The Amphion Group Limited

GROUP FINANCIAL STATEMENTS

for the year ended

31 December 2009

Company Registration No 5662199

The Amphion Group Limited
DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS

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

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 2009

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 £38 4 million from £33 1 million in the previous year yielding a growth of 16 0% The operating profit for the year under review decreased to £5 1 million against £5 2 million in the previous year registering a decline of 1 9% The profits after tax for the year under review decreased to £2 6 million as against £3 4million in the previous year registering a decline of 23 5%

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

The Board uses a number of performance indicators as part of managing the business These are monitored monthly and include measures by department and by project The key indicators include ones which report on revenue, gross margin, debtor days and cash flow, and cover both historic performance and forecasts and budgets of future activity

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 2009 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 companies' 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 Groups'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 Groups'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 in relation to the members of the MBO of this group These facilities are reviewed annually alongside the business plans and budgets for the forthcoming year
The group does not enter into any other financial instruments bar normal short-term creditors and debtors on normal commercial terms

At 31 December 2009, Mr P Young and the other former shareholders have outstanding loans receivable from the group totalling £633,236 (2008 £1,805 032) The interest and repayment terms of these loans are set out in the financial statements

RESULTS AND DIVIDENDS
Turnover for the year was £38,376,980 (2008 £33 085,279) Profit on ordinary activities before taxation was £4,133,111 (2008 £4,889,348)
The group declared and paid a dividend of £815,850 (2008 £965,000) to shareholders

ACQUISITION OF OWN SHARES
On 30 January 2009, the group provided financial assistance of £500,000 to effect a buy back of 21,000 ordinary shares which were acquired from Mr Roger Usher These shares were subsequently cancelled These shares had a nominal value of £1 each, and represented 8 5% of the issued share capital of the group at the time of purchase

POST BALANCE SHEET EVENT
In respect of the 2010 financial year, the directors have paid an interim dividend of 1777 78 pence per share to all shareholders on 5 April 2010

PENSION SCHEME
The group operates a defined contribution pension scheme Contributions during the current year amounted to £65,025(2008 £47,601)

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

POLITICAL AND CHARITABLE DONATIONS

The Company made no charitable or political donations organisations during the financial year under review (2008 £4,394)

DIRECTORS

The following directors have held office since 1 January 2009

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

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

11th August 2010
Date

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

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 22. 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 auditors

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 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) Ethics Standards for Auditors

Scope of the audit

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/UKNP

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 2009 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.

Baker Tilly UK Audit LLP

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

25-8-10

The Amphion Group Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2009

	Notes	2009	2008
		£	£
GROUP TURNOVER	1	38,376,980	33,085,279
Group cost of sales		29,748,746	24,797,292
GROUP GROSS PROFIT		8,628,234	8,287,987
Other operating expenses (net)	2	3,490,446	3,091,787
GROUP OPERATING PROFIT		5,137,788	5,196,200
Investment income	3	14,373	23,369
		5,152,161	5,219,569
Interest payable	4	1,019,050	330,221
GROUP PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	4,133,111	4,889,348
Taxation	7	1,513,270	1,520,963
GROUP PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	16	2,619,841	3,368,385

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 2009

	Notes	2009	2008
		£	£
GROUP PROFIT FOR THE FINANCIAL YEAR		2,619,841	3,368,385
Currency translation gains and losses on foreign currency net investments		3,703	(3,356)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		2,623,544	3,365,029

The Amphion Group Limited
CONSOLIDATED BALANCE SHEET
As at 31 December 2009

	Notes	2009 £	2008 £
FIXED ASSETS			
Intangible fixed assets	8	5,237,570	5,924,301
Tangible assets	10	59,553	61,272
		5,297,123	5 985,573
CURRENT ASSETS			
Debtors due within one year	11	7,385,385	10,432,955
Cash at bank and in hand	12	4,716,954	1,790,743
		12,102,339	12,223,698
CREDITORS Amounts falling due within one year	13	(7 043,714)	(11,606,482)
NET CURRENT ASSETS		5,058,625	617,216
TOTAL ASSETS LESS CURRENT LIABILITIES		10,355,748	6,602,789
CREDITORS Amounts falling due after one year	14	(2,603,500)	(158,235)
NET ASSETS		7,752,248	6,444 554
CAPITAL AND RESERVES			
Called up share capital	15	225,000	246,000
Capital redemption reserve	16	87,000	66,000
Profit and loss account	16	7 440,248	6,132 554
SHAREHOLDERS' FUNDS	17	7,752,248	6,444,554

