

# Gemserv Annual Report

Annual report and financial statements  
for the year ended 31<sup>st</sup> March 2007



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## Directors, Officers, Advisors and Statutory Information

### Non-Executive Directors

**J Sykes** Non-Executive Director & Chairman

**G Huckerby** Non-Executive Director

**M Jeans** Non-Executive Director

**P Tonkinson** Non-Executive Director

### Executive Directors

**N Bromley** Executive Director & Chief Executive

**J Gould** Executive Director

**K McRae** Executive Director

### Officers

**A Francis** Company Secretary & Commercial Manager (Finance)

**V Leitch** Sales & Marketing Manager

### Registered Office

7th Floor Centurion House

24 Monument Street

London EC3R 8AJ

Telephone 020 7090 1000

Fax 020 7090 1001

Email [finance@gemserv.com](mailto:finance@gemserv.com)

Company Registration Number 4419878

### Auditor

Chantrey Vellacott DFK LLP

Russell Square House

10/12 Russell Square

London WC1B 5LF

### Bankers

The Royal Bank of Scotland plc

62/63 Threadneedle Street

London EC2R 8LA

## Gemserv's Care for the Environment

Gemserv wishes to be part of the solution to environmental concerns, rather than part of the problem. Whilst we have already taken significant steps to minimise our carbon footprint, we plan in 2007/08 to formalise our approach and commit to further targets that demonstrate our real environmental commitment.

Our work is delivered throughout the UK and elsewhere in Europe, and flying is therefore unavoidable. However, we minimise the number of flights, wherever possible, by taking trains between client sites and by using teleconferencing where appropriate. Where flying is necessary, we offset the carbon emission of the flight working in co-operation with Trees for Cities. Since April 2006, we have paid for the planting of 625 trees and we are pleased to be associated with urban re-forestation.

Gemserv's carbon footprint extends beyond flights, however. As with all businesses, simply running an office has an impact on the environment. As part of our efforts to reduce our environmental impact, we have reduced our electricity usage during 2006/07 by 15%.

Further work is still required on reducing paper consumption, another key metric for measuring our environmental standards. Our challenging targets for paper reduction per person are proving harder to meet than a reduction in electricity consumption due to client requests for paper reports. We call upon all of our clients to help us to minimise our use of paper.

Gemserv has constituted a specific project group, comprising Senior Managers, to take forward our environmental work. Moreover, the Board has decided to incentivise staff by making a significant part of 2007/08 bonuses dependent on making progress in this area in order to encourage this further.

We value input from shareholders and stakeholders alike. If you have an idea to help us improve our approach to the environment, please do not hesitate to send it to us at [info@gemserv.com](mailto:info@gemserv.com).

We look forward to hearing from you.

## Chairman's Report

The last year has been another successful one for Gemserv. We have extended our client portfolio into new markets, particularly water, and we have continued to deliver services and projects in the UK and in the Republic of Ireland.

Last year we were appointed by the Water Industry Commission for Scotland to manage the project that will introduce competition for business users, and we have been working extensively on the Joint Authorities' All Island Project to introduce a cross-border electricity market in Ireland and to deliver market readiness services. We have also been appointed to deliver assurance to the Northern Ireland regulator on the introduction of electricity retail competition.

Profitability has been maintained across the portfolio against a background of high quality service delivery. To enhance our quality credentials, we are taking forward work in the next year to achieve the ISO 27001 international standard in information security.

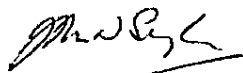
Next year, we will continue to pursue profitable growth through the provision of specialist market consultancy, assurance and business services, by developing the best people and strongest networks. We will be seeking substantial growth in turnover in the UK, Ireland and internationally.

The Board has undertaken a review of its reserves policy during the year to ensure that the business retains sufficient capital to meet its requirements. The directors propose to build reserves to a level of £3m by March 2008 having taken account of expected distributions in the year. The reserves policy includes an amount for contingencies, relocation (the current office accommodation arrangement ends in 2009) and an amount to enable the company to be able to take advantage of business opportunities, for example long term contract financing and possible acquisitions.

