




# Gemserv

ANNUAL REPORT & FINANCIAL  
STATEMENTS FOR THE YEAR  
ENDED 31<sup>ST</sup> MARCH 2014



**Our vision is to ensure  
that complex markets work  
for everyone's benefit.**

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# Directors, Officers, Advisors and Statutory Information

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## NON-EXECUTIVE DIRECTORS

Nigel Bromley	Non-Executive Director and Chairman
Mike Jeans	Non-Executive Director
Paul Tonkinson	Non-Executive Director
Meriel Lenfestey	Non-Executive Director

## EXECUTIVE DIRECTORS

David Thorne	Executive Director and Chief Executive
Ken McRae	Executive Director, Company Secretary and Chief Operations Officer
Jagjit Dosanjh-Elton	Executive Director and Chief Financial Officer

## OFFICERS

Alex Goody	Director of Business Development
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## Auditor

Chantrey Vellacott DFK LLP  
Russell Square House  
10/12 Russell Square  
London WC1B 5LF

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## Bankers

The Royal Bank of Scotland plc  
62/63 Threadneedle Street  
London EC2R 8LA

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## Registered Office

10 Fenchurch Street  
London EC3M 3BE

Telephone: 020 7090 1000  
Fax: 020 7090 1001  
finance@gemserv.com

Company Registration  
Number: 4419878

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## Ireland Office

Fitzwilliam Hall Business Centre,  
Fitzwilliam Place, Dublin 2

Telephone: +353 (0) 1 669 4630  
business.support@gemserv.com







**Our recent contract  
wins have cemented our  
place in the markets in which  
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our long-term prospects.**

# Chairman's Statement

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Our contract wins this year consolidate Gemserv's position at the heart of the utilities and environmental sectors. We now administer a number of key environmental initiatives in Britain as well as the governance arrangements surrounding 'Smart' electricity and gas meters that are being fitted in every household.

In addition to enhancing and growing our market position, Gemserv's committed Management Team and employees increased our turnover and our operating profitability. To drive further efficiencies in the business, we have also recently integrated the management of our information security business, 'Red Island', with the Gemserv business.

Consequent to making record operational profits and aligned with our decision to integrate the management of Red Island and Gemserv, the Board has decided to write down the remainder of the goodwill associated with the original acquisition of Red Island. This has resulted in a post tax loss this year of £657k.

Our reserves and underlying profitability remain strong and we recommend maintaining our policy of increasing our dividend by RPI +1% year on year. The Board proposes a dividend payment of 82.25p per share for 2013/14.

The Board continues to reflect the right blend of skills and experience to guide the Company as it develops. We are committed to the highest standards of corporate governance and, whilst not a listed Company, aim to rotate Non-Executive Directors as recommended in the UK Corporate Governance Code. Meriel Lenfestey joined our Board last year as an Independent Non-Executive Director and has brought a wealth of experience in marketing and technology. Paul Tonkinson's term completes this year and I would like to thank Paul for his dedication to Gemserv and hard work over many years.

It is central to our company that we operate as an ethically and environmentally sustainable business and we aim to help the markets we serve to work for everyone's benefit. We also gain huge satisfaction from supporting our chosen charities and during the year we raised over £15,000 for Mencap and City Gateway.

Our recent contract wins have cemented our place in the markets in which we operate and have enhanced our long-term prospects. I am also confident that the increased efficiency of our operation will allow us to reinvest in our people, continue with our dividend policy and retain financial strength in the years ahead.



Nigel Bromley  
Chairman  
4<sup>th</sup> June 2014

# Chief Executive's Report

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2013/14 has been a pivotal year for Gemserv in the pursuit of our strategy to ensure the long-term enduring success of the Company. Our drive to diversify has been a central element of our strategy for many years. The changing regulatory environment will, however, impact the medium-term future of our existing core contracts. This has meant that the need to secure other substantial revenue streams has become more pressing. So, over the past four years, we have been actively positioning ourselves, and pursuing opportunities which align with our deep capability in supporting complex markets, particularly in the utility and environmental sectors.

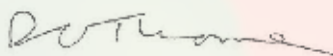
Our results in 2012/13 demonstrated real progress on that strategic path, with revenue growing by over 35%, driven in part by winning the high profile role of the Green Deal Oversight & Registration Body. This year 2013/14, that growth has continued, with a further increase of over £2m in revenue to £13.5m supported by securing one of our key targets - the Smart Energy Code Administration and Secretariat (SECAS) contract. This means that we have started 2014/15 with the highest secured annual revenue in Gemserv's history.

It has always been recognised that significant investment in our capability and capacity is required for our Company to grow substantially and sustainably. With nearly 100 people, a move to new, larger offices is planned for later in 2014.

At the same time, we have a clear plan to build margins, and in 2013/14 we saw operating profit margin before exceptional items, rise to over 10% (2012/13: 8%). This strength has enabled us to fully write down the goodwill of our acquired information security practice, Red Island.

This growth must not be at the expense of our culture: that is sacrosanct. Our core values are driven by, and reflective of, our excellent people who have made Gemserv the success that it is today. We recognise this and that is why we have undertaken a comprehensive review of how we reward our people so we can keep the best talent to serve our clients. Our focus on our people is paramount and we are very proud to have been re-certified with the Investors in People accreditation.

This has been a strong year for Gemserv with significant new business gains secured for future years, reinforcing our underlying robust financial strength. But this is not "job done". We must continue to evolve our ways of working and build our enduring portfolio so we can maintain our managed growth to deliver more for our clients and be a financially, ethically and environmentally sustainable business.



David Thorne  
Chief Executive  
4<sup>th</sup> June 2014





**We must continue  
to evolve our ways  
of working and build  
our enduring portfolio.**





# Our Vision

Against the backdrop of a strong company performance, the Board and Management Team undertook a review of the Group strategy during 2013/14: from operational structure and branding, to its underpinning Vision, Mission and Values. A consistent theme was to ensure that Gemserv's founding principles remained true whilst the company grows i.e. to continue to focus on "making markets work", regardless of the market and industry in which we operate.

