

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2019

GEMSERV LIMITED



Gemserv

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DIRECTORS, OFFICERS, ADVISERS AND STATUTORY INFORMATION

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NON-EXECUTIVE DIRECTORS

Meriel Lenfestey, Chair

Matthew Rees, Senior Independent Non-Executive Director

Annette Nabavi, Independent Non-Executive Director

Simon Wills, Non-Executive Director

EXECUTIVE DIRECTORS

Alex Goody, Chief Executive

Daniel Carter-Clout, Finance Director and Company Secretary

OFFICERS

Jonathan Harley, Director of Business Development and Consultancy

Trevor Hutchings, Director of Strategy and Communications

Miriam Atkin, Director of Major Accounts

Robin O'Connor, Director of Digital Transformation

BANKERS

The Royal Bank of Scotland plc

62/63 Threadneedle Street, London, EC2R 8LA

AUDITOR

BDO LLP

150 Aldersgate Street, London, EC1A 4AB

REGISTERED OFFICE

8 Fenchurch Place, London, EC3M 4AJ

Telephone: 020 7090 1000

Email: finance@gemserv.com

Company Registration Number: 4419878

IRELAND OFFICE

Fitzwilliam Hall Business Centre, Fitzwilliam Place,
Dublin 2

Telephone: +353 (0) 1 699 4630

Email: business.support@gemserv.com



CHAIR'S STATEMENT

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Gemserv is going from strength to strength. At the end of year 3 of our Invest for Growth Strategy, we have reached our five-year targets two years ahead of schedule. Revenue of £24.1m is growth of 28% on the prior year, itself a record, and well above our five-year goal of £22m. This fantastic achievement is the result of the investments we have made in people, skills and capabilities that are relevant to the ever-evolving needs of our clients and our markets in a world driven by data and technology.

However, Gemserv is not the type of organisation to rest on its laurels. As the world outside Gemserv changes rapidly, so we are responding to that change. We have set out an ambitious new five-year strategy, with reinvigorated Purpose and Values. We are setting out to diversify and strengthen our presence in the energy sector, to build a new presence for Gemserv in health and to widen our services and involvement with the public sector. We aim to be recognised as a leading professional services firm in these sectors, addressing important societal challenges for today and tomorrow. We will be true to our new Purpose, making things that matter work better for everyone.

Leading Gemserv towards these goals, our new Chief Executive, Alex Goody, stepped up into the role in July 2018 from his position as Director of Business Development and Consultancy. He brings commitment to our Purpose, and a reinvigorated sense of ambition to the organisation. Alongside the refreshed executive team, he will lead Gemserv through this period of unprecedented change, managing the risks created by external disruption and positioning the company to reap the rewards. The wider Gemserv team continues to rise to the challenge, delivering the highest quality service for our clients whilst maintaining our supportive and friendly culture.

In September 2018, we acquired two businesses: ASE Consulting and Aprose Risk, bringing increased skills and capabilities to the organisation, particularly in the areas of Digital Transformation and Cyber Security. The acquisitions were part of our strategy to bring a wider range of services to both existing and new customers, and to continue to grow outside the energy sector. We are now uniquely positioned among our peer organisations to support clients in energy and beyond in a world driven by data and technology.

While we continue to invest in the business to enable Gemserv to support these changes, we are also pleased to recommend a final dividend of 97.06p per share for 2018/19. This is in line with our policy to increase the dividend by RPI +1% each year.

Finally, I would like to thank David Thorne, who stepped down as Chief Executive in July 2018, for his contribution to Gemserv over his 8 years leading the company. The foundations laid during his tenure have undoubtedly enabled Gemserv to be the successful organisation it is today, and stand it in good stead to meet the challenges of tomorrow.



Meriel Lenfestey
Chair

5th June 2019

The world around Gemserv is changing rapidly, from fluid political discourse and regulatory reform to advances in data availability and technology. These trends have the ability to drive huge benefits for society, if harnessed for good, from managing climate change to dealing with social issues such as an ageing population. At Gemserv this presents challenges to remain relevant and effective but also great opportunities for us to make a difference in an evolving world.

Gemserv is also changing. The bold steps taken by Gemserv over the past few years have created a business that is able to move forwards confidently and make an important difference in tackling today's social and environmental challenges. And this work continues.

During 2018/19, we completed and integrated two acquisitions that will play an important part in Gemserv's future, growing our consultancy division to around 70 staff with expertise in emerging technologies, digital transformation, cyber security, data privacy and ethics, and energy regulation. Of the new business won in year, via public tender, we won two additional major accounts in the Utilities Switching Services and Heat Networks Investment Project and in total saw success in 139 new opportunities including 37 with organisations that are new to Gemserv. We win and maintain our business through competitive processes, constantly proving our value against competitors who range from competitive profit-making companies like ourselves to monopoly service providers, Government bodies and not-for-profit entities. We believe, and repeatedly demonstrate, that this competitive tension and profit driver delivers efficiencies for our clients over alternatives.

To support this growth and future challenge we undertook a restructure of the business operations to improve client support and the work we deliver. We welcomed two new members to the Executive Team: Miriam Atkin, who as Director of Major Accounts provides a renewed focus on our key clients; and, Robin O'Connor, as Director of Digital Transformation, to lead on developing our new service offering. We invested in a record level of training and development to ensure that our staff are fully able to support increasing client demands. We implemented a Talent Management Programme to support mid-career talent in the business and provide additional support for staff in gaining internal promotion. These efforts have resulted in a significant reduction in staff turnover and improved our service to our clients.

We are not perfect. Gemserv has a gender pay gap in common with other professional services firms, which we are seeking to address through a range of proactive measures, but these will take time to have an effect. We also impact negatively on the environment through our carbon emissions but are taking steps to reduce these where possible, and we offset any gap that remains. Our staff expect nothing less.

Looking forwards at our new five-year strategy we can see an energetic Gemserv living its new values of being Innovative, Insightful, Collaborative and Impactful. We will continue to support the markets in which we operate, provide exceptional service and expert advice to clients and make a difference in world driven by data and technology.



Alex Goody
Chief Executive

5th June 2019

We believe that businesses must do more than simply make a profit. It is Gemserv's culture to make a positive, long-term and sustainable contribution in all that we do. This is underscored by our new Purpose to make things that matter work better for everyone.

'Profit with Purpose' captures the approach we take, combining our vision and commercial ambition with our desire to achieve a positive environmental and social impact. We focused our CSR activities on three main areas in 2018/19.

OUR PEOPLE

We are a people business and have worked hard to attract, retain and develop our staff so that they can reach their full potential. We have flexible and inclusive working practices and value the different perspectives that people bring to the workplace, establishing diverse and flexible teams.

We have a whistleblowing policy to ensure that staff feel safe and valued in their day to day work and can identify concerns if they need to. We have provided staff with mental health awareness training, including establishing a network of mental health first-aiders. We reward our staff through a competitive pay package and other benefits. In addition, we are a Living Wage Employer, meaning that not only our employees but those of our suppliers who are regularly contracted receive at least the Living Wage. We are an Investors in People Gold Standard employer.

