	£
Operating profit	6,298,171	5,137,788
Depreciation of tangible assets	44,430	30,122
Amortisation of goodwill	469,036	418,340
Foreign currency translation gain/(loss) on owned subsidiary	(5,452)	3,703
(Increase)/Decrease in debtors within one year	(2,573,376)	3,045,984
Increase in creditors within one year	3,714,623	900,808
Net cash inflow from operating activities	<u>7,947,432</u>	<u>9,536,744</u>

b Reconciliation of net cash flow to movement in net funds

Increase/(decrease) in cash in the year	274,711	3,266,245
Repayment of bank loans	1,134,000	1,362,500
Repayment of shareholders loans	633,236	1,697,424
Revaluation of shareholders loans	-	(525,629)
Change in net debt resulting from cash flows	2,041,947	5,800,540
Net funds at 1 January 2010	189,233	(5,611,306)
Net funds at 31 December 2010	<u>2,231,180</u>	<u>189,233</u>

c Analysis of net debt

	1 January 2010	Cash flow	Non cash changes	31 December 2010
	£	£		£
Cash in hand, at bank	4,716,954	135,161	-	4,852,115
Overdrafts	(156,984)	139,550	-	(17,434)
Net funds	<u>4,559,970</u>	<u>274,711</u>	<u>-</u>	<u>4,834,681</u>
Bank loans				
Due within one year	(1,134,000)	1,134,000	(1,134,000)	(1,134,000)
Due in more than one year	(2,603,500)	-	1,134,000	(1,469,500)
Shareholder loan notes				
Due within one year	(633,236)	633,236	-	-
Due in more than one year	-	-	-	-
Net funds	<u>189,234</u>	<u>2,041,947</u>	<u>-</u>	<u>2,231,181</u>

Cash at bank and in hand includes an amount of £79,853 (2009 £237,223) deposited with banks in India. This cash cannot currently be transferred outside the country due to exchange control restrictions

The Amphion Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2010

13 CREDITORS, Amounts falling due within one year

	Group 2010	2009	Company 2010	2009
	£	£	£	£
Shareholder Loan Notes	-	633,236	-	633,236
Bank overdraft	17,434	156,984	17,434	156,984
Trade creditors	1,829,324	1,502,454	-	-
Allied Irish Bank Loan	1,134,000	1,134,000	1,134,000	1,134,000
Corporation tax	965,442	678,969	-	-
Loans from subsidiaries	-	-	2,965,249	4,308,072
Other taxes and social security costs	61,904	47,987	12,230	3,320
Other creditors	3,531,843	400,667	3,447,996	-
Deferred tax	15,862	-	-	-
Payments on account	488,337	1,300,818	-	-
Accruals and deferred income	2,243,740	1,188,599	15,388	13,733
	<u>10,287,886</u>	<u>7,043,714</u>	<u>7,592,297</u>	<u>6,249,346</u>

The bank has a mortgage debenture dated 28 February 2006 providing security over all the group's assets

Included in trade creditors is accrued defined contribution payments of the value of £12,321 (2009 £8,507)

Deferred tax

Balance at 1 January 2010	(2,601)	(4,187)
Profit and loss account	18,463	1,586
Balance at 31 December 2010	<u>15,862</u>	<u>(2,601)</u>

The deferred tax liability is made up as follows

Accelerated capital allowances	17,657	(878)
Short term timing differences	<u>(1,794)</u>	<u>(1,723)</u>
	<u>15,862</u>	<u>(2,601)</u>

14 CREDITORS, Amounts falling due after one year

Group and Company

	Allied Irish Bank Loan	Shareholder Loan Notes	Total
	£	£	£
1 January 2010	2,603,500	-	2,603,500
Transfer from amounts falling due within one year	-	633,236	633,236
Repayments	<u>(1,134,000)</u>	<u>(633,236)</u>	<u>(1,767,236)</u>
31 December 2010	<u>1,469,500</u>	<u>-</u>	<u>1,469,500</u>

On 28 February 2006 the Company took out a term loan from the AIB Group (UK) plc in the amount of £4 million. This facility was increased to £5.1 million on 13 March 2008 bearing interest at LIBOR plus a margin of 2% per annum and repayable over a 5 year period with quarterly repayments of £283,500.

In addition, the bank has provided the Company with an overdraft facility of £1,000,000 bearing interest at the bank's base rate plus a margin of 3% per annum and repayable on demand and subject to annual review.

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

	Allied Irish Bank Loan	Shareholder Loan Notes	Total
	£	£	£
Analysis of repayments			
Due in 1 year or less	1,134,000	-	1,134,000
Due after 1 year but not more than 2 years	<u>1,469,500</u>	<u>-</u>	<u>1,469,500</u>
	<u>2,603,500</u>	<u>-</u>	<u>2,603,500</u>

The Amphion Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2010

15 SHARE CAPITAL

	2010	2009
	£	£
Allotted, issued and fully paid		
225,000 ordinary shares of £1 each	225,000	225,000

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.