The financial statements on pages 7 to 22 were approved by the board of directors and authorised for issue on 11 August 2010 and signed on its behalf by

Mr W S Morrison
Director

Mr P Young
Director

Company Registration No 5662199

The Amphion Group Limited

COMPANY BALANCE SHEET
As at 31 December 2009

	Notes	2009 £	2008 £
FIXED ASSETS			
Investment in subsidiaries	9	12,093,835	12,362,226
CURRENT ASSETS			
Debtors due within one year	11	39,568	147,925
Cash at bank and in hand		-	217,335
		39 568	365,260
CREDITORS Amounts falling due within one year	13	(6,249,346)	(6,965,416)
NET CURRENT LIABILITIES		(6,209,778)	(6,600,155)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,884,058	5 762,070
CREDITORS Amounts falling due after one year	14	(2,603,500)	(158,235)
NET ASSETS		3,280,558	5,603,835
CAPITAL AND RESERVES			
Called up share capital	15	225,000	246,000
Capital redemption reserve	16	87,000	66,000
Profit and loss account	16	2,968,558	5,291,835
SHAREHOLDERS' FUNDS	17	3,280,558	5,603,835

The financial statements on pages 7 to 22 were approved by the board of directors and authorised for issue on 11 August 2010 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 2009

	Notes	2009	2008
		£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	12	9,536,744	2,163,529
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received	3	14,373	23,369
Interest paid		(225,030)	(330,221)
Net cash outflow for returns on investments and servicing of finance		(210,657)	(306,852)
TAXATION			
UK corporation tax paid		(1,464,363)	(873,500)
Foreign tax paid		(191,301)	(226,410)
		(1,655,665)	(1,099,910)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets	10	(28,403)	(31,376)
Net cash outflow from capital expenditure and financial investment		(28,403)	(31,376)
Equity dividends paid		(815,850)	(965,000)
Net cash inflow/(outflow) before financing		6,826,168	(239,609)
FINANCING			
AIB Bank loans raised	14	-	2,990,000
AIB Bank loans repaid	14	(1,362,500)	(490,000)
Shareholder loans repaid	14	(1,697,424)	(2,447,298)
Redemption of ordinary share capital	15	(500,000)	(12,000)
		(3,559,924)	40,702
Increase/(decrease) in cash in the year	12	3,266,244	(198,906)

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 2009 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 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

In the previous year, the Group was in breach of one of its loan covenants extant at 31 December 2008 and therefore in accordance with FRS25 Financial Instruments Presentation, the loan was reclassified as a current liability as the bank could seek repayment within one year The Group received confirmation that it was the banks' intention that they would continue to make the original facilities available to the Group

Continued support will be received from the subsidiary undertaking, and so the directors consider it appropriate to prepare the financial statements on the going-concern basis

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, and turnover and direct costs are recognised in the profit and loss account as the contract activity progresses Contract activity is based on the lower of income received in advance or costs incurred to date as the directors feel that this provides the most accurate method of assessment. If a project is expected to make a loss, all of the costs incurred are immediately recognised as a loss

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 arise 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 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 Deferred tax is measured on a non discounted basis

TAXATION
Taxable losses are sold by the group holding company, The Amphion Group Limited, to Adam Smith International Limited at the 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

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

1 TURNOVER

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

By geographical market	2009 £	2008 £
Eastern Europe	61,854	152,032
Western Europe	35,898	10,364
Asia	14,866,309	15,083,045
Caribbean	1,216,728	716,489
Africa	14,108,532	9,979,033
Middle East	8,087,659	7,144,316
	38,376,980	33,085,279

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)

	2009 £	2008 £
Administrative expenses	3,490,446	3,113,227
Other operating income	-	(21,440)
	3,490,446	3,091,787

3 INVESTMENT INCOME

	2009 £	2008 £
Bank interest	14,373	23,369
	14,373	23,369

4 INTEREST PAYABLE

	2009 £	2008 £
Bank interest	216,120	328,914
Other interest	802 930	1,307
	1 019,050	330,221

Included in the other interest payable charge for the year is interest of £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 This figure includes interest not previously recognised in the profit and loss account for the financial years ended 2006, 2007 and 2008, which have been accounted for in the current year profit and loss account

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting)

