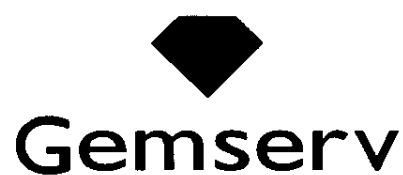
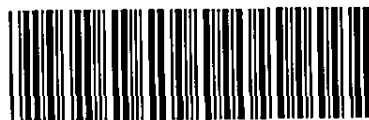


4419878



ANNUAL REPORT & FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2008

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COMPANIES HOUSE



INVENTOR IN PEOPLE



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# DIRECTORS, OFFICERS, ADVISORS AND STATUTORY INFORMATION

## Non-Executive Directors

<b>J Sykes</b>	Non-Executive Director & Chairman
<b>G Huckerby</b>	Non-Executive Director
<b>M Jeans</b>	Non-Executive Director
<b>P Tonkinson</b>	Non-Executive Director

## Executive Directors

<b>N Bromley</b>	Executive Director & Chief Executive Officer
<b>J Gould</b>	Executive Director
<b>K McRae</b>	Executive Director & Company Secretary

## Officers

<b>J Dosanjh-Elton</b>	Chief Financial Officer
------------------------	-------------------------

## 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

# INTRODUCTION

GEMSERV ACHIEVES THE HIGHEST  
STANDARDS BECAUSE WE ONLY  
RECRUIT THE BEST PEOPLE AND WE  
WORK HARD TO DEVELOP THEM

Over the period 2007/08, Gemserv's focus on its customers has once again ensured that the Company has sustained profitable growth. As well as value for money, our customers care about our approach to quality and about how we will look after their information. They also care about our impact on the environment and on the sort of people we employ. We underpin all of our systems and processes

through external assessment and accreditation to reinforce our customers' confidence that we will continue to deliver to high standards of quality and security.

We welcome the Investors in People standard as recognition of our approach to the continuous development of our people. Gemserv achieves the highest standards as we only recruit the best people and we work hard to develop

them. In addition to training and developing our people well, we ensure that everyone understands exactly what they have to do to meet our customers' needs.

Given Gemserv's high profile client list, our commitment to client and company information security is paramount. This is reflected through the accreditation of our Information Security Management System to ISO 27001:2005. This

international standard covers an organisation's approach to information security from the perspective of its people, processes and IT systems. Our dedication to preserving the security of data and information is integral to everything we do.

In addition to our security standards, Gemserv's work is subject to rigorous controls through its Quality Management System, which has achieved accreditation

against the international standard for quality management set out in ISO 9001:2000. We consistently aim to deliver and exceed client expectations whilst developing effective and lasting working relationships.

We have long been committed to acting on the challenges of sustainable development. We operate with environmental efficiency and mitigate our environmental impacts beyond

carbon neutrality. Our approach has been recognised under the Institute of Environmental Management and Assessment Acorn scheme. We have achieved phases 1, 2 and 3 of BS 8555. Gemserv's commitment goes beyond compliance to this standard and extends into social, charitable and volunteering activities.

# CHAIRMAN'S REPORT

I am pleased to report that during last year Gemserv significantly increased its capability and maintained profitable growth

Gemserv's high standards of operation have been verified by several external bodies. Our approach to customers' information security was validated through accreditation to ISO 27001 2005 and we maintained our ISO 9001 2000 quality accreditation. We were accredited to the revised Investor in People standard and also reached Acorn Phase 3 accreditation in recognition of our environmental approach.

As a consequence of our success we have again enhanced the value of the Company. We propose to continue to retain a strong balance sheet as it has enabled us to win key contracts out of the reach of many of our small and medium-sized competitors. The Board therefore proposes a dividend of 11.91p per

share in line with our policy of increasing dividend by RPI+1% year-on-year.

A key achievement during the year was the delivery of the competitive water arrangements in Scotland for business customers. In addition, Gemserv has extended its customer base in all of the markets in which it operates. Significantly, we have negotiated a £15m contract extension with MRASCo Limited. MRASCo remains Gemserv's largest customer and the contract extension will continue to underpin long term cash flow. Gemserv will continue to seek new markets for its specialist services and

## GEMSERV'S REPUTATION CONTINUES TO ENABLE IT TO RECRUIT THE BEST PEOPLE AND WORK WITH THE MOST RESPECTED ASSOCIATES FROM THE INDUSTRIES IT SERVES.

is in discussions with potential clients in Europe. After six years of delivering consistent growth and excellence, the directors believe that our 'profitable growth' strategy could be complemented through acquisition if the right opportunity were to arise.