OUR MARKETS AND CLIENTS

Through our Exceptional Service Programme we have achieved high levels of satisfaction for our customers and clients. We abide by our legal commitments (including anti-bribery and anti-corruption, modern slavery and health and safety) and through our sustainable trading policy we operate to the highest standards of financial probity, ethics and sustainability. To encourage these standards across our core client industry, we sponsored the Utility Week Community Initiative of the Year Award. Our approach is underpinned through a range of quality and environmental standards which we have maintained over the year: Cyber Essentials Plus; Information Security Management ISO27001; Environmental Management System ISO14001; and Quality Management System ISO9001.

OUR ENVIRONMENT AND COMMUNITIES

We have continued to support our nominated charities, For Jimmy and Us in a Bus, as well as match-funding personal fundraising by our employees for their chosen charities, raising £18,462 for good causes.

In addition to the financial contribution to charity, Gemserv staff undertook volunteering assignments at each nominated charity to fulfil specific requirements they had, helping For Jimmy to become GDPR compliant, and finding a new patron for Us In A Bus.

All staff are encouraged to take one paid volunteering day each year. This underpins our commitment to invest staff time in rewarding activities outside work. Further to this commitment over 100 Gemserv staff undertook a volunteering assignment at Stave Hill Ecological Park in London, helping to maintain it as a nature reserve and recreational park for local residents.

Our environmental focus has been on reducing energy consumption (and therefore carbon emissions) and tackling our waste. We have implemented a number of energy-saving measures including: solar reflective film on our windows to reduce air conditioning in summer; efficient LED lightbulbs; adjusting our smart lighting system to auto switch lights off when no movement is detected; and electricity sub metering to better monitor our energy use. In purchasing new equipment, we have chosen the most energy efficient. The installation of video conferencing and Skype has reduced the need for business travel. We have also actively encouraged flexible and home working to reduce travel related emissions and made available to staff a cycle to work salary sacrifice scheme. Through all of these measures, and the purchase of carbon offsets, Gemserv has become accredited as a Carbon Neutral Company.

Turning to our efforts to reduce waste, 100% of our waste is recycled or used to generate energy with none to landfill. We continue to use 100% recycled paper or paper from sustainable sources (Forestry Stewardship Council accredited) and discourage unnecessary printing. We have distributed a flask to all staff to discourage single use cups and plastic bottles, and are working with suppliers to remove single use plastic from the products we buy.

Looking ahead, we continue to take steps to strengthen our CSR commitments and delivery in support of our 'Profit with Purpose' approach. Our staff, and increasingly, our clients expect nothing less.



BOARD OF DIRECTORS



Meriel Lenfestey

Chair (Independent Non-Executive Director)

Meriel joined the Gemserv board in 2013 and became Chair in January

2017. Her career has been built providing customer-centred strategic and design consultancy to organisations of all shapes and sizes; across public, private and third sectors; and across many different markets. As a designer, researcher, entrepreneur and qualified director she brings a blend of creative energy, customer focus, digital experience, consultancy experience, as well as thorough corporate governance to the Board.



Matthew Rees

Senior Independent Non-Executive Director (Deputy Chair)

Matthew combines his responsibilities at Gemserv with his position as Director

and board member of the Single Source Regulations Office, an independent regulator established by the Ministry of Defence. He was previously the National Audit Office's Director of Corporate Finance, where he produced reports for Parliament about government investments and privatisations, and he advised the Competition Commission about mergers. Matthew was previously an investment banker focusing on technology and he qualified as a Chartered Accountant at KPMG. Matthew became a Board member in January 2016 and Deputy Chair in 2017.



Annette Nabavi

Independent Non-Executive Director

Annette joined the Board in January 2017. She has a broad range of public and private board experience and

currently holds a number of Directorships. She is a Non-Executive Director on the board of Maintel Holdings plc, an AIM listed unified communications services business. She is also on the board of IPSE, the Association of Independent professionals and the Self Employed. She is on the Advisory Board of the National Media Museum, part of the Science Museum Group, and a Director of Women in Telecoms and Technology (WiTT) Ltd, an events and networking group. Annette previously held positions with ING Barings and the PA Consulting Group. Annette holds an MA from Oxford University and a Doctorate from the University of Dijon.



Simon Wills

Non-Executive Director

Simon took up his current role in Centrica as Group Health, Safety, Environment and Security Director, in

November 2013. This followed five years as the Managing Director of Centrica Storage, the ring-fenced entity responsible for the operation and commercialisation of the Rough offshore gas storage facility and the associated Easington terminal. Simon has been with Centrica since de-merger and before that with British Gas plc. He has held a variety of commercial and technical roles within British Gas and latterly Centrica, both in the UK and Europe. Simon joined the Gemserv Board in November 2014.



Alex Goody

Chief Executive (Executive Director)

Alex joined Gemserv in May 2012 and became Chief Executive in July 2018. Alex has a background in business

development, strategy and marketing across energy, insurance, and Information technology industries. He commenced his career at the energy company, Amerada Hess and prior to joining Gemserv worked for the insurance group, Domestic & General, in various senior and international management roles including establishing and leading Domestic & General Australia & New Zealand. He is a Chartered Director and Fellow of the Institute of Directors.



Daniel Carter-Clout

Finance Director (Executive Director)

Daniel joined Gemserv in January 2017 to lead the Finance and IT functions. Having started his career in

audit at Deloitte, Daniel has subsequently gained broad commercial and strategic finance experience across a number of sectors including Telecoms, Manufacturing and Energy. He has held finance roles in both listed multinationals and SMEs, most recently as Finance Director for a division of a renewable energy developer. Daniel is a Fellow of the Institute of Chartered Accountants of England and Wales.

EXECUTIVE TEAM

The Executive Team includes the two Executive Directors and the following individuals:



Miriam Atkin

Director of Major Accounts

Miriam joined Genserv in October 2018 from the public services company Serco. She has accountability for the

management of Genserv's largest contracts, focusing on continuous improvement, innovation and exceptional service in client delivery. Miriam worked at Serco for eleven years in roles spanning Business Operations, Finance and IT. A Chartered Accountant, Miriam trained with Grant Thornton before moving into business finance roles with The AA and Centrica prior to joining Serco.



Jonathan Harley

Director of Business Development and Consultancy

Jonathan has worked for Genserv since 2009 and has been on the

Executive team since 2016. He leads Genserv's Business Development and Consultancy Directorate. Having led several high-profile programmes across the Energy, Environment, Smart and wider Utilities sector, he is an experienced leader of large teams delivering exceptional client service to solve complex and cross-cutting problems. This includes implementing government policy and multi-stakeholder operations. His previous experience includes working at E.ON UK as well as having extensive international experience in Japan, Taiwan, mainland Europe and Ireland.



Trevor Hutchings

Director of Strategy and Communications

Trevor is Director of Strategy and Communications at Genserv having joined the company in May 2017.

Trevor spent his early career working in a number of UK government departments and with the European Commission in Brussels. This included positions at then DECC (Department of Energy and Climate Change) where he was responsible for major programmes on energy efficiency, the low carbon economy and reducing the UK's greenhouse gas emissions. He went on to join WWF, the global conservation charity, where he was Director of Advocacy. Trevor is also a director at the Green Purposes Company set up by government to safeguard the green mission of the UK's Green Investment Bank. He is a Fellow at the Institute of Environmental Management and Assessment.