The key is to harness our experience by retaining our emphasis on listening to, and working together in partnership with, our clients. We see the bigger picture and identify the long term impacts from the perspective of many different stakeholders, in the context of an increasingly dynamic marketplace. This is a challenging task but one that Gemserv will continue to strive to achieve. It is important to us that we make a positive, sustainable difference, through constructive challenge and innovation, to the markets in which we work and for the clients that we serve.

This is why we have reframed our Vision and re-articulated our Values in a simpler and more definitive way - Insight, Collaboration and Impact. It is not about changing why we are here but the exact opposite - a strong affirmation of our core principles. These principles clearly shape the way we work with our clients but also the way we work internally as exemplified by fully integrating our information security practice and the way we present our brands.

## Our Vision...

is to ensure that complex markets work for everyone's benefit

## Our Mission...

is to make markets work  
- effectively, securely and with integrity

## Our Values are...

### INSIGHT

by applying our trusted, unrivalled experience

### COLLABORATION

by listening and working together with honesty and respect

### IMPACT

by making a difference through challenge and innovation to deliver excellence





# Achievements



## Energy: Smart Energy Code Administration and Secretariat (SECAS)

The Smart Energy Code (SEC) is an industry-wide agreement that governs the rollout and ongoing operations of the GB Smart Metering Programme. Gemserv won a major contract worth £10 million over a four year term to provide secretarial and administrative support to SEC and the SEC Panel. This contract has allowed us to play a central role in an £11 billion national infrastructure programme as it moves from the foundation stages to mass rollout and beyond.



## Environment: Renewable Heat Incentive (RHI) Biomass Suppliers List (BSL)

RHI is a major Government initiative which aims to support the development of heat generated from renewable sources. This initiative will help to significantly reduce carbon emissions compared with the heat generated using fossil fuels. Gemserv worked with partners Woodsure, HETAS and Borough IT to win the contract. Together we created an accredited suppliers list for producers and consumers of biomass to give confidence that biomass used in production of heat is environmentally sustainable.



## Information Security: PCI DSS Consultancy Programme

A Tier 1 financial services company merchant was given a deadline by its issuing bank to be fully Payment Card Industry Data Security Standard (PCI DSS) compliant by July 2014 or face financial penalties. Red Island won the contract to deliver a major PCI transition project to redesign the exposed payment card application(s) and associated infrastructure, and to 'ring-fence' these within a 'secure enclave' environment. Throughout the contract we used our consultancy and project management resources to ensure that the transition project was delivered on-time and on-budget to demonstrate PCI DSS compliance and best practice.



## Republic of Ireland (ROI) and Northern Ireland (NI) Smart Metering Programmes

Gemserv has effectively combined our information security capabilities with our energy expertise to provide various services in ROI and NI to Government and Regulatory bodies. A number of projects have been won and delivered in the year that have helped policy makers and stakeholders understand their data protection obligations. We have played a key role in both a programme management and strategic advisory capacity and provided subject matter expertise in data protection.



## Water: National Landlord Portal

Secured at the start of the financial year, this important contract will produce a database that will record tenant details. This information will be updated by landlords throughout England to help reduce water debt levels. Our long standing IT partner, C&C Group is providing the software build and maintenance whilst Gemserv has designed the system and processes, and is working with industry to launch the new service.




## Telecoms: Ofcom Analytical Assistance

Ofcom commissioned Gemserv's services to provide analytical support on the various switching alternatives to help consumers change landline and broadband providers with greater ease, confidence and convenience. We provided a high-level report detailing our recommendations on how implementation should occur, as well as analysing the scale of the work required, for each option, by industry and other stakeholders.









**CSR is part of our DNA.  
It is integral to the way we  
work today and will work  
tomorrow for all our futures.**



# Corporate Social Responsibility Report

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Corporate Social Responsibility (CSR) is fundamental to Gemserv's culture. Our approach is embedded in our core values and reflected by everyone within the Company. We integrate social and environmental concerns into our business operations and strive to make a sustainable and measurable difference to the communities in which we work and live.

We recognise the importance of investing in employees and encouraging their development. Our aim is to enhance the level of engagement with our employees and support their career aspirations. We are delighted to once again be awarded the Investors in People accreditation.

During the last year's period of growth, our culture of shared values and CSR ethos has meant that we have continued to develop initiatives to support work/life balance and health and wellbeing. This enhancement is driven through continual reviews coupled with employee feedback and collaboration, underpinned by our focus on equality and diversity. In particular, we have undertaken a comprehensive review of how we reward our people, with a significant emphasis on how we can work flexibly and support personal development. 2014/15 will see a focus on implementing these initiatives effectively.

Our commitment to improving our environmental and energy efficiency performance has resulted in Gemserv successfully gaining certification, on 1st April 2014, to the ISO 50001 standard for our newly implemented Energy Management System (EnMS). This adds to, and complements, our Environmental Management System (EMS) ISO 14001 certification. This has been achieved by building on our current environmental and energy saving initiatives so that, even though we have had over 10% increase in staff numbers since last year, we have reduced our electricity consumption. This has achieved carbon savings equivalent to planting over 50 trees. This is not a short term commitment - since 2007, we have offset over 1,380 tonnes of CO<sub>2</sub> through annual donations, equivalent to over 8,000 double decker buses.

Fundraising and volunteering endeavours are actively encouraged and employees are supported to participate in both team and individual activities. Working with our chosen charities, Mencap and City Gateway, employees have raised over £15,000 this year through a variety of events, such as bake sales, charity auctions and quizzes, on top of the gruelling efforts of marathon running.

Our largest fundraising event RPI-X Factor is the utility, environment and water industries' only battle of the bands competition, continues to go from strength to strength. An eagerly anticipated event, the night is a sell-out success, with excellent bands performing from across the industry and large amounts of money raised for charity.

CSR is part of our DNA. It is integral to the way we work today and will work tomorrow for all our futures.



# Directors' Report and Financial Statements 2013/14







# Directors' Report

## INTRODUCTION

The Directors present their report on the results of the Group, together with the Strategic Report, the Financial Statements and the Auditor's Report, for the year ended 31st March 2014.

