

Registered number: 02732176

ADAM SMITH INTERNATIONAL LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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ADAM SMITH INTERNATIONAL LTD

COMPANY INFORMATION

Directors	Mr D Hopkins Mrs J Patel (appointed 5 August 2021)
Company secretary	No company secretary
Registered number	02732176
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
Bankers	Allied Irish Bank Plc 26 Finsbury Square London EC2R 1DS

ADAM SMITH INTERNATIONAL LTD

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ADAM SMITH INTERNATIONAL LTD

**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 in the following areas:

In summary our strategic report provides an overview of our past performance and our current confidence in the future of the business.

We continue to review on a regular basis our strategic direction and to adjust in light of changing circumstances. As the group of companies form part of an Employee Ownership Trust our governance structure place particular emphasis on the interests of our employees as well as fair treatment of our other obligations.

The Company takes great pride in how it deals with its clients, suppliers and the ultimate beneficiaries of the services it provides. The impact of the services the company delivers aims to change lives in societies around the world for the better and treating clients and suppliers with the ultimate respect is part of this commitment. The Company aims to pay its suppliers within the UK Prompt Payment Code. We are proud to have over these difficult times met our commitments to suppliers within these expected guidelines.

We look forward to the challenges of the coming year and to providing a great service to our clients and create opportunity for our employees and partners..

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 the Foreign and Commonwealth Office, resulting in delays to the procurement of contracts.

In September 2019, Adam Smith International (ASI) became the UK's 226th Certified B Corporation, at the time securing the second highest B Impact Assessment score ever awarded, and affirming our commitment to using profits and growth as a force for good and achieving positive impact for our employees, communities and the environment. Over the course of 2020, we developed our 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 our triple bottom line included:

- Increased diversification of our 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 our development projects;
- Continued implementation of our 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-Leaning 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.

ADAM SMITH INTERNATIONAL LTD

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

Business review

The purpose of the Company is to transform lives by making economies stronger, societies more stable, and governments more effective. It is principally involved in providing advisory and project implementation services to governments, international development agencies and businesses across the world. In 2020 the Company proudly continued as a member of the global community of certified B Corporations ("B Corps"). Certified B Corps are businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. The Company's verified score on the B Impact Assessment is the second highest in the UK's B Corp community.

The Company's turnover declined by 13% to £47.3 million from £54.5 million in the previous year. This decline was not as substantial as it could have been against the backdrop of the pandemic and is significantly lower than the 37% decline in the previous year. Gross profit margin declined by 16% to £7.6 million against £9.4 million in 2019. An operating profit of £1.0m for the year under review improved from an operating loss of £1.7 million in the previous year. The profit after tax for the year under review rose to £1.4 million against a loss of £0.4 million in the previous year signifying a significant improvement on the previous year especially given the circumstances beyond the control of the company. The Statement of Financial Position remains strong with net assets of £49.2 million (2019: £47.8 million).

As described in the 2019 audited accounts, a significant reduction in operating costs greater than the decline in revenue was achieved (13% revenue decline against a 36% decline in operating costs) showed the business re-orientating itself quickly to rapidly changing global circumstances. The pressures of travel restrictions and a reduction in budgetary spend on the part of our clients required effective action, which was successfully implemented during the course of 2020. This was only made possible through the significant investment in processes and systems in previous years. Savings have continued to come through in 2021 and this will help significantly as the marketplace goes through a significant shift because of client budget adjustments. The company continues its drive to ensure that governance, management and operations are aligned to deliver its value for money commitments to its clients whilst staying focused on the need to be profitable so that the ambitions of the company and its employees are aligned.

ADAM SMITH INTERNATIONAL LTD

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

Key performance indicators

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

- Social Impact:
 - Corporate: contribution to the Sustainable Development Goals
 - Projects: results delivered and value for money achieved for clients
 - Employees: employee satisfaction, diversity and inclusion
- Environmental Impact:
 - Total carbon footprint
 - Carbon footprint per employee
- Financial Impact:
 - Revenue, profitability and cash flows to set targets
 - Quality, level and conversion rates of the sales pipeline and level of sales order book
 - Size and duration of engagements
 - Staff utilisation

Sustainability is core business but since becoming a certified B Corp, we have made real efforts to improve our environmental practices at a corporate level as well as select programmes with a positive environmental impact. We launched a system to collect environment data across our global operations. Our scope 1, 2 and 3 greenhouse gas emissions fell by 68% between 2019 and 2020 due to the pandemic. Economic recovery and better data collection will cause emissions to rebound though it is anticipated not to pre-pandemic levels.