Gemserv's Management Team has been enhanced through the appointment of Jagjit Dosanjh-Elton, our new Chief Financial Officer. Jagjit formerly worked at AXA PPP as part of the acquisitions and mergers team. Prior to this, she worked for the Economist Intelligence Unit where she gained extensive experience in financial reporting and

worked on a number of high profile projects, including global restructuring and finance system implementation. I am also pleased to announce the appointment of David Thorne to Gemserv's Management Team. David will be managing the gas and regulatory teams and joins us from Centrica. He has a strong reputation across regulated utility industries having previously worked for sector regulators. Within Centrica he has headed its utility retail regulation and compliance team and more recently was Centrica's Corporate Risk Manager.

Gemserv's reputation continues to enable it to

recruit the best people and work with the most respected associates from the industries it serves. Gemserv's teams have worked particularly hard throughout the year and I extend my deep gratitude to each and every one of them for the uncompromisingly high standard of work that they continue to deliver on behalf of our customers.



**John Sykes**  
Chairman  
28th May 2008



# CHIEF EXECUTIVE'S REPORT

THE LAST YEAR HAS SEEN GEMSERV  
MATURE INTO A STRONG MEDIUM-SIZED  
COMPANY WITH A BIG REPUTATION FOR  
DELIVERING QUALITY AND INDEPENDENT  
ADVICE WITH INTEGRITY

Despite considerable internal investment, in particular associated with our information security systems and processes, Gemserv continued to build on its previous financial performance. The Company delivered an increase in turnover of 24% and an increase in pre-tax profit of 27%.

Our project management capability and market level expertise were clearly demonstrated through implementation of the Scottish water market. In a 16 month window from November 2006, Gemserv designed and implemented the new competitive arrangements. The market, for all business customers, is the world's first fully-competitive water retail market. The project was delivered to time and to budget and opened on the 1st April 2008. We are now in the 'operate' phase of our contract which runs until 2011. I am

able to report that significant customer switching has already taken place, demonstrating early success of the market

Whilst a challenge, the project has not diminished our ability to serve all of our customers well and win new clients. We have also negotiated a contract extension with one of our key customers, MRASCo Limited, reflecting MRASCo's trust in our ability to deliver consistent and uncompromisingly high standards year-on-year

Our approach to our people and to preserving the environment has not only enhanced our reputation as a responsible partner, it is increasingly becoming a key factor in recruiting good people and winning contracts. Gemserv's approach to information security and quality is also a critical factor in winning and retaining customers, many of whom have key pan-industry roles

and include regulators and governments

Overall the last year has seen Gemserv mature into a strong medium-sized company with a big reputation for delivering quality and independent advice with integrity. We have broadened our corporate skill set, underpinned our corporate accreditation and maintained our reputation for never letting a customer down

The key to all of our achievements is our rigorous approach to recruiting and developing Gemserv's people to be the best



**Nigel Bromley**  
Chief Executive  
28th May 2008

# DIRECTORS' REPORT

GEMSERV HAS MADE EXCELLENT  
PROGRESS DURING THE YEAR  
IN ITS KEY BUSINESS AREAS.

## Introduction

The directors present their report on the affairs of Gemserv (the Company), together with the financial statements and auditor's report, for the year ended 31st March 2008

dividend payment will be transferred to reserves. The directors intend to recommend a dividend per share of 11.91 pence (2007 11.37 pence) totalling £27,428

## Share Issues

There were no share issues during the year

## Principal Activities

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

## Review of the Business & Future Developments

Gemserv has made excellent progress during the year in its key business areas, including the provision of technical, financial and administrative services to underpin the Master Registration Agreement (MRA) and other industry bodies, and the successful design, development, implementation and ongoing operation of

## Results & Dividends

In the year to 31st March 2008, the Company achieved profit before tax of £1.59m (2007 £1.25m). The balance of profits after tax and 2006/07 ordinary and special

the newly liberalised water market in Scotland. During the year, the Company secured a number of contract extensions and was successful in tendering for a number of new clients including a government department, a utility regulator, supporting new governance arrangements within the GB gas sector and ongoing involvement in a number of electricity market initiatives in both the Republic of Ireland and Northern Ireland.

