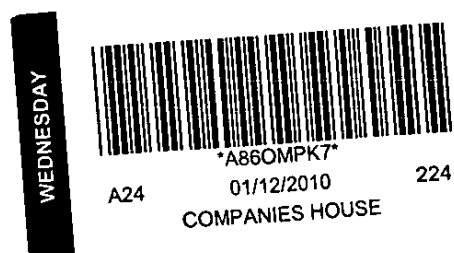


4419878

A Guide to the Business of

G E M S E R V

Annual Report and Financial
Statements for the Year Ended
31st March 2010



Policy Development

Solution Design

Build & Implementation

Operation &

Maintenance

Audit & Assurance

Central Hubs

Governance

Directors, Officers, Advisors and Statutory Information

Non-Executive Directors

John Sykes	Non-Executive Director and Chairman
Geoff Huckerby	Non-Executive Director
Mike Jeans	Non-Executive Director
Paul Tonkinson	Non-Executive Director

Executive Directors

Nigel Bromley	Executive Director and Chief Executive Officer
Jayne Gould	Executive Director
Ken McRae	Executive Director and Company Secretary

Officers

Jagjit Dasarthy-Elton	Chief Financial Officer
David Thorne	Head of Contract Delivery
Simon Bright	Managing Director Red Island Consulting

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

Registered Office

10 Fenchurch Street
London EC3M 3BE

Telephone 020 7090 1000
Fax 020 7090 1001
Email finance@gemserv.com
Company Registration Number 4419878

Information Security

Business Services

Environment

Metering

Electricity

Telecoms

Water

Gas

Introduction

During 2009/10 Gemserv's focus on high quality delivery and value for money for its customers ensured the continued development of the Group throughout the tight economic conditions that prevailed for most of the year. Increased external validation of our processes and systems, including certification to the environmental standard ISO 14001, further reinforced customers' confidence that we continue to deliver to the highest standards.

To support our client services, Gemserv moved to new offices in November 2009. The brief was to find an office with a City location and good environmental credentials that would also provide additional and improved client meeting space. Gemserv's new office provides a pleasant, efficient and flexible work environment for clients and staff, and allows for future growth of the Group.

Excellent integration of Red Island Consulting (RIC) within the Group has resulted in a strong final quarter providing a robust platform for growth in 2010/11. Group-wide focus on the integration between Gemserv and RIC has allowed staff to work across both companies. Of particular note is the strong demand for Payment Card Industry market offerings. RIC's information security expertise, coupled with the integrity demanded to audit clients' Payment Card systems, has raised the game in terms of Gemserv's overall ability to manage clients' information and tightly control the governance surrounding data systems.

Throughout the year, Gemserv focused on developing existing client relationships and, as a result,

expanded its portfolio across both current and new sectors. We supplemented the core Microgeneration Certification Scheme that Gemserv administers with a commission from the Department of Energy and Climate Change to design and deliver a website and database in support of the Feed-In Tariffs Scheme (FITS).

Gemserv has undertaken a number of assignments in support of the development and implementation of smart metering and is well placed to win further roles in this area. The Group has a superb record of managing data and the multi-party governance surrounding it; is a market leader in delivering information security and has exceptional external accreditation and deep experience in utility retail market arrangements. Our work delivering environmental initiatives and recruiting and extensively training only the best people are the final pieces of the jigsaw that will ensure Gemserv will help to deliver smart metering safely and securely.

Reinforcing Gemserv's commitment to positively impact on our environment and society, our staff have contributed throughout the year to volunteering and fundraising on behalf of Tourettes Action and City Gateway. Gemserv has supported City Gateway in many practical and financial ways, creating benefits for Gemserv staff as well as for those we help. Our involvement with these charities will continue.

“Excellent
integration of Red
Island Consulting
within the Group
has resulted in
a strong final
quarter providing
a robust platform
for growth in
2010/11.”

Chairman's Report

While trading conditions continued to be challenging this financial year Gemserv increased its turnover and the final quarter saw a marked improvement in profitability. I anticipate that this increased financial performance will be maintained leading to increased profitability in 2010/11.

The Company continued to invest for the long term throughout the year maintaining its cash reserves in line with our normal prudent approach. Our financial strength enabled strategic plans to be carried out and a five-fold increase in dividend to be paid. Unusual expenditure items included the costs associated with integrating Red Island Consulting (acquired in 2008/09) re-structuring, tactical recruiting and the costs of moving to a much improved and larger office.

The Board propose to increase the dividend further, in line with its dividend policy of RPI + 1% (from the baseline payment last year of £150k) equating to a dividend of 68.66p per share.

We have continued to invest in training our existing staff and have also continued to recruit some particularly experienced and skilled new staff. The Company's capability has been considerably enhanced and we have grown our presence in the markets we serve. Gemserv's response to tighter conditions - an intense focus on quality - has left us stronger following the economic downturn.

Some months ago Nigel Bromley, our Chief Executive, expressed his intention to the Board to step down from his post after eight years. Nigel has

taken the Company from start up to become a strong, profitable and highly respected consultancy in its markets and I would like to thank him on behalf of the Shareholders, Directors and staff for his dedication and service to Gemserv.