## RESULTS AND DIVIDENDS

In the year to 31st March 2014, the Group achieved revenues of £13.5m (2013: £11.5m) and operating profit before exceptional items of £1.4m (2013: £0.9m). The strong performance has been driven by the business successfully securing key strategic contracts in the UK and Irish energy sectors. The decision to integrate Red Island, the information security practice, into the core business has resulted in the recognition of the associated goodwill write off and one-off restructuring costs. This associated cost amounted to £2m, resulting in a reported loss of £0.7m (2013: £0.7m profit) in the period.

In line with the Company's dividend policy to increase ordinary dividend payments by RPI plus 1%, the Directors recommend an ordinary dividend of 82.25p per share (2013: 79.47p) totalling £189k.

## SHARE ISSUES

There were no share issues during the year.

## DIRECTORS AND THEIR INTERESTS

The Directors who served during the year were as follows:

**Nigel Bromley (Chairman)**

**Mike Jeans**

**John Sykes\* (resigned 31st July 2013)**

**Paul Tonkinson\***

**Meriel Lenfestey (appointed 1st July 2013)**

**David Thorne**

**Jagjit Dosanjh-Elton**

**Ken McRae**

\*Employed by a Gemserv shareholder organisation

No Director at 31st March 2014 had any beneficial interest in any of the shares of the Group.

## DIRECTORS' RESPONSIBILITIES

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 the affairs of the Group and of the surplus or deficit of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business.

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

## STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditor is unaware, and each Director has taken all the steps that they ought to have taken in order to make themselves aware of any relevant information, and to establish that the Group's auditor is aware of that information.

## AUDITOR

Chantrey Vellacott DFK LLP is willing to seek reappointment as the auditor to the Group. A resolution proposing its reappointment will be put forward at a General Meeting.



Ken McRae  
Executive Director & Company Secretary  
4<sup>th</sup> June 2014

# Strategic Report

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## PRINCIPAL ACTIVITIES

Gemserv, established in 2002, provides a range of specialist market-level consultancy services predominantly within the utility and environmental sectors. We work with our clients to inform policy development, implement the right solutions and manage the enduring delivery on behalf of government departments, regulators, trade associations and market participants.

Together with our information security practice that trades under the 'Red Island' brand, Gemserv is uniquely positioned to meet its growing client requirements to deliver pan industry initiatives such as Smart Metering and the Green Deal.

## BUSINESS REVIEW

This year has been one of significant progress with the underlying sustainability of the business strengthened. Securing the Smart Energy Code Administration and Secretariat (SECAS) contract for a four year period, together with the work undertaken for the Commission of Energy Regulation (CER) in Ireland, has cemented Gemserv's position in its core markets.

During the year, the new opportunities in Smart Metering and the Irish electricity market has enabled Gemserv and Red Island to combine their expertise to deliver client requirements, thereby capitalising on synergies between the two companies. The benefits of the integrated service-offering, together with the recognition of operational efficiencies, has led us to decide to operate as one Limited Company, with the Red Island brand continuing to trade as part of Gemserv Limited. The one-off costs associated with the Red Island integration including the Goodwill write off have amounted to £2m.

The Company has also continued to invest in developing new opportunities in the Water Market, as well as successfully securing a new Biomass opportunity in the Environment sector to set up and manage the Renewable Heat Incentive Biomass Suppliers List on behalf of the Department of Energy and Climate Change (DECC). The continued focus on growing sustainable revenue streams in new and evolving markets is a key premise of our company's strategy.

The growth achieved this year is underpinned by the key financials, with revenue of £13.5m increasing by 18% and operating profit before exceptional items of £1.4m, delivering an underlying net margin of 10.3%.

## COMPANY STRATEGY AND PERFORMANCE MEASURES

Since the creation of Gemserv 12 years ago, a central plank of Gemserv's strategy has been to diversify its portfolio, reducing its reliance on one core contract, the Master Registration Agreement (MRA). Gemserv has taken a challenging and transformational journey from being a single client cost recovery organisation to a successful and profitable multi-disciplinary consultancy company.

The continuing need to evolve has been brought into sharp relief over the last four years by the emergence of national programmes in the utility sector such as Smart Metering, the Green Deal and water competition, with the increasing and more intelligent use of data as an important driver. By successfully securing a number of key strategic wins (Green Deal Oversight and Registration Body - GD ORB and SECAS), Gemserv has remained ahead of the curve and on track to achieve its medium-term growth aspirations.

By working closely with our clients and stakeholders, we aim to ensure that complex markets work effectively, securely and with integrity for everyone's benefit. To achieve this, over the next three years we will continue to:

- Be a central part of evolving markets;
- Deliver client services to time, quality and budget;
- Attract, engage and retain staff of the highest quality; and
- Scale business operations to deliver the growth.

The achievement of these key objectives will position Gemserv well to deliver on its medium-term growth aspiration to establish a financially, ethically and environmentally sustainable business, delivering £20m revenue with a profit margin in excess of 12% by 2018.

The success of the Company in delivering its strategic priorities is monitored through a number of hard and soft metrics as outlined overleaf.

# Strategic Report

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## Hard Metrics

- Gross Net Margin %
- Forward looking secured income levels
- Sales pipeline conversion rates
- Utilisation levels

## Soft Metrics

- Customer Satisfaction Survey results
- Brand strength
- Staff satisfaction levels
- Delivery of internal initiatives (infrastructure upgrades, capability development)

## BUSINESS RISK

The Board has a clear risk management strategy. As part of that strategy, it regularly assesses business risk by reviewing and updating the corporate risk register in context of developments in the external environment and internal operations. A number of core risks are continuously managed including:

- The impacts of Government, regulatory and industry changes taking place in relation to our core contracts;
- Increased competition from existing code bodies, international consultancy practices and major outsourcing companies;
- Dependency on key suppliers; and
- The potential for an information security breach.

Other internal operational risks include the retention of key talent and infrastructure resilience. These risks are regularly appraised and mitigating actions are put in place as appropriate.

The risks facing the business are regularly assessed against the medium-term Company Strategic Plan which is periodically modified to reflect significant changes in the operating environment.



Jagjit Dosanjh-Elton  
Chief Financial Officer  
4<sup>th</sup> June 2014



# Corporate Governance Statement

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The Board of Directors is committed to the highest standards of corporate governance and believes that such standards are essential to business integrity and performance.