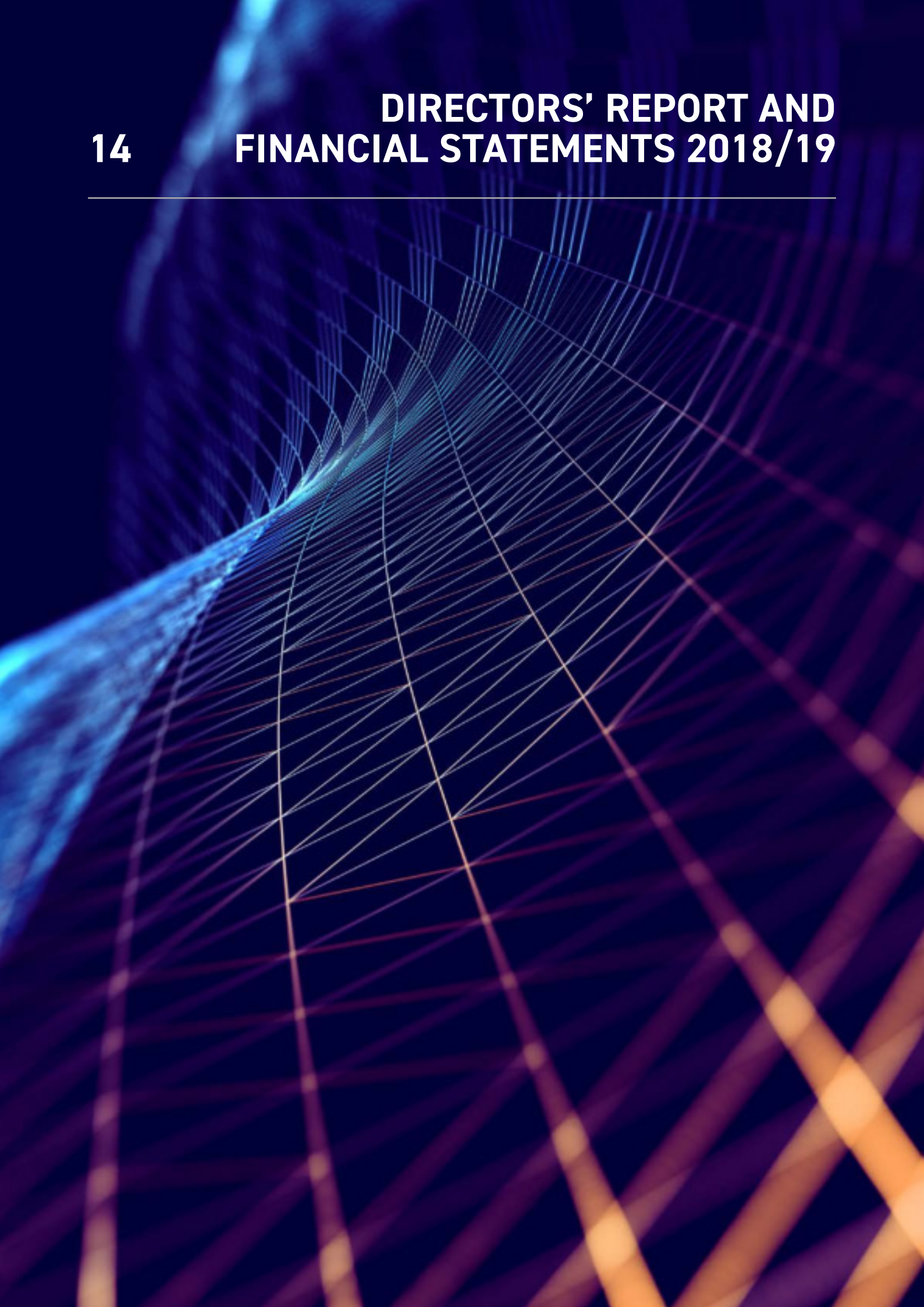


Robin O'Connor

Director of Digital Transformation

Robin became part of the Genserv leadership team following the acquisition of ASE Consulting and

Aprose Risk in September 2018, having been a director of both companies. He has over 25 years of commercial, delivery and operational management experience in major digital transformation projects, including in some of the largest civilian IT-enabled change programmes undertaken in the UK in both the private and public sectors. He is responsible for leading Genserv's digital transformation services as it seeks to offer a wider range of services to current and new clients.



INTRODUCTION

The Directors present their report on the results of the Group and the Company, together with the Strategic Report and the Financial Statements, for the year ended 31st March 2019.

RESULTS AND DIVIDENDS

In the year to 31st March 2019, the Group achieved revenues of £24.1m (2018: £18.7m) and operating profit of £2.5m (2018: £1.3m). Commentary on the results is contained in the Strategic Report.

In line with Gemserv's dividend policy to increase ordinary dividend payments by RPI plus 1%, the Directors recommend an ordinary dividend of 97.06p per share (2018: 93.87p) totalling £223k.

SHARE ISSUES

There were no share issues during the year.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year were as follows:

- Meriel Lenfestey
- Matthew Rees
- Annette Nabavi
- Simon Wills*
- David Thorne**
- Alex Goody
- Daniel Carter-Clout

*Non-Executive Director from the shareholder community

**Resigned as a Director on 11th July 2018

No Director at 31st March 2019 had any beneficial interest in any of the shares of the Company.

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 FRS102 (Financial Reporting Standards 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 the affairs of the Company and of the surplus or deficit of the Company 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 Gemserv's assets 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 Company'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 Company's auditor is aware of that information.

AUDITOR

On 1st February 2019 Moore Stephens LLP merged its business with BDO LLP. As a result, Moore Stephens LLP has resigned as auditor and the directors have appointed BDO LLP as auditor in their place. BDO LLP is willing to seek reappointment as the auditor to the Company. A resolution proposing its reappointment will be put forward at the forthcoming General Meeting.

Approved by the Board and signed on its behalf by:



Daniel Carter-Clout
Executive Director and Company Secretary

5th June 2019

PRINCIPAL ACTIVITIES

Gemserv is an expert provider of professional services in a world driven by data and technology. Our work ranges from running major outsourcing contracts in the energy sector, to providing data governance and digital transformation consultancy to clients from across the economy in the UK and Ireland. Our Purpose – which we updated towards the end of the year – is:

Making things that matter work better for everyone.

With our clients, we:

- Tackle today's social and environmental challenges;
- Improve and simplify the way markets work through our extensive sector expertise;
- Harness the power of digital transformation;
- Ensure data is protected and used ethically.

Our new Purpose has brought greater clarity to why we exist and the impact we want to achieve.

REVIEW OF THE BUSINESS

We recorded the highest revenue and profit (before investment) in Gemserv's history. Revenue increased by 28% from last year's £18.7m to £24.1m or 19% on a like-for-like basis excluding acquisitions. This was coupled with a significant increase in operating profit, up from £1.3m to £2.5m, reflecting increased revenues and a focus on reducing third party costs. Net assets at the year-end were £10.3m (2017/18: £8.5m). The cash and cash equivalents balance at the year-end was £10.4m (2017/18: £9.3m), driven by the profit for the year, offset by the costs of the acquisition.