I am delighted to announce that David Thorne (currently our Head of Contract Delivery) will take over as Chief Executive on 1st July 2010 and is currently working with Nigel to effect a smooth handover. David has over 20 years experience in the utility industry, having worked for both the water and electricity regulators followed by 11 years with Centrica in senior positions. His absolute commitment to quality and strong commercial and managerial skills are already proven to us and will underpin the future success of the Company.

“Gemserv
successfully
delivered
all of the
business
projects it set
out to do at
the start of
the year.”

Chief Executive's Report

During the year turnover increased and whilst not meeting our profit target we delivered a strong overall financial performance. This was helped by a sharp increase in profitability in the last quarter fuelled by strategic sales wins and an intense focus on quality throughout the first half of the year.

Gemserv successfully delivered all of the business projects it set out to at the start of the year, including the integration of Red Island Consulting and a successful move to our new offices on Fenchurch Street that provide more meeting space for clients and greater capacity for staff. We have also met client requirements to time and to quality. In addition to administering the Microgeneration Certification Scheme, we now operate the associated database which is a key facilitator for the operation of Department of Energy and Climate Change's Feed-In Tariffs initiative. The focus for the current year is a continued commitment to long term

organic growth built on quality delivery to our clients, and to build our cash reserves, with a view to maintaining our progressive dividend policy and to take advantage of potential acquisition opportunities should they arise.

Gemserv is particularly focused on large scale change within the environmental and energy sector. Our strong information security consultancy will enhance the Group's ability to compete for contracts managing the governance and controls surrounding smart metering and the availability, distribution and protection of household energy data.

I am pleased with Gemserv's recent performance and particularly pleased to be handing over the Chief Executive role to David Thorne who I know will successfully take Gemserv through the next stage of its growth.

Directors' Report

Introduction

The Directors present their report on the affairs of the Group (Gemserv Limited and its subsidiary Red Island Consulting) together with the financial statements and auditor's report for the year ended 31st March 2010

Principal Activities

Gemserv was formed on 18th April 2002 and provides a range of specialist market level consultancy, assurance and advisory services, predominantly in the utilities and environmental sectors in the UK and across Europe.

The Company has a strong background in the UK and Irish electricity markets, having developed the arrangements for the competitive retail market under the Master Registration Agreement (MRA). From this background, Gemserv has become a market leader in pan-industry initiatives, including those that bridge the increasingly interconnected energy and environmental fields, such as microgeneration and smart metering. Gemserv also provides administrative and secretariat functions to a number of industry bodies and forums, as well as offering information security services through its wholly owned subsidiary Red Island Consulting (RIC).

RIC works with businesses and public sector organisations to help them manage their information security risks and develop effective management systems to meet the requirements of industry, national and international standards, including ISO 27001 and the Payment Card Industry Data Security Standard.

Results & Dividends

In the year to 31st March 2010, the Group achieved profit before tax of £845k (2009: £1,255k). The balance of profits after tax and 2008/09 ordinary dividend payment will be transferred to reserves.

The Directors intend to recommend a dividend of 68.66p per share (2009: 65.14p) totalling £158,100. After these distributions, retained reserves will be in excess of £4 million.

Share Issues

There were no share issues during the year.

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 MRA Service Company (MRASCo) and other industry bodies.

During the year, the Company secured contract extensions and was successful in tendering for new clients. These included a government department, a utility regulator, analysis and investigations in support of smart metering arrangements and ongoing involvement in a number of electricity market initiatives in both the Republic of Ireland and Northern Ireland.

Business Risk

The Board manages Gemserv's business risk by reviewing its strategy, sales pipeline and key financial performance indicators.

Gemserv continues to focus on delivering quality services for its existing clients and providing additional services where opportunities arise. Whilst the economic downturn has proven challenging, recent strategic initiatives have continued to deliver new business in an increasingly competitive market space.

Red Island Consulting (RIC)

RIC was impacted negatively by the economic downturn in the first three quarters of the year. However, following re-structuring, re-positioning of the product offering to focus more on long-term client support and strong development of the Payment Card Industry Security offering, RIC returned a very strong performance in the last quarter. At the end of the year, RIC's sales were accelerating significantly and we expect this demand to continue next year. We believe that RIC will make a substantial contribution to Group profits during 2010/11.