In addition to our corporate commitment to the environment, much of our work around the globe responds to the devastating impact a rapidly changing climate has on communities and environments. Climate change threatens the survival of the world's poorest and most vulnerable people, and has devastating impact on economies, agriculture, infrastructure and communities.

For us this means that our work and our projects achieve most when they help communities around the world adapt their agricultural practices to changes in the climate and support them in being more resilient and better prepared for climate shocks. It also means that we need to help governments and businesses around the globe to create markets for renewable energy sources and help cities design their infrastructure in a way that withstands climate impact.

Our Annual Impact Report for 2020 provides an overview on how we are measuring ourselves against key targets: Annual Impact Report 2021 – Adam Smith International.

ADAM SMITH INTERNATIONAL LTD

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

Internal control and risk management

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.

The Board is of the view that an ongoing process for identifying, evaluating and managing the Company's significant risks has been in place for the year ended 31 December 2020 and up to the date of approval of the Annual Report and Accounts. The Board monitors the risks of the Company on a regular basis to ensure significant risks have been identified, evaluated, managed and controlled and that necessary actions have been or are being taken to remedy any significant failings identified. 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.

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.

Strategic risks

Changing market conditions:

The Covid pandemic, consequent reductions in GDP and the reduction in targeted UK spend on international aid from 0.7% to 0.5% GDP had led to a decrease in the issue of new tenders but during 2021 the market has revived to some extent. A significant number of tenders were released in 2021 and the company has successfully taken advantage of this with new business wins in excess of £100m over 2021 and has successfully filled the pipeline to ensure business continuity and return to growth in 2022. Unfavourable market conditions could return and while at present the pandemic appears to have subsided this may not remain the case.

Reputational risk:

Failure to meet the expectations of clients and the wider public in the ethical delivery of publicly funded development projects may result in a reluctance to award contracts to the Company. The Company trains all its staff in the prevention of fraud, bribery and corruption, meeting the requirements of the UN Global Compact, the UK Modern Slavery Act, a comprehensive Code of Conduct, prevention of conflicts of interest and safeguarding measures. The Board maintains regular oversight of the effectiveness of this training.

Finance risks

Liquidity and credit risk:

The Company is exposed to liquidity risk arising from the need to finance its ongoing operations and growth. If the Company is unable to obtain sufficient credit due to banking and capital market conditions, the Company may not be able to raise sufficient funds to develop new projects or meet the Company's ongoing financing needs and as a result operating results, revenues, cash flows or financial condition may be adversely affected. During 2020 this risk was mitigated by undertaking a review in the third quarter of 2020. This review resulted in action being taken to decrease the monthly billing cycle. The result has seen a significant improvement in the cash position and management are confident that this improvement will continue to improve the liquidity of the group.

ADAM SMITH INTERNATIONAL LTD

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

Currency risk:

Because of the global nature of its business, the Company 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. The Company uses forward currency contracts, to manage currency risks arising from the Company's operations. The Company does not trade in financial instruments. The Company's treasury policies are designed to mitigate the impact of fluctuations in exchange rates and to manage the Company's financial risks. The Board approves any changes to the policies. The Company does not enter into any other financial instruments other than normal short-term creditors and debtors on normal commercial terms.

Fraud and corruption risk:

Given the challenges faced by many of the countries in which we operate, we are exposed to fraud and corruption risk. The Company further strengthened its Internal Audit and Legal, Ethics and Compliance functions during 2020. These functions are charged with ensuring that our procedural framework is robust and responsive to an evolving legal and regulatory environment and report activities and issues to the Board on a quarterly basis.

Operational risks

Political, legal and regulatory risk:

The Company's business may be affected by political or regulatory developments in any of the countries and jurisdictions in which the Company operates. Political instability can also result in civil unrest or nullification of existing agreements. Any of these threats may adversely affect the Company's operations or the results of those operations. The Company actively monitors regulatory and political developments on a continuous basis. When the environment improves the company reacts quickly to mitigate or alleviate risks that have materialised.

Programme delivery risk:

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

BREXIT-related risks:

The UK's departure from the European Union could have led to a decline in the quantity of EU-funded work conducted by the company. However, in 2018, as part of its client diversification strategy, the Company established a subsidiary in the Netherlands to lead its growing portfolio work with the European Commission. The Company continues to win large, long term contracts with the Commission and continues to participate in several framework agreements providing good market access, and has built a strong pipeline of future opportunities. The directors are therefore of the opinion that the Company is well placed to manage BREXIT related risks.