Over the year Gemserv helped ensure people's privacy and data are protected through our data governance services; helped consumers switch to a better energy deal through our administration of the Master Registration Agreement; and supported the roll-out of smart metering, crucial for the transition to a clean energy system, through our work on the Smart Energy Code and related contracts. We also helped tackle climate change and deforestation through our running of the Biomass Suppliers List. Our digital transformation capabilities helped governments in the UK and the Crown Dependencies deliver better societal outcomes, for example our work in Scotland on a digital ID programme for the Scottish Government.

We enjoyed growth across both our major accounts and consultancy service lines. The government's smart metering programme continued to be a key driver underpinning our growth, as was our work on Ofgem's Faster Switching Programme which aims to encourage further competition in the energy supply market. We won two new major accounts: the Heat Networks Investment Project (helping to roll-out low-carbon heating networks thereby reducing climate changing emissions); and the Utility Switching Service (helping public sector organisations cut their energy bills and reduce their carbon footprint, starting with schools).

Strategic investment made in previous years is paying off with new value propositions in data protection and connected devices contributing profitable growth. In addition to maintaining investment in these areas we also started to build our presence in the emerging market in electric vehicles (EVs), recruiting expertise and attracting industry support for our proposed EV Governance Framework, and winning our first piece of consultancy work in the EV space.

In September 2018 we acquired two businesses – ASE Consulting Ltd. and Aprose Risk Ltd. – strengthening our range of capabilities (e.g. in digital transformation) and our presence in other sectors (e.g. the public sector and health). The businesses are being integrated under the Gemserv brand and the new capabilities have been helping drive new business as well as enhancing our delivery for existing clients.

Extending our market influence was a focus over the year. We shared our ideas through thought leadership papers, public speaking engagements, and other influencing activities on key issues like data ethics, Artificial Intelligence and energy market governance reform.

We also actively engaged in new industry developments such as in the early use of blockchain in the energy sector and in the rise of the IoT (Internet of Things). The increasing importance of data and digital to our markets was also an area where we were able to apply our expertise and leadership, for example feeding in ideas to the government's Energy Data Task Force; shaping the development of the new Retail Energy Code which will govern retail energy data; and working in partnership with another central body to make gas and electricity data more accessible using APIs (Application Programme Interfaces).

Gemserv is entirely dependent on its staff. Our talent management programme offers a comprehensive range of development opportunities, and the business achieved its target for 80% of staff to have undertaken at least one development activity. On Diversity and Inclusion, the focus

has been on improving Gemserv's gender imbalance. This has included publishing for staff the gender pay gap and committing to a plan of action to address this through unconscious bias training, a balanced shortlist for senior roles and other steps.

KEY PERFORMANCE INDICATORS

We monitor our performance through a combination of financial and non-financial indicators. These are geared towards measuring annual performance as well as the longer-term sustainability of the business. They are a key factor in determining staff bonus pay-outs. Tracking these indicators also provides greater foresight, enabling us to better anticipate forward trends, acting as an early warning so we can adapt to changing circumstances. The indicators we use include:

- Revenue, profit and margin;
- Forward looking secured income levels;
- New sales pipeline and conversion rates;
- Utilisation levels;
- Business diversification (e.g. range of capabilities, financial dependency on any single contract);
- Performance of our strategic investments;
- Customer satisfaction and wider reputation;
- Communication & marketing effectiveness, including an assessment of our influence in our markets;
- Employee metrics (including staff engagement, turn-over, applications per vacancy and diversity indicators); and
- Responsible business measures.

PRINCIPAL RISKS AND UNCERTAINTIES

Our markets are experiencing unprecedented disruption and Gemserv is a bigger and more complicated business than it was just a few years ago. Accordingly, the way we manage risk and uncertainty continued to be an important focus over the year.

The Audit and Risk Committee evaluates the effectiveness of Gemserv's risk management processes and informs the Board of any key findings. The Board and Executive regularly assesses business risk by reviewing and updating the corporate risk register in the context of developments

in the external environment and internal operations. The corporate level risks that were managed over the year include:

- The risk of cyber-attack and information security breaches;
- The impacts of government, regulatory and industry changes taking place in relation to our core contracts;
- Financial dependency on a few contracts;
- Dependency on technology and suppliers;
- Retention of talent;
- Maintaining relevance at a time of fast-paced change in our markets;
- The impact of the change of CEO;
- Failure to secure value from the acquired businesses; and
- Negative media coverage linked to market initiatives with which we engage.

Some of the mitigating actions we undertook during the year include:

- Stepping up our thought leadership and engagement activities to help influence government policy-making;
- Continuing to grow and diversify the business thereby reducing our financial dependency on any single contract;
- Commissioning third-party assurance of key functions performed under a major contract;
- Strengthening our preparedness in the event of negative media coverage, including crisis comms training for the Executive;
- Expanding the Executive team;
- Use of cyber threat detection software to identify weaknesses and threats in our systems; and
- Undertaking a Brexit impact assessment.

FUTURE DEVELOPMENTS

The Board held its annual strategy day in December 2018. This examined market trends, Group performance and our long-term ambitions for the business. Considering this it was decided to produce a new 5-Year Strategic Plan to apply from 1st April 2019, and this was subsequently approved at the March Board meeting.

There was extensive staff engagement in the development of the new Strategic Plan with good feedback. Overall, this is a strategy for growth. It will enable us to achieve more towards our Purpose, better enable us to support changing client needs, and make Gemserv a more sustainable business over the longer term, able to withstand market disruption. A bigger Gemserv will also be a more exciting place to work with enhanced career progression opportunities.

There are four pillars to the Strategic Plan:

Accelerate Growth

Investing in our existing services, developing new capabilities and driving profitable business in new markets. We have set ourselves ambitious yet achievable revenue and profit targets with less reliance on any single contract over the five years;

Build Relationships

A strategic partner to our clients, delivering exceptional service and influencing our markets. We will be a responsible business, helping to tackle social and environmental challenges, with decision-making driven by our 'profit with purpose' mantra;

Cultivate Talent

A career destination of choice, attracting, retaining and nurturing our staff so they can reach their full potential. We will embed a culture in which staff embrace the Gemserv Values of being Innovative, Insightful, Collaborative and Impactful; and

Digital First

Using the power of data and technology we will deliver better outcomes for clients, industry and consumers. We will modernise our office systems and working practices consistent with a digital first approach.

As a result of our new Strategic Plan the Directors expect revenues and the level of general activity to increase in FY2019/20. Profit levels are forecast to remain largely static as a result of increased investment to support the growth strategy.

Approved by the Board and signed on its behalf by:



Alex Goody
Chief Executive

5th June 2019

Gemserv's Board is committed to its Purpose to make things that matter work better for everyone, and recognises the importance of sound corporate governance in achieving that Purpose. To this end, the Board has agreed to adopt the Wates Corporate Governance Principles for Large Private Companies, as published by the Financial Reporting Council. Below, we outline the key provisions Gemserv has made to ensure good corporate governance, which have been developed to provide governance policies appropriate to its size.