Directors & Their Interests

The Directors who served during the year were as follows

John Sykes *
Nigel Bromley
Geoff Huckerby*
Jayne Gould
Mike Jeans
Ken McRae
Paul Tankinson*

Served as a Director of MRASCo Limited during the year

*Employed by a Gemserv shareholder

No Director at 31st March 2010 had an interest in any of the shares of the Group

Payment of Commercial Debts

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

Charitable Donations

The Charity Committee that was established in 2004 donated £10 000 during the year £7 400 was used to match funds raised by staff members through charitable activities £1 000 was associated with one off donations and the remainder was used to support the Company's Give As You Earn (GAYE) Scheme

Auditor

Chantrey Vellacott DFK LLP is willing to seek re-appointment as the auditor to the Group A resolution proposing their re-appointment will be proposed at a General Meeting

By order of the Board



Ken McRae
Executive Director and Company Secretary
3rd June 2010

CASE STUDY:

Smart Assessment

PROJECT BRIEF

Following its December 2009 response to the consultation on electricity and gas smart metering the Department for Energy and Climate Change (DECC) commissioned Gemserv to assess the issues regarding the functional requirement for gas smart meters to include a valve to remotely connect/disconnect gas supply

CONTEXT

In May 2009¹ DECC consulted on some of the key aspects of the roll-out of smart meters including delivery model and meter functionality approaches to the non-domestic sector. The consultation response was published 2nd December 2009 and set out positions on some of these key issues and the requirement for this work

TIMESCALES

Gemserv carried out the work on the gas valve between February and May 2010, working closely with both DECC and Ofgem as part of the Prospectus Phase of the Smart Metering Implementation Programme. This work impacted a wide range of stakeholders including customers, suppliers and their agents, meter manufacturers along with other groups including the Health and Safety Executive.

GEMSERV APPROACH

The project scope included a review and consolidation of available information (i.e. work already undertaken by DECC, stakeholder submissions, other sources etc) and testing the robustness of the arguments for the inclusion of a valve in gas smart meters for the domestic sector. Further, the project considered the case for retrofitting existing gas meters with smart functionality and examined the associated issues of technical capability, maintenance, management and safety.

Gemserv's approach included stakeholder consultation and liaison, assessment and analysis and preparation of a final report for DECC.

DELIVERABLES

Gemserv's draft report is currently being reviewed by DECC and is expected to be finalised over the coming weeks in order to determine whether to include a valve in gas smart meters to remotely connect/disconnect gas supply.

¹ <http://www.decc.gov.uk/en/content/cms/consultations/smartmetering/smartmetering.aspx>

“The project considered the case for retrofitting existing gas meters with smart functionality and examined the associated issues of technical capability, maintenance, management and safety.”

CORPORATE RESPONSIBILITY

Gemserv's commitment to social issues continues to extend outside its business activities into social, charitable and volunteering activities

Over the past year Gemserv has worked with the Heart of the City and City Action to develop a wide ranging set of support initiatives. Both organisations were set up by the Corporation of London to enable companies to undertake effective corporate responsibility programmes

Gemserv staff, with help from City Action's volunteer brokering service, chose two charities to support this year through a range of activities. The charities chosen were City Gateway and Tourettes Action.

Gemserv's staff have demonstrated commitment and ingenuity in their support of these charities. Fundraising initiatives have included half marathons, skydives and silent auctions. Volunteering has included designing and running an Apprentice Challenge style day with young people, organising an office-based employability day to enhance job seeking skills and assisting on a practical skills course run for City Gateway's women's project.

Gemserv has sought to minimise further its environmental impact through a series of initiatives designed to reduce energy consumption and raise staff awareness.

We have a proactive programme to drive resource efficiency and continuously reduce our environmental impacts, coordinated through our team of green champions. These encourage and consider staff suggestions to continually refine our environmental initiatives.

Travel is a necessary feature of our business and we try to minimise the associated environmental impacts wherever possible. Gemserv includes the estimated carbon emissions from business travel and staff commuting within its carbon footprint, which it offsets by payment to The Clean Planet Trust.

Further, we closely monitor and aim to reduce our energy consumption by influencing changes in staff behaviours and incorporating energy efficiency criteria into our decision-making processes. For example, energy efficiency was a key criterion in the selection of our new central London offices. In addition, wherever possible, Gemserv purchases recycled materials and has implemented enhanced recycling facilities within its offices.

Corporate Governance Statement

Gemserv Corporate Governance Statement

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

Accordingly, 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 (The Code). 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 has a schedule of matters specifically reserved for its approval. In particular, the Board is responsible for

- Development and approval of strategy and key policies
- Approval of major developments including acquisitions
- Approval of annual business plan and budget
- Board and Committee appointments and related terms of reference
- Reviewing management performance
- Approval of significant changes in accounting policy and practice and Corporate governance and internal control

The Board usually meets six times per year and has three standing committees: an Audit Committee, a Remuneration Committee and a Nominations Committee. Each is formally constituted with terms of reference and includes at least two Non-Executive Board members.

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

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

The Committee also keeps under review the objectivity and independence of the external auditor and the nature and

extent of the non-audit services which it provides. These services consisted in 2009/10 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.

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 where appropriate. The Committee meets twice a year and, when necessary, reviews annually

The remuneration package of the Management Team, including the operation of the Senior Management Incentive and Retention Scheme and the approval thereof, and The levels of salary, bonus and pensions payable to staff.

Nominations Committee

The Nominations Committee, chaired by John Sykes, manages the process for Board appointments and the reviewing of succession planning in line with its approved terms of reference. All Board Directors sit on this Committee.