Accordingly, although Gemserv is not listed on a Stock Exchange, the Board aligns its approach to Corporate Governance with the Financial Reporting Council's UK Corporate Governance Code. The Board welcomes the guidance it provides as the basis for preparing annual accounts.

This alignment reflects the interest of both our shareholders and the clients that we serve.

## BOARD OF DIRECTORS

The Board comprises three independent Non-Executive Directors, a Shareholder Non-Executive Director and three Executive Directors. The role of the Chairman is separated from the role of the Chief Executive. The Board usually meets six times a year and has a schedule of matters specifically reserved for its approval. In particular the Board is responsible for:

- Development and approval of strategy and key policies;
- The corporate risk register;
- Approval of major developments including acquisitions;
- Approval of the annual business plan and budget;
- Board and Committee appointments and related terms of reference;
- Review of management performance;
- Approval of significant changes in accounting policy and practice; and
- Corporate Governance and internal control.

The Board acknowledges its responsibility for the systems of internal control within the Group and for ensuring these systems maintain the integrity of accounting records and the safeguarding of its assets. The purpose of these systems is to provide reasonable assurance as to the reliability of financial information and to maintain proper control over income, expenditure, assets and liabilities.

## GOING CONCERN

The Board confirms that, after making appropriate enquiries, it is of the opinion that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing these accounts.

## FINANCIAL REPORTING

There is a comprehensive business planning system with a strategy and annual budget approved by the Board. Monthly actual results are reported against budget, and forecasts for the year are prepared regularly. The Management Team reviews the monthly reports.

## RISK MANAGEMENT

The Board examines the major strategic, business and operational risks that the Group faces on a continual basis, including formal reviews at Board Meetings.

A system has been established that ensures risks are monitored and reported regularly at all levels, and that appropriate actions are in place to mitigate perceived significant risks.

## CONTROLS AND PROCEDURES

Gemserv maintains a comprehensive set of delegations of authority and financial regulations, and all material breaches are reported to the Audit Committee. The financial controls and procedures are reviewed regularly and compliance with them is assessed as part of the annual audit. The Audit Committee reviews internal controls for compliance with relevant legislation.

## SHAREHOLDER RELATIONS

The Board reviews its relations and communications with shareholders on an annual basis. The Annual Report and Accounts are presented to shareholders at a General Meeting held in July of each year. A Shareholder Non-Executive Director is represented at Board level and the Board ensures an ongoing dialogue with other shareholders through a range of communications.

# Committee Report

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The Board has three standing committees: an Audit Committee; a Remuneration Committee; and a Nominations Committee. Each is formally constituted with terms of reference and includes at least two Non-Executive Board members.

## AUDIT COMMITTEE

The Audit Committee assists the Board in the execution of its responsibilities for Corporate Governance and internal control, and has adopted terms of reference modelled on those set out in the UK Corporate Governance Code.

The members of the Committee are Mike Jeans (Chairman) and Paul Tonkinson, both Non-Executive Directors. The Chief Financial Officer is the Secretary of the Committee; the External Audit Partner and the Chief Executive also attend meetings as required.

The Audit Committee approves the audit fees and reviews the Group's internal financial control structure and external audit process. It monitors the effectiveness of the Group's internal controls, the integrity of the financial statements and proposed announcements, together with any proposed changes in accounting policies, prior to approval by the Board. The Committee also keeps under review the objectivity and independence of the external auditor and the nature and extent of the non-audit services it provides.

The Committee met four times during the year and key issues discussed included:

- Financial results and the Annual Report;
- Implications of the forthcoming changes to accounting standards;
- Restructuring costs relating to the integration of Red Island; and
- The Goodwill amortisation policy relating to the acquisition of Red Island.

## REMUNERATION COMMITTEE

The Remuneration Committee determines the remuneration of the Management Team on behalf of the Board and approves the remuneration strategy for all Gemserv employees. Its members are all Non-Executive Directors who meet under the Chairmanship of Paul Tonkinson. The Chief Executive, Chief Financial Officer and the Head of HR attend the meetings to present proposals with respect to Gemserv's Remuneration Strategy.

The Committee met five times during the year and the key items discussed included:

- The outcomes of the Reward Review Project including approving the proposed Reward Strategy and the introduction of an updated incentive scheme;
- Reviewing the proposed annual remuneration, including the levels of salary, bonus and pensions payable to staff; and
- Review of the remuneration package of the Management Team, including the operation of the Senior Management Incentive and Retention Scheme and the approval thereof.

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## NOMINATIONS COMMITTEE

The Nominations Committee is chaired by the Board Chairman and comprises all Non-Executive Directors. The Committee manages the process for Board appointments, ensuring there is a formal and appropriate procedure for the appointment of new Directors to the Board. The Committee is responsible for leading the process and making recommendations to the Board. In addition the Committee is responsible for reviewing succession planning for the Board and Management Team members in line with its approved terms of reference.

The Committee met twice during the year and the key items discussed included:

- The Non-Executive rotation programme instigated in accordance with the Independent Board Review undertaken in Autumn 2012; and
- The appointment process and recommendation for a new independent Non-Executive Director.

## MANAGEMENT TEAM

The Board has delegated operational matters to the Management Team. The Management Team is led by the Chief Executive and includes two Executive Directors and one Senior Manager. The Team formally meets twice a month.

It is responsible for the development of strategic options for consideration by the Board and implementing the Group Strategy. The Team also leads on managing commercial operations, financial performance, Company risk profile and the organisation's resourcing and capability.



# Auditor's Report

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We have audited the Group and Parent Company financial statements (the “financial statements”) of Gemserv Limited for the year ended 31<sup>st</sup> March 2014 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall

presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- Give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31<sup>st</sup> March 2014 and of the Group's loss for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

## OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all areas of risk identified in our audit but summarises the key areas which were highlighted with the Audit Committee in our planning discussions:

- We performed substantive testing relating to revenue recognition as well as analytical procedures, in particular with relation to income derived from service contracts and cut off;
- We performed testing of journal entries in order to identify the risk of fraud arising from management override of controls;
- We reviewed the related party disclosures in the accounts against our expectations; and
- We considered the Group's application of its accounting policies in relation to the areas of significant judgement.