	2009 £	2008 £
Amortisation of goodwill	418,340	529,441
Depreciation of tangible assets		
Charge for the year on owned assets	30,122	31,442
Operating lease rentals		
Land and buildings	72,000	72,000
Loss/(profit) on foreign exchange transactions	230,114	(190,366)
Auditors' remuneration		
Statutory audit of parent and consolidated accounts	9,500	6,000
Other services - Audit of subsidiaries	40,500	55,000
Other services - Tax related services	38,250	53,810
Other services - Other	26,256	18,543

6 EMPLOYEES

	2009 No	2008 No.
The average monthly number of persons (including directors remunerated by this group) employed by the group during the year was		
Directors	5	4
Office and project management	39	33
	44	37
Staff costs for the above persons		
Wages and salaries	2,075,145	1,874,066
Social security costs	199,565	191,566
Other pension costs	65,025	47,601
	2,339,735	2,113,233
DIRECTORS' REMUNERATION		
Emoluments for qualifying services	331,243	462,999
Company pension contributions to money purchase schemes	13,468	12,428
	344,711	475,427
Emoluments disclosed above include the following amounts paid to the highest paid director		
Emoluments for qualifying services	181,549	152,405
Number of directors for whom retirement benefits are accruing under money purchase pension schemes	2	2

7 TAXATION

	2009 £	2008 £
Domestic current year tax		
U K corporation tax		
Current tax on profits of the year	1,431,875	1,547,687
Overseas tax not recoverable	57,988	32,025
Adjustment for prior years	21,821	(60,544)
Total current tax	1,511,684	1,519,168
Deferred tax		
Origination and reversal of timing differences	1,586	1,795
Total deferred tax	1,586	1,795
Tax on profit on ordinary activities	1,513,270	1,520,963
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	4,133,111	4,889,348
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28 00% (2008 28 50%)	1,157,271	1,393,464
Effects of		
Expenses not deductable for tax purposes - fixed assets	-	719
Expenses not deductable for tax purposes	175,924	11,276
Capital allowances in excess of depreciation	(1,625)	1,343
Benefit of small companies rate	(5,848)	(7,856)
Adjustments to tax charge in respect of previous years	21,821	(60,544)
Other - amortisation	117,135	150,891
Other tax adjustments	(11,088)	(4,610)
Group relief received not at standard rate	106	2,459
Overseas tax not recoverable	57,988	32,025
	354,413	125,703
Current tax charge	1,511,684	1,519,167

8 INTANGIBLE FIXED ASSETS

GOODWILL

	2009 £
Cost	
1 January 2009	7,303,933
Reassessment	(268,391)
31 December 2009	7,035,542
Amortisation	
1 January 2009	1,379,632
Charge in the year	418,340
31 December 2009	1,797,972
Net book value	
31 December 2008	5,924,301
31 December 2009	5,237,570

There is a pre-agreed formula in place to calculate the value of Goodwill where consideration paid is dependent on future profit levels Goodwill is reassessed annually with differences taken through the balance sheet (see note 14)

9 INVESTMENTS IN SUBSIDIARIES

	2009 £
At beginning of year	
Cost	12,362,226
Movements	
Revaluation of deferred vendor loan notes	(268,391)
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 (see note 14) The deferred consideration is reassessed annually resulting in changes to the cost of the investment in Adam Smith International Limited The investment has been revalued in the current year to £12,093,835

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 2009	36 804	28,250	140,494	205,548
Additions	5,942	5,719	16,742	28,403
31 December 2009	42,746	33,969	157,236	233,951
Depreciation				
1 January 2009	19,602	19,051	105,623	144,276
Charge in the year	4,135	3,879	22,108	30,122
31 December 2009	23,737	22,930	127,731	174,398
Net book value				
31 December 2009	19 009	11,039	29,505	59,553
31 December 2008	17,202	9,199	34,871	61,272

11 DEBTORS

	Group 2009 £	2008 £	Company 2009 £	2008 £
Due within one year				
Trade debtors	2,918,715	5,834,520	-	-
Amounts recoverable on long term contracts	251,811	687,829	-	-
Loans to subsidiaries	-	-	492	147,925
Deferred tax	2,601	4,187	-	-
Other debtors	402,805	660,260	-	-
Prepayments and accrued income	3,809,453	3,246,159	39,076	-
	7,385,385	10,432,955	39,568	147,925

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

Deferred tax		
Balance at 1 January 2009	4,187	5,982
Profit and loss account	(1,586)	(1,795)
Balance at 31 December 2009	2,601	4,187

The deferred tax asset is made up as follows		
Accelerated capital allowances	878	2,716
Short term timing differences	1,723	1,471
	2,601	4,187