Management Team

The Board has delegated operational matters to the Management Team that operates the day-to-day business. The Management Team is led by the Chief Executive and includes two

Executive Directors and three Senior Managers. It is responsible for the development and implementation of the Group's strategy and plays a central role in risk management, planning, budgeting, resourcing and day-to-day management of the Group's operations.

Going Concern

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

Financial Reporting

There is a comprehensive business planning system with a 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 the major strategic, business and operational risks that the Group faces on a continual basis. A system has been established that ensures risks are reviewed and reported regularly at all levels and that appropriate action is in place to mitigate the significant risks.

Controls and Procedures

Gemserv maintains a comprehensive set of delegations of authority and financial regulations, and all material breaches are reported to the Audit

Committee. The financial controls and procedures are reviewed regularly and compliance with them verified by the annual audit. The Audit Committee reviews internal controls for compliance with relevant legislation.

Shareholder Relations

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

“The principal challenge... would be to engage MCS installers in a way that would achieve the desired outcome, without making undue demands on their time.”

CASE STUDY: MCS & Feed in Tariffs

PROJECT BRIEF

Gemserv was commissioned by the Department of Energy and Climate Change (DECC) to design and deliver a website and database in support of DECC's roll-out of the Feed-In Tariffs Scheme (FITS)

CONTEXT

The end product was expected to play a key role in facilitating the Microgeneration Certification Scheme (MCS) in establishing a central register where installers could gain certification for the work they carried out. This could in turn be used as evidence when customers seek to claim FITS from an electricity supplier.

TIMESCALES

The project had to be taken from proposal through to delivery in three months. The customer was the DECC FITS team, but other participants in the industry would also be key stakeholders, as would FITS licensees and Ofgem. The principal challenge, however, was to engage MCS installers in a way that would achieve the desired outcome without making undue demands on their time.

GEMSERV APPROACH

Gemserv worked with DECC to agree the exact requirements. At key stages we consulted other stakeholders to ensure the requirements were correct. We chose C&C Group as our technical delivery partner, and worked closely with them to achieve the build within the very challenging timescales. We developed a programme of information for installers to ensure they were engaged at the appropriate time.

DELIVERABLES

Gemserv delivered the database and website in time to support the April 1st 2010 launch of FITS, and within the agreed budget. The project has now moved into the operational phase, with Gemserv supporting the database and offering a telephone helpline for installers and other stakeholders. Gemserv continues to work with Ofgem and many other industry stakeholders to help implement the new industry processes.

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, of the Group and of the profit or loss of the Group for that period. In preparing those financial statements the Directors are required to

- Select suitable accounting policies and 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 and the Group will continue in business

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

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.

Statement of Disclosure of Information to Auditor

Each person who was a Director at the date that this report was approved has taken the necessary steps in order to

- Make themselves aware of any relevant audit information (as defined by the Companies Act 2006) 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 Group'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 2010 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members as a body in accordance with section 495 of the Companies Act 2006.

Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work for this report or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

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

Scope of the Audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion, the financial statements

- Give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31st March 2010 and of the Group's profit for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- Have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on the Other Matter Prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared and the other information included in the

- Introduction
- Chairman's Report
- Chief Executive's Report
- Corporate Responsibility Report and
- Corporate Governance Statement

are consistent with the financial statements

Matters on Which We are Required to Report by Exception

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

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

Chris Malacrida

Chris Malacrida FCA
(Senior Statutory Auditor)
For and on behalf of
CHANTREY VELLACOTT DFK LLP
Chartered Accountants and Statutory Auditor
Russell Square House
10/12 Russell Square
London
WC1B 5LF

3rd June 2010

“ISO 27001 is now a way of life for us at Bupa - we use the methodology as the basis for all our Information Security activities. It is not a ‘tick box’ compliance exercise - and Red Island are key partners in our vision.”

INFORMATION SECURITY TESTIMONIAL

"Red Island has been key in all of Bupa's ISO 27001 Certification projects - the original Certification of our Data Centre in the UK the subsequent extension of that Certificate earlier this year to a second data centre and the Certification programme for a subsidiary company Health Dialog UK

Red Island provide us with ongoing maintenance to ensure success at each surveillance audit including overseeing the Certification body auditor during the review visits themselves. Red Island also provide us now with other consultancy services, such as Payment Card Industry Data Security Standard (PCI DSS) expertise

We will be using Red Island even more in the coming months when we extend ISO 27001 Certification to our operations around the world. This will include Bupa businesses in Europe, the USA and Australia

When we first embarked on the ISO 27001 programme we engaged the services of some large consultancy companies. These turned out to be expensive, a 'slow' approach (a lot of talking and little action) and I felt exuded a somewhat pessimistic outlook for completing in reasonable time frames.

Red Island are genuine experts in ISO 27001. Unlike some of the other consultancies we have used who will talk about it, Red Island actually DO things: they have provided us with their own proven ISO 27001 methodology (asset register, risk register, action tracker etc) and our consultant has done much of the leg work. They fixed things for us such as Security Policy gaps and shortfalls in our risk assessment tables. Their guarantee of a pass is genuine.

