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Gemserv

**ANNUAL REPORT &
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31ST MARCH 2005



CONTENTS

2	DIRECTORS, OFFICERS, ADVISERS AND STATUTORY INFORMATION
3	CHAIRMAN'S REPORT
3	CHIEF EXECUTIVE'S REPORT
4	DIRECTORS' REPORT
4	STATEMENT OF DIRECTORS' RESPONSIBILITIES
5	INDEPENDENT AUDITORS' REPORT
6	PROFIT & LOSS ACCOUNT
7	BALANCE SHEET
8	CASH FLOW STATEMENT
9-13	NOTES TO THE FINANCIAL STATEMENTS

After a year of sustained growth

Gemserv prove quality really matters

DIRECTORS, OFFICERS, ADVISERS AND STATUTORY INFORMATION

DIRECTORS

N Bromley	Executive Director & Chief Executive Officer
J Sykes	Non-Executive Director & Chairman
G Huckerby	Non-Executive Director
P Tonkinson	Non-Executive Director
M Jeans	Non-Executive Director

OFFICERS

A Francis	Commercial Manager (Finance)
J Gould	Commercial Manager (Electricity & Ireland)
K McRae	Commercial Manager (Gas & Water)

REGISTERED OFFICE

7th Floor Centurion House
24 Monument Street
London, EC3R 8AJ

Telephone: 020 7090 1000
Fax: 020 7090 1001
Email: info@gemserv.co.uk

Company Registration Number 4419878

AUDITORS

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

BANKERS

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

After a year of sustained growth

The future for Gemserv is promising

CHAIRMAN'S REPORT

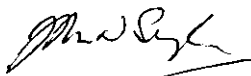
2004/05 has been an important and successful year for Gemserv and the Company has firmly established itself as a high quality service provider for clients where quality really matters.

Growth has been achieved within European energy markets and with professional institutions in the UK. A good level of profitability has been maintained and as a result, the Company's financial position has strengthened.

In line with its dividend policy, the Board is recommending to shareholders that dividends are increased by RPI + 1%.

During the year, Mike Jeans has been appointed to the Board as a Non Executive Director, bringing new experience and welcome diversity. Mike, a Chartered Accountant, has 35 years experience in consulting and was head of KPMG's UK consultancy practice.

Gemserv is already in discussions with regulators aimed at selling its core capability of implementing liberalised markets within the UK and Europe. The Company is also working towards expanding its high quality service provision to new clients. I take confidence from Gemserv's history as it enters another year where quality, growth and profitability will once again be targeted.



John Sykes
Chairman
7th June 2005

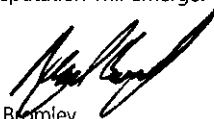
CHIEF EXECUTIVE'S REPORT

It is a credit to Gemserv that in 2004/05 we delivered better quality services, increased our turnover by 48% and maintained a profit before tax of 23% of turnover. Key to delivering this performance is our attention to recruiting, training and developing the best people and focussing on our customers' requirements.

A key new contract in Ireland this year involved us in auditing and testing the business systems of all participants planning to operate and participate in the expanded Irish Electricity Retail Market. The market opened on time in February 2005 and we have received positive feedback about the work we carried out.

I am pleased that our largest and longest standing client, the MRA Service Company, has concluded from independent research that services delivered by Gemserv are excellent and have improved as in previous years. In addition, our most recent client, the Institution of Mechanical Engineers, has reported an extremely positive independent audit of the services we have delivered. Both these independent views are in line with the views of all of our other clients including the Gas Forum and the metering organisations that we support.

We continue to operate at the market level in the utilities sector where we demonstrate our independence and integrity by not undertaking work directly for market participants. As these markets develop, new opportunities to exploit our skills, talents and reputation will emerge. The future for Gemserv is promising.



Nigel Bromley
Chief Executive
7th June 2005

DIRECTORS' REPORT

INTRODUCTION

The directors present their report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31st March 2005.

PRINCIPAL ACTIVITIES

The company was formed on 18th April 2002 to provide a range of technical, financial and administrative services to the Utility and other markets in the UK and in Europe.

RESULTS AND DIVIDENDS

In the year to 31st March 2005, the company achieved a profit before tax of £1.2m. The directors intend to declare a dividend of 10.42 pence per ordinary share totalling £23,993.