PURPOSE AND LEADERSHIP

The Gemserv Board developed the Purpose statement set out above in consultation with the workforce to capture why Gemserv exists and the impact it wants to achieve. This is underpinned by four key values reflecting the behaviours required to meet our goals. The Purpose, values and strategy are shared with the workforce, and reinforced through personal and corporate objectives. How this translates into the company culture is monitored through staff surveys, exit interviews, and feedback sessions with Directors.

BOARD COMPOSITION

Gemserv's Board comprises two Executive Directors and four Non-Executive Directors, of which the Board considers three are independent and one Director is from the shareholder community. All director appointments are subject to shareholder approval, and all Non-Executive Directors are subject to annual re-election by shareholders. The individual directors bring experience from a range of backgrounds and sectors including finance, consulting, sales and marketing, telecoms and technology, the public sector and the energy industry. This provides a balance of views and skills, and representation across the key client and shareholder stakeholder groups.

DIRECTOR RESPONSIBILITIES

The Gemserv Board meets at least six times a year for scheduled meetings to assess the performance of the company and deal with other matters as required. In addition, the Board meets once a year to review and if necessary update the Group strategy. All Directors are kept advised of key developments, receive timely and accurate information, and participate fully in the decision-making process of the Board.

Certain items of business are delegated to the three principal Board committees: the Audit and Risk Committee; the Remuneration Committee; and the Nominations Committee. Each committee operates under clear terms of reference, and sets out its key responsibilities and activities in the annual report. This governance structure is set out on page 20.

OPPORTUNITY AND RISK

The Group's financial performance is a standing item at Executive and Board meetings throughout the year. The Board is therefore well-informed to approve the annual report and financial statements as a fair and representative assessment of the Group's financial position and performance. In addition, the Board regularly reviews internal and external risks in relation to achieving Gemserv's strategic objectives, and assesses these in conjunction with its appetite for risk to ensure that the company is taking appropriate mitigating action where required. Opportunities are also reviewed, in particular strategic projects designed to drive long term value, with project leads reporting periodically to the Board on progress.

The Board has established an Audit and Risk Committee with delegated responsibility for ensuring that the financial performance, position and prospects of the company are properly monitored and reported on. The committee meets with the auditor and discusses their reports on the accounts and the company's financial controls and recommends the appointment of auditors. It also reviews the internal controls and risk management processes, including the output from internal audits.

REMUNERATION

The Board has established a remuneration committee. The remuneration committee determines the terms and conditions of service of the Executive team. The remuneration and terms and conditions of appointment of Non-Executive Directors are set by the Board. No Director may participate in any discussions or decisions regarding his or her own remuneration. Remuneration is designed to be appropriate and fair, to recruit and retain high quality directors, management and their workforce, and as such is regularly benchmarked both internally and externally.

The committee also sets objectives for performance-related incentives for Executive Directors and other senior management, and reviews performance against those objectives. The objectives are a combination of financial and non-financial measures, with in-year and multi-year objectives functioning as strategic success indicators designed to promote the long-term sustainable success of the company.

BOARD OF DIRECTORS

Responsible to the shareholders for effective leadership and long term success of Gemserv, including overall strategic direction, values and governance.

MATTERS RESERVED FOR THE BOARD INCLUDE:

- Strategic Direction and Oversight
- Corporate Structure and Capital Organisation
- Approval of Financial Statements, Dividends and Audit matters
- Board and Committee membership and senior appointments
- Maintaining a system of corporate governance, internal control and risk management
- Remuneration Policy for Directors, Management and Staff
- Approval of Key Policies

AUDIT AND RISK COMMITTEE

Comprises two NEDs, of which one has relevant financial experience and qualifications.

Responsible for financial integrity of Gemserv thorough reviewing internal controls, risk management processes and internal and external audit.

REMUNERATION COMMITTEE

Comprises all NEDs.

Responsible for Executive pay, company remuneration strategy and setting appropriate targets.

NOMINATIONS COMMITTEE

Comprises all NEDs.

Responsible for all appointments to the Board and its Committees, the Executive Team, and succession planning.

EXECUTIVE TEAM

Responsible for implementing the strategy set by the Board and leading the day-to-day running and operations of Gemserv.

STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

The Gemserv Board ensures a dialogue with shareholders through regular shareholder meetings to discuss the strategy and objectives of the company, and provides an update on performance as part of the Annual Report. Shareholders are encouraged to participate in the general meeting and feed back on performance and other matters raised. In addition, Gemserv's unique position in the energy market allows for regular contact with shareholder representatives on a more informal basis, maintaining an active dialogue.

The Board also ensures a dialogue with other stakeholders, including: Government departments; regulators; customers; suppliers, and employees. This encompasses opportunities for employees to meet with and feed back to Non-Executive Directors, giving the workforce a voice at the Board, and regular communication with the workforce on the strategy, staff engagement, innovation, and Corporate Social Responsibility.

GOING CONCERN

Gemserv has a sound financial record including strong operating cash flows derived from substantial recurring revenues across a range of contracts, and a robust cash position. Therefore, 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.

The Board has three standing committees: an Audit and Risk 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 AND RISK COMMITTEE

The Audit and Risk 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. This includes evaluating the effectiveness of the risk management framework and processes to inform the Board's approach in managing the strategic and operational risks facing Gemserv.

The members of the Committee who served during the year were Non-Executive Directors: Simon Wills and Matthew Rees, with Matthew Rees as the Committee Chair. The Finance Director is the Secretary of the Committee. The External Audit Partner also attends meetings as required.

The Audit and Risk 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, risk management framework, 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 three times during the year and the key issues discussed included:

- Internal audit processes and findings;
- Review of the Risk Management Framework;
- Review of significant financial judgements, including regarding the acquisitions of ASE Consulting and Aprose Risk; and,
- The Financial results and the Annual Report for 2017/18.

In reviewing significant financial judgements, the Committee identified revenue recognition as the most significant risk of misstatement in the financial statements. The Committee has conducted an in-depth review of the Group's accounting policy and its application to key contracts, and found that it was in accordance with FRS102 and that any assumptions or estimations were reasonable.

REMUNERATION COMMITTEE

The Remuneration Committee determines the remuneration of the Executive Team on behalf of the Board and approves the remuneration strategy for all Gemserv employees. Its members are all Non-Executive Directors who met during the year under the Committee Chair, Annette Nabavi. The Chief Executive and the Head of HR attend the meetings to present proposals with respect to Gemserv's Remuneration Strategy. The Committee met seven times during the year and the key items discussed included:

- Reviewing the incoming Chief Executive and Director of Major Accounts remuneration packages;
- Reviewing the Strategic Bonus award to the outgoing Chief Executive;
- Reviewing criteria and eligibility for 2019-21 Strategic Bonus scheme;
- Reviewing the remuneration packages of the Executive Team, in line with Group and personal performance and contribution;
- Reviewing remuneration for the Chair of the Board (with the Chair of the Board recusing herself from this discussion); and
- Setting, and reviewing performance against, appropriate financial and non-financial targets for Group performance.

NOMINATIONS COMMITTEE

The Nominations Committee is chaired by the Board Chair 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 Executive Team members in line with its approved terms of reference.

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

- The selection and appointment of a new Chief Executive;
- New appointments to the Executive Team; and
- Succession planning for Senior Management.