16 STATEMENT OF MOVEMENT ON RESERVES

	Group Capital redemption reserve £	Group Profit and loss account £	Group Total £
1 January 2010	87,000	7,440,248	7,527,248
Retained profit for the year	-	4,225,430	4,225,430
Foreign currency translation loss on owned subsidiary	-	(5,452)	(5,452)
Dividends paid	-	(4,000,000)	(4,000,000)
31 December 2010	87,000	7,660,227	7,747,227

	Company Capital redemption reserve £	Company Profit and loss account £	Company Total £
1 January 2010	87,000	2,968,558	3,055,558
Retained profit for the year	-	3,797,206	3,797,206
Dividends paid	-	(4,000,000)	(4,000,000)
31 December 2010	87,000	2,765,764	2,852,764

	2010	2009
	£	£
The group declared and paid dividends during the course of the year		

Ordinary		
First interim paid of 1777.00 pence (2009: 777.00 pence) per share	4,000,000	815,850
No second interim paid	-	-
	4,000,000	815,850

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 2010 £	2009 £	Company 2010 £	2009 £
Profit for the financial year	4,225,430	2,619,841	3,797,206	(1,007,427)
Dividends	(4,000,000)	(815,850)	(4,000,000)	(815,850)
Redemption of shares	-	(500,000)	-	(500,000)
Foreign currency translation gain/(loss) on owned subsidiary	(5,452)	3,703	-	-
Opening shareholders' funds	7,752,248	6,444,554	3,280,557	5,603,835
Closing shareholders' funds	7,972,226	7,752,248	3,077,764	3,280,557

The Amphion Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2010

18 PENSION COMMITMENTS	2010	2009
	£	£
DEFINED CONTRIBUTION		
Contributions payable by the group for the year	73,138	65,025

19 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2010 the Group had annual commitments under non-cancellable operating leases as follows

	2010	2009
	£	£
Land and buildings		
Expiring within one year	-	72,000
Expiring in the second to fifth year	73,883	-

20 RELATED PARTY TRANSACTIONS

	2010	2009
	£	£
Dividends declared and paid to directors		
- Peter Young	800,000	349,650
- William Morrison	1,066,667	-
	1,866,667	349,650
Outstanding interest-free loans immediately payable to directors		
Peter Young	700,000	-
- William Morrison	949,667	-
	1,649,667	-

The company has taken advantage of the exemptions conferred by Financial Reporting Standard No 8, not to disclose transactions with group entities on the basis that it prepares consolidated financial statements

21 CONTINGENT LIABILITIES

The Group is party to cross guarantees securing the borrowings of other group companies. At the year end these borrowings amounted to £2,603,500 (2009 £3,737,500)

22 COMPANY PROFIT AND LOSS ACCOUNT

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account. For the year under review the company had a profit on ordinary activities after taxation and before dividends of £3,797,206 (2009 Operating loss of £1,007,427)

23 CONTROL

The immediate and ultimate parent company is The Amphion Group Limited, a company incorporated in England and Wales. The registered address for The Amphion Group Limited is 3 Albert Embankment, London, SE1 7SP and group accounts are available from this address.

There is no ultimate controlling party.

24 DERIVATIVES NOT INCLUDED AT FAIR VALUE

At the balance sheet date the group had the following derivatives that has not been included in the accounts at fair value

	2010	2009
	£	£
Foreign exchange forward contract	7,755	-
Interest rate swaps	(10,227)	(15,212)
	(2,472)	(15,212)

The Amphion Group Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2010

25 LIST OF GROUP UNDERTAKINGS

Name	Nature of Business	Country of incorporation	Description of shares	Ownership		Profit/ (Loss) after taxation		Capital and reserves	
				2010	2009	2010	2009	2010	2009
				%	%	£	£	£	£
Adam Smith International Limited	International development consultancy	England and Wales	Ordinary shares	100	100	£4,930,316	£3,789,441	£11,993,936	£11,063,619
Adam Smith Services Limited ¹	Provision of business services	England and Wales	Ordinary shares	100	100	£47,358	£62,748	£191,949	£144,591
Adam Smith International Africa Limited ²	International development consultancy	Kenya	Ordinary shares	100	100	(£100,655)	(£92,524)	(£239,279)	(£147,390)
Adam Smith International India Limited ^{3,4}	International development consultancy	India	Ordinary shares	100	100	(2,487)	£0	(£5,907)	(£5,421)

On 28 February 2006, the Company acquired all of the issued share capital of Adam Smith International Limited. Part of the consideration was paid in cash and the remainder deferred (see note 14)

¹ Adam Smith Services Limited is classified as a subsidiary as all shares are held by Adam Smith International Limited

² 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.

³ The Company holds 1% of the issued ordinary shares of Adam Smith International India Limited directly. The remaining 99% are held indirectly via its subsidiary, Adam Smith International Limited.

⁴ Adam Smith International India Limited is dormant