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Adam Smith Services Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2011

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Adam Smith Services Limited
DIRECTORS, OFFICERS AND ADVISORS

DIRECTORS

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

(Appointed 16 February 2011)

SECRETARY

Mr P Young

COMPANY NUMBER

5648068 (England and Wales)

REGISTERED OFFICE

3 Albert Embankment
London
SE1 7SP
United Kingdom

AUDITOR

Baker Tilly UK Audit LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP
United Kingdom

Adam Smith Services Limited

DIRECTORS' REPORT

The Directors present their Annual Report on the affairs of Adam Smith Services Limited (hereafter "the Company"), together with the accounts and the auditor's report for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company remained unchanged during the current financial year. The Company provides management advisory, legal, human resource management, book keeping and information technology management services to companies within The Amphion Group Limited group of companies.

RESULTS AND DIVIDENDS

Turnover for the year was £733,898 (2010: £719,549). Profit on ordinary activities before taxation was £56,125 (2010: £60,379).

No dividends were declared during the current financial year (2010: £nil).

The Company operates a defined contribution pension scheme. Contributions during the current year amounted to £9,966 (2010: £8,123).

THIRD PARTY INDEMNITY INSURANCE PROVISION FOR DIRECTORS

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

DIRECTORS

The following directors have held office since 1 January 2011:

Mr P Young

Mr W S Morrison (Managing Director)

Mr R Sice (Chairman)

Sir M Riskind (Non executive)

Mr I Bunn

Mr R Bloem

Mr A Shrivastava

(Appointed 16 February 2011)

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

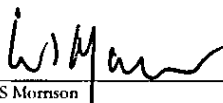
AUDITORS

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

This report has been prepared in accordance with the provisions of the Companies Act 2006 applicable to companies subject to the small companies regime.

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

On behalf of the Board


Mr W S Morrison
Managing Director


Date

Adam Smith Services Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently
- b. make judgements and 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 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADAM SMITH
SERVICES LIMITED

We have audited the financial statements on pages 5 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement on page 3, the directors are responsible for preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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, or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors' report.

James Trew UK Audit LLP

GLYN FRANCIS

(Senior Statutory Auditor)

I or and on behalf of BAKER TILLY UK AUDIT LLP Statutory Auditor

Chartered Accountants

The Pinnacle

170 Midsummer Boulevard

Milton Keynes

Buckinghamshire

MK9 1BP

United Kingdom

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Adam Smith Services Limited**PROFIT AND LOSS ACCOUNT**
for the year ended 31 December 2011

	<i>Notes</i>	2011 £	2010 £
TURNOVER		733,898	719,549
Cost of sales		<u>(501,047)</u>	<u>(493,128)</u>
GROSS PROFIT		232,851	226,421
Other operating expenses (net)	1	<u>(176,750)</u>	<u>(165,936)</u>
OPERATING PROFIT		56,101	60,485
Investment income		<u>26</u>	<u>-</u>
		56,127	60,485
Interest paid		<u>(2)</u>	<u>(106)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	56,125	60,379
Taxation	4	<u>(11,704)</u>	<u>(13,021)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	10	<u>44,421</u>	<u>47,358</u>

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

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

Adam Smith Services Limited

Company Registration No 5648068

BALANCE SHEET

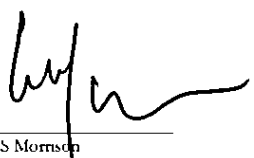
31 December 2011

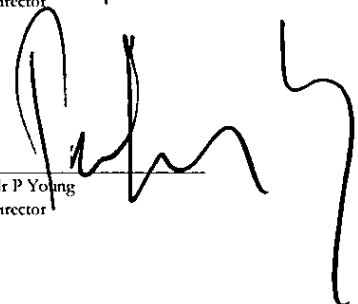
	Notes	2011 £	2010 £
FIXED ASSETS			
Tangible assets	5	<u>73,387</u>	<u>67,949</u>
CURRENT ASSETS			
Debtors	6	242,683	321,108
Cash at bank and in hand		<u>46,360</u>	<u>6,332</u>
		289,043	327,440
CREDITORS Amounts falling due within one year	7	<u>(116,648)</u>	<u>(195,368)</u>
NET CURRENT ASSETS		<u>172,395</u>	<u>132,072</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		245,782	200,021
PROVISIONS FOR LIABILITIES	8	<u>9,412</u>	<u>8,072</u>
NET ASSETS		<u>236,370</u>	<u>191,949</u>
CAPITAL AND RESERVES			
Called up share capital	9	1	1
Profit and loss account	10	<u>236,369</u>	<u>191,948</u>
SHAREHOLDERS' FUNDS	11	<u>236,370</u>	<u>191,949</u>

These accounts have been prepared in accordance with the provisions of the Companies Act 2006 applicable to companies subject to small companies regime

The financial statements on pages 5 to 10 were approved by the board of directors and authorised for issue on

8/8/2012


Mr W S Morrison
Director


Mr P Young
Director

Adam Smith Services Limited

ACCOUNTING POLICIES

31 December 2011

BASIS OF ACCOUNTING

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

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group and it is included within the consolidated accounts that are publicly available.