EXECUTIVE TEAM

The Board has delegated operational matters to the Executive Team. The Executive Team is led by the Chief Executive and included the other Executive Directors and four Senior Managers during the year. The Team formally meets twice a month.

The Team is responsible for the development of strategic options for consideration by the Board and implementing the Gemserv Strategy. The Team also leads on providing oversight on commercial operations, financial performance, Group risk profile and the organisation's resource planning.



Daniel Carter-Clout

Executive Director and Company Secretary

5th June 2019



OPINION

We have audited the financial statements of Gemserv Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 March 2019 which comprise the group statement of comprehensive income, the group and company statements of financial position, the group and company statement of changes in equity, the group and company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Completeness and cut off of revenue

There is a risk that revenue due to the Group has not been recorded, especially for transactions around the reporting date. This is effectively the risk that the revenue reported is inaccurate, incomplete or has been recognised in the wrong period.

In response to the risk:

- We performed substantive transactional testing, from project contracts and sales invoices, tracing details through to the nominal ledger and reviewing cash receipts, to validate that revenue transactions had been appropriately recorded at the right time;
- For a sample of sales selected from the nominal ledger a month either side of the year end, we assessed whether they had been recorded in the correct period through review of invoices and timing of work carried out, ensuring that where necessary the income had been correctly deferred or accrued; and
- We carried out a comparison between reported amounts and the Group's budgets, and investigated any significant differences;
- We tested credit notes issued after the reporting date to gain assurance that any material credit notes relating to sales made pre year-end had been accounted for.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing our audit, and in evaluating the effect of misstatements and omissions on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the level of misstatement, including omissions that could influence the economic decisions of a reasonably knowledgeable user of the financial statements.

We determined the materiality for the Group financial statements as a whole to be £248,600, calculated with reference to a benchmark of 10% of profit before tax.

In addition, we set a Parent Company materiality of £239,100 based on the same benchmark. This is the threshold above which missing or incorrect information in financial statements is considered to have an impact on the decision making of users.

We agreed to report to the Audit and Risk Committee all potential adjustments in excess of £12,500 being 5% of the materiality for the financial statements as a whole, in addition to other identified misstatements that warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The Group operated for most of the year through three trading entities. The financial statements consolidate the parent company along with two other subsidiaries which were all acquired during the year. A full scope audit was carried out by us on the financial statements of the parent company and both subsidiaries.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Group and parent company financial statements as a whole.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

OPINIONS 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and 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 Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement, 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

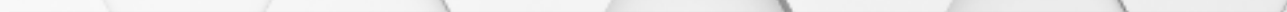


Stephen Corrall
(Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

5th June 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



STATEMENT OF COMPREHENSIVE INCOME

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2019

Company Registration Number: 4419878

		2019	2018
	Notes	£'000	£'000
REVENUE	2	24,056	18,729
ADMINISTRATIVE EXPENSES		(21,584)	(17,469)
OPERATING PROFIT		2,472	1,260
Interest receivable and similar income		14	12
PROFIT BEFORE TAXATION	3	2,486	1,272
Tax on profit on ordinary activities	5	(496)	(65)
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME		1,990	1,207

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

The notes on pages 32–42 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

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GROUP & COMPANY STATEMENT OF FINANCIAL POSITION

As at 31st March 2019

Company Registration Number: 4419878

		GROUP	GROUP	COMPANY	COMPANY
		2019	2018	2019	2018
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	7	2,723	54	-	54
Investments	8	-	-	3,405	-
Tangible assets	9	546	540	546	540
		3,269	594	3,951	594
CURRENT ASSETS					
Debtors	10	5,044	3,803	4,561	3,803
Cash equivalents	11	2,512	509	2,512	509
Cash at bank and in hand	12	7,871	8,812	7,077	8,812
		15,427	13,124	14,150	13,124
CREDITORS					
Amounts falling due within one year	13	(7,889)	(5,073)	(7,322)	(5,073)
NET CURRENT ASSETS		7,538	8,051	6,828	8,051
TOTAL ASSETS LESS CURRENT LIABILITIES		10,807	8,645	10,779	8,645
CREDITORS					
Amounts falling due in greater than one year	14	(396)	-	(396)	-
PROVISIONS FOR LIABILITIES					
Deferred taxation	15	11	(26)	(25)	(26)
Dilapidation provision	16	(141)	(112)	(141)	(112)
NET ASSETS		10,281	8,507	10,217	8,507
CAPITAL AND RESERVES					
Share capital	17	230	230	230	230
Profit and loss account		10,051	8,277	9,987	8,277
EQUITY SHAREHOLDERS' FUNDS		10,281	8,507	10,217	8,507

The company's unconsolidated profit for the financial period was £1,926k (2018: £1,207k).

The notes on pages 32–42 form part of these financial statements.

Approved by the Board and authorised for issue on 5th June 2019 and signed on behalf of the Board by:



Meriel Lenfestey
Chair



Alex Goody
Chief Executive

30 STATEMENT OF CHANGES IN EQUITY

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2019

	Notes	Share Capital	Profit and Loss Account	Total
		£'000	£'000	£'000
Balance at 1 st April 2018		230	8,277	8,507
Total profit and comprehensive income for the year		-	1,990	1,990
Dividends paid	6	-	(216)	(216)
Balance at 31st March 2019		230	10,051	10,281

		Share Capital	Profit and Loss Account	Total
		Capital	Account	£'000
		£'000	£'000	£'000
Balance at 1 st April 2017		230	7,277	7,507
Total profit and comprehensive income for the year		-	1,207	1,207
Dividends paid	6	-	(207)	(207)
Balance at 31st March 2018		230	8,277	8,507

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2019

	Notes	Share Capital	Profit and Loss Account	Total
		£'000	£'000	£'000
Balance at 1 st April 2018		230	8,277	8,507
Total profit and comprehensive income for the year		-	1,926	1,926
Dividends paid	6	-	(216)	(216)
Balance at 31st March 2019		230	9,987	10,217

		Share Capital	Profit and Loss Account	Total
		£'000	£'000	£'000
Balance at 1 st April 2017		230	7,277	7,507
Total profit and comprehensive income for the year		-	1,207	1,207
Dividends paid	6	-	(207)	(207)
Balance at 31st March 2018		230	8,277	8,507

The notes on pages 32–42 form part of these financial statements.

STATEMENT OF CASH FLOWS

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GROUP & COMPANY STATEMENT OF CASH FLOWS

As at 31st March 2019

Company Registration Number: 4419878

	GROUP 2019 £'000	GROUP 2018 £'000	COMPANY 2019 £'000	COMPANY 2018 £'000
Cash flows from operating activities				
Profit before taxation	2,486	1,272	2,391	1,272
<i>Adjustments for</i>				
Interest receivable and similar income	(14)	(12)	(14)	(12)
Depreciation of tangible assets	259	224	259	224
Amortisation of intangible assets	189	20	20	20
Impairment of intangible assets	34	-	34	-
(Increase) / decrease in debtors	(354)	1,145	(781)	1,145
Increase in creditors	1,293	983	1,355	983
Increase in dilapidation provision	29	112	29	112
Net exchange movements	-	2	-	2
Cash generated from operations	3,922	3,746	3,293	3,746
Tax paid	(53)	(199)	(53)	(199)
Net cash flows from operating activities	3,869	3,547	3,240	3,547
Cash flows from investing activities				
Interest received	14	12	14	12
Investments	(2,504)	-	(2,504)	-
Cash acquired as part of acquisition	165	-	-	-
Purchase of tangible assets	(266)	(294)	(266)	(294)
Net cash flows from investing activities	(2,591)	(282)	(2,756)	(282)
Cash flows from financing activities				
Dividends paid	(216)	(207)	(216)	(207)
Net cash flows from financing activities	(216)	(207)	(216)	(207)
Net increase in cash and cash equivalents	1,062	3,058	268	3,058
Cash and cash equivalents at the beginning of the year	9,321	6,263	9,321	6,263
Cash and cash equivalents at the end of the year	10,383	9,321	9,589	9,321

The notes on pages 32–42 form part of these financial statements.