As a company, I found them to be small enough to be nimble, responsive and value for money, yet influential enough in their field of expertise to be extremely effective. Their relationship with Certification bodies has proven to be very valuable to us.

ISO 27001 is now a way of life for us at Bupa - we use the methodology as the basis for all our Information Security activities. It is not a 'tick box' compliance exercise - and Red Island are key partners in our vision.

Phil Hunt, Bupa

Global Technology and
Information Systems
Manager

“NIAUR
commissioned
Gemserv to
investigate
the validity of
these price
increases and the
communication
method to
customers.”

CASE STUDY: Investigation into Business Tariffs for Electricity in Northern Ireland

PROJECT BRIEF

In the autumn of 2009 the Northern Ireland Authority for Utility Regulation (NIAUR) and the Department for Enterprise Trade and Investment in Northern Ireland received a number of complaints from business customers regarding a sudden and unexpected increase in their electricity costs.

CONTEXT

NIAUR commissioned Gemserv to investigate the validity of these price increases and the communication method to customers. It was agreed that the assignment would cover

- Determination of how the rebate and subsequent normalisation were communicated between (i) NIAUR and Suppliers and (ii) Suppliers and Customers
- Data analysis of the underlying costs and prices charged, and
- The customers understanding of the market and the costs they are exposed to

TIMESCALES

This assignment commenced in December 2009 with the final report available in early March 2010. Gemserv and NIAUR

worked in partnership to deliver the workstreams outlined in the Approach section

GEMSERV APPROACH

Gemserv agreed a parallel workstream approach with NIAUR to meet the following key deliverables

Workstream 1 Communication

Focusing on how the rebate and subsequent normalisation were communicated and investigating customers understanding of the market and the costs to which they are exposed. The scope also included

- Identifying and communicating the data required from customers to facilitate data analysis
- Preparation of a script for customer interviews
- Attending and documenting customer interviews with NIAUR's representative
- Liaison with NIAUR's tariff and communications teams to identify how the rebate and subsequent normalisation were communicated to Suppliers and
- Meetings with Suppliers to identify how the rebate and subsequent normalisation were communicated to customers

Workstream 2. Data Analysis

Focusing on analysis of the underlying costs and prices charged and identifying the difference. The scope of this workstream included

- Validating and amending NIAUR's spreadsheet model used for data modelling
- Meetings with NIAUR's market monitoring team to validate the capacity, imperfection and market operator charges, and
- Production of an analysis of the underlying costs incurred by the Supplier on a per customer basis and the corresponding invoice charges

DELIVERABLES

The finalised report was produced within the required timescales and budget allocated by NIAUR. The key headline points from the report were presented by the Electricity Director at the Stormont Enterprise Trade and Investment Committee on the 3rd March 2010. It is also publicly available on the NIAUR website¹

¹http://www.uregni.gov.uk/news/view/regulator_to_lead_efforts_to_help_business_consumers_benefit_more_from_elec

Group Profit and Loss Account

for the year ended 31st March 2010

	Notes	GROUP 2010 £'000	GROUP 2009 £'000
TURNOVER			
Continuing operations		8 063	6 208
Acquisitions		-	295
	2	<u>8 063</u>	<u>6 503</u>
ADMINISTRATIVE EXPENSES			
Continuing operations		(7 224)	(5 249)
Acquisitions		-	(143)
		<u>(7 224)</u>	<u>(5 392)</u>
GROUP OPERATING PROFIT			
Continuing operations		839	959
Acquisitions		-	152
		<u>839</u>	<u>1 111</u>
Interest receivable and similar income		6	144
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>845</u>	<u>1 255</u>
Tax on profit on ordinary activities	5	(282)	(356)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	15	<u>563</u>	<u>899</u>

A statement of movements on reserves is given in note 16

There were no other recognised gains or losses made by the Group during the year ended 31st March 2010 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

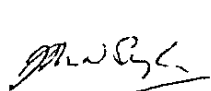
The notes on pages 32-39 form part of these financial statements

Group and Company Balance Sheet

as at 31st March 2010

	Notes	GROUP 2010 £'000	GROUP 2009 £'000	COMPANY 2010 £'000	COMPANY 2009 £'000
FIXED ASSETS					
Intangible fixed assets	7	2,441	2,569	-	-
Investments	8	-	-	3,397	3,397
Tangible fixed assets	9	505	90	498	84
		<u>2,946</u>	<u>2,659</u>	<u>3,895</u>	<u>3,481</u>
CURRENT ASSETS					
Debtors	10	1,792	1,765	1,571	1,334
Cash at bank and in hand		2,152	2,076	1,329	1,350
		<u>3,944</u>	<u>3,841</u>	<u>2,900</u>	<u>2,684</u>
CREDITORS					
Amount falling due within one year	11	(1,876)	(1,702)	(1,775)	(1,477)
NET CURRENT ASSETS		<u>2,068</u>	<u>2,139</u>	<u>1,125</u>	<u>1,207</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,014	4,798	5,020	4,688
CREDITORS					
Amount falling due after more than one year	12	(217)	(433)	(217)	(433)
PROVISIONS FOR LIABILITIES					
Deferred taxation	13	(19)	-	(19)	-
NET ASSETS		<u>4,778</u>	<u>4,365</u>	<u>4,784</u>	<u>4,255</u>
CAPITAL AND RESERVES					
Share capital	14	230	230	230	230
Profit and loss account	15	4,548	4,135	4,554	4,025
EQUITY SHAREHOLDERS' FUNDS	16	<u>4,778</u>	<u>4,365</u>	<u>4,784</u>	<u>4,255</u>

