The Amphion Group Limited

GROUP FINANCIAL STATEMENTS

for the year ended

31 December 2011

Company Registration No 5662199

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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 E Bunni
Mr R Bloem
Mr A Shrivastava (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
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP
United Kingdom

BANKERS

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

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 2011

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 principal activity of The Amphion Group (as a single entity), i.e. holding company, is holding a controlling interest in the trading company Adam Smith International Limited

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 £53 7 million from £45 5 million in the previous year yielding a growth of 18 0%. The operating profit for the year under review increased to £7 1 million against £6 3 million in the previous year registering a growth of 12 7%. The profits after tax for the year under review increased to £5 1 million as against £4 2 million in the previous year registering a growth of 21 4%. The Balance Sheet of the group remains strong with net assets of £13 1 million (2010 £8 million)

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 2011 and up to the date of approval of the Annual Report and Accounts,
- Is regularly reviewed by the Board 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 the 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 £53,716 123 (2010 £45,511,794) Profit on ordinary activities before taxation was £7 070,340 (2010 £6,172,032)
No dividends were declared to shareholders (2010 £4,000 000)

POST BALANCE SHEET EVENT
Adam Smith Advisory Group Limited, as part of a Management Buyout, has since the year end purchased all of the shares of The Amphion Group Limited The transaction was completed on 19 March 2012

PENSION SCHEME
The group operates a defined contribution pension scheme Contributions during the current year amounted to £90,998 (2010 £73,138)

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 2011

Mr P Young
Mr W S Morrison (Managing Director)
Mr R Slee (Chairman)
Sir M Rifkind (Non executive)
Mr J Bunni
Mr R Bloem
Mr A Shrivastava (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

On behalf of the Board

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

Mr W S Morrison
Managing Director

8/8/2012
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 judgments 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 2011 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 matter 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

Baker Tilly UK Audit LLP

Glyn Francies
(Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP Statutory Auditor
Chartered Accountants
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP
United Kingdom

10-8.12

The Amphion Group Limited
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2011

	Notes	2011	2010
		£	£
GROUP TURNOVER	1	53 716,123	45,511,794
Group cost of sales		41,362,048	34,736,043
GROUP GROSS PROFIT		12,354,075	10,775,751
Other operating expenses (net)	2	5,241,227	4,477,580
GROUP OPERATING PROFIT		7 112,848	6,298 171
Investment income	3	37,895	23,303
		7,150,743	6,321,474
Interest payable	4	80,403	149,442
GROUP PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	7,070,340	6 172 032
Taxation	7	2,003,434	1,946,602
GROUP PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	16	5,066,906	4,225,430

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 2011

	Notes	2011	2010
		£	£
GROUP PROFIT FOR THE FINANCIAL YEAR		5,066 906	4,225,430
Currency translation gains and losses on foreign currency net investments		8,240	(5 452)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		5,075,147	4,219,978

The Amphion Group Limited
CONSOLIDATED BALANCE SHEET
As at 31 December 2011

	Notes	2011 £	2010 £
FIXED ASSETS			
Intangible fixed assets	8	4,299,498	4 768,534
Tangible assets	10	153,211	152,804
		4,452,709	4 921,338
CURRENT ASSETS			
Debtors due within one year	11	11 469,500	9 956,160
Cash at bank and in hand	12	5,744,452	4,852,115
		17,213 952	14,808,275
CREDITORS Amounts falling due within one year	13	(8 601,904)	(10,287 886)
NET CURRENT ASSETS		8 612,048	4,520,389
TOTAL ASSETS LESS CURRENT LIABILITIES		13 064 757	9 441,727
CREDITORS Amounts falling due after one year	14	-	(1,469 500)
NET ASSETS		13 064 757	7 972,227
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	12,752,757	7,660,227
SHAREHOLDERS FUNDS	17	13,064,757	7,972,227

The financial statements on pages 7 to 21 were approved by the board of directors and authorised for issue on 6/8/2012 and signed on its behalf by

