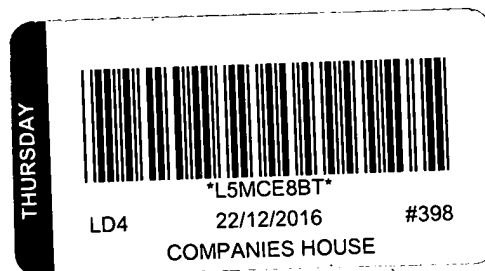




Gemserv

Annual Report & Financial
Statements for the Year
Ended 31st March 2016

Gemserv Limited



Directors, Officers, Advisers and Statutory Information

Non-Executive Directors

Nigel Bromley	Chairman
Mike Jeans	Senior Independent Director
Meriel Lenfestey	
Simon Wills	
Matthew Rees	Appointed 14th March 2016

Executive Directors

David Thorne	Chief Executive Officer
Jagjit Dosanjh-Elton	Chief Financial Officer
Ken McRae	Chief Operations Officer and Company Secretary (resigned 31st May 2016)

Officers

Alex Goody	Director of Business Development
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Auditor

Moore Stephens LLP
150 Aldersgate Street
London, EC1A 4AB

Bankers

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

Registered Office

8 Fenchurch Place
London, EC3M 4AJ
Telephone: 020 7090 1000
Fax: 020 7090 1001
finance@gemserv.com
Company Registration
Number: 4419878

Ireland Office

Fitzwilliam Hall Business Centre
Fitzwilliam Place, Dublin 2
Telephone: +353 (0) 1 699 4630
business.support@gemserv.com

Chairman's Statement

Gemserv makes utility, retail and environmental markets work for everyone's benefit. Major changes are taking place within these markets, not least driven by conclusions arising from the recent Competition & Markets Authority (CMA) investigation into the energy market. We are investing to ensure that we continue to be the provider of choice to implement those changes.

As a company that seeks to win contracts to improve the governance of markets, we govern ourselves to the highest standards. A recent external Board review carried out by FDS Group concluded that "Gemserv has a very high performing Board and any improvements detailed are enhancements rather than critical issues". We are addressing these enhancements.

Our Non-Executive Directors (NEDs) rotate in line with the UK Corporate Governance Code, though Gemserv goes beyond the code by ensuring that NEDs seek re-election on an annual basis. This ensures independence, vitality and delivers fresh ideas and different thinking.

I am pleased to welcome Matthew Rees to our Board. Matthew is an Executive Board Member of the UK Government's Single Source Regulations Office. He was Director of Corporate Finance at the National Audit Office and has previously held posts at KPMG, JP Morgan, Deutsche Bank and Merrill Lynch. Matthew replaces Mike Jeans who stands down this summer. I would like to thank Mike for his considerable contribution to our Company. Mike has helped to develop Gemserv into the highly respected business it is today.

The Gemserv Board now has considerable strength and a diversity of thinking styles. I plan to stand down in the current financial year and recommend that Meriel Lenfestey should take over as Chair. Meriel has been working closely with our Chief Executive and myself to prepare the Company's management for the changes our industry faces.

The deployment of smart meters and the emergence of connected homes will present new data risks that Gemserv's information security practice is focussed on mitigating. We believe that, in time, there will be an explosion of applications making use of the wealth of data and communications capability into homes. We will enhance our information and data security credentials and position ourselves to ensure these new data markets work for everyone's benefit. We are able to fund the investments we plan to make from reserves.

Gemserv remains an efficient and cost effective organisation. In addition to making substantial investments, we are pleased to recommend a final dividend of 86.46p per share for 2015/16. This is in line with our policy of increasing dividend by RPI +1% year on year.

I am proud to work with so many talented and highly motivated individuals at Gemserv and I am very confident in the Company's future.



Nigel Bromley

Chairman

2nd June 2016

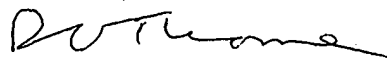
Chief Executive's Report

Over the past year, we have seen significant changes in the environmental and energy sectors. The Government's priorities have altered and our clients have been preparing themselves for the outcome of the CMA investigation and the deployment of smart metering. It is testament to our ability to react quickly and effectively to such change, that the Company has continued to deliver an excellent set of results, with £15m revenue and operating profit of £1.6m, both up on last year. Most importantly our operating margin has increased by 0.5%.

