

Registered number: 05662199

THE AMPHION GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020



THE AMPHION GROUP LIMITED

COMPANY INFORMATION

Directors	Mr L Bunni (appointed 18 August 2021) Mr D Hopkins (appointed 18 December 2020) Mrs J Patel (appointed 5 August 2021)
Registered number	05662199
Registered office	240 Blackfriars Road London SE1 8NW
Independent auditor	RSM UK Audit LLP Chartered Accountants Third Floor Priory Place New London Road Chelmsford Essex CM2 0PP

THE AMPHION GROUP LIMITED

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THE AMPHION GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The Directors present their Strategic Report for the year ended 31 December 2020.

In accordance with Section 172 of the Companies Act 2006, the directors report that they have discharged their responsibilities.

2020 was a challenging year with the onset of a global pandemic and merger of two key clients: the UK Department for International Development and Foreign and Commonwealth Office, resulting in delays to the procurement of contracts.

In September 2019, Adam Smith International (ASI), a Group owned subsidiary, became the UK's 226th Certified B Corporation, at the time securing the second highest B Impact Assessment score ever awarded, and affirming the commitment to using profits and growth as a force for good and achieving positive impact for their employees, communities and the environment. Over the course of 2020, it developed its Purpose, three new core Values, and a comprehensive five-year strategy and strategic objectives aligned to a triple bottom line to set the company's medium-term strategic direction.

Other key activities aligned to the triple bottom line included:

- Increased diversification of the client base;
- Embedding the use of more technology on projects following reductions in travel and in-country presence;
- Enhancing the Impact Framework which provides guidance, tools and case studies to staff on programme delivery;
- Initial work to promote social value impact on its development projects;
- Continued implementation of the Women Leaders Sponsorship Programme, which pairs exceptional women with senior 'sponsors' who actively support their career advancement;
- Enhancing learning and development offer including through leadership training, E-Learning and a Learning and Development Fund;
- Review of initiatives on mental health and adoption of additional initiatives to improve impact including the Launch of Well-being time, offering staff four blocks of up to four hours per calendar year to use for wellness activities;
- Development of systems to collect environmental data across global operations and present this on a dashboard.
- Establishment of the Staff Council, enhancing communication between all staff and the Executive Team and the re-establishment of the Diversity and Inclusion Champions Group;
- Publication of thought leadership including on the impact of Covid-19.

Business review

The loss after tax for the year under review decreased to £355,235 as against a profit of £22,675,826 in the previous year. The large decrease is due to a one-off investment return of £23,000,000 paid in 2019 by way of a dividend from its subsidiary, Adam Smith International Ltd. The Statement of Financial Position has declined to £76,397 (2019: £431,632) as a result of the dividends paid and the loss in the year.

THE AMPHION GROUP LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Principal risks and uncertainties

Introduction

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Board regularly reviews the effectiveness of the Company's system of financial and non-financial internal controls, including operational and compliance controls and risk management. Internal controls and risk management continued to be strengthened in 2020.

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

Exposure to risks

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

Financial risk management objectives

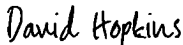
The Board seeks to identify those financial risks which it believes the management of the business is better placed to manage than can be achieved by the procurement of hedging, insurance or other financial risk instruments. For example, the Company is better placed to assess debtor related risks, but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

The directors consider the key risk to the company being the return on the Company's investment in its subsidiary undertaking, Adam Smith International Limited ("ASI"), and therefore monitor the performance of ASI. For this reason, the principal risks and uncertainties relevant to ASI are equally relevant to the Company.

Financial key performance indicators

Management uses a number of performance indicators as part of managing the business. These are reported and monitored throughout the year. As its parent company, the Directors consider the financial key performance indicators of Adam Smith International Ltd to also apply to The Amphion Group Ltd.

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

DocuSigned by:

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Mr D Hopkins
Director

Date: 11 March 2022

THE AMPHION GROUP LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their report and the financial statements for the year ended 31 December 2020.

Results and dividends

The loss for the year, after taxation, amounted to £355,235 (2019 - profit £22,675,826).