Mr W S Morrison
Director

Mr P Young
Director

The Amphion Group Limited

Company Registration No 5662199

COMPANY BALANCE SHEET
As at 31 December 2011

	Notes	2011 £	2010 £
FIXED ASSETS			
Investment in subsidiaries	9	12,093 835	12,093,835
CURRENT ASSETS			
Debtors due within one year	11	96,140	45,725
Cash at bank and in hand		374,731	-
		470 870	45,725
CREDITORS Amounts falling due within one year	13	(2 149 355)	(7 592 297)
NET CURRENT LIABILITIES		(1 678 484)	(7,546 572)
TOTAL ASSETS LESS CURRENT LIABILITIES		10 415,352	4,547,264
CREDITORS Amounts falling due after one year	14	-	(1 469,500)
NET ASSETS		10,415,352	3,077 764
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	10,103,352	2,765,764
SHAREHOLDERS' FUNDS	17	10,415 352	3,077,764

The financial statements on pages 7 to 21 were approved by the board of directors and authorised for issue on 8/8/2012 and signed on its behalf by

Mr W S Morrison
Director

Mr P Young
Director

The Amphion Group Limited

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2011

	Notes	2011	2010
		£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	12	7,098,729	4,501,099
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received	3	37,895	23,303
Interest paid	4	(80 403)	(149 442)
Net cash outflow for returns on investments and servicing of finance		(42 508)	(126,139)
TAXATION			
UK corporation tax paid		(2,024 524)	(1 550 000)
Foreign tax paid		(98 106)	(91 666)
		(2 122 630)	(1,641,666)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets	10	(73 986)	(137 681)
Net cash outflow from capital expenditure and financial investment		(73 986)	(137,681)
EQUITY DIVIDENDS PAID		-	(4,000,000)
Net cash inflow /(outflow) before financing		4 859 604	(1 404 387)
FINANCING			
AIB Bank loans repaid	14	(2 603 500)	(1 134 000)
Shareholder loan notes repaid		-	(633,236)
New shareholder loans		-	3 446,333
Shareholder loans repaid		(1,346 333)	-
		(3 949 833)	1,679,097
Increase in cash in the year	12	909,771	274,710

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 2011 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, and the company is currently dormant

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 which was fully repaid in the year Continued support will be received from the subsidiary undertaking The post year end Management Buyout by Adam Smith Advisory Group Limited, the new ultimate holding company was funded by new Bank finance

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 and the newly formed 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
Motor vehicles	25% 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

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

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

LONG TERM CONTRACTS
Turnover is recognised in the profit and loss account as contract activity progresses and entitlement to consideration is earned The amount by which recorded turnover 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 turnover are included in creditors as payments on account Profit 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 contract costs for each contract The directors feel that this represents the most appropriate evidence of performance under the contract and right to consideration

TURNOVER
Turnover represents fees receivable for the provision of consultancy services falling within the group'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

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

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.

EMPLOYEE SHARE OPTION SCHEME
The likelihood of the share options issued to employees of the group vesting is assessed annually with adjustments taken to the profit and loss account as required The value of the options in issue was set and fixed at the grant date

1 TURNOVER

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

By geographical market	2011 £	2010 £
Eastern Europe	78,312	-
Asia	20,110,063	19,423,847
Caribbean	190,320	412,318
Africa	30 107 739	20,830,920
Middle East	3,229,689	4,844,709
	53,716,123	45,511,794

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)

	2011 £	2010 £
Administrative expenses	5,241,227	4,477,580

3 INVESTMENT INCOME

	2011 £	2010 £
Bank interest	37,895	23,303
	37,895	23,303

4 INTEREST PAYABLE

	2011 £	2010 £
Bank interest	76 697	143,204
Other interest	3,706	6,238
	80,403	149,442

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging

	2011 £	2010 £
Amortisation of goodwill	469,036	469 036
Depreciation of tangible assets		
Charge for the year on owned assets	73,579	44,430
Operating lease rentals		
Land and buildings	173,414	81,813
(Profit)/Loss on foreign exchange transactions	(16,812)	32,345
Auditors' remuneration		
Statutory audit of parent and consolidated accounts	10,250	9,750
Other services - Audit of subsidiaries	41,000	40,500
Other services - Tax related services	46,405	38,250
Other services - Other	11,434	26,256