SHARE ISSUES

Seven shares were issued during the year at par raising £7.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company has made excellent progress during the year in its key business areas, including providing technical, financial and administrative services to the Master Registration Agreement (MRA) and to other industry bodies. During the year, the company won a number of new contracts in the electricity markets in the UK and Ireland, as well as a contract with a professional institution.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

N Bromley
G Huckerby *
J Sykes*
P Tonkinson *
M Jeans (appointed 28 July 2004)

*Served as MRA Service Company Limited directors during the year, and are each employed by a Gemserv shareholder.

No director at 31st March 2005 had an interest in any of the shares of the company.

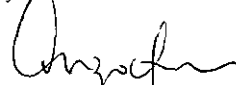
PAYMENT OF COMMERCIAL DEBTS

The Company maintains a policy of paying its suppliers in accordance with agreed credit terms.

AUDITORS

Chantrey Vellacott DFK are willing to seek re-appointment as auditors to the company. A resolution proposing their re-appointment shall be proposed at the Annual General Meeting.

By order of the Board



Anzo Francis
Company Secretary
7th June 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GEMSERV LIMITED

We have audited the financial statements of Gemserv Limited for the year ended 31st March 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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
The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Report, the Chief Executive's Report and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.


BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Chantrey Vellacott DFK
Chartered Accountants and Registered Auditors
London, UK
7th June 2005

After a year of sustained growth

Gemserv's position has strengthened

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005

	NOTES	2005 £000	2004 £000
TURNOVER	2	5,321	3,605
Administrative expenses		(4,157)	(2,797)
		<hr/>	<hr/>
OPERATING PROFIT		1,164	808
Interest receivable and similar income		55	25
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	1,219	833
Tax on profit on ordinary activities	5	(371)	(260)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		848	573
Dividend	6	(24)	(23)
		<hr/>	<hr/>
PROFIT FOR THE YEAR RETAINED	12	824	550
		<hr/> <hr/>	<hr/> <hr/>

A statement of movements on reserves is given in note 12.

There were no other recognised gains or losses made by the company during the year ended 31st March 2005 other than the profit for the year and therefore a separate statement of recognised gains and losses is not presented.

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.

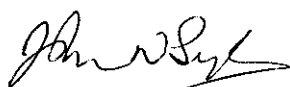
The above results derive from continuing activities.

The notes on pages 9 to 13 form part of these financial statements

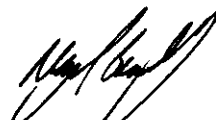
BALANCE SHEET AS AT 31ST MARCH 2005

	NOTES	2005 £000	2004 £000
FIXED ASSETS			
Tangible fixed assets	7	50	92
CURRENT ASSETS			
Debtors	8	675	32
Cash at bank and in hand		2,065	1,415
		2,740	1,447
CREDITORS			
Amounts falling due within one year	9	(1,186)	(719)
NET CURRENT ASSETS		1,554	728
TOTAL ASSETS LESS CURRENT LIABILITIES		1,604	820
CREDITORS			
Amounts falling due after more than one year	10	-	(40)
		1,604	780
CAPITAL AND RESERVES			
Share capital	11	230	230
Profit and loss account	12	1,374	550
EQUITY SHAREHOLDERS' FUNDS	13	1,604	780

Signed on behalf of the Board on 7th June 2005:



John Sykes Director



Nigel Bromley Director

The notes on pages 9 to 13 form part of these financial statements

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2005

	NOTES	2005 £000	2004 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	14	903	958
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		55	25
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		55	25
		958	983
TAXATION			
UK corporation tax paid		(260)	-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(25)	(32)
Proceeds on disposal of fixed assets		-	1
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(25)	(31)
		673	952
EQUITY DIVIDENDS PAID		(23)	-
FINANCING MOVEMENT IN NET DEBT			
Loans repaid		-	(230)
Share capital issued		-	230
INCREASE IN CASH IN THE YEAR		650	952
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS			
Net funds at the beginning of the year		1,415	463
Increase in cash balances in the year		650	952
NET FUNDS AT THE END OF THE YEAR		2,065	1,415

The notes on pages 9 to 13 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2005

1 ACCOUNTING POLICIES

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

(A) BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

(B) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation.

The company's policy is to depreciate fixed assets on a straight-line basis from date of purchase as follows:

Computer and office equipment	2-3 years
Office furniture	4-5 years

(C) 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.

(D) PENSION COSTS

The company operated a group personal 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.

(E) 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. Differences arising on exchange are dealt with through the profit and loss account.

(F) TURNOVER

Turnover represents the value of 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.