Directors

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

Mr R Slee (resigned 23 October 2020)
Mr J Pell (resigned 30 October 2020)
Mr R George (resigned 26 July 2019)
Mr L Ahmad (appointed 19 May 2020, resigned 30 October 2020)
Mrs J Wilson (appointed 19 May 2020, resigned 18 September 2020)
Mrs M Atkins (appointed 18 September 2020) (resigned 4 August 2021)
Mr L Bunni (appointed 18 August 2021)
Mr D Hocquard (appointed 18 September 2020) (resigned 4 August 2021)
Mr D Hopkins (appointed 18 December 2020)
Mrs J Patel (appointed 5 August 2021)

Disclosure of information to auditor

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

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

Auditor

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

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

DocuSigned by:

David Hopkins

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Mr D Hopkins
Director

Date: 11 March 2022

THE AMPHION GROUP LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

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

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

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

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

THE AMPHION GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE AMPHION GROUP LIMITED

Opinion

We have audited the financial statements of The Amphion Group Limited (the 'Company') for the year ended 31 December 2020, which comprise the Statement of income and retained earnings, the Statement of financial position and the related notes, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

THE AMPHION GROUP LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE AMPHION GROUP LIMITED
(CONTINUED)**

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

THE AMPHION GROUP LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE AMPHION GROUP LIMITED
(CONTINUED)**

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal/external tax advisors.

We have not identified any significant laws and regulations that have an indirect impact on the financial statement that are deemed to be material.

The audit engagement team identified the risk of management override of controls and management bias in accounting estimates as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business. We challenged assumptions and judgements made by management in their significant accounting estimates, in particular in relation to contract accounting, including the expected margin through assessment of post year end performance and stage

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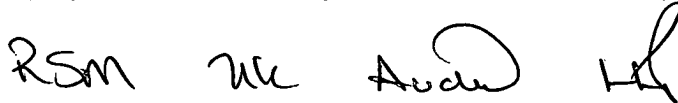
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE AMPHION GROUP LIMITED
(CONTINUED)**

of completion, through discussions with relevant individuals and review of contracts.

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

Use of our report

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.



Andrew Monteith (Senior statutory auditor)

for and on behalf of

RSM UK Audit LLP (Statutory auditor)

Chartered Accountants

Third Floor
Priory Place
New London Road
Chelmsford
Essex
CM2 0PP

18 March 2022

THE AMPHION GROUP LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Administrative expenses		(6,644)	(3,117)
Operating loss		(6,644)	(3,117)
Income from fixed assets investments		-	23,000,000
Interest receivable and similar income	7	390,119	1,210,487
Interest payable and similar expenses	8	(822,037)	(1,531,544)
(Loss)/profit before tax		(438,562)	22,675,826
Tax on (loss)/profit	9	83,327	-
(Loss)/profit after tax		(355,235)	22,675,826
 Retained earnings at the beginning of the year		 102,248	 9,426,422
		102,248	9,426,422
(Loss)/profit for the year		(355,235)	22,675,826
Dividends declared and paid		-	(32,000,000)
Retained earnings at the end of the year		(252,987)	102,248

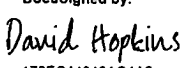
The notes on pages 11 to 23 form part of these financial statements.

THE AMPHION GROUP LIMITED
REGISTERED NUMBER: 05662199

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Investments	11	12,093,835	12,093,835
		<u>12,093,835</u>	<u>12,093,835</u>
Current assets			
Debtors: amounts falling due within one year	12	11,398,542	11,008,423
Cash at bank and in hand	13	391,884	6,349
		<u>11,790,426</u>	<u>11,014,772</u>
Creditors: amounts falling due within one year	14	(23,807,864)	(22,676,975)
Net current liabilities		<u>(12,017,438)</u>	<u>(11,662,203)</u>
Total assets less current liabilities		<u>76,397</u>	<u>431,632</u>
Net assets		<u><u>76,397</u></u>	<u><u>431,632</u></u>
Capital and reserves			
Called up share capital	16	242,384	242,384
Capital redemption reserve	17	87,000	87,000
Profit and loss account	17	(252,987)	102,248
		<u>76,397</u>	<u>431,632</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:

 173EC44849AC4A2.....
 Mr D Hopkins
 Director

Date: 11 March 2022

The notes on pages 11 to 23 form part of these financial statements.