The asset has been recognised on the basis that it is expected to be recoverable against future profits

12 CASH FLOWS

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

	2009 £	2008 £
Operating profit	5,137,788	5,196,200
Depreciation of tangible assets	30,122	31,442
Amortisation of goodwill	418,340	529,441
Foreign currency translation gain/(loss) on owned subsidiary	3,703	(3,356)
(Increase)/Decrease in debtors within one year	3,045,984	(4,335,652)
Increase in creditors within one year	900,808	745,454
Net cash inflow from operating activities	9,536,744	2 163,529

b Reconciliation of net cash flow to movement in net debt

	2009	2008
Increase/(decrease) in cash in the year	3,266,245	(198,907)
Increase in bank loans	-	(2,990,000)
Repayment of bank loans	1,362,500	490,000
Repayment of shareholders loans	1,697,424	2,447,298
Revaluation of shareholders loans	(525,629)	(347,824)
Change in net debt resulting from cash flows	5,800,540	(599,433)
Net debt at 1 January 2009	(5,611,306)	(5,011,873)
Net debt at 31 December 2009	189,233	(5,611,306)

c Analysis of net debt

	1 January 2009 £	Cash Flow £	Non cash changes	31 December 2009 £
Cash in hand, at bank	1,790,743	2,926,211	-	4,716,954
Overdrafts	(497,018)	340,034	-	(156,984)
Net funds	1,293,725	3,266,245	-	4,559,970
Bank loans				
Due within one year	-	1,362,500	(2,496,500)	(1,134,000)
Due in more than one year	(5,100,000)	-	2,496,500	(2,603,500)
Shareholder loan notes				
Due within one year	(1,646,797)	1,697,424	(683 864)	(633,236)
Due in more than one year	(158,235)		158,235	-
Net debt	(5,611,306)	6,326 169	(525,629)	189,234

Cash at bank and in hand includes an amount of £237,223 (2008 £398,859) 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 2009	2008	Company 2009	2008
	£	£	£	£
Shareholder Loan Notes	633,236	1,646,797	633,236	1,646,797
Bank overdraft	156,984	497,018	156,984	-
Trade creditors	1,550,411	1,609,980	-	-
Allied Irish Bank Loan	1,134,000	5,100,000	1,134,000	5,100,000
Corporation tax	678,969	822,950	-	-
Loans from subsidiaries	-	-	4,308,072	109,465
Other taxes and social security costs	30	-	3,320	-
Other creditors	400 667	73,797	-	-
Payments on account	1,300,818	98,358	-	-
Accruals and deferred income	1,188,599	1,757,582	13,733	109,154
	7,043,714	11 606,482	6,249,346	6,965,416

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 £8,507 (2008 £8,671)

14 CREDITORS. Amounts falling due after one year

Group and Company

	Allied Irish Bank Loan	Shareholder Loan Notes	Total
	£	£	£
1 January 2009		158,235	158,235
Transfer from amounts falling due within one year	3,966,000	1,013,560	4,979,560
Drawdown/repayments	(1,362,500)	(1,697,424)	(3,059,924)
Loan reassessment	-	525,629	525,629
31 December 2009	2,603,500	-	2,603,500

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

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

The first type of loan notes were issued on 28 February 2006 and are redeemable between 2007 and 2010 The second type of loan notes will be issued annually 6 months after the signing of the Company's accounts for each of the years from 2006 through 2009 The repayment date, and interest terms of these loan notes are fixed but their value are contingent in nature

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

There is a pre-agreed formula in place to calculate the value of these earn-out loan notes which is dependent on future profit levels The notes are reassessed annually with differences taken through the balance sheet. The final deferred consideration payment is due to former shareholders based on relevant profits for the year ended 31 December 2009

Analysis of repayments	Allied Irish Bank Loan	Shareholder Loan Notes	Total
	£	£	£
Due in 1 year or less	1,134,000	633,236	1,767,236
Due after 1 year but not more than 2 years	2 603,500	-	2,603,500
	3,737,500	633,236	4,370,736

15 SHARE CAPITAL

	2009	2008
	£	£
Authorised		
300,000 ordinary shares of £1 each	300,000	300,000
Allotted, issued and fully paid		
225,000 ordinary shares of £1 each (2008 246,000)	225,000	246,000

On 30 January 2009, the Company provided financial assistance of £500,000 to effect a buy-back of 21,000 ordinary shares which were acquired from Mr Roger Usher These shares were subsequently cancelled These shares had a nominal value of £1 each, and represented 8 5% of the issued share capital of the Company at the time of purchase