6 EMPLOYEES

	2011	2010
	No	No
The average monthly number of persons (including directors) employed by the group during the year was		
Directors	7	5
Office and project management	53	41
	60	46
Staff costs for the above persons		
Wages and salaries	3,707,233	2,969,069
Social security costs	305,250	227 958
Other pension costs	90,998	73,138
	4,103,480	3,270,165
Outstanding pension contributions at year end	7,357	6,587
DIRECTORS' REMUNERATION		
Emoluments for qualifying services	854,545	501,184
Company pension contributions to money purchase schemes	22,388	14,676
	876,933	515,861
Emoluments disclosed above include the following amounts paid to the highest paid director		
Emoluments for qualifying services	186 682	200,270
Pension scheme contributions	7,026	6,968
	193,708	207,238
Number of directors for whom retirement benefits are accruing under money purchase pension schemes	5	3

7 TAXATION

	2011	2010
	£	£
Domestic current year tax		
U K corporation tax		
Current tax on profits of the year	2,000,896	1,888 452
Adjustment for prior years	(57 666)	
Total current tax	1 943,230	1,888,452
Current tax charge is analysed as follows,		
UK tax - current year	1,858,393	1,832,970
UK tax - adjustments for prior years	(57 666)	-
Foreign tax - current year	142,503	55,482
	1,943,230	1,888,452
Double tax relief totalling £142,503 was claimed in the year (2010 £55 482)		
Foreign tax credits not recoverable	63,473	39,687
	2,006,703	1,928,139
Deferred tax		
Origination and reversal of timing differences	(3,269)	18,463
Total deferred tax	(3,269)	18 463
Tax on profit on ordinary activities	2,003,434	1,946,602
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	7,070,340	6,172,032
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 26 50% (2010 28 00%)	1,873,640	1 728,169
Effects of		
Expenses not deductable for tax purposes	3,371	8,443
Capital allowances in excess of depreciation	1 692	(18,535)
Benefit of small companies rate	(188)	(4,226)
Adjustments to tax charge in respect of previous years	(57,666)	-
Other - amortisation	124,295	131,330
Other tax adjustments	(1,914)	43,272
Overseas losses not recoverable	63,473	39,687
	133 063	199,971
Current tax charge	2,006,702	1,928 139

The future reduction in corporation tax rates will impact future tax charges

8 INTANGIBLE FIXED ASSETS - Group

	2011 £
GOODWILL	
Cost	
1 January 2011	7,035,542
31 December 2011	7,035,542
Amortisation	
1 January 2011	2,267,008
Charge in the year	469,036
31 December 2011	2,736,044
Net book value	
31 December 2011	4,299,498
31 December 2010	4,768,534

9 INVESTMENTS IN SUBSIDIARIES

	2011 £
At beginning of year	
Cost	12,093,835
At end of year	
Cost	12,093,835

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 The cost of investment is now determined and fixed

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 (note 25)

10 TANGIBLE FIXED ASSETS - Group

	Motor Vehicles £	Furniture £	Office equipment £	IT equipment £	Total £
Cost					
1 January 2011	-	58,247	104,392	208,993	371,632
Additions	23,218	1,867	2,702	46,199	73 986
31 December 2011	23,218	60,114	107,094	255,192	445,618
Depreciation					
1 January 2011	-	28,617	36,272	153,939	218,828
Charge in the year	5,804	5,032	28,438	34,305	73,579
31 December 2011	5,804	33,649	64,710	188,244	292,407
Net book value					
31 December 2011	17,414	26,465	42,384	66,948	153,211
31 December 2010	-	29,630	68,120	55,054	152,804