Approved by the Board and authorised for issue on 3rd June 2010 and signed on behalf of the Board by



John Sykes
Chairman



Nigel Bromley
Chief Executive

The notes on pages 32-39 form part of these financial statements

Group Cashflow Statement

for the year ended 31st March 2010

	Notes	GROUP 2010 £'000	GROUP 2009 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	A	1 402	1 628
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		6	144
TAXATION			
UK corporation tax paid		(433)	(630)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(532)	(56)
Acquisition of subsidiary	B		
Cash paid to acquire subsidiary		-	(2 585)
Acquisition expenses		-	(162)
Cash at bank and in hand with subsidiary		-	652
Payment of Deferred Consideration		(217)	-
MANAGEMENT OF LIQUID RESOURCES			
Decrease/(increase) in short term investments		-	2 500
EQUITY DIVIDENDS PAID		(150)	(27)
(DECREASE)/INCREASE IN CASH IN THE YEAR		<u>76</u>	<u>1 464</u>
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS			
Net funds at beginning of the year		2 076	3 112
(Decrease)/increase in short term investments		-	(2,500)
(Decrease)/increase in cash balance		76	1,464
NET FUNDS AT THE END OF THE YEAR		<u>2 152</u>	<u>2 076</u>
ANALYSIS OF NET FUNDS	AT 31st MARCH 2010 £'000	CASH FLOW £'000	AT 1st APRIL 2009 £'000
Cash at bank and in hand	2 152	76	2 076
NET FUNDS AT THE END OF THE YEAR	<u>2 152</u>	<u>76</u>	<u>2 076</u>

The notes on page 31 form part of this cashflow statement

Notes to the Group Cashflow Statement

for the year ended 31st March 2010

A) RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	GROUP 2010 £'000	GROUP 2009 £'000
Operating profit	839	1,111
Depreciation	111	51
Amortisation of goodwill	128	-
Loss/(gain) on disposal of fixed assets	6	-
Decrease/(increase) in debtors	(27)	577
(Decrease)/increase in creditors	345	(111)
Net cash inflow from operating activities	<u>1,402</u>	<u>1,628</u>

B) ACQUISITION OF SUBSIDIARY

On 11th February 2009 Gemserv Limited acquired the whole of the issued share capital of Red Island Consulting. The effect of the acquisition was

Tangible fixed assets	-	6
Debtors	-	368
Cash at bank	-	652
Creditors	-	(198)
Goodwill arising	-	2,569
	<u>-</u>	<u>3,397</u>

FINANCED BY

Cash	-	2,585
Acquisition expenses	-	162
Deferred consideration	-	650
	<u>-</u>	<u>3,397</u>

The deferred consideration of £650k is payable in equal instalments over three years

Notes to the Financial Statements

1 Accounting Policies

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

BASIS OF ACCOUNTING

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

CONSOLIDATION

The Group's financial statements consolidate the accounts of Gemserv Limited and its subsidiary made up to 31st March 2010. The Group profit and loss account includes the results of all subsidiary undertakings for the period from the date of its acquisition. The Group statements have been prepared in accordance with acquisition accounting principles. Turnover and profits arising on trading between group companies are excluded.

OPERATING LEASES

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

TURNOVER

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

PENSION COSTS

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

FOREIGN CURRENCIES

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

GOODWILL

The consideration structure for the RIC acquisition includes an earn-out period with the deferred consideration payable over a three year period based on performance exceeding certain predetermined targets. The goodwill arising on consolidation is being amortised over its expected economic life of 20 years subject to an annual impairment review.

INVESTMENTS

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

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation. The Group's policy is to depreciate fixed assets on a straight-line basis from date of purchase as follows:

- Leasehold improvements over lease period to the break in five years
- Computer and office equipment

two-four years and
Office furniture four-five years

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.