GENERAL INFORMATION

Gemserv Limited, a private company limited by shares, is incorporated in England (registered number 4419878).

The address of the registered office is 8 Fenchurch Place, London, EC3M 4AJ. The principal activity is the provision of professional consultancy services.

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 PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements have been prepared under the historical cost convention in £ sterling being the functional currency of the Group and in accordance with the Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' as issued by the Financial Reporting Council and the Companies Act 2006.

The principal accounting policies that have been applied consistently by all Group companies to all periods presented in these consolidated financial statements are set out below.

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.

GOING CONCERN

The Group has sufficient financial resources to meet its projected needs and as a consequence the Directors believe that the group is well placed to manage its business risks and accordingly have adopted the going concern basis in the preparation of the Accounts.

CONSOLIDATION

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not included its individual statement of comprehensive income.

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Intra group transactions are eliminated on consolidation. All subsidiaries prepare financial statements to 31 March.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

CRITICAL JUDGEMENTS IN APPLYING THE COMPANY'S POLICIES

The most critical is the estimation of revenue receivable for certain contracts undertaken during the year, which are included in current assets at management's estimate of the fair value attributable to those contracts.

An estimate has been made by management as to the additional contingent consideration that will become due on the purchase of ASE Consulting Limited and Aprove Risk Limited. This has been included as part of the fair value of the consideration of used to calculate the value of the investment in the company's accounts and in the calculation of goodwill for the group.

REVENUE

Revenue is recognised upon completion of service or at agreed milestones to the extent that it is probable that the economic benefits will flow to the group 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. Where contracted services have been rendered but not invoiced at the year end, the value of these services is recognised within accrued income. Conversely, where services have been invoiced in advance, these sums are carried forward at the year end.

CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change 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 balance sheet date in the countries where the Company operates and generates income.

The Company has made claims for Research and Development tax credits, the benefits of which are uncertain until such time as they are approved by H.M.Revenue & Customs. Due to this level of uncertainty, the Company only recognises such credits once any benefit has been received, however, this approach can lead to significant adjustments in respect of prior periods.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

OPERATING LEASES

Property rentals payable under operating leases are charged against profit on a straight line basis over the duration of the lease period.

GOODWILL

Goodwill arising on consolidation represents the excess of the fair value of consideration transferred over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of subsidiaries at the date of acquisition. Goodwill is subsequently amortised over its estimated useful life. If the recoverable amount of the cash generating unit is less than the carrying amount of the investment, the impairment to the related goodwill is recognised in profit or loss. Management has estimated the useful life of the goodwill arising from the acquisitions of ASE Consulting Limited and Aprose Risk Limited at 10 years.

INTANGIBLE FIXED ASSETS

Intangible fixed assets are stated at cost less amortisation and impairment losses. 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: 3-5 years

TANGIBLE FIXED ASSETS

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

- Leasehold Improvements: 5 years
- Office and computer equipment: 2-4 years; and
- Office furniture: 4-5 years.

INVESTMENTS

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

PROVISIONS

Provision is made in areas where the Directors believe there is a constructive obligation which is more than likely to be settled with an economic outflow. The amount provided for is based upon their best estimate of the amount to be settled.

FINANCIAL INSTRUMENTS

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable. Financial assets are measured at the present value of amounts receivable, less an allowance for the expected level of doubtful receivables. Financial liabilities are measured at the present value of the obligation.

PENSION COSTS

The Company operates a defined contribution scheme. Contributions are charged in the profit and loss account in the period in which the related service is provided.

2. REVENUE

	2019	2018
	£'000	£'000
REVENUE BY GEOGRAPHIC AREA IS AS FOLLOWS:		
UK	23,773	18,446
Rest of Europe	283	283
	24,056	18,729

All revenue is derived from the rendering of services.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

Depreciation and Amortisation of Fixed Assets	448	245
Staff costs (see note 4)	12,451	9,665
Foreign exchange loss	-	(1)
Payments under operating leases	569	569
Pension payments to defined contribution pension schemes	551	400
	61	45
Auditor's remuneration:		
Audit services	43	21
Non-audit services	18	24
	61	45

4. STAFF COSTS

Staff costs (including directors' remuneration) during the year amounted to:

Wages and salaries	10,561	8,284
Social security costs	1,339	981
Pension costs	551	400
	12,451	9,665

The average numbers of directors and permanent staff employed during the year were:

	NO.	NO.
Non-Executive Directors	4	4
Executive Directors	2	3
Permanent Staff	180	141
	186	148

DIRECTORS' REMUNERATION

The total amount of Directors' remuneration and other benefits was £612k (2018: £729k). The remuneration of the highest paid Director was £178k including £11k pension contribution (2018: £230k including £8k pension contribution). Pension contributions for the Directors amounted to £26k (2018: £34k). During the financial year 3 (2018: 3) Directors accrued benefits within the Genserv defined contribution scheme.

Alex Goody has a season ticket loan in accordance with the Company's normal terms for staff. The amount advanced in the year was £2,812. The amount outstanding at the end of the year was £937.

KEY MANAGEMENT REMUNERATION

The total amount of key management remuneration and other benefits was £1.5m (2018: £1.4m). The Management Team consists of senior managers who have responsibility for business operations. This includes the Executive Directors.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	GROUP 2019 £'000	GROUP 2018 £'000
ANALYSIS OF TAX CHARGE FOR THE PERIOD		
UK corporation tax on profits of the period	487	241
Adjustments in respect of R&D tax credit for prior years	-	(188)
Total current tax	487	53
Deferred Tax		
Origination and reversal of timing differences	9	12
Tax on profits on ordinary activities	496	65
Factors affecting tax charge for the period		
Profit before tax	2,486	1,272
Tax on profits at 19% (2018: 19%)	472	242
Effects of:		
Expenses not deductible for tax	3	6
Fixed asset timing differences	41	6
Adjust opening deferred tax to average rate of 19% (2018: 19%)	(2)	2
Adjust closing deferred tax to average rate of 19% (2018: 19%)	1	(3)
Deferred tax previously not recognised	(19)	-
Adjustments in respect of R&D tax credit for prior years	-	(188)
Tax on profits on ordinary activities	496	65

6. DIVIDENDS

	2019 £'000	2018 £'000
Amounts recognised as distributions to ordinary shareholders in the year:		
Final 2018 ordinary dividend of 93.87p (2017: 90.00p) per share paid in the year	216	207
	<u>216</u>	<u>207</u>

Amounts not recognised as distributions to ordinary shareholders in the year:

Proposed final 2019 ordinary dividend of 97.06p (2018: 93.87p) per share	223	216
	<u>223</u>	<u>216</u>

The proposed final 2019 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 102.