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## OUR APPLICATION OF MATERIALITY

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually on balances and on the financial statements as a whole.

Based on our methodology and professional judgement we determined materiality for the Group financial statements as a whole to be £154,000. Furthermore, we calculated a performance materiality for both the parent company and its wholly owned subsidiary undertaking Red Island Consulting Limited.

We agreed with the Audit Committee that we would report to them the misstatements identified during our audit above £6,000.

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The Group financial statements consolidate the financial statements of Gemserv Limited and Red Island Consulting Limited.

The Group operates primarily through the main parent company with income arising from services rendered. Income derived from information security contracts originates through Red Island Consulting Limited. At the year end the trade and assets of Red Island Consulting Limited were hived up into the parent company with the trade set to continue through Gemserv. Red Island Consulting Limited is set to become dormant going forward.

We tested and examined information using controls testing, substantive and non-substantive techniques to the extent considered necessary to provide us with sufficient reliable audit evidence to draw conclusions.

These procedures gave us the evidence that we need for our opinion on the Group's financial statements as a whole.

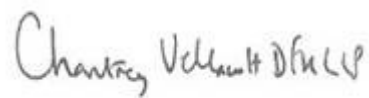
## OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared and the other information included in the Chairman's Statement, Chief Executive's Report, Corporate Social Responsibility Report, Corporate Governance Statement and the Committee Report are consistent with the financial statements.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- Adequate accounting records have not been kept by the Parent Company; or
- The Parent Company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.



Stephen Corral FCCA  
Senior Statutory Auditor  
for and on behalf of  
Chantrey Vellacott DFK LLP  
Chartered Accountants and Statutory Auditor, London  
4<sup>th</sup> June 2014

# Group Profit and Loss Account

## FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2014

	Notes	2014 £'000	2013 £'000
TURNOVER	2	13,538	11,481
ADMINISTRATIVE EXPENSES		(12,141)	(10,545)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		<u>1,397</u>	<u>936</u>
Restructuring costs	3	(2,030)	-
OPERATING (LOSS)/PROFIT		<u>(633)</u>	<u>936</u>
Interest receivable and similar income		11	39
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>(622)</u>	<u>975</u>
Tax on (loss)/profit on ordinary activities	5	(35)	(240)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	17	<u>(657)</u>	<u>735</u>

There were no other recognised gains or losses made by the Group during the year ended 31st March 2014 other than the loss for the year and therefore a separate statement of recognised gains and losses is not presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

The notes on pages 30-38 form part of these financial statements.



# Group and Company Balance Sheet

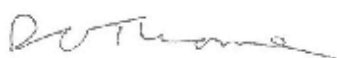
## AS AT 31<sup>ST</sup> MARCH 2014

	Notes	GROUP 2014 £'000	GROUP 2013 £'000	COMPANY 2014 £'000	COMPANY 2013 £'000
<b>FIXED ASSETS</b>					
Intangible fixed assets	7	-	2,062	-	-
Investments	8	-	-	-	3,397
Tangible fixed assets	9	156	321	156	309
		<u>156</u>	<u>2,383</u>	<u>156</u>	<u>3,706</u>
<b>CURRENT ASSETS</b>					
Debtors	10	3,371	2,949	3,371	2,535
Short term investments	11	1,005	2,203	1,005	2,002
Cash at bank and in hand	12	9,625	6,612	9,625	5,889
		<u>14,001</u>	<u>11,764</u>	<u>14,001</u>	<u>10,426</u>
<b>CREDITORS</b>					
Amounts falling due within one year	13	(9,558)	(7,708)	(9,558)	(7,594)
<b>NET CURRENT ASSETS</b>		<u>4,443</u>	<u>4,056</u>	<u>4,443</u>	<u>2,832</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>4,599</b>	<b>6,439</b>	<b>4,599</b>	<b>6,538</b>
<b>PROVISIONS FOR LIABILITIES</b>					
Deferred taxation	14	23	21	23	21
<b>NET ASSETS</b>		<u>4,622</u>	<u>6,460</u>	<u>4,622</u>	<u>6,559</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	15	230	230	230	230
Profit and loss account	16	4,392	6,230	4,392	6,329
<b>EQUITY SHAREHOLDERS' FUNDS</b>	17	<u>4,622</u>	<u>6,460</u>	<u>4,622</u>	<u>6,559</u>

Approved by the Board and authorised for issue on 4th June 2014 and signed on behalf of the Board by:



Nigel Bromley  
Chairman



David Thorne  
Chief Executive

The notes on pages 30-38 form part of these financial statements.

# Group Cashflow Statement

## FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2014

	Group 2014 £'000	Group 2013 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,726	581
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	11	48
TAXATION		
UK corporation tax paid	(5)	(285)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(88)	(194)
MANAGEMENT OF LIQUID RESOURCES		
Decrease/(Increase) in short-term investments	1,198	(453)
EQUITY DIVIDENDS PAID	(1,181)	(175)
INCREASE/(DECREASE) IN CASH IN THE YEAR	<u>1,661</u>	<u>(478)</u>
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS		
Net funds at the beginning of the year	8,815	8,198
(Decrease)/Increase in short-term investments	(1,198)	453
Increase/(Decrease) in cash balance	1,661	(478)
Increase in MCS cash balance (see note 20)	1,352	642
NET FUNDS AT THE END OF THE YEAR	<u>10,630</u>	<u>8,815</u>

ANALYSIS OF NET FUNDS	As at 31st March 2014 £'000	Cashflow £'000	As at 31st March 2013 £'000
Gemserv Bank Accounts	3,310	1,661	1,649
MCS Bank Account (see note 20)	6,315	1,352	4,963
Cash at bank and in hand	9,625	3,013	6,612
Short-term investments	1,005	(1,198)	2,203
NET FUNDS AT THE END OF THE YEAR	<u>10,630</u>	<u>1,815</u>	<u>8,815</u>



# Note to the Group's Cash Flow Statement

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RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	Group 2014 £'000	Group 2013 £'000
Operating loss	(633)	936
Goodwill write-off	1,928	-
Depreciation	252	199
Amortisation	134	145
(Increase) in debtors	(450)	(740)
Increase in creditors	495	41
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>1,726</u>	<u>581</u>

# Notes to the Financial Statements

## 1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below:

### BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention and in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### CONSOLIDATION

The Group's financial statements consolidate the accounts of Gemserv Limited and its subsidiary Red Island Consulting Limited made up to 31st March 2014. The Group statements have been prepared in accordance with consolidation accounting principles. Turnover and profits arising on trading between Group companies are excluded.