The Board is recommending to shareholders a dividend of 11.37p per share, which represents an increase of 5.6% on the previous financial period. In addition to this dividend, the Board will also be recommending to shareholders that a special dividend be paid in October 2007 of 325.72p per share. This special dividend is the result of the continued success of the company, increased turnover and profit management. After five years of establishing and adding value to the business, our financial footing is robust, and the special dividend represents a return of value to shareholders of 326% of the start-up capital funded by them in 2002.

An independent review of the Board was carried out in 2005 and we have now implemented the recommendations made. In January, Ken McRae joined the Board and will be recommended to shareholders as a permanent Executive Director at the forthcoming AGM. Ken has worked at Genserv since its inception, and manages our Utilities teams, leading MRA work, gas, metering, assurance assignments in Ireland and the design and operation of the competitive water market in Scotland. Ken also has corporate responsibility for quality and ensures that we always deliver to the highest standards across our portfolio.

During the year, all Genserv staff were involved in establishing our Mission and Vision, and in putting in place a new corporate review and rewards framework designed to improve the prospects of both the company and its employees. The Board thanks all the Genserv team for their dedication and hard work in this and all the other activities in the last year.



John Sykes  
Chairman  
30th May 2007

## Chief Executive's Report

Following a year of investment and positioning in 2005/6, last year saw Gemserv successfully shift to a new phase of its development. In 2006/7 we increased our turnover by one third from £4.24m to £5.63m and, with contracts that Gemserv already has in place, we are set to continue good growth in 2007/8. Pre-tax profits have increased 28% from £0.98m to £1.25m. On the back of this exceptional performance, I am delighted that the Board is recommending the payment of a special dividend to shareholders.

The Board continues to review performance and risks on a regular basis and considers that the business is performing very well and that risks are properly managed and minimised.

In 2006/7 we made significant investment in training, in particular with our Executive and Senior Management teams. We have also spent time carefully distilling specific measurable targets for 2007/8 and have ensured that every single member of the Gemserv team understands exactly what he or she has to do to contribute to achieving those targets.

We have won prestigious contracts in many areas including work with regulators in the Republic of Ireland and in Northern Ireland to assure the new Single Electricity Market.

We are also implementing the competitive water market for business customers in Scotland for the Water Industry Commission of Scotland. The market, which will be the first properly contestable and competitive water market in the world, opens on the 1st April 2008 (Licensees can already pre-register contracts with customers).

Our work with the Carbon Trust, to assure consultants working for them in the SME market, has progressed well and remains fundamentally aligned with our own business ethics in this area. We have been challenged by our Board to develop initiatives and programmes that take us beyond carbon neutrality.



Nigel Bromley  
Chief Executive  
30th May 2007



## Directors' Report

### Introduction

The directors present their report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31st March 2007

### Principal Activities

The company was formed on 18th April 2002 and provides a range of specialist market consultancy, assurance and business services to the utility markets and other markets in the UK and in Europe

### Results and Dividends

In the year to 31st March 2007, the company achieved a profit before tax of £1.24m (2006 £978k). The balance of profits after tax of £882k will be transferred to reserves. The directors intend to recommend a dividend per share of 11.37 pence (2006 10.77 pence) totalling £26k. The directors also intend to recommend a special dividend payable in September 2007 of 325.72p per share which would total £750k. The balance of profits after tax of £882k will be transferred to reserves. After these distributions, retained reserves will be in excess of £2.19m.

### Share Issues

There were no share issues during the year.

### 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, a contract with a government agency and a major contract in the Scottish water market. Further details are contained in the Chairman's and Chief Executive's reports.