7. INTANGIBLE FIXED ASSETS GROUP

	GOODWILL £'000	SOFTWARE £'000	TOTAL £'000
COST			
At 1 st April 2018	-	101	101
Additions	2,892	-	2,892
At 31 st March 2019	<u>2,892</u>	<u>101</u>	<u>2,993</u>
AMORTISATION			
At 1 st April 2018	-	47	47
Charge for the year	169	20	189
Impairment	-	34	34
At 31 st March 2019	<u>169</u>	<u>101</u>	<u>270</u>
NET BOOK VALUES			
At 31 st March 2019	<u>2,723</u>	<u>-</u>	<u>2,723</u>
At 31 st March 2018	<u>-</u>	<u>54</u>	<u>54</u>

7. INTANGIBLE FIXED ASSETS COMPANY

	SOFTWARE £'000	TOTAL £'000
COST		
At 1 st April 2018	101	101
Additions	-	-
At 31 st March 2019	101	101
AMORTISATION		
At 1 st April 2018	47	47
Charge for the year	20	20
Impairment	34	34
At 31 st March 2019	101	101
NET BOOK VALUES		
At 31 st March 2019	-	-
At 31 st March 2018	54	54

8. INVESTMENTS

This group has no investments.

COMPANY

On 11th September 2018 the Company purchased 100% of the issued share capital of ASE Consulting Limited and Aprose Risk Limited, companies incorporated in England & Wales, specialising in digital transformation and cyber security consultancy. The registered office for both companies is 8 Fenchurch place, London, EC3M 4AJ.

Since acquisition ASE Consulting Limited has recognised revenue of £1,732k and a profit of £143k & Aprose Risk Limited has recognised revenue of £409k and a profit of £90k.

Consideration	£'000
Satisfied by cash	2,504
Contingent consideration	901
Total Consideration	3,405
Net Assets acquired were as follows	
Trade and other receivables	770
Cash and cash equivalents	165
Trade and other payables	(422)
Net Assets	513
Goodwill arising on acquisition (note 7)	2,892

Gemserv Limited owns 100% of the share capital of Red Island Consulting Limited, a dormant subsidiary with assets of £nil (2018: nil). The investment is valued at £nil (2018: nil)

9. TANGIBLE FIXED ASSETS GROUP AND COMPANY

	LEASEHOLD IMPROVEMENTS	OFFICE & COMPUTER EQUIPMENT	OFFICE FURNITURE	TOTAL
	£'000	£'000	£'000	£'000
COST				
At 1 st April 2018	760	131	294	1,185
Additions	86	180	-	266
Disposals	-	-	-	-
At 31 st March 2019	846	311	294	1,451
DEPRECIATION				
At 1 st April 2018	382	105	158	645
Charge for the year	154	56	50	259
Disposals	-	-	-	-
At 31 st March 2019	536	160	208	905
NET BOOK VALUES				
At 31 st March 2019	310	151	86	546
At 31 st March 2018	378	26	136	540

10. DEBTORS

	2019 GROUP £'000	2018 GROUP £'000	2019 COMPANY £'000	2018 COMPANY £'000
Trade receivables	3,192	2,866	2,700	2,866
Amounts owed by group undertakings	-	-	46	-
Other debtors	103	55	101	55
Prepayments and accrued income	1,749	882	1,714	882
	<u>5,044</u>	<u>3,803</u>	<u>4,561</u>	<u>3,803</u>

Trade receivables, amounts owed by group undertakings, other debtors and accrued income are carried at amortised cost.

11. CASH EQUIVALENTS

Cash at bank	<u>2,512</u>	<u>509</u>	<u>2,512</u>	<u>509</u>
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The deposit of £2,512k (2018: £509k) can be released early by giving 95 days' notice to the Group's bankers.

12. CASH AT BANK AND IN HAND

Gemserv bank accounts	<u>7,871</u>	<u>8,812</u>	<u>7,077</u>	<u>8,812</u>
	<u>7,871</u>	<u>8,812</u>	<u>7,077</u>	<u>8,812</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Trade payables	701	245	558	245
Other creditors	673	14	592	14
Other tax and social security	1,026	978	874	978
Corporation tax	512	53	466	53
Accruals and deferred income	4,977	3,783	4,832	3,783
	<u>7,889</u>	<u>5,073</u>	<u>7,322</u>	<u>5,073</u>

Trade payables, amounts owed to group undertakings, other creditors, accruals included above are carried at amortised cost. Amounts owed to group undertakings are non-interest bearing and repayable on demand.

14. CREDITORS: AMOUNTS FALLING DUE IN GREATER THAN ONE YEAR

Deferred Consideration	396	-	396	-
	<u>396</u>	<u>-</u>	<u>396</u>	<u>-</u>

Of the £901k contingent consideration in note 8 £396k will become payable in the financial year ending 31 March 2021.

15. DEFERRED TAXATION

	2019 GROUP £'000	2018 GROUP £'000	2019 COMPANY £'000	2018 COMPANY £'000
Capital Allowances	-	26	-	26
Fixed asset timing differences	31	-	33	-
Short term timing differences	(8)	-	(8)	-
Losses carried forward	(34)	-	-	-
Deferred tax (asset) / liability	(11)	26	25	26

The movement during the year is analysed as follows:

Balance at 1 st April 2018	26	14	26	14
Deferred tax arising on acquisition	(46)	-	-	-
Capital allowances	-	12	-	12
Deferred tax charged in the statement of comprehensive income	9	-	(1)	-
Balance at 31st March 2019	(11)	26	25	26

16. DILAPIDATION PROVISION

Included in the accounts is a provision of £141k (2018: £112k) for dilapidations, the current lease to which this dilapidation provision relates will expire in May 2024.

17. SHARE CAPITAL

	2019 £'000	2018 £'000
GROUP AND COMPANY		
Authorised		
500,000 Ordinary shares of £1 each (2018: 500,000)	<u>500</u>	<u>500</u>
Called up, issued and fully paid		
230,258 Ordinary shares of £1 each (2018: 230,258)	<u>230</u>	<u>230</u>

18. FINANCIAL COMMITMENTS

The Group and Company's total commitments for non-cancellable rent obligation under the operating lease for its premises is as follows:

	2019	2018
	£'000	£'000
Due within one year	569	569
Due within two to five years	2,278	2,278
Due after more than five years	83	653

The Company signed a 10 year lease on its current premises on 23rd May 2014 which included a rent free period of 27 months.

19. PENSION SCHEME

The Group operates defined contribution schemes. The charge for the year of £551k (2018: £400k) represents contributions payable to the schemes in respect of the year ended 31st March 2019.

20. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption given by section 33 of FRS 102 and has therefore not given details of transactions with its wholly owned subsidiaries of the Gemserv Group.



LONDON OFFICE

8 Fenchurch Place

London, EC3M 4AJ

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



Gemserv