### OPERATING LEASES

Property rentals payable under operating leases are charged against profit on a straight line basis over the period to the first rent review taking into account the rent free period at the commencement of the lease.

### TURNOVER

Turnover represents the value of the services rendered to customers for the period. Where services have been invoiced in advance these sums are carried forward at the year end as deferred income, and included in creditors. Turnover is stated net of VAT.

### PENSION COSTS

The Group operates a group pension scheme which is a defined contribution scheme. Contributions are charged in the profit and loss account in the period in which they are paid.

### FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions during the period are translated at the rate of exchange ruling at the date of the transaction.

## GOODWILL

The goodwill arose on the acquisition of Red Island Consulting representing the consideration paid in excess of the net asset value. Previously the goodwill was being amortised over the expected economic life of twenty years. Following the decision to integrate Red Island (the subsidiary) into the parent company and operate as one limited company, the carried forward goodwill value as at 31st March 2014 has been written down.

## INTANGIBLE FIXED ASSETS

Intangible fixed assets are stated at cost less amortisation. The Group's policy is to amortise intangible fixed assets at rates calculated to write off their cost, less their estimated residual value, over their expected useful lives from the date of purchase on the following basis:

- Software: 3 years

## INVESTMENTS

Investments are initially included at cost and are subject to an annual impairment review.

## TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less depreciation. The Group's policy is to depreciate fixed assets at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives from the date of purchase on the following basis:

- Leasehold Improvements:  
over the lease period to the break point 2014;
- Computer and office equipment: 2-4 years; and
- Office furniture: 4-5 years.

## WORK IN PROGRESS AND LONG TERM CONTRACTS

For long term contracts, work in progress is stated at cost plus attributable profits less foreseeable losses and progress payments received and receivable, and is disclosed under debtors as amounts recoverable on contracts. Cost comprises direct labour and attributable overheads. Attributable profit is that proportion of the total profit estimated to arise over the duration of a contract, which may reasonably be attributed to the work carried out up to the balance sheet date.

Foreseeable losses are all losses currently expected to arise on contracts in progress, irrespective of their stage of completion at the balance sheet date.



Progress payments receivable in excess of the value of work executed on individual contracts are included in creditors under the heading payments received on account.

## DEFERRED TAXATION

Deferred taxation is provided on material timing differences between the incidence of income and expenditure for taxation and accounting purposes on a full provision basis in accordance with the provisions set out in FRS 19 "Deferred Tax". Deferred tax assets are only recognised when they arise from timing differences where their recoverability in the short term is regarded as being probable.

## 2. TURNOVER

TURNOVER BY GEOGRAPHIC AREA IS AS FOLLOWS:

	GROUP 2014 £'000	GROUP 2013 £'000
UK	13,067	11,110
Europe and Republic of Ireland	366	185
Other	105	186
	<u>13,538</u>	<u>11,481</u>

## 3. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

THIS IS STATED AFTER CHARGING:

Depreciation	252	199
Amortisation	134	145
Staff costs (see note 4)	5,475	4,469
Foreign exchange gain	18	16
Payments under operating lease	<u>201</u>	<u>201</u>
Auditor's remuneration:		
Audit services	22	21
Non-audit services	40	99
	<u>62</u>	<u>30</u>
Restructuring costs:		
Goodwill write off	1,928	-
Integration costs	102	-
	<u>2,030</u>	<u>-</u>

The restructuring costs relate to the trade and asset sale of Red Island Consulting to its parent company.

## 4. STAFF COSTS

STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION) DURING THE YEAR AMOUNTED TO:

Wages and salaries	4,695	3,799
Social security costs	551	450
Pension costs	229	220
	<u>5,475</u>	<u>4,469</u>

THE AVERAGE NUMBERS OF DIRECTORS AND PERMANENT STAFF EMPLOYED DURING THE YEAR WERE:

	No.	No.
Non-Executive Directors	4	4
Executive Directors	3	3
Permanent Staff	89	76
	<u>96</u>	<u>83</u>

## DIRECTORS' REMUNERATION

The total amount of Directors' remuneration and other benefits was £576k (2013: £464k). The remuneration increase in the year reflects the full year impact of the increase in the number of Executive Directors to three. This also includes those Non-Executive Director's fees which were payable to the employers of certain Non-Executive Directors.

The remuneration of the highest paid Director was £203k including £15k pension contribution (2013: £194k including £14k pension contribution).

Directors' remuneration includes £39k (2013: £68k) in respect of the Senior Management Incentive and Retention Scheme. Pension contributions of £40k (2013: £29k) were made in respect of 3 Directors (2013: 2).

David Thorne has a season ticket and health care loan and Jagjit Dosanjh-Elton has a season ticket loan in accordance with the Company's normal terms for staff. The maximum amount advanced to David Thorne and Jagjit Dosanjh-Elton in the year was £3,408 and £4,500 respectively. The amount outstanding at the end of the year was £1,621 and £1,500 respectively.