THE AMPHION GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

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

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of Adam Smith Advisory Group Limited as at 31 December 2020 and these financial statements may be obtained from Companies House.

2.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of non-EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006.

THE AMPHION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.4 Going concern

The Company has a net current liability balance as at 31 December 2020 of £12.0m (2019: £11.7m); the company has met its day-to-day working capital requirements through day-to-day support from its subsidiary undertaking Adam Smith International Limited, which is expected to continue for the foreseeable future. The directors therefore consider it appropriate to prepare the financial statements on the going concern basis.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

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

2.6 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.7 Finance costs

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

THE AMPHION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.8 Taxation**

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

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

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.10 Debtors

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

2.11 Cash and cash equivalents

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

2.12 Creditors

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

2.13 Financial instruments

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

THE AMPHION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.13 Financial instruments (continued)**

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

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

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

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

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

THE AMPHION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.14 Financial Liabilities

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

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

Subsequently, the measurement of financial liabilities depends on their classification as follows:

Interest bearing loans and borrowings

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

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

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

Derecognition of financial liabilities

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

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

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the Board.

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Directors are of the opinion that there are no estimates or judgements within these financial statements that can cause a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

THE AMPHION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

4. Auditor's remuneration

	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	5,000	3,000

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

5. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2019 - £NIL).

6. Income from investments

	2020 £	2019 £
Dividends received from unlisted investments	-	(23,000,000)
	-	(23,000,000)

7. Interest receivable

	2020 £	2019 £
Interest receivable from group companies	390,119	1,210,487
	390,119	1,210,487

8. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	44	-
Loans from group undertakings	821,993	1,531,544
	822,037	1,531,544

THE AMPHION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

9. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	(83,327)	-
	<u>(83,327)</u>	<u>-</u>
Total current tax	<u>(83,327)</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	(61,593)	(55,110)
Losses not recognised	61,593	55,110
	<u>-</u>	<u>-</u>
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on (loss)/profit on ordinary activities	<u>(83,327)</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2019 - the same as) the standard rate of corporation tax in the UK of 19% (2019 - 19%) as set out below:

	2020 £	2019 £
(Loss)/profit on ordinary activities before tax	(438,562)	22,675,826
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(83,327)	4,308,407
Effects of:		
Dividends from UK companies	-	(4,370,000)
Change in tax rates	(6,483)	6,483
Deferred tax not recognised	6,483	55,110
Group relief surrendered	83,327	-
Payment for group relief	(83,327)	-
Total tax charge for the year	<u>(83,327)</u>	<u>-</u>

THE AMPHION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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10. Dividends

	2020	2019
	£	£
Final dividend paid	-	32,000,000
	<u>-</u>	<u>32,000,000</u>
	<u>-</u>	<u>32,000,000</u>

11. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2020	12,093,835
At 31 December 2020	<u>12,093,835</u>

THE AMPHION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

11. Fixed asset investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Adam Smith International Limited	240 Blackfriars Road, London, SE1 8NW, United Kingdom	International development consultancy	Ordinary -	100% -
Adam Smith Services Limited	240 Blackfriars Road, London, SE1 8NW, United Kingdom	Provision of business services	Ordinary -	100% -
Adam Smith International Africa Limited	2nd Floor Cavendish, 14 Riverside, Riverside Drive, Nairobi, Kenya	International development consultancy	Ordinary -	99% -
Adam Smith International India Limited	Bharat Yuvak Bhawan, 1Jai Singh Road, NewDelhi, 110 001, India	International development consultancy	Ordinary -	99% -
Adam Smith International Australia (PTY) Limited	301/88 Foveaux Street, Surry Hills, Sydney NSW, 2010, Australia	International development consultancy	Ordinary -	100% -
Adam Smith International Mongolia Limited	202, Infrastructure LLC Building, Tourist Street- 35, Khoroo 1, Chingeltei District, Ulaanbaatar, Mongolia	International development consultancy	Ordinary -	100% -
Adam Smith International Turkey Limited	Kavaklik Mah, Ahmet Apaydin Cad, No: 3 Park Apt, Daire, 5 27100 Sahinbey, Turkey	International development consultancy	Ordinary -	100% -
AS Operations West Africa Limited	24 Buchanan Crescent, Off Aminu Kano Crescent, Wuse 2, Abuja, Nigeria	International development consultancy	Ordinary -	99% -
Adam Smith International Uganda Limited	S&L Chambers, plot 14, Mackinnon Road, Nakasero, P. O. Box 12088, Kampala, Uganda	International development consultancy	Ordinary -	100% -