## Directors & their Interests

The directors who served during the year were as follows

J Sykes\* \*\*  
N Bromley  
G Huckerby\*\*  
J Gould  
M Jeans  
K McRae  
P Tonkinson\*\*

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

\*\* Employed by a Gemserv shareholder

No director at 31st March 2008 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 Charity Committee, which was established in 2004, donated £3,000 during the year. Two-thirds of this donation was made to UK registered charities by matching funds raised

by staff members through charitable activities. In line with our environmental values, the Company sent "e-Christmas cards" to its clients and staff. Our Christmas donation was made to the Global Volunteer Network (GVN) Foundation, supporting a school building project in Uganda.

## Auditor

Chantrey Vellacott DFK LLP is willing to seek re-appointment as the auditor to the Company. A resolution proposing its re-appointment shall be proposed at a General Meeting.

By order of the Board



**Ken McRae**  
Company Secretary  
28th May 2008

# CORPORATE GOVERNANCE STATEMENT

THE BOARD OF DIRECTORS IS  
COMMITTED TO THE HIGHEST STANDARDS  
OF CORPORATE GOVERNANCE.

## Gemserv Corporate Governance Statement

The Board of Directors is committed to the highest standards of corporate governance. Whilst the Company 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 the Company, approving major developments and the terms of reference and delegated powers of its committees. The Board usually meets six times per year and has several

standing committees including a Nominations Committee, 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 the

Company and for ensuring these systems maintain the integrity of accounting records and safeguarding 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 the Company.

## Nominations Committee

When acting as the Nominations Committee, the Board has terms of reference, and its responsibilities include recommending new Board

appointments and succession planning. All Board directors sit on this Committee.

## 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

two times per year and when necessary.

The Remuneration Committee reviews the level of Non-Executive Director fees annually for approval at a General Meeting, held annually. 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 the levels of salary, bonus and pensions payable to staff annually.

# CORPORATE GOVERNANCE STATEMENT (continued)

## 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 Chief Financial Officer is the secretary of the Committee. The external audit partner and the Chief Executive also attend meetings when necessary.

The Audit Committee reviews the Company's internal control structure, reviews the external audit process, approves the audit fees, and reviews reports from management and from the external auditors 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. These

services consisted in 2007/08 of corporate tax advice. 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 led by the Chief Executive and includes two Executive Directors and two Senior Managers. It is responsible for the development and implementation of the Company's strategy and plays a central role in risk management, planning, budgeting, resourcing and day-to-day management of the Company's operations.

## Going Concern

The Board confirms that, after making appropriate enquiries, it is of the opinion that the Company 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 budgets 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 the Company faces. We 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 the business planning

its internal financial controls, the work of the external auditor and compliance with all relevant legislation

## Controls & Procedures

The Company 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 verified by the external auditor

## Shareholder Relations

The Board reviews its relations and communications with shareholders on an annual basis. The annual report and accounts are presented to shareholders at a General Meeting. Some large shareholders are represented at Board level as Non-Executive Directors and the Chief Executive ensures an ongoing dialogue with other shareholders

## Monitoring of Controls

The Audit Committee reviews, on behalf of the Board, the Company's accounting and financial reporting practices,



# 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,
- prepare the financial statements on a 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information contained

in the annual report may differ from the legislation in other jurisdictions.

### 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 external 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 2008 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

The directors' responsibilities for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 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 the Introduction, 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 2008 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*

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

28th May 2008

# PROFIT AND LOSS ACCOUNT

for the year ended 31st March 2008

	Notes	2008 £'000	2007 £'000
<b>TURNOVER</b>	2	6,971	5,628
Administrative expenses		<u>(5,559)</u>	<u>(4,537)</u>
<b>OPERATING PROFIT</b>		1,412	1,091
Interest receivable and similar income		<u>175</u>	<u>156</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	1,587	1,247
Tax on profit on ordinary activities	5	<u>(470)</u>	<u>(365)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	12	<u>1,117</u>	<u>882</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 31st March 2008 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

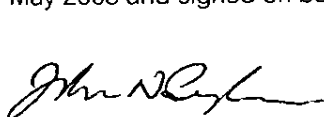
The above results derive from continuing activities

The notes on pages 24 to 29 form part of these financial statements

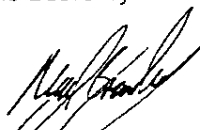
# BALANCE SHEET

	Notes	2008 £'000	2007 £'000
<b>FIXED ASSETS</b>			
Tangible fixed assets	7	<u>79</u>	<u>21</u>
<b>CURRENT ASSETS</b>			
Debtors	8	1,974	855
Short term investments	9	2,500	3,000
Cash at bank and in hand		<u>612</u>	<u>789</u>
		5,086	4,644
<b>CREDITORS</b>			
Amounts falling due within one year	10	<u>(1,672)</u>	<u>(1,514)</u>
<b>NET CURRENT ASSETS</b>		3,414	3,130
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,493</u>	<u>3,151</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	11	230	230
Profit and loss account	12	3,263	2,921
<b>EQUITY SHAREHOLDERS' FUNDS</b>	13	<u>3,493</u>	<u>3,151</u>