2 TURNOVER

	2005 £000	2004 £000
Turnover by geographic area is as follows:		
UK	3,884	3,600
Europe	1,437	5
	<u>5,321</u>	<u>3,605</u>

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging:

Depreciation	67	95
Loss on disposal of tangible fixed assets	-	2
Staff costs (see note 4)	1,817	1,364
Auditors' remuneration		
• audit services	8	7
• non-audit services	3	1
	<u>1,828</u>	<u>1,374</u>

4 STAFF COSTS

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

Wages and salaries	1,528	1,141
Social security costs	166	125
Pension costs	123	98
	<u>1,817</u>	<u>1,364</u>

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

Directors	5	4
Permanent Staff	35	30
	<u>40</u>	<u>34</u>

DIRECTORS' REMUNERATION

The total amount for directors' remuneration and other benefits was £175k (2004: £155k), including those non-executive director fees which were payable to the employers of certain non-executive directors.

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005 £000	2004 £000
(a) Analysis of charge for the year		
Current tax:		
Corporation tax on profit for the year	371	260
Tax on profit on ordinary activities	<u>371</u>	<u>260</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 30%.
The differences are explained below:

Profit on ordinary activities before tax	1,219	833
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	<u>366</u>	<u>250</u>
Effects of:		
Expenses not deductible for tax purposes	3	1
Depreciation for the period in excess of capital allowances	9	9
Lower rates of taxation	(7)	-
Current tax charge for the year (note 5(a))	<u>371</u>	<u>260</u>

6 DIVIDEND

Dividend proposed of 10.42p (2004: 10.00p) per ordinary share	<u>24</u>	<u>23</u>
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7 TANGIBLE FIXED ASSETS

The movements during the year were as follows:

	OFFICE & COMPUTER EQUIPMENT £000	OFFICE FURNITURE £000	TOTAL £000
COST			
At 1st April 2004	174	48	222
Additions in the year	13	12	25
At 31st March 2005	<u>187</u>	<u>60</u>	<u>247</u>
DEPRECIATION			
At 1st April 2004	112	18	130
Charge for the year	53	14	67
At 31st March 2005	<u>165</u>	<u>32</u>	<u>197</u>
NET BOOK VALUES			
At 31st March 2005	<u>22</u>	<u>28</u>	<u>50</u>
At 31st March 2004	<u>62</u>	<u>30</u>	<u>92</u>

8 DEBTORS

	2005 £000	2004 £000
Trade debtors	650	14
Other debtors	19	12
Prepayments and accrued income	6	6
	<u>675</u>	<u>32</u>

Trade debtors includes Irish with-holding tax, 2005/06 income billed in advance and other trade invoices receivable after the year end.

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £000	2004 £000
Trade creditors	143	78
Other creditors including Social Security	151	132
Corporation tax	371	260
Accruals and deferred income	457	226
Dividend proposed	24	23
Loans due to shareholders	40	-
	<u>1,186</u>	<u>719</u>

The loans due to shareholders are unsecured, interest-free and are repayable at the option of the company no later than 1st July 2005.

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Other creditors	-	40
Loans due to shareholders	<u>-</u>	<u>40</u>

11 SHARE CAPITAL

AUTHORISED		
500,000 Ordinary shares of £1 each (2004: 500,000)	<u>500</u>	<u>500</u>
CALLED UP, ISSUED AND FULLY PAID		
230,258 (2004: 230,251) Ordinary shares of £1 each	<u>230</u>	<u>230</u>

During the year, seven ordinary shares of £1 were issued at par value.

12 PROFIT AND LOSS ACCOUNT

At 1st April 2004	550	-
Profit for the year after taxation	848	573
Dividend	(24)	(23)
	<u>1,374</u>	<u>550</u>
At 31st March 2005		

13 RECONCILIATION OF THE MOVEMENT IN SHAREHOLDERS' FUNDS

	2005 £000	2004 £000
At 1st April 2004	780	-
Profit for the year after taxation	848	573
Dividend	(24)	(23)
Issue of ordinary share capital	-	230
	<u>1,604</u>	<u>780</u>
At 31st March 2005	<u>1,604</u>	<u>780</u>

14 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

Operating profit	1,164	808
Depreciation charges	67	95
Loss on disposal of fixed assets	-	2
(Increase) in debtors	(643)	(4)
Increase in creditors	315	57
	<u>903</u>	<u>958</u>
Net cash inflow from operating activities	<u>903</u>	<u>958</u>

15 PENSION SCHEME

The company group personal pension scheme is a defined contribution scheme administered by Clerical Medical Investment Group Limited. The charge for the year of £123,358 (2004: £98,146) represents contributions payable to the scheme in respect of the year ended 31st March 2005. The company was not required to provide a stakeholder pension scheme.