### Directors and their Interests

The directors who served during the year were as follows:

J Sykes\* \*\*

N Bromley

J Gould

G Huckerby\*\*

M Jeans

K McRae (Appointed 24th January 2007)

P Tonkinson\*\*



\* Served as a MRA Service Company Limited director during the year

\*\* Employed by a Gemserv shareholder

No director at 31st March 2007 had an interest in any of the shares of the company

#### Payment of Commercial Debts

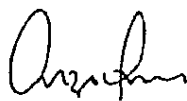
The Company maintains a policy of paying its suppliers in accordance with agreed credit terms

#### Charitable Donations

The Board established a charity committee in 2004 which encourages staff to raise money for UK registered charities. The committee matches one-third of the amounts raised by staff. The committee set up a payroll giving scheme in 2005 to enable staff to make donations via the payroll, and 10% of staff joined this scheme. During the year the committee donated £2,997.

#### Auditor

Chantrey Vellacott DFK LLP is willing to seek re-appointment as the auditor to the company. Their re-appointment shall be proposed at the Annual General Meeting.  
By order of the Board



Anzo Francis  
Company Secretary  
30th May 2007

# Corporate Governance Statement

## Gemserv Corporate Governance Statement

The Board of Directors is committed to the highest standards of corporate governance. Whilst Gemserv does not fall within the regulations of the London Stock Exchange, the Board fully supports the report of the Committee on Corporate Governance and the Committee's Revised Combined Code of Best Practice (annexed to the London Stock Exchange Listing Rules). The Board welcomes the Committee's guidance on internal control and the going concern basis for preparing annual accounts.

## Board of Directors

The Board comprises elected members, four of whom are Non-Executive Directors and three of whom are Executive Directors. The role of Chairman is separated from the role of Chief Executive. The Board is responsible for taking decisions on the on-going strategic direction of Gemserv, approving major developments and the terms of reference and delegated powers of its committees. The Board usually meets six times per year and has two standing committees, including a Remuneration Committee and an Audit Committee. The standing committees are formally constituted with terms of reference and include at least two Board members.

The Board reviews and approves the annual business plan, revenue and capital budgets, and monitors performance in relation to approved budgets. The Board has delegated operational matters to the Management Team which operates the day to day business.

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

In addition, the Board performs the role of a Nominations Committee under defined terms of reference which include recommending new Board appointments and succession planning.

## Remuneration Committee

The Remuneration Committee determines the remuneration of the Management Team on behalf of the Board. It has formal terms of reference set by the Board. Its members are all the Non-Executive Directors and meet under the chairmanship of Geoff

Huckerby An Executive Director and the Chief Executive attend meetings The committee meets at least twice per year and when necessary

The Remuneration Committee reviews annually the level of Non-Executive Director fees for the approval at the Annual General Meeting of shareholders The Remuneration Committee reviews and approves annually the remuneration package of the Management Team, including the operation of the Senior Management Incentive and Retention Scheme The Remuneration Committee also reviews annually the levels of salary, bonus and pensions payable to staff

### Audit Committee

The Audit Committee assists the Board in the execution of its responsibilities for corporate governance and internal control, and has adopted terms of reference modelled on those set out in the Code Its members are Mike Jeans (Chairman) and Paul Tonkinson, both Non-Executive Directors The Commercial Manager (Finance) and Company Secretary is the secretary of the committee The External Audit Partner and the Chief Executive also attend meetings

The Audit Committee reviews the company's internal control structure, approves the external audit programmes, approves the audit fees, and reviews reports from management and from the external auditor on their work It monitors the effectiveness of the company's internal controls function, and reviews the company's financial statements and proposed announcements, together with any proposed changes in accounting policies, prior to approval by the Board

The Audit Committee has a formal schedule of matters to be considered at each meeting It keeps under review the objectivity and independence of the external auditor and the nature and extent of the non-audit services which it provides In 2006/07, these services consisted of corporate tax advice and advice on remuneration schemes The Audit Committee believes that the level and scope of these non-audit services does not impair the objectivity of the external auditor

### Management Team

The Management Team is chaired by the Chief Executive and includes two Executive Directors and two Senior Managers It is responsible for the implementation of strategy and plays a central role in planning, budgeting, risk identification and management of the company's operations It normally meets once per week

## Going Concern

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

## Financial Reporting

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

## Risk Management

The Board and the Management Team examine on a continual basis the major strategic, business and operational risks which Gemserv faces. They have established a system that ensures that risks are reviewed and reported regularly at all levels, and that appropriate action is in place to mitigate the significant risks. In addition, all risks are reviewed annually as an integral part of business planning.