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 2009	66,000	6,132,554	6,198,554
Retained profit for the year		2,619,841	2,619,841
Shares bought by company	21,000	(500,000)	(479,000)
Foreign currency translation loss on owned subsidiary	-	3,703	3,703
Dividends paid		(815,850)	(815,850)
31 December 2009	87,000	7,440,248	7,527,248

	Company Capital redemption reserve	Company Profit and loss account	Company Total
	£	£	£
1 January 2009	66,000	5,291,835	5,357,835
Retained profit for the year		(1,007,427)	(1,007,427)
Shares bought by company	21,000	(500,000)	(479,000)
Dividends paid		(815,850)	(815 850)
31 December 2009	87,000	2,968,558	3,055,558

	2009	2008
	£	£
The group declared and paid dividends during the course of the year		
Ordinary		
First interim paid of 777 00 pence (2008 48 45 pence) per share	815,850	125,000
No second interim paid (2008 700 00 pence per share)	-	840,000
	815,850	965,000

On 21 October 2009 a dividend of 777 00 pence per share was paid to two shareholders Shareholders holding 120 000 shares waived their rights to receive dividends payable in respect of the first interim dividend in the year ended 31 December 2009

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 2009	2008	Company 2009	2008
	£	£	£	£
Profit for the financial year	2,619,841	3,368,385	(1 007,427)	(367,424)
Dividends	(815,850)	(965 000)	(815,850)	(965,000)
Redemption of shares	(500,000)	(12 000)	(500,000)	(12,000)
Foreign currency translation gain/(loss) on owned subsidiary	3,703	(3,356)	-	-
Opening shareholders' funds	6 444,554	4,056,525	5,603,835	6,948,259
Closing shareholders' funds	7,752,248	6,444,554	3,280,557	5,603,835

18 PENSION COMMITMENTS

DEFINED CONTRIBUTION

	2009	2008
	£	£
Contributions payable by the group for the year	65,025	55,673

19 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2009 the Group had annual commitments under non-cancellable operating leases as follows

	2009	2008
	£	£
Land and buildings		
Expiring within one year	72,000	-
Expiring in the second to fifth year	-	72,000

20 RELATED PARTY TRANSACTIONS

Mr P Young is a beneficiary of the shareholder loan notes that are dependent upon future earnings referred to in note 14

	2009	2008
	£	£
Dividends declared and paid to directors		
- Peter Young	349 650	21,802
- William Morrison	-	449,070
- Roger Usher	-	10,174
- Andrew Ros	-	5,814
	349 650	486 860

On 30 January 2009, the Company provided financial assistance of £500,000 to effect a buy back of 21,000 ordinary shares which were acquired from Mr Roger Usher These shares were subsequently cancelled These shares had a nominal value of £1 each, and represented 8 5% of the issued share capital of the Company at the time of purchase

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 POST BALANCE SHEET EVENTS

In respect of the current financial year, the directors have proposed that a dividend of 1777 78 pence per share be declared to shareholders This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements The proposed dividend for 2009 is payable to all shareholders on the Register of Members on 5 April 2010 The total estimated dividend to be paid is £4,000,000

22 CONTINGENT LIABILITIES

The Group is party to cross guarantees securing the borrowings of other group companies At the year end these borrowings amounted to £3,737,500 (2008 £5,100,000)

23 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 loss on ordinary activities after taxation and before dividends of £1007 427 (2008 £367,424)

24 CONTROL

The 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

25 LIST OF GROUP UNDERTAKINGS

Name	Nature of Business	Country of incorporation	Description of shares	Ownership 2009 %	Ownership 2008 %	Profit/ (Loss) after taxation 2009 £	Profit/ (Loss) after taxation 2008 £	Capital and reserves 2009 £	Capital and reserves 2008 £
Adam Smith International Limited	International development consultancy	England and Wales	Ordinary shares	100	100	£3,789,441	£4,216,642	£11,063,619	£7,274,178
Adam Smith Services Limited[1]	Provision of business services	England and Wales	Ordinary shares	100	100	£62,748	£77,210	£144,591	£81 843
Adam Smith International Africa Limited[2]	International development consultancy	Kenya	Ordinary shares	100	100	(£92,524)	(£17,666)	(£147,390)	(£48 158)
Adam Smith International India Limited[3 4]	International development consultancy	India	Ordinary shares	100	n/a	-	(£4 184)	(£5,421)	(£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