Approved by the Board and authorised for issue on 28th  
May 2008 and signed on behalf of the Board by



**John Sykes**  
Chairman



**Nigel Bromley**  
Chief Executive

The notes on pages 24 to 29 form part of these financial statements

# CASHFLOW STATEMENT

for the year ended 31st March 2008

	Notes	2008 £'000	2007 £'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	14	371	938
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		175	156
<b>TAXATION</b>			
UK corporation tax paid		(365)	(288)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Purchase of tangible fixed assets		(83)	(21)
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
Decrease/(Increase) in short term investments		500	(3,000)
<b>EQUITY DIVIDENDS PAID</b>		(775)	(25)
<b>DECREASE IN CASH IN THE YEAR</b>		<u>(177)</u>	<u>(2,240)</u>
<b>RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS</b>			
Net funds at beginning of the year		3,789	3,029
(Decrease)/Increase in short term investments		(500)	3,000
Decrease in cash balance		(177)	(2,240)
<b>NET FUNDS AT END OF THE YEAR</b>		<u>3,112</u>	<u>3,789</u>

**ANALYSIS OF NET FUNDS**

	<b>AT 31ST MARCH 2008 £'000</b>	<b>CASH FLOW £'000</b>	<b>AT 31ST MARCH 2007 £'000</b>
Cash at bank and in hand	612	(177)	789
Short term investments	2,500	(500)	3,000
<b>NET FUNDS AT THE END OF THE YEAR</b>	<u>3,112</u>	<u>(677)</u>	<u>3,789</u>

The notes on pages 24 to 29 form part of these financial statements

# NOTES TO THE FINANCIAL STATEMENTS

## 1 ACCOUNTING POLICIES

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

### **(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 & 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

### TURNOVER BY GEOGRAPHIC AREA IS AS FOLLOWS

	2008 £'000	2007 £'000
UK	6,569	5,446
Europe and Republic of Ireland	402	182
	<u>6,971</u>	<u>5,628</u>

## 3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

### THIS IS STATED AFTER CHARGING

Depreciation	25	17
Staff costs (see note 4)	2,757	2,639
Auditor's remuneration		
audit services	12	14
non-audit services	2	2
Foreign exchange gain	(15)	(1)
Payments under property licence	<u>120</u>	<u>120</u>

## 4 STAFF COSTS

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

Wages and salaries	2,331	2,213
Social security costs	262	273
Pension costs	<u>164</u>	<u>153</u>
	<u>2,757</u>	<u>2,639</u>

Staff costs includes £133k (2007 £130k) in respect of the Senior Management Incentive and Retention Scheme

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

	No	No
Non-Executive Directors	4	4
Executive Directors	3	2
Permanent Staff	<u>46</u>	<u>44</u>
	<u>53</u>	<u>50</u>

### DIRECTORS' REMUNERATION

The total amount of directors' remuneration and other benefits was £604k (2007 £463k). This reflects the increase in the number of Executive Directors and includes those Non-Executive Directors' fees which were payable to the employers of certain Non-Executive Directors. The remuneration of the highest

paid director was £228k (2007 £226k). Directors' remuneration includes £117k (2007 £77k) in respect of the Senior Management Incentive and Retention Scheme. Pension contributions were made in respect of 3 directors (2007 3).

Jayne Gould has a season ticket loan in accordance with the

Company's normal terms for staff. The maximum amount advanced in the year was £1,800 and the amount outstanding at the end of the year was £655 (2007 £570).