COVID-19 related risks:

Management and the Directors as described above reacted quickly to the risks faced by the COVID 19 pandemic in 2020, the Company made strong representations to its clients to ensure that issues such as payment terms and remote working policies were taken into account in the allowances made to how our services could be delivered. From a staff perspective our duty of care team continue to put in place measures to ensure that our staff and other team members followed the appropriate protocols to stay in line with Government requirements. Our board and management continue to monitor closely the impact of the pandemic on our people and business moving into the coming year.

ADAM SMITH INTERNATIONAL LTD

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

Governance

Board effectiveness risk:

As has been previously reported reforms in the sector and of the business itself led to significant changes in Board composition during 2017, 2018 and into 2019. Throughout 2020, the board operated successfully meeting regularly to consider and review business risks and issues. During the year Board membership was adjusted to reflect the strategic direction of the business as determined by the Company's shareholders. At all times however, the Company continues to maintain the appropriate level of control so as to provide appropriate oversight of the ongoing operation and the risks that arose. In 2021 Board membership was adjusted further to ensure that appropriate oversight and management has been maintained.

Management oversight and control risk:

Navigating challenging market conditions, growth and plans to diversify, also poses a significant challenge to the executive management of the Company. Strengthened Board oversight, including an Audit Committee, is in place to hold management to account for its performance. Our independent Internal Audit function, which reports directly into the Audit Committee, also plays an important role in providing objective oversight and advice to both the Board and executive management.

Financial controls risk:

Identifying and eliminating weaknesses in the design and application of key financial controls, procedures and systems are a risk in the context of a complex, multinational business that operates in challenging locations. The Company has a Finance and Risk function in place to provide oversight and advice in relation to financial controls, procedures and systems. Reporting directly to the Audit Committee, this function places particular emphasis on ensuring consistency and quality across the entire business, including the most remote operational locations.

Conflict of interest risk:

With responsibility for managing large amounts of public funds, the Company encounters conflicts of interest that need to be managed proactively and decisively. The Legal, Ethics and Compliance function maintains a framework of policies, procedures and systems to ensure that all conflicts of interest are reported and managed effectively on a timely basis from Board level down.

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.

Financial instrument disclosures

The Company has an overdraft facility with Allied Irish Bank Plc. A mortgage debenture exists giving the bank a floating charge over the assets of the Company as security for the overdraft and loan facilities provided to the ultimate parent company, Adam Smith Advisory Group Limited. These facilities are reviewed annually alongside the business plans and budgets for the forthcoming year.

ADAM SMITH INTERNATIONAL LTD

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

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

ADAM SMITH INTERNATIONAL LTD

**DIRECTORS' REPORT (CONTINUED)
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 profit for the year, after taxation, amounted to £1,397,305 (2019 - loss £356,717).

On 25 March 2019 the board declared dividends of £23m to The Amphion Group Limited. These dividends were declared to clear intercompany loan balances and had no cash impact.

Principal activities

As a certified B Corp, the Company focuses its performance on the triple bottom line objectives: social, financial, and environmental performance.

The principal activity of the Company is social. Our people, who often risk their lives to achieve results in very difficult and dangerous conditions, help make the world a safer and more secure place, help alleviate poverty, and help incomes and economies to grow sustainably.

We do this by providing advisory and project implementation services to governments, international development organisations and businesses across the world. We employ leading experts with specialist skills to tackle some of the world's most complex development challenges. Much of our work is in fragile and conflict affected countries..

In 2020 assignments for our clients included:

- Improving the investment climate for responsible mining in Mongolia and promoting a well-functioning extractives sector.
- Technical assistance for education systems strengthening in Somalia, working to strengthen capacity at the federal and member state levels to implement education policies and programmes to improve the provision of equitable and inclusive quality education.
- Working in Mali to address the underlying causes of conflict by facilitating effective collaboration between the state, traditional authorities and communities to help to prevent and respond to land conflict.
- Providing high-quality advice and independent monitoring, evaluation and learning services at the programme and portfolio levels for Australian government health security and education & leadership programmes in Papua New Guinea.
- Improving welfare outcomes of underserved communities in Nigeria by increasing the solar power electrification of public institutions, such as schools and hospitals
- Improving the effectiveness and efficiency of the public sector in Samoa
- Working towards a peaceful, secure and stable Somalia by providing sustained support to long term locally driven stabilisation efforts on behalf of six western governments.
- Supporting more children in north-west Pakistan to go to school, stay longer, and learn more.
- Supporting the growth of small business in Democratic Republic of Congo
- Working to increase economic, social, and environmental returns in Pakistan's Khyber Pakhtunkhwa province by supporting more and smarter investment.
- Supporting community development in Myanmar's Rakhine state by facilitating the provision of small-scale rural infrastructure
- Working to improve the experience of victims of domestic violence in Pakistan's criminal justice sector, with the aim of increasing the number of victims referred to support services (psychosocial support, legal aid and shelter) by police.
- Providing overlapping operating capabilities across multiple geographies for the UK Home Office Research, Information and Communications Unit.