## 5. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

GROUP	GROUP
2014	2013
£'000	£'000

### (A) ANALYSIS OF TAX CHARGE FOR THE PERIOD

UK corporation tax on profits for the period (note 5B)	37	260
Deferred tax provision	(2)	(20)
Tax on profits on ordinary activities	<u>35</u>	<u>240</u>

### (B) FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 23%. The differences are explained below:

(Loss)/Profit on ordinary activities before tax	<u>(622)</u>	<u>975</u>
Tax on profit on ordinary activities at standard corporation tax rate of 23% (2013: 24%)	(143)	234

### EFFECTS OF:

Expenses not deductible for tax purposes	34	41
Goodwill write-off	443	-
Capital allowances less than/(more than) depreciation	27	18
Foreign tax credits	-	8
Lower rates of taxation	5	(6)
Other short term timing differences	1	3
Adjustments in relation to R&D Tax Credits	(315)	(38)
Adjustments in respect of prior periods	(15)	-
Current tax charge for the period (note 5A)	<u>37</u>	<u>260</u>

## 6. DIVIDEND

	COMPANY 2014 £'000	COMPANY 2013 £'000
AMOUNTS RECOGNISED AS DISTRIBUTIONS TO ORDINARY SHAREHOLDERS IN THE YEAR:		
Final 2013 ordinary dividend of 79.47p (2012: 76.19p) per share paid in the year	183	175
Final 2013 special dividend of £1m (2012:Nil)	998	-
	<u>1,181</u>	<u>175</u>
AMOUNTS NOT RECOGNISED AS DISTRIBUTIONS TO ORDINARY SHAREHOLDERS DURING THE YEAR:		
Proposed final 2014 ordinary dividend of 82.25p (2013: 79.47p) per share	189	183
Proposed final 2014 special dividend	-	1,000
	<u>189</u>	<u>1,183</u>

The proposed final 2014 ordinary dividend is subject to approval by shareholders at a General Meeting and has not been included as a liability in these financial statements, in accordance with FRS 21.

The Company Secretary holds 463 shares. The final 2013 dividend of £2k due on these shares has been waived.

## 7. INTANGIBLE FIXED ASSETS

GROUP	GOODWILL £'000	SOFTWARE £'000	TOTAL £'000
COST			
At 1st April 2013	2,569	33	2,602
Disposals	(2,569)	(33)	(2,602)
At 31st March 2014	<u>-</u>	<u>-</u>	<u>-</u>
AMORTISATION			
At 1st April 2013	512	28	540
Charge for the year	2,057	5	2,062
Disposals	(2,569)	(33)	(2,602)
At 31st March 2014	<u>-</u>	<u>-</u>	<u>-</u>
NET BOOK VALUES			
At 31st March 2014	<u>-</u>	<u>-</u>	<u>-</u>
At 31st March 2013	<u>2,057</u>	<u>5</u>	<u>2,062</u>

## 8. INVESTMENTS

COMPANY	£'000	£'000
On 11th February 2009 the Company purchased 100% of the issued share capital of Red Island Consulting Limited an information security and management systems consultancy.		
Cost at 31st March 2014 and at 1st April 2013	<u>-</u>	<u>3,397</u>

Following the Red Island asset sale to the parent company, the investment value has been written down in March 2014.



## 9 TANGIBLE FIXED ASSETS

A. GROUP	LEASEHOLD IMPROVEMENTS £'000	OFFICE & COMPUTER EQUIPMENT £'000	OFFICE FURNITURE £'000	TOTAL £'000
<b>COST</b>				
At 1st April 2013	320	482	175	977
Additions	-	95	2	97
Disposals	-	(26)	-	(26)
At 31st March 2014	<u>320</u>	<u>551</u>	<u>177</u>	<u>1,048</u>
<b>DEPRECIATION</b>				
At 1st April 2013	225	326	105	656
Charge for the year	61	129	62	252
Disposals	-	(16)	-	(16)
At 31st March 2014	<u>286</u>	<u>439</u>	<u>167</u>	<u>892</u>
<b>NET BOOK VALUES</b>				
At 31st March 2014	<u>34</u>	<u>112</u>	<u>10</u>	<u>156</u>
At 31st March 2013	<u>95</u>	<u>156</u>	<u>70</u>	<u>321</u>

B. COMPANY	LEASEHOLD IMPROVEMENTS £'000	OFFICE & COMPUTER EQUIPMENT £'000	OFFICE FURNITURE £'000	TOTAL £'000
<b>COST</b>				
At 1st April 2013	320	459	175	954
Additions	-	92	2	94
At 31st March 2014	<u>320</u>	<u>551</u>	<u>177</u>	<u>1,048</u>
<b>DEPRECIATION</b>				
At 1st April 2013	225	315	105	645
Charge for the year	61	124	62	247
At 31st March 2014	<u>286</u>	<u>439</u>	<u>167</u>	<u>892</u>
<b>NET BOOK VALUES</b>				
At 31st March 2014	<u>34</u>	<u>112</u>	<u>10</u>	<u>156</u>
At 31st March 2013	<u>95</u>	<u>144</u>	<u>70</u>	<u>309</u>

## 10. DEBTORS

	2014 GROUP £'000	2013 GROUP £'000	2014 COMPANY £'000	2013 COMPANY £'000
Trade debtors	1,588	1,835	1,588	1,457
Other debtors	571	453	571	452
Prepayments and accrued income	961	382	961	347
MCS Debtors (see note 20)	251	279	251	279
	<u>3,371</u>	<u>2,949</u>	<u>3,371</u>	<u>2,535</u>

Included in other debtors is a rent deposit of £165k which is repayable at the end of the lease (see note 18).

## 11. SHORT-TERM INVESTMENTS

Fixed Rate Interest Bearing Cash Deposits	<u>1,005</u>	<u>2,203</u>	<u>1,005</u>	<u>2,002</u>
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The fixed rate interest bearing cash deposits mature at different times during the year.  
The deposits can be released early by giving 3 months' notice to the Group's bankers.