DEFERRED TAXATION

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

2 Turnover

GROUP 2010 £'000	GROUP 2009 £'000
------------------------	------------------------

TURNOVER BY GEOGRAPHIC AREA IS AS FOLLOWS

UK	7 745	6 225
Europe and Republic of Ireland	268	255
Other	50	23
	<u>8 063</u>	<u>6 503</u>

3 Profit on Ordinary Activities Before Taxation

THIS IS STATED AFTER CHARGING

Depreciation	111	51
Staff costs (see note 4)	3 805	2 975
Auditors remuneration		
audit services	20	18
non-audit services	4	2
Foreign exchange loss/(gain)	(19)	17
Payments under operating lease/property licence	<u>198</u>	<u>120</u>

4 Staff Costs

Staff costs (including Directors remuneration) during the year amounted to

Wages and salaries	3 234	2 518
Social security costs	364	291
Pension costs	207	166
	<u>3 805</u>	<u>2 975</u>

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

	No	No
Non-Executive Directors	4	4
Executive Directors	3	3
Permanent staff	64	54
	<u>71</u>	<u>61</u>

Notes to the Financial Statements (continued)

DIRECTORS REMUNERATION

The total amount of Directors' remuneration and other benefits was £654k (2009: £642k). This 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 £242k including £16k pension contribution (2009: £237k including £16k pension contribution). Directors' remuneration includes £161k (2009: £164k) in respect of the Senior Management Incentive and Retention Scheme. Pension contributions of £40k (2009: £39k) were made in respect of three Directors (2009: 3).

Jayne Gould has a season ticket, health care and gym loan in accordance with the Company's normal terms for staff. The maximum amount advanced in the year was £2,167 and the amount outstanding at the end of the year was £654 (2009: £610).

5 Tax on Profit on Ordinary Activities

GROUP 2010 £'000	GROUP 2009 £'000
------------------------	------------------------

(A) ANALYSIS OF TAX CHARGE FOR THE PERIOD

UK corporation tax on profits for the period (note 5B)	263	356
Provision for deferred tax	19	-
Tax on profits on ordinary activities	<u>282</u>	<u>356</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 28%. The differences are explained below:

Profit on ordinary activities before tax	845	1,255
Tax on profit on ordinary activities at standard corporation tax rate of 28% (2009: 28%)	236	351

EFFECTS OF

Expenses not deductible for tax purposes	48	12
Capital allowances less than/(more than) depreciation	(19)	(5)
Lower rates of taxation	(2)	(1)
Other short term timing differences	-	(1)
Current tax charge for the year (note 5A)	<u>263</u>	<u>356</u>

6 Dividend

AMOUNTS RECOGNISED AS DISTRIBUTIONS TO ORDINARY SHAREHOLDERS IN THE YEAR

COMPANY 2010 £'000	COMPANY 2009 £'000
--------------------------	--------------------------

Final 2009 ordinary dividend of 65.14p (2008: 11.91p) per share paid in the year	<u>150</u>	<u>27</u>
--	------------	-----------

AMOUNTS NOT RECOGNISED AS DISTRIBUTIONS TO ORDINARY SHAREHOLDERS IN THE YEAR

	COMPANY 2010 £'000	COMPANY 2009 £'000
Proposed final 2010 ordinary dividend of 68.66p (2009 65.14p) per share	<u>158</u>	<u>150</u>

The proposed final 2010 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 Intangible Fixed Assets

GROUP	2010 Goodwill £'000	2009 Goodwill £'000
Cost		
At 1st April 2009	2,569	-
Goodwill arising on acquisition of subsidiary in year	-	2,569
At 31st March 2010	<u>2,569</u>	<u>2,569</u>
Amortisation		
At 1st April 2009	-	-
Amount provided in year	128	-
At 31st March 2010	<u>128</u>	<u>-</u>
Net Book Value		
As at 31st March 2010	<u>2,441</u>	<u>2,569</u>

8 Investments

COMPANY	2010 £'000	2009 £'000
On 11th February 2009 the Company purchased 100% of the issued share capital of Red Island Consulting Limited an information security and management systems consultancy provider		
Cost at 31st March 2010 & 2009	<u>3,397</u>	<u>3,397</u>

The consideration paid of £3,397k includes deferred consideration of £650k payable in equal annual instalments over a three year earn out period (see notes 11 and 12). The first payment of deferred consideration was made on 31st March 2010. The balance of deferred consideration is disclosed in note 17. If specific performance targets are delivered further consideration up to £2.3m is payable over the earn-out period.

Notes to the Financial Statements (continued)

9 Tangible Fixed Assets

A GROUP	LEASEHOLD IMPROVEMENTS	OFFICE AND COMPUTER EQUIPMENT	OFFICE AND FURNITURE	TOTAL
	£'000	£'000	£'000	£'000
Cost				
At 1st April 2009	-	234	69	303
Additions in the year	316	110	106	532
Disposals	-	(30)	(69)	(99)
At 31st March 2010	<u>316</u>	<u>314</u>	<u>106</u>	<u>736</u>

Depreciation

At 1st April 2009	-	152	61	213
Charge for the year	27	71	13	111
Disposals	-	(30)	(63)	(93)
At 31st March 2010	<u>27</u>	<u>193</u>	<u>11</u>	<u>231</u>

Net Book Values

At 31st March 2010	<u>289</u>	<u>121</u>	<u>95</u>	<u>505</u>
At 31st March 2009	<u>-</u>	<u>82</u>	<u>8</u>	<u>90</u>

B COMPANY	LEASEHOLD IMPROVEMENTS	OFFICE AND COMPUTER EQUIPMENT	OFFICE AND FURNITURE	TOTAL
	£'000	£'000	£'000	£'000
Cost				
At 1st April 2009	-	222	69	291
Additions in the year	316	104	106	526
Disposals	-	(23)	(69)	(92)
At 31st March 2010	<u>316</u>	<u>303</u>	<u>106</u>	<u>725</u>