ADAM SMITH INTERNATIONAL LTD

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

Third party indemnity insurance for directors

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

Directors

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

Mr R Slee (resigned 1 November 2020)
Mr J Pell (resigned 30 October 2020)
Mr D Hopkins
Mr L Ahmad (resigned 30 October 2020)
Mrs J Wilson (resigned 4 August 2021)
Mr D Hocquard (resigned 4 August 2021)
Mrs J Patel (appointed 5 August 2021)

Environmental matters

The Company will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The Company has complied with all applicable legislation and regulations.

Future developments

Throughout this period, the Company continued to deliver on existing assignments for clients and remains well placed to grow revenue in key markets as the high quality of our work continues to be recognised by our international clients. The company has successfully bid for and won a significant volume of work across the globe (£100million+) with 61 wins. The pipeline gap for 2022, which was of a particular concern in 2021 has been filled with a strong likelihood of the company returning to growth with more than £65million of revenue in 2022.

Client diversification efforts continue to bear fruit with an increasing volume of work being undertaken by our Australian subsidiary and success also being achieved in the US market.

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 on 11 March 2022 and signed on its behalf.

DocuSigned by:

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Mr D Hopkins
Director

ADAM SMITH INTERNATIONAL LTD

**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.

ADAM SMITH INTERNATIONAL LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADAM SMITH INTERNATIONAL LTD

Opinion

We have audited the financial statements of ADAM SMITH INTERNATIONAL LTD (the 'Company') for the year ended 31 December 2020, which comprise the Statement of income and retained earnings, the Statement of financial position and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 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.

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.

ADAM SMITH INTERNATIONAL LTD

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADAM SMITH INTERNATIONAL LTD
(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 10, 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.

ADAM SMITH INTERNATIONAL LTD

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADAM SMITH INTERNATIONAL LTD
(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.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to safeguarding and health and safety. We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these law and regulations and inspected correspondence with relevant regulatory authorities

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

ADAM SMITH INTERNATIONAL LTD

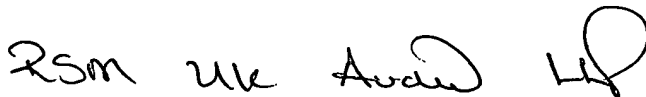
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADAM SMITH INTERNATIONAL LTD
(CONTINUED)**

contract accounting, including the expected margin through assessment of post year end performance and stage 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

ADAM SMITH INTERNATIONAL LTD

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

	Note	2020 £	2019 £
Turnover	4	47,262,134	54,467,676
Cost of sales		(39,666,504)	(45,080,907)
Gross profit		7,595,630	9,386,769
Administrative expenses		(7,055,943)	(11,101,709)
Other operating income		488,000	-
Operating profit/(loss)	5	1,027,687	(1,714,940)
Interest receivable and similar income	9	1,370,558	2,154,163
Interest payable and similar expenses	10	(17,468)	(28,597)
Profit before tax		2,380,777	410,626
Tax on profit	11	(983,472)	(767,343)
Profit/(loss) after tax		1,397,305	(356,717)
Retained earnings at the beginning of the year		47,753,480	71,110,197
		47,753,480	71,110,197
Profit/(loss) for the year		1,397,305	(356,717)
Dividends declared and paid		-	(23,000,000)
Retained earnings at the end of the year		49,150,785	47,753,480
The notes on pages 18 to 41 form part of these financial statements.			

ADAM SMITH INTERNATIONAL LTD
REGISTERED NUMBER: 02732176

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	13	962,495	968,561
Tangible assets	14	138,061	128,150
Investments	15	1,528,370	1,528,370
		<u>2,628,926</u>	<u>2,625,081</u>
Current assets			
Debtors: amounts falling due within one year	16	51,445,313	53,334,338
Cash at bank and in hand	17	7,252,943	3,087,651
		<u>58,698,256</u>	<u>56,421,989</u>
Creditors: amounts falling due within one year	18	(12,045,225)	(11,198,509)
Net current assets		<u>46,653,031</u>	<u>45,223,480</u>
Total assets less current liabilities		<u>49,281,957</u>	<u>47,848,561</u>
Provisions for liabilities			
Deferred tax	19	(130,646)	(94,555)
		<u>(130,646)</u>	<u>(94,555)</u>
Net assets		<u><u>49,151,311</u></u>	<u><u>47,754,006</u></u>
Capital and reserves			
Called up share capital	20	406	406
Other reserves	21	120	120
Profit and loss account	21	49,150,785	47,753,480
		<u><u>49,151,311</u></u>	<u><u>47,754,006</u></u>

ADAM SMITH INTERNATIONAL LTD
REGISTERED NUMBER: 02732176

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2020

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 March 2022.