11 DEBTORS

	Group 2011	2010	Company 2011	2010
	£	£	£	£
Due within one year				
Trade debtors	4,293,244	3,578,533	-	-
Amounts recoverable on long term contracts	932 949	678,246	-	-
Loans to subsidiaries	-	-	492	492
Other debtors	676,794	397,497	-	-
Prepayments and accrued income	5,566,513	5,301,884	95,648	45,233
	11,469,500	9,956,160	96,140	45,725

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

	2011	As restated 2010
	£	£
Operating profit	7,112,848	6,298,171
Depreciation of tangible assets	73,579	44 430
Share options vesting	17,384	-
Amortisation of goodwill	469,036	469,036
Foreign currency translation gain/(loss) on owned subsidiary	8,240	(5 452)
Increase in debtors within one year	(1 513 340)	(2 573 376)
Increase in creditors within one year	930,981	268,290
Net cash inflow from operating activities	7,098,729	4 501,099

b Reconciliation of net cash flow to movement in net funds

		As restated
Increase in cash in the year	909,771	274,711
Repayment of bank loans	2,603,500	1,134 000
Repayment of shareholders loan notes		633,236
New shareholders loans		(3 446 333)
Repayment of shareholders loans	1,346,333	-
Change in net debt resulting from cash flows	4 859 604	(1 404,386)
Net debt at 1 January 2011	(1 215,152)	189,233
Net funds/(debt) at 31 December 2011	3,644,452	(1,215 152)

The 2010 comparatives have been restated to include the shareholder loans of £3,446,333 as debt rather than working capital

c Analysis of net debt/funds

	1 January 2011	Cash Flow	Non cash changes	31 December 2011
	£	£		£
Cash in hand, at bank	4,852,115	892,337		5,744,452
Overdrafts	(17 434)	17,434	-	
Net cash	4 834,681	909,771	-	5 744 452
Bank loans				
Due within one year	(1,134,000)	2,603,500	(1 469 500)	-
Due in more than one year	(1,469,500)	-	1,469,500	-
Shareholder loans				
Due within one year	(3,446 333)	1,346,333	-	(2,100 000)
Net (debt)/funds	(1,215 152)	4,859,604	-	3,644,452

Cash at bank and in hand includes an amount of £46 467 (2010 £79 853) deposited with banks in India. This cash cannot currently be transferred outside the country due to exchange control restrictions

13 CREDITORS. Amounts falling due within one year

	Group 2011	2010	Company 2011	2010
	£	£	£	£
Bank overdraft	-	17,434	-	17 434
Allied Irish Bank Loan	-	1,134 000	-	1 134,000
Trade creditors	2,741,342	1 829,324	-	-
Corporation tax	849,515	965,442		-
Loans from subsidiaries	-		33,891	2 965,249
Other taxes and social security costs	82,100	61,904	5,564	12,230
Other creditors	2,126,270	3,531,843	2,099 650	3 447,996
Deferred Tax	12,593	15,862	-	-
Payments on account	443,412	488,337	-	-
Accruals and deferred income	2,346,672	2,243,740	10,250	15,388
	8,601,904	10,287,886	2,149,355	7,592,297

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

Deferred tax	2011	2010
Balance at 1 January 2011	15,862	(2,601)
Profit and loss account	(3,269)	18,463
Balance at 31 December 2011	12,593	15,862

The deferred tax liability is made up as follows	2011	2010
Accelerated capital allowances	14,498	17,657
Short term timing differences	(1 905)	(1,794)
	12,593	15,862

14 CREDITORS. Amounts falling due after one year

Group and Company

	Allied Irish Bank Loan	Shareholder Loan Notes	Total
	£	£	£
1 January 2011	1,469,500	-	1 469 500
Repayments	(1,469 500)	-	(1 469 500)
31 December 2011	-	-	-

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 On 30 December 2011 the loan was repaid in full

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

15 SHARE CAPITAL

	2011	2010
	£	£
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

16 STATEMENT OF MOVEMENT ON RESERVES

	Group Capital redemption reserve £	Group Profit and loss account £	Group Total £
1 January 2011	87,000	7,660,227	7 747,227
Retained profit for the year	-	5,066,906	5,066,906
Foreign currency translation gain on owned subsidiary	-	8,240	8,240
Share options vesting	-	17,384	17,384
31 December 2011	87,000	12,752,757	12,839,757