## Controls and Procedures

Gemserv maintains a comprehensive set of delegations of authority and financial regulations, and all material breaches are reported to the Audit Committee. The financial controls and procedures are reviewed regularly and compliance with them is verified by the auditor.

## Monitoring of Controls

The Audit Committee reviews, on behalf of the Board, Gemserv's accounting and financial reporting practices, its internal financial controls, the work of the auditor and compliance with all relevant legislation.

## Shareholder Relations

The Board reviews its relations and communications with shareholders on an annual basis. The annual report and accounts are presented to shareholders at the Annual General Meeting held in July of each year. Some large shareholders are represented at Board level as Non-Executive Directors and the Chief Executive maintains an on-going dialogue with other shareholders.

## Statement of Directors' Responsibilities

### and Statement of Disclosure of Information to Auditor

#### 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, and
- 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 are prepared in accordance with company law in the United Kingdom.

#### Statement of Disclosure of Information to Auditor

Each person who was a director at the date that this report was approved has taken all steps that they ought to have taken as directors in order to

- make themselves aware of any relevant audit information (as defined by the Companies Act 1985), and
- ensure that the auditor is aware of all relevant audit information (as defined)

As far as each director is aware, there is no relevant audit information of which the company's auditor is unaware.

# Independent Auditor's Report to the Shareholders of

## Gemserv Limited

We have audited the financial statements of Gemserv Limited for the year ended 31st March 2007 which comprises the Profit & Loss Account, the Balance Sheet, the Cashflow 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 auditor

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinions as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985.

We report to you whether, in our opinion, the information given in the director's report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only Gemserv's Care for the Environment, the Chairman's Report, the Chief Executive's Report, the Directors' Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any misstatements or material inconsistencies with the audited financial statements. We are not required

to consider whether the statements on risk management cover all risks and controls, or to form an opinion on the effectiveness of the corporate governance procedures. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgements 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 in the financial statements.

### Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st March 2007 and of its profit for the year then ended,
- have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



Chantrey Vellacott DFK LLP

Registered Auditor

Russell Square House

10/12 Russell Square

London WC1B 5LF

30th May 2007

## Profit and Loss Account

for the year ended 31<sup>st</sup> March 2007

	Notes	2007 £'000	2006 £'000
<b>TURNOVER</b>	2	5,628	4,237
<b>Administrative expenses</b>		<u>(4,537)</u>	<u>(3,364)</u>
<b>OPERATING PROFIT</b>		1,091	873
<b>Interest receivable and similar income</b>		<u>156</u>	<u>105</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	1,247	978
<b>Tax on profit on ordinary activities</b>	5	(365)	(288)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	12	<u>882</u>	<u>690</u>

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 31<sup>st</sup> March 2007 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 19-25 form part of these financial statements



# Balance Sheet

for the year ended 31<sup>st</sup> March 2007

	Notes	2007 £'000	2006 £'000
<b>FIXED ASSETS</b>			
Tangible fixed assets	7	<u>21</u>	<u>17</u>
<b>CURRENT ASSETS</b>			
Debtors	8	855	232
Short-term investments	9	3,000	—
Cash at bank and in hand		<u>789</u>	<u>3,029</u>
		4,644	3,261
<b>CREDITORS</b>			
Amounts falling due within one year	10	<u>(1,514)</u>	<u>(984)</u>
<b>NET CURRENT ASSETS</b>		<u>3,130</u>	<u>2,277</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,151</u>	<u>2,294</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	11	230	230
Profit and loss account	12	<u>2,821</u>	<u>2,064</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	13	<u>3,151</u>	<u>2,294</u>