DocuSigned by:
David Hopkins
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Mr D Hopkins
Director

DocuSigned by:
J Patel
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Mrs J Patel
Director

The notes on pages 18 to 41 form part of these financial statements.

ADAM SMITH INTERNATIONAL LTD

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

1. General information

Adam Smith International Ltd ("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.

Monetary amounts in these financial statements are recorded to the nearest £1, except where otherwise indicated.

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.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Adam Smith Advisory Group Limited.

ADAM SMITH INTERNATIONAL LTD

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

2. Accounting policies (continued)**2.3 Going concern**

The directors have taken consideration of the forecasted outturn for 2022 and also reviewed the business plans and cash flow forecasts for the period to 31 December 2023 as well as the mid-term growth models covering the period to December 2026. The conclusion is that the business has begun to reap the benefits of the restructure undertaken in previous years and a welcome return to profitability will enable the business to continue to trade well, meet its financial obligations and its delivery commitments for its clients.

Over the past year the Company has carefully considered the impact of COVID-19 from a duty of care perspective for its staff and has adjusted working practices quickly to align to government led guidelines. All staff have been continuously informed of the changes of expectations for them as employees. The investment in the Company's technical platform has assisted greatly in the ability of our staff to work remotely and this continues to be the case. It remains to be seen if these will impact the future way of working for the company as a whole. The delivery of our services to our clients has also been greatly impacted by the COVID-19 Pandemic, however the Company's management and staff have quickly adjusted to this challenge and adapted the way our services are delivered accordingly, again demonstrating that remote working can be effective for our delivery model. Without the investment in technology in previous years this effort would have been a struggle.

The other aspect of the Pandemic has been the changing view of our clients to delivery and the spending commitments. The Company's management are in constant contact with our key client counterparts and where cuts or changes have had to be made management has reacted quickly to make adjustments. The current 2022 budget is prepared in a conservative manner and we are confident management has factored in changes to budgets and spending of our clients. Fully contracted work for the year contributes £32m of the budgeted revenue of £53m and only £6m of revenue is unidentified which is well within the usual expectations from previous years.

In the coming year the company will be able to fund its activities from its revenues and profits. Working capital needs for the year have been assessed and forecasted using the approved conservative approach to budgeting. Whilst our forecasts show we will be able to fund our ongoing business through our own working capital, we have an approved facility from Allied Irish Bank of £1m overdraft to provide added head room if the need arises. This facility is approved until the end of February 2022 subject to extension until the end of December 2022 once the 2020 audited accounts are available. This approval comes after a recent review by our banking partner of our current performance and our future forecast performance.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. As a consequence of the above, the directors believe that the Company is well placed to manage its business risks successfully. The directors believe that the Company has the resources to continue to operate successfully for the foreseeable future and at least 12 months from the date of approval of these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

ADAM SMITH INTERNATIONAL LTD

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

2. Accounting policies (continued)

2.4 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 the Statement of income and retained earnings within administrative expenses.

ADAM SMITH INTERNATIONAL LTD

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

2. Accounting policies (continued)

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Revenue represents the value of services provided to clients net of VAT. Revenue represents fees receivable for the provision of services falling within the Company's ordinary activities, and is recognised to the extent to which a contract is completed when the amounts earned are fixed or determinable and collectability is reasonably assured.

Revenue is recognised in profit or loss as contract activity progresses and entitlement to consideration is earned. The amount by which recorded revenue is in excess of payments on account and invoiced amounts is recognised in debtors as amounts recoverable on long term contracts. Payments received in excess of recorded revenue are included in creditors as payments on account. For milestone contracts, turnover is recognised based on the stage of completion which is measured by the proportion of contract costs incurred for work performed to date compared to estimated total cost of completion which is measured by the proportion of contract costs incurred for work performed to date compared to estimated total contract costs for each contract. The directors feel that this represents the most appropriate evidence of performance under the contract and right to consideration.

2.6 Agency Arrangements

Projects where the Company 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.