## 12. CASH AT BANK AND IN HAND

Gemserv Bank Accounts	3,310	1,649	3,310	926
MCS Bank Account (see note 20)	6,315	4,963	6,315	4,963
	<u>9,625</u>	<u>6,612</u>	<u>9,625</u>	<u>5,889</u>

## 13. CREDITORS

### AMOUNTS FALLING DUE WITHIN ONE YEAR

Trade creditors	714	347	714	328
Amounts due to subsidiary undertaking	-	-	-	10
Other creditors including social security	621	712	621	629
Corporation tax	188	157	188	210
Accruals and deferred income	1,469	1,250	1,469	1,175
MCS Creditors (see note 20)	6,566	5,242	6,566	5,242
	<u>9,558</u>	<u>7,708</u>	<u>9,558</u>	<u>7,594</u>

## 14. DEFERRED TAXATION

	2014 GROUP £'000	2013 GROUP £'000	2014 COMPANY £'000	2013 COMPANY £'000
Capital allowances	(18)	(14)	(18)	(14)
Short term timing differences	(5)	(7)	(5)	(7)
Deferred tax liability	<u>(23)</u>	<u>(21)</u>	<u>(23)</u>	<u>(21)</u>

The provision for deferred taxation has been calculated based on a corporation tax rate of 23% (2013: 26%)

### THE MOVEMENT DURING THE YEAR IS ANALYSED AS FOLLOWS:

Balance at 1 <sup>st</sup> April 2013	(21)	(2)	(21)	(2)
Capital allowances	(3)	(17)	(3)	(17)
Short-term timing differences	1	(2)	1	(2)
Balance at 31 <sup>st</sup> March 2014	<u>(23)</u>	<u>(21)</u>	<u>(23)</u>	<u>(21)</u>

## 15. SHARE CAPITAL

	2014 £'000	2013 £'000
<b>GROUP AND COMPANY</b>		
Authorised	<u>500</u>	<u>500</u>
500,000 Ordinary shares of £1 each (2013: 500,000)		
Called up, issued and fully paid	<u>230</u>	<u>230</u>
230,258 (2013: 230,258) Ordinary shares of £1 each		

## 16. PROFIT AND LOSS ACCOUNT

<b>GROUP</b>		
At 1st April 2013	6,230	5,670
Loss for the year after taxation	(657)	735
Dividends paid (see note 6)	(1,181)	(175)
As at 31st March 2014	<u>4,392</u>	<u>6,230</u>
<b>COMPANY</b>		
At 1st April 2013	6,329	5,480
Profit for the year after taxation	1,659	1,024
Dividends paid (see note 6)	(1,181)	(175)
Dividends received	982	-
Investment write off	(3,397)	-
As at 31st March 2014	<u>4,392</u>	<u>6,329</u>



## 17. RECONCILIATION OF THE MOVEMENT IN SHAREHOLDERS' FUNDS

### GROUP

At 1st April 2013	6,460	5,900
(Loss)/Profit for the year after taxation	(657)	735
Dividends paid (see note 6)	(1,181)	(175)
As at 31st March 2014	<u>4,622</u>	<u>6,460</u>

### COMPANY

At 1st April 2013	6,559	5,710
Profit for the year after taxation	1,659	1,024
Dividends paid (see note 6)	(1,181)	(175)
Dividends received	982	-
Investment write off	(3,397)	-
As at 31st March 2014	<u>4,622</u>	<u>6,559</u>

As permitted by S. 408 of the Companies Act 2006, no separate profit and loss account for Gemserv Limited has been presented.

## 18. FINANCIAL COMMITMENTS

The Company's annual commitments for non-cancellable rent obligation under operating lease for its premises payable during the year is as follows:

	2014 £'000	2013 £'000
Expiring within 1 year	129	-
Expiring after more than 5 years	-	287

i. The Company exercised the 5 year break clause within its existing lease agreement and is in advanced negotiations to move to new premises later in 2014.

ii Under the Senior Management Incentive and Retention Scheme rules, part of the bonus entitlement is conditional on the scheme member remaining in continuous employment for a further 36 months' qualifying period and therefore is not provided for in these financial statements. At 31st March 2014, the aggregate sum of conditional bonuses under the scheme was £132k (2013: £172k).

## 19. PENSION SCHEME

The Group operates defined contribution schemes. The charge for the year of £229k (2013: £220k) represents contributions payable to the schemes in respect of the year ended 31st March 2014.

## 20. STEWARDSHIP OF THE MICROGENERATION CERTIFICATION SCHEME (MCS)

In October 2008 Gemserv Limited was awarded the Licence by the Secretary of State for the Department of Energy and Climate Change (DECC) to administer and market the Secretary of State's Microgeneration Certification Scheme (MCS). This contract was renewed in October 2012 for a further three year period.

In respect of certification and other fees, the MCS is self funding in accordance with agreed rules. As the steward of the Scheme, Gemserv collects these fees and meets all related expenditure on behalf of the MCS. Gemserv receives a service charge for the administration of the MCS and this is included in the Company's turnover.

As part of its obligations, Gemserv maintains a separate record of all income and expenditure in respect of the MCS; these are not included in its results. The balances held on behalf of the MCS are included in Gemserv's Balance Sheet and are summarised below:

	2014 £'000	2013 £'000
<b>CURRENT ASSETS</b>		
Debtors	251	279
Cash at bank and in hand	6,315	4,963
	<u>6,566</u>	<u>5,242</u>
<b>CREDITORS</b>		
Amounts falling due within one year	6,566	5,242
	<u>6,566</u>	<u>5,242</u>





## LONDON OFFICE

10 Fenchurch Street  
London EC3M 3BE

Telephone: 020 7090 1000

Fax: 020 7090 1001

finance@gemserv.com

## IRELAND OFFICE

Fitzwilliam Hall Business Centre,  
Fitzwilliam Place, Dublin 2

Telephone: +353 (0) 1 669 4630

business.support@gemserv.com



**PEOPLE:** Awarded Best Companies' Two Star Accreditation for 2013.



INVESTOR IN PEOPLE

**PEOPLE:** As a mark of Gemserv's continued commitment to developing our staff's skills we have been independently recognised for the commitment we make to shared values within the company and have held the Investors in People standard since 2005.



**ENERGY:** Gemserv's Energy Management System (EnMS) is independently certified to ISO 50001 and enables us to continually improve the efficiency of our energy use.



**ENVIRONMENT:** Gemserv is committed to continuous improvement in its environmental performance and operates its business in accordance with its Environmental Management System (EMS), which has been independently certified to ISO 14001.



**SECURITY:** Gemserv utilises an Information Security Management System (ISMS), which has achieved certification to the ISO 27001 standard, a robust audit and certification scheme.



**QUALITY:** Gemserv operates a thorough and wide-ranging Quality Management System (QMS) in the provision of our services. Our Quality Management System is certified to ISO 9001.