GOING CONCERN

The Company has met its day to day working capital requirements through support from its immediate parent company, Adam Smith International Limited. Continued support will be received from the immediate parent undertaking, and so the directors consider it appropriate to prepare the financial statements on the going concern basis.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost less 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
IT equipment	33% Straight line
Office equipment	33% Straight line

TAXATION

Taxable losses are bought from the group holding company, The Amphion Group Limited, at the appropriate tax rates paid by this company.

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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arises from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

TURNOVER

Turnover represents the value, net of Value Added Tax, of goods sold and services provided to customers. Turnover comprises various services including human resource, IT and managerial services, provided to other companies within the same group.

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.

Adam Smith Services Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

1 OTHER OPERATING EXPENSES (NET)	2011	2010
	£	£
Administrative expenses	<u>176,750</u>	<u>165,936</u>
2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2011	2010
	£	£
Profit on ordinary activities before taxation is stated after charging:		
Depreciation on tangible assets		
Charge for the year on owned assets	33,594	27,411
Auditor's remuneration		
Statutory audit fees	<u>4,750</u>	<u>4,500</u>
3 EMPLOYEES	2011	2010
	£	£
DIRECTORS' REMUNERATION		
Emoluments for qualifying services	126,641	36,275
Company pension contributions to money purchase schemes	<u>2,766</u>	<u>800</u>
	<u>129,401</u>	<u>37,075</u>
Number of directors for whom retirement benefits are accruing under money purchase pension schemes	<u>1</u>	<u>1</u>
4 TAXATION	2011	2010
	£	£
Domestic current year tax		
U.K. corporation tax		
Current tax on profits of the year	8,595	9,697
Group relief payments made	-	-
Adjustments for prior years	<u>1,769</u>	<u>-</u>
Total current tax	<u>10,364</u>	<u>9,697</u>
Deferred tax		
Origination and reversal of timing differences	<u>1,340</u>	<u>3,324</u>
Total deferred tax	<u>1,340</u>	<u>3,324</u>
Tax on profit on ordinary activities	<u>11,704</u>	<u>13,021</u>
Profit on ordinary activities before taxation	<u>56,125</u>	<u>60,379</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20% (2010: 21%)	11,365	12,680
Effects of		
Expenses not deductible for tax purposes	51	370
Capital allowances in excess of depreciation	(2,676)	(3,378)
Under provision for previous year	1,769	-
Other tax adjustments	<u>(145)</u>	<u>25</u>
Current tax charge for the year	<u>10,364</u>	<u>9,697</u>

Adam Smith Services Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

5 TANGIBLE FIXED ASSETS

	Office equipment £	Furniture £	IT equipment £	Total £
Cost				
1 January 2011	5,200	15,059	102,433	122,692
Additions	-	1,390	37,642	39,032
31 December 2011	5,200	16,449	140,075	161,724
Depreciation				
1 January 2011	2,889	1,257	50,597	54,743
Charge in the year	1,733	1,573	30,288	33,594
31 December 2011	4,622	2,830	80,885	88,337
Net book value				
31 December 2011	578	13,619	59,190	73,387
31 December 2010	2,311	13,802	51,836	67,949

6 DEBTORS

	2011 £	2010 £
Due within one year:		
Amounts due from group undertakings	232,831	282,380
Other debtors	9,852	38,728
	<u>242,683</u>	<u>321,108</u>

7 CREDITORS, Amounts falling due within one year

	2011 £	2010 £
Trade creditors	27,179	66,489
Amounts due to group undertakings		6,243
Corporation tax	8,188	9,879
Other accruals	81,281	112,757
	<u>116,648</u>	<u>195,368</u>

8 PROVISIONS FOR LIABILITIES

Provision for deferred tax has been made as follows

	2011 £	2010 £
Accrued capital allowances	1,340	3,324
Provision at start of year	8,072	4,748
Deferred tax charge in profit and loss account for year	1,340	3,324
Provision at end of year	<u>9,412</u>	<u>8,072</u>

9 SHARE CAPITAL

	2011 £	2010 £
Allotted, issued and fully paid		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

Adam Smith Services Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

10 STATEMENT OF MOVEMENT ON RESERVES

	Profit and loss account £
31 December 2009	144,590
Retained profit for the year	47,358
31 December 2010	191,948
Retained profit for the year	44,421
31 December 2011	236,369

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £	2010 £
Profit for the financial year	44,421	47,358
Opening shareholders' funds	191,948	144,590
Closing shareholders' funds	236,369	191,948

12 PENSION COMMITMENTS

	2011 £	2010 £
DEFINED CONTRIBUTION		
Contributions payable by the company for the year	9,966	8,123

13 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by Financial Reporting Standards No 8 from the requirement to make disclosures concerning other group companies, since it is a wholly owned subsidiary of a company preparing consolidated financial statements

14 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 (2010: £2,603,500)

15 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.

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

There is no ultimate controlling party.