2.7 Proposal Costs

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

ADAM SMITH INTERNATIONAL LTD

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

2. Accounting policies (continued)**2.8 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.9 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of income and retained earnings in the same period as the related expenditure.

2.10 Interest income

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

2.11 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.

2.12 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.13 Pensions**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

ADAM SMITH INTERNATIONAL LTD

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

2. Accounting policies (continued)**2.14 Share based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of income and retained earnings over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of income and retained earnings over the remaining vesting period.

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. 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.

Deferred tax is not discounted.

Taxable losses are bought from group companies, at the appropriate tax rates paid by the relevant company.

ADAM SMITH INTERNATIONAL LTD

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

2. Accounting policies (continued)**2.16 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Computer software	-	5	years
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Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives.

2.17 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Furniture	-	10	years
Office equipment	-	3	years
Computer equipment	-	3	years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal for the asset as if it were at the age and in the condition expected at the end of its useful life.

ADAM SMITH INTERNATIONAL LTD

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

2. Accounting policies (continued)**2.18 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each reporting date. Gains and losses on remeasurement are recognised in the Statement of income and retained earnings for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.19 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.

2.20 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.

2.21 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.

2.22 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

2.23 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.24 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.

ADAM SMITH INTERNATIONAL LTD

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

2. Accounting policies (continued)
2.24 Financial instruments (continued)

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Statement of income and retained earnings if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

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.

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.

ADAM SMITH INTERNATIONAL LTD

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

2. Accounting policies (continued)**2.25 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.

Financial liabilities within the scope of FRS102 are initially classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. Derivatives, including separately embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

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.

ADAM SMITH INTERNATIONAL LTD

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

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 Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Long-term contracts

Profit is recognised based upon stage of completion, measured by basing costs incurred to date as a proportion of total estimated costs. There is a degree of management estimation in determining the level of total estimated costs for a project.

Share based payments

Equity-settled share-based payments are measured at fair value at the date of grant, using various option modelling techniques. There are various assumptions made within these modelling techniques as well as determining the length of the vesting period and the number of options expected to vest over which any calculated charge will be spread.

Debtors

Included within the Company's debtors due within one year balance is an amount totalling £41.8m (2019: £38.0m) which principally relates to amounts previously advanced to the company's parent undertakings, The Amphion Group Limited and Adam Smith Advisory Group Limited. The balance was part-cleared in the 2019 year by way of a distribution and the expectation of the Board and shareholders is that the remainder of this balance will be cleared by way of future distributions, albeit at the discretion of the Board and as such no provision has been deemed necessary in respect of this balance. At the balance sheet date, neither parent undertaking has sufficient funds to repay the funds in full. There have been no further distributions made in the 12 months from the balance sheet date, or up to the date of approval of these financial statements. The balances are unsecured and have no fixed repayment terms and therefore are presented as a component of current assets.

4. Turnover

The whole of the turnover is attributable to provision of technical assistance.

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	340,437	30,488
Asia & Pacific	8,589,589	78,830
Africa & Middle East	38,332,108	54,358,358
	<u>47,262,134</u>	<u>54,467,676</u>

ADAM SMITH INTERNATIONAL LTD

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

5. Operating profit/(loss)

The operating (loss)/profit is stated after charging/(crediting):

	2020	2019
	£	£
Amortisation	109,803	71,165
Depreciation on tangible assets	32,157	79,044
Loss on disposal of tangible assets	-	16,023
Exchange differences	560,920	137,128
Other operating lease rentals	337,813	360,207
Share based payment	-	(219,678)
	<hr/> <hr/>	<hr/> <hr/>

6. 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	65,000	73,000
	<hr/> <hr/>	<hr/> <hr/>

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.

ADAM SMITH INTERNATIONAL LTD

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

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	4,613,237	5,346,393
Social security costs	371,750	472,370
Cost of defined contribution scheme	190,832	239,333
	<u>5,175,819</u>	<u>6,058,096</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2020 No.	2019 No.
Directors	2	2
Office and project management	66	72
	<u>68</u>	<u>74</u>

8. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	458,405	333,584
Company contributions to defined contribution pension schemes	18,791	18,276
	<u>477,196</u>	<u>351,860</u>

During the year retirement benefits were accruing to 2 directors (2019 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £177,140 (2019 - £179,138).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9,554 (2019 - £9,963).