THE AMPHION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

11. Fixed asset investments (continued)**Subsidiary undertakings (continued)**

Name	Registered office	Principal activity	Class of shares	Holding
Adam Smith International Ghana Limited	Secant Tower, Plot H309, Papa Morovia, Morovia Street, Osu Re, Accra, Greater Accra, Ghana	International development consultancy	Ordinary -	100% -
Adam Smith International South Africa (PTY) Limited	1st Floor Block G, Hatfield Gardens, 333 Grosvenor Street, Gauteng, 0127, South Africa	International development consultancy	Ordinary -	100% -
Adam Smith International US Inc.	1025 Connecticut Avenue, NW, Suite 615, Washington, District of Columbia 20036, United States of America	International development consultancy	Ordinary -	100% -
Adam Smith Europe B.V.	Keizersgracht 62, 1015CS Amsterdam, Netherlands	International development consultancy	Ordinary -	100% -
Adam Smith International Pakistan (SMC-Pvt) Limited	11th Floor, Ufone Towers, Blue Area, Islamabad, Pakistan	International development consultancy	Ordinary -	100% -

THE AMPHION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

11. Fixed asset investments (continued)**Subsidiary undertakings (continued)**

The aggregate of the share capital and reserves as at 31 December 2020 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves	Profit/(Loss)
	£	£
Adam Smith International Limited	49,151,311	1,397,305
Adam Smith Services Limited	354,192	-
Adam Smith International Africa Limited	2,364,521	114,819
Adam Smith International India Limited	(5,196)	-
Adam Smith International (Australia) PTY Limited	2,161,814	975,999
Adam Smith International Mongolia Limited	115,722	21,343
Adam Smith International Turkey Limited	145,984	-
AS Operations West Africa Limited	143,373	31,188
Adam Smith International Uganda Limited	211,655	(52,990)
Adam Smith International Ghana Limited	(478)	(20,548)
Adam Smith International South Africa (PTY) Limited	(144,680)	39,687
Adam Smith International Limited US Inc.	(131,933)	386,733
Adam Smith Europe B.V.	18,154	5,545
Adam Smith International Pakistan (SMC-Pvt) Limited	(26,089)	(10,450)

The 100% of the issued ordinary shares Adam Smith International Limited is held by The Amphion Group Limited. All shares in other subsidiaries are held indirectly.

THE AMPHION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

12. Debtors

	2020 £	2019 £
Amounts owed by group undertakings	11,398,542	11,008,423
	<u>11,398,542</u>	<u>11,008,423</u>

13. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	391,884	6,349
	<u>391,884</u>	<u>6,349</u>

14. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	1,590	-
Amounts owed to group undertakings	23,799,973	22,672,174
Other creditors	-	1,802
Accruals and deferred income	6,301	2,999
	<u>23,807,864</u>	<u>22,676,975</u>

15. Financial instruments

	2020 £	2019 £
Financial assets		
Financial assets measured at fair value through profit or loss	<u>391,884</u>	<u>6,349</u>

16. Share capital

	2020 £	2019 £
Authorised, allotted, called up and fully paid		

THE AMPHION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

16. Share capital (continued)

242,384 (2019 - 242,384) Ordinary shares of £1.00 each	242,384	242,384
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The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

17. Reserves**Capital redemption reserve**

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

Profit and loss account

Cumulative profit and loss net of distributions to owners.

18. Contingent liabilities

The company is party to cross guarantees securing the borrowings of other group companies. At the year end these borrowings amounted to £nil (2019: £nil).

19. Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standards No. 102 from the requirement to make disclosures concerning other group companies, since it is a wholly owned subsidiary of a company preparing consolidated financial statements.

20. Controlling party

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

The ultimate controlling party is Adam Smith International Employee Ownership Trust. No sole individual has control of this entity.