Depreciation

At 1st April 2009	-	146	61	207
Charge for the year	27	66	13	106
Disposals	-	(23)	(63)	(86)
At 31st March 2010	<u>27</u>	<u>189</u>	<u>11</u>	<u>227</u>

Net Book Values

At 31st March 2010	<u>289</u>	<u>114</u>	<u>95</u>	<u>98</u>
At 31st March 2009	<u>-</u>	<u>76</u>	<u>8</u>	<u>84</u>

10 Debtors

	GROUP 2010 £'000	GROUP 2009 £'000	COMPANY 2010 £'000	COMPANY 2009 £'000
Trade debtors	1 347	955	1 090	563
Amount due from subsidiary undertaking	-	-	62	1
Other debtors	196	61	188	24
Amounts recoverable on contracts	14	709	14	709
Prepayments and accrued income	235	40	217	37
	<u>1,792</u>	<u>1,765</u>	<u>1,571</u>	<u>1,334</u>

Included in the other debtors is a rent deposit of £16.5k which is repayable at the end of the lease (see note 17)

11 Creditors Amounts Falling Due Within One Year

Trade creditors	215	331	200	318
Other creditors including social security	320	199	261	151
Corporation tax	133	304	127	151
Accruals and deferred income	991	651	970	640
Obligations under RIC acquisition agreement (see note 8)	217	217	217	217
	<u>1,876</u>	<u>1,702</u>	<u>1,775</u>	<u>1,477</u>

12 Creditors Amounts Falling Due After One Year

Obligations under RIC acquisition agreement (see note 8)	217	433	217	433
	<u>217</u>	<u>433</u>	<u>217</u>	<u>433</u>

Notes to the Financial Statements (continued)

13 Provisions for Liabilities

	GROUP 2010 £'000	GROUP 2009 £'000	COMPANY 2010 £'000	COMPANY 2009 £'000
Deferred tax				
Capital allowances	<u>19</u>	<u>1,904</u>	<u>19</u>	<u>-</u>
Deferred tax liability	<u>19</u>	<u>-</u>	<u>19</u>	<u>-</u>

The provision for deferred taxation has been calculated based on a corporation tax rate of 28%

The movement during the year is analysed as follows

Balance at 1st April 2009	-	-	-	-
Provision in the year	<u>19</u>	<u>-</u>	<u>19</u>	<u>-</u>
Balance at 31st March 2010	<u>19</u>	<u>-</u>	<u>19</u>	<u>-</u>

14 Share Capital

2010
£'000

2009
£'000

GROUP AND COMPANY

Authorised

500,000 Ordinary shares of £1 each (2009: 500,000)	<u>500</u>	<u>500</u>
--	------------	------------

Called up, issued and fully paid

230,258 (2009: 230,258) Ordinary shares of £1 each	<u>230</u>	<u>230</u>
--	------------	------------

15 Profit and Loss Account

GROUP

At 1st April 2009	4,135	3,263
Profit for the year after taxation	563	899
Dividends paid (see note 6)	(150)	(27)
As at 31st March 2010	<u>4,548</u>	<u>4,135</u>

COMPANY

At 1st April 2009	4,025	3,263
Profit for the year after taxation	679	789
Dividends paid (see note 6)	(150)	(27)
As at 31st March 2010	<u>4,554</u>	<u>4,025</u>

16 Reconciliation of the Movement in Shareholders Funds

GROUP

At 1st April 2009	4 365	3 493
Profit for the year after taxation	563	899
Dividends paid	(150)	(27)
At 31st March 2010	<u>4 778</u>	<u>4 365</u>

COMPANY

At 1st April 2009	4 255	3 493
Profit for the year after taxation	679	789
Dividends paid	(150)	(27)
At 31st March 2010	<u>4 784</u>	<u>4 255</u>

As permitted by S 408 of the Companies Act 2006 no separate Profit and Loss Account for Gemserv Limited has been presented

17 Financial Commitments

2010	2009
£'000	£'000

The Company's annual commitments for non-cancellable rental obligation under the operating lease for its premises payable during the year to 31st March 2011 are as follows

Expiring within one year	<u>-</u>	<u>90</u>
Expiring after more than five years	<u>287</u>	<u>-</u>

i In September 2009 the Company entered into a ten year lease with a five year break clause exercised by giving six months notice. The Company has an 18 month rent free period ending March 2011

ii Under the terms of the agreement to acquire RIC, the Company is committed to make earn out payments to the previous RIC shareholders should RIC achieve results in excess of pre-defined targets. The level of the additional payments will be determined by the results in each of the three years to 2012. The maximum obligation under the agreement is equal to £2.3m. No payments were due for the year ended 31st March 2010.

18 Pension Scheme

The Group operates defined contribution schemes. The charge for the year of £207k (2009 £166k) represents contributions payable to the schemes in respect of the year ended 31st March 2010.