ADAM SMITH INTERNATIONAL LTD

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

9. Interest receivable

	2020 £	2019 £
Interest receivable from group companies	1,370,558	2,152,227
Other interest receivable	-	1,936
	<u>1,370,558</u>	<u>2,154,163</u>

10. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	17,468	28,597
	<u>17,468</u>	<u>28,597</u>

11. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	965,186	-
Adjustments in respect of previous periods	(17,805)	(15,349)
	<u>947,381</u>	<u>(15,349)</u>
Foreign tax		
Foreign tax on income for the year	-	589,561
	<u>-</u>	<u>589,561</u>
Total current tax	<u>947,381</u>	<u>574,212</u>
Deferred tax		
Origination and reversal of timing differences	24,967	193,131
Adjustments in respect of prior periods	11,124	-
Total deferred tax	<u>36,091</u>	<u>193,131</u>
Taxation on profit on ordinary activities	<u>983,472</u>	<u>767,343</u>

ADAM SMITH INTERNATIONAL LTD

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

11. Taxation (continued)**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 £
Profit on ordinary activities before tax	2,380,777	410,626
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	452,348	78,019
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,292	12,361
Capital allowances for year in excess of depreciation	5,489	5,489
Change in tax rate	-	(8,429)
Adjustments to tax charge in respect of prior periods	(17,805)	(15,349)
Adjustments to deferred tax charges in respect of prior periods	11,124	105,691
Non-taxable income	(120)	-
Effect of overseas tax rates	30,322	-
Other	18,312	-
Foreign tax credits not used	482,510	-
Foreign tax charges	-	589,561
Group relief claimed	(390,532)	-
Group relief paid	390,532	-
Total tax charge for the year	983,472	767,343

Factors that may affect future tax charges

Future changes in corporation tax rates will impact future tax charges. In the budget on 3 March 2021, it was confirmed that the corporation tax rate would rise from 19% to 25% in April 2023.

ADAM SMITH INTERNATIONAL LTD

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

12. Dividends

	2020 £	2019 £
Final dividend	-	23,000,000
	<u>-</u>	<u>23,000,000</u>

13. Intangible assets

	IT Software £
Cost	
At 1 January 2020	1,224,782
Additions	103,737
At 31 December 2020	<u>1,328,519</u>
Amortisation	
At 1 January 2020	256,221
Charge for the year on owned assets	109,803
At 31 December 2020	<u>366,024</u>
Net book value	
At 31 December 2020	<u>962,495</u>
At 31 December 2019	<u>968,561</u>

Amortisation has been charged to profit and loss and included in administrative expenses.

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**NOTES TO THE FINANCIAL STATEMENTS
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14. Tangible fixed assets

	Furniture £	Office equipment £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2020	83,628	34,662	115,284	233,574
Additions	1,468	13,982	26,618	42,068
At 31 December 2020	85,096	48,644	141,902	275,642
Depreciation				
At 1 January 2020	39,335	31,755	34,334	105,424
Charge for the year on owned assets	8,955	4,374	18,828	32,157
At 31 December 2020	48,290	36,129	53,162	137,581
Net book value				
At 31 December 2020	36,806	12,515	88,740	138,061
At 31 December 2019	44,293	2,907	80,950	128,150

15. Investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2020	1,528,370
At 31 December 2020	1,528,370

ADAM SMITH INTERNATIONAL LTD

**NOTES TO THE FINANCIAL STATEMENTS
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15. Investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Adam Smith Services Limited	240 Blackfriars Road, London, SE1 8NW, United Kingdom	Ordinary	100%
Adam Smith International Africa Limited	2nd Floor Cavendish, 14 Riverside, Riverside Drive, Nairobi, Kenya	Ordinary	99%
Adam Smith International India	Bharat Yuvak Bhawan, 1 Jai Singh Road, New Delhi, 110 001, India	Ordinary	99%
Adam Smith International (Australia) PTY Limited	301/88 Foveaux Street, Surry Hills, Sydney NSW, 2010, Australia	Ordinary	100%
Adam Smith International Mongolia Limited	202, Infrastructure LLC Building, Tourist Street- 35, Khoroo 1, Chingeltei District, Ulaanbaatar, Mongolia	Ordinary	100%
Adam Smith International Turkey Limited	Kavaklik Mah, Ahmet Apaydin Cad, No: 3 Park Apt, Daire, 5 27100 Sahinbey, Turkey	Ordinary	100%
AS Operations West Africa Limited	24 Buchanan Crescent, Off Aminu Kano Crescent, Wuse 2, Abuja, Nigeria	Ordinary	99%
Adam Smith International Uganda Limited	S&L Chambers, plot 14, Mackinnon Road, Nakasero, P. O. Box 12088, Kampala, Uganda	Ordinary	100%
Adam Smith International Ghana Limited	Secant Tower, Plot H 309, Papa Morovia, Morovia Street, Osu Re, Accra, Greater Accra, Ghana	Ordinary	100%