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 £'000	2007 £'000
<b>(A) ANALYSIS OF TAX CHARGE FOR THE PERIOD</b>		
UK corporation tax on profits for the period	470	365
Total current tax charge (note 5B)	<u>470</u>	<u>365</u>

No provision for the 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	1,587	1,247
Tax on profit on ordinary activities at standard corporation tax rate of 30%	476	374

### EFFECTS OF

Expenses not deductible for tax purposes	2	2
Capital allowances less than/(more than) depreciation	(9)	(4)
Other short term timing differences	1	-
Lower rates of taxation	-	(7)
Current tax charge for the year (note 5A)	<u>470</u>	<u>365</u>

## 6 DIVIDEND

### AMOUNTS RECOGNISED AS DISTRIBUTIONS TO ORDINARY SHAREHOLDERS IN THE YEAR

Final 2007 ordinary dividend of 11 37p (2006 10 77p) per share, paid in the year	26	25
Final 2007 special dividend of 325 72p (2006 nil) per share paid in the year	<u>749</u>	<u>-</u>
	<u>775</u>	<u>25</u>

### AMOUNTS NOT RECOGNISED AS DISTRIBUTIONS TO ORDINARY SHAREHOLDERS DURING THE YEAR

Proposed final 2008 ordinary dividend of 11 91p (2007 11 37p) per share	<u>27</u>	<u>26</u>
Proposed final special dividend (2007 325 72p) per share	<u>-</u>	<u>750</u>

The proposed final 2008 ordinary dividend is subject to approval by shareholders at a General Meeting and has not been included as a liability in these financial statements, in accordance with FRS 21

## 7 TANGIBLE FIXED ASSETS

	OFFICE & COMPUTER EQUIPMENT £'000	OFFICE & FURNITURE £'000	TOTAL £'000
<b>COST</b>			
At 1st April 2007	210	60	270
Additions in the year	78	5	83
Disposals	(106)	-	(106)
At 31st March 2008	<u>182</u>	<u>65</u>	<u>247</u>
<b>DEPRECIATION</b>			
At 1st April 2007	194	55	249
Charge for the year	21	4	25
Disposals	(106)	-	(106)
At 31st March 2008	<u>109</u>	<u>59</u>	<u>168</u>
<b>NET BOOK VALUES</b>			
At 31st March 2008	<u>73</u>	<u>6</u>	<u>79</u>
At 31st March 2007	<u>16</u>	<u>5</u>	<u>21</u>

## 8 DEBTORS

	2008	2007
Trade debtors	674	231
Other debtors	20	14
Amounts recoverable on contracts	1,155	484
Prepayments and accrued income	<u>125</u>	<u>126</u>
	<u>1,974</u>	<u>855</u>
Included in amounts recoverable on contracts is the sum of £709k (2007: nil) which is receivable after more than one year		

## 9 SHORT-TERM INVESTMENTS

Money market deposits	<u>2,500</u>	<u>3,000</u>
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Short-term investments comprise money market deposits placed with the Company's bankers and maturing in periods from 24 hours to 2 months

## 10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Trade creditors	190	211
Other creditors including social security	235	318
Corporation tax	470	365
Accruals and deferred income	<u>777</u>	<u>620</u>
	<u>1,672</u>	<u>1,514</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 11 SHARE CAPITAL

	2008 £'000	2007 £'000
<b>AUTHORISED</b>		
500,000 ordinary shares of £1 each (2007 500,000)	<u>500</u>	<u>500</u>
<b>CALLED UP, ISSUED AND FULLY PAID</b>		
£230,258 ordinary shares £1 each (2007 230,258)	<u>230</u>	<u>230</u>

### 12 PROFIT AND LOSS ACCOUNT

At 1st April 2007	2,921	2,064
Profit for the year after taxation	1,117	882
Dividends paid	<u>(775)</u>	<u>(25)</u>
At 31st March 2008	<u>3,263</u>	<u>2,921</u>

### 13 RECONCILIATION OF THE MOVEMENT IN SHAREHOLDERS' FUNDS

At 1st April 2007	3,151	2,294
Profit for the year after taxation	1,117	882
Dividends paid	<u>(775)</u>	<u>(25)</u>
At 31st March 2008	<u>3,493</u>	<u>3,151</u>

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

Operating profit	1,412	1,091
Depreciation	25	17
Increase in debtors	(1,119)	(623)
Decrease in creditors	<u>53</u>	<u>453</u>
Net cash inflow from operating activities	<u>371</u>	<u>938</u>

## 15 FINANCIAL COMMITMENTS

### THE COMPANY'S ANNUAL COMMITMENTS FOR RENTAL PAYMENTS UNDER A LICENCE FOR ITS PREMISES PAYABLE DURING THE YEAR TO 31<sup>ST</sup> MARCH 2008 ARE AS FOLLOWS

Expiring within 2 years

2008 £'000	2007 £'000
<u>120</u>	<u>120</u>

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 Clerical Medical Investment Group Limited. The charge for the year of £164k (2007: £153k) represents contributions payable to the scheme in respect of the year ended 31st March 2008. The Company was not required to provide a stakeholder pension scheme.

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