Approved by the Board and authorised for issue on 30th May 2007 and signed on behalf of the Board by



John Sykes  
Chairman



Nigel Bromley  
Chief Executive

The notes on pages 19-25 form part of these financial statements

## Cashflow Statement

for the year ended 31<sup>st</sup> March 2007

	Notes	2007 £'000	2006 £'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	14	938	1,296
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		156	105
<b>TAXATION</b>			
UK corporation tax paid		(288)	(371)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Purchase of tangible fixed assets		(21)	(2)
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
Increase in short-term investments		(3,000)	—
<b>EQUITY DIVIDENDS PAID</b>		(25)	(24)
<b>FINANCING—MOVEMENT IN NET DEBT</b>			
Loans repaid		—	(40)
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<u>(2,240)</u>	<u>964</u>
<b>RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS</b>			
Net funds at the beginning of the year		3,029	2,065
Increase in short-term investments		3,000	—
(Decrease)/Increase in cash balance		(2,240)	964
<b>NET FUNDS AT THE END OF THE YEAR</b>		<u>3,789</u>	<u>3,029</u>
<b>ANALYSIS OF NET FUNDS</b>	<b>At 1<sup>st</sup> April</b>	<b>Cash flow</b>	<b>At 31<sup>st</sup> March</b>
	<b>2006</b>		<b>2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	3,029	(2,240)	789
Short-term investments	0	3,000	3,000
<b>NET FUNDS AT THE END OF THE YEAR</b>	<u>3,029</u>	<u>760</u>	<u>3,789</u>

The notes on pages 19-25 form part of these financial statements

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March 2007

## 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

### (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 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.

#### (f) Turnover

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

#### (g) Work-in-progress And Long Term Contracts

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

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

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

## 2 Turnover

	2007 £'000	2006 £'000
Turnover by geographic area is as follows		
UK	5,446	4,139
Europe and Republic of Ireland	<u>182</u>	<u>98</u>
	<u>5,628</u>	<u>4,237</u>

## 3 Profit on Ordinary Activities before Taxation

This is stated after charging		
Depreciation	17	35
Staff costs (see note 4)	2,639	2,135
Auditor's remuneration		
audit services	14	8
non-audit services	2	3
Payments under property licence	<u>120</u>	<u>60</u>

#### 4 Staff Costs

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

Wages and salaries	2,213	1,816
Social security costs	273	187
Pension costs (note 16)	153	132
	<u>2,639</u>	<u>2,135</u>

Staff costs includes £130k (2006 £97k) in respect of the Senior Management Incentive and Retention Scheme

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

Non-Executive Directors	4	4
Executive Directors	2	2
Permanent Staff	44	42
	<u>50</u>	<u>48</u>

#### Directors' Remuneration

The total amount of directors' remuneration and other benefits was £463k (2006 £357k) including those Non-Executive Directors' fees which were payable to the employers of certain Non-Executive Directors. The remuneration of the highest paid director was £226k (2006 £188k). Directors' remuneration includes £77k (2006 £54k) in respect of the Senior Management Incentive and Retention Scheme. Pension contributions were made in respect of 3 directors (2006 2).

## 5 Tax on Profit on Ordinary Activities

	2007 £'000	2006 £'000
(a) Analysis of charge for the year		
Corporation tax on profit for the year	365	288
Tax on profit on ordinary activities	365	288
No provision for deferred tax is required		
(b) Factors affecting tax charge for the year		
The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30%		
The differences are explained below		
Profit on ordinary activities before tax	1,247	978
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	374	293
Effects of:		
Expenses not deductible for tax purposes	2	2
Depreciation for the period (less than)/in excess of capital allowances	(4)	6
Lower rates of taxation	(7)	(13)
Current tax charge for the year (note 5(a))	365	288