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

15. Investments (continued)**Subsidiary undertakings (continued)**

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

ADAM SMITH INTERNATIONAL LTD

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

15. 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 Services Limited	354,192	-
Adam Smith International Africa Limited	2,364,521	114,819
Adam Smith International India	(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	221,655	(52,990)
Adam Smith International Ghana Limited	(478)	(20,548)
Adam Smith International South Africa (PTY) Limited	(144,680)	39,687
Adam Smith International 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)

ADAM SMITH INTERNATIONAL LTD

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

16. Debtors

	2020 £	2019 £
Trade debtors	2,819,788	4,098,114
Amounts owed by group undertakings	42,015,067	38,070,297
Other debtors	399,754	801,400
Prepayments and accrued income	3,865,671	3,495,432
Amounts recoverable on long term contracts	2,269,515	6,869,095
Tax recoverable	75,518	-
	<u>51,445,313</u>	<u>53,334,338</u>

17. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	7,252,943	3,087,651
Less: bank overdrafts	(312,043)	(279,565)
	<u>6,940,900</u>	<u>2,808,086</u>

The Company has an overdraft facility with Allied Irish Bank Plc. A mortgage debenture exists giving the bank a floating charge over the assets of the Company as security.

Cash at bank and in hand included on December 31 2020 an amount of £1,071,939 (2019: £1,026,447) held in Papua New Guinea that was restricted.

In 2021 the company succeeded in transferring all remaining funds held in Papua New Guinea funds to the UK. A further £6,407 (2019: £8,680) deposited with banks in India is restricted due to exchange control restrictions.

ADAM SMITH INTERNATIONAL LTD

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

18. Creditors: Amounts falling due within one year

	2020 £	2019 £
Bank overdrafts	312,043	279,565
Payments received on account	916,481	1,546,116
Trade creditors	1,077,456	2,178,875
Amounts owed to group undertakings	5,471,850	3,546,034
Corporation tax	474,427	-
Other taxation and social security	134,417	119,997
Other creditors	641,357	1,224,931
Accruals and deferred income	3,017,194	2,302,991
	<u>12,045,225</u>	<u>11,198,509</u>

The Company has an overdraft facility with Allied Irish Bank Plc. A mortgage debenture exists giving the bank a floating charge over the assets of the Company as security.

19. Deferred taxation

	2020 £	2019 £
At beginning of year	(94,555)	98,576
Charged to profit or loss	(36,091)	(193,131)
At end of year	<u>(130,646)</u>	<u>(94,555)</u>

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	(164,656)	(133,690)
Short-term timing differences	34,010	39,135
	<u>(130,646)</u>	<u>(94,555)</u>

20. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		

ADAM SMITH INTERNATIONAL LTD

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

20. Share capital (continued)

406 (2019 - 406) Ordinary shares of £1 each	406	406
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21. Reserves**Other reserves**

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.

Equity Settled share option plan

Under the group plan, share options are granted at the average price of the ultimate Parent Company's shares at the grant date. The option shall not be exercisable before the third anniversary from 6 November 2015 (the "vesting period"). If options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the group before they become entitled to exercise the share option.

	Number 2020	Number 2019
Outstanding at the beginning of the year	3,923	5,709
Forfeited during the year	-	(1,786)
Outstanding at the end of the year	3,923	3,923

The weighted average fair value of options granted in the year was determined using the Black-Scholes option pricing model. The Black-Scholes model is considered to apply the most appropriate valuation method due to the relatively short contractual lives of the options and the requirement to exercise within a short period after the employee becomes entitled to the shares (the "vesting date").

The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting conditions and market conditions are taken into account when estimating the fair value of the option at grant date. Service conditions and non-market performance conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

ADAM SMITH INTERNATIONAL LTD

**NOTES TO THE FINANCIAL STATEMENTS
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22. 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 within Adam Smith Advisory Group Limited (2019: £nil).

23. Pension commitments

The company operates a defined contribution pension scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charges represent contributions payable by the company and amounted to £190,832 (2019: £239,333). Balance outstanding as at year-end is £31,823 (2019: £51,207)

24. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	337,813	337,813
Later than 1 year and not later than 5 years	1,013,438	1,351,250
	<u>1,351,251</u>	<u>1,689,063</u>

25. Related party transactions

The company has taken advantage of the exemption under FRS 102 section 33 related parties not to disclose transactions with other wholly owned group companies on the basis that group accounts are prepared. There are no other related party transactions.

26. Controlling party

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

The directors are of the view that there is no sole controlling party of this entity.