	Company Capital redemption reserve £	Company Profit and loss account £	Company Total £
1 January 2011	87,000	2,765 764	2,852 764
Retained profit for the year	-	7,320,204	7,320,204
Share options vesting		17,384	17,384
31 December 2011	87,000	10,103,352	10,190,352

	2011 £	2010 £
The group declared and paid dividends during the course of the previous year		
Ordinary		
No first interim paid (2010: 1777.00 pence per share)	-	4,000,000

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 2011 £	2010 £	Company 2011 £	2010 £
Profit for the financial year	5,066,906	4,225 430	7,320,204	3,797,206
Dividends	-	(4 000 000)		(4,000 000)
Share options vested	17,384	-	17,384	-
Foreign currency translation gain/(loss) on owned subsidiary	8,240	(5,452)	-	-
Opening shareholders funds	7,972,226	7,752,248	3,077,764	3,280,557
Closing shareholders' funds	13,064 757	7,972,226	10,415,351	3,077,764

18 PENSION COMMITMENTS

	2011 £	2010 £
DEFINED CONTRIBUTION		
Contributions payable by the group for the year	90,998	73,138

19 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2011 the Group had annual commitments under non cancellable operating leases as follows

	2011 £	2010 £
Land and buildings		
Expiring within one year		-
Expiring in the second to fifth year	140,822	73,883

20 RELATED PARTY TRANSACTIONS

	2011	2010
	£	£
Dividends declared and paid to directors		
- Peter Young		800 000
- William Morrison	-	1 066 667
	-	1,866 667
Outstanding interest free loans immediately payable to directors and shareholders		
- Peter Young	420,000	700,000
- William Morrison	560 000	949,667
- Andrew Kuhn	560,000	900 000
- Amitabh Shrivastava	560 000	896,666
	2 100 000	3 446,333

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, and all entities are 100% owned by the Group

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 nil (2010 £2,603,500)

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 £7,320,204 (2010 £3 797,206)

23 CONTROL

Adam Smith Advisory Group Limited as part of a Management Buyout, has since the year-end purchased all of the shares of The Amphion Group Limited The transaction was completed on 19 March 2012

There is no ultimate controlling party This position has not changed following the Management Buy Out

24 DERIVATIVES NOT INCLUDED AT FAIR VALUE

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

	2011	2010
	£	£
Foreign exchange forward contract	22,532	7 755
Interest rate swaps	-	(10,227)
	22,532	(2,472)

25 LIST OF GROUP UNDERTAKINGS

Name	Nature of Business	Country of incorporation	Description of shares	Ownership 2011	Ownership 2010	Profit/ (Loss) after taxation 2011	Profit/ (Loss) after taxation 2010	Capital and reserves 2011	Capital and reserves 2010
				%	%	£	£	£	£
Adam Smith International Limited	International development consultancy	England and Wales	Ordinary shares	100	100	£5,587 758	£4 930,316	£10 081 694	£11,993 936
Adam Smith Services Limited[1]	Provision of business services	England and Wales	Ordinary shares	100	100	£44 421	£47,358	£236,370	£191 949
Adam Smith International Africa Limited[2]	International development consultancy	Kenya	Ordinary shares	100	100	(£167 733)	(£108 655)	(£399 045)	(£239 279)
Adam Smith International India Limited[3,4]	International development consultancy	India	Ordinary shares	100	100	-	(£2 487)	(£4 936)	(£5 907)
Adam Smith International Africa Uganda Limited[5,6]	International development consultancy	Uganda	Ordinary shares	100	100	(£10 452)	£0	(£10 452)	£0

[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

[5] The company indirectly holds 100% of the ordinary shares of Adam Smith International Africa Uganda Limited via its subsidiaries Adam Smith International Limited and Adam Smith International Africa Limited

[6] Adam Smith International Africa - Uganda Limited is now dormant