## 6 Dividend

### Amounts recognised as distributions to ordinary shareholders in the year

Final 2006 ordinary dividend of 10.77p

(2005 10.42p) per share, paid in the year

25	24
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### Amounts not recognised as distributions to ordinary shareholders during the year

Proposed final 2007 ordinary dividend of 11.37p

(2006 10.77p) per share

26	25
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Proposed final special dividend of 325.72p

(2006 Nil) per share

750	—
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The proposed final 2007 and the special dividends are subject to approval by shareholders at the Annual General Meeting and have not been included as a liability in these financial statements, in accordance with FRS 21

## 7 Tangible Fixed Assets

	OFFICE & COMPUTER EQUIPMENT £'000	OFFICE FURNITURE £'000	TOTAL £'000
<b>COST</b>			
At 1st April 2006	190	59	249
Additions in the year	20	1	21
At 31st March 2007	<u>210</u>	<u>60</u>	<u>270</u>
<b>DEPRECIATION</b>			
At 1st April 2006	185	47	232
Charge for the year	9	8	17
At 31st March 2007	<u>194</u>	<u>55</u>	<u>249</u>
<b>NET BOOK VALUES</b>			
At 31st March 2007	<u>16</u>	<u>5</u>	<u>21</u>
At 31st March 2006	<u>5</u>	<u>12</u>	<u>17</u>

## 8 Debtors

	2007 £'000	2006 £'000
Trade debtors	231	161
Other debtors	14	15
Amounts recoverable on contracts	484	-
Prepayments and accrued income	<u>126</u>	<u>58</u>
	<u>855</u>	<u>232</u>

## 9 Short Term Investments

Money market deposits	<u>3,000</u>	<u>-</u>
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Short-term investments comprise money market deposits placed with the company's banker and maturing in periods from 24 hours to 12 months

## 10 Creditors: Amounts Falling Due Within One Year

Trade creditors	211	72
Other creditors including Social Security	318	286
Corporation tax	365	288
Accruals and deferred income	<u>620</u>	<u>338</u>
	<u>1,514</u>	<u>984</u>

## 11 Share Capital

	2007 £'000	2006 £'000
<b>Authorised</b>		
500,000 Ordinary shares of £1 each (2006 500,000)	<u>500</u>	<u>500</u>
<b>Called up, issued and fully paid 230,258 (2006 230,258)</b>		
Ordinary shares of £1 each	<u>230</u>	<u>230</u>

## 12 Profit and Loss Account

At 1st April 2006	2,064	1,398
Profit for the year after taxation	882	690
Dividends paid (note 6)	<u>(25)</u>	<u>(24)</u>
As at 31st March 2007	<u>2,921</u>	<u>2,064</u>

## 13 Reconciliation of the Movement in Shareholders Funds

At 1st April 2006	2,294	1,628
Profit for the year after taxation	882	690
Dividends paid	<u>(25)</u>	<u>(24)</u>
At 31st March 2007	<u>3,151</u>	<u>2,294</u>

## 14 Reconciliation of Operating Profit to Net Cash Inflow/ (Outflow) from Operating Activities

Operating profit	1,091	873
Depreciation	17	35
Increase/(Decrease) in debtors	(623)	443
Increase/(Decrease) in creditors	<u>453</u>	<u>(55)</u>
Net cash inflow from operating activities	<u>938</u>	<u>1,296</u>



## 15 Financial Commitments

The company's annual commitments for rental payments under a licence for its premises payable during the year to 31st March 2008 are as follows

Expiring within 2-5 years	<u>120</u>	<u>120</u>
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The company or the landlord may terminate the licence giving 3 months notice.

## 16 Pension Scheme

The company group pension scheme is a defined contribution scheme administered by Clenca! Medical Investment Group Limited. The charge for the year of £153k (2006 £132k) represents contributions payable to the scheme in respect of the year ended 31st March 2007. The company was not required to provide a stakeholder pension scheme.

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