This success is the product of strong focus on customer centricity and operational efficiency. We have empowered our people with the authority to make significant delivery decisions so that they can respond rapidly and flexibly to the dynamic requirements of our clients. This responsiveness has meant we have been able to broaden the scope of work we have done with existing clients and also led to the renewing of important contracts such as the Microgeneration Certification Scheme (MCS), independent Gas Transporters' Uniform Network Code (iGT UNC) and our information security work with BT.

At the same time, we have invested in our internal infrastructure to prepare for our next stage of growth. We implemented a new corporate business information system to enhance our financial controls and improve our HR processes to ensure we cultivate and build talent for the future. We would not have had the success over the past year without our people, so it is only right that our focus on people development has never been clearer.

Looking forward, we will continue to face transformational change and we will need to rise to the challenge to position Gemserv to realise the opportunities this creates. Our new five-year strategy is framed around that challenge, with additional investment planned to expand our services. Furthermore, we will continue to seek to play an influential role in external debates around the future of environmental schemes and code administration. This emphasis is a clear statement of our ambition. We want to shape and influence change to be a key part of new arrangements so we continue to build a sustainable and profitable company which ensures markets work for the benefit of everyone.



David Thorne

Chief Executive

2nd June 2016

Highlights

Excellent results in a challenging year

2015/16 saw some tough trading conditions, with an end to financing from Central Government for the Green Deal Finance Company having a subsequent impact on our role as the Green Deal Oversight and Registration Body (GD ORB). Through our diversified business model we were able to deliver strong results by developing added value solutions with existing clients, renewing major contracts like MCS and BT and attracting major new clients such as Bournemouth Water, Network Rail and Monarch Airlines.

Responding to the CMA enquiry

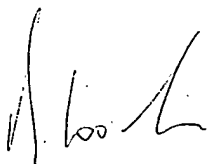
The CMA launched an investigation into the energy market in June 2014, which continued through this financial year to reach a provisional decision. Gemserv was heavily involved in the review with respect to the code administration aspects and worked with all parties to propose a new Retail Energy Code. Our Transformation team led this engagement with the CMA, Ofgem and Government.

Securing the smart metering rollout in Ireland

During the year, Gemserv was able to secure a major new contract with the Commission for Energy Regulation in Ireland. This win utilises our smart metering knowledge from Great Britain with in depth information security experience from our global contracts. The contract includes the development of a security framework that will help protect the critical national infrastructure that is the National Smart Metering Programme.

Widening our services in Water

The water market in England is going through a transformational change with the introduction of competition for business customers in 2017. Gemserv is very active in this changing market and has been providing services to a number of water companies and the regulator. These services range from calculating effluent charges to strategic advice on the approach to competition, including advising on business separation and providing assurance.



Alex Goody

Director of Business Development

2nd June 2016

Corporate Social Responsibility Report

Gemserv's approach to Corporate Social Responsibility (CSR) is framed by four pillars: Community, Fundraising, Environment and Employment. These pillars enable us to focus our passion and commitment to supporting good causes and helping in local community projects.

Over the last year we have supported our two main charities, Macmillan Cancer Support, which cares for people with cancer, and For Jimmy, which focuses on educating young people to create a safer environment. Both of these charities were chosen by our people and we are proud to be working with them. In addition, we have also supported a number of other charities by participating in events and fundraising, including the Movember Foundation, the British Heart Foundation and Delete Blood Cancer.

Our work extends beyond fund raising. We have taken greater responsibility for our urban environment by working with the Urban Bee Project and locating two hives of honey bees on the roof of our London office. This is to aid the declining bee populations in the UK.

Our commitment to improving our environment resulted in our re-certification to the ISO 50001 standard for our Energy Management System (EnMS) and the ISO 14001 standard for our Environmental Management System (EMS). This reflects the importance we attribute to carbon reduction and making our local environment cleaner for everyone's benefit.

In addition to our corporate level initiatives, we also feel passionately about every day acts and the value and fulfilment they can offer our staff and our community. We created a Certified Volunteers List, a tool for all our people that provides a suite of volunteering opportunities to participate in during the year. We support our volunteering activities by offering every staff member one paid day to volunteer during the year. Our people used the volunteering scheme to participate in a number of initiatives, either as teams or individuals, including the Greenwich Meantime Plant Nursery, the Brentwood Retired Greyhound Trust and supporting Future Focus Mock Interviews.

Our largest annual fundraising event of the calendar year, RPI-X Factor, continues to draw talented individuals from across the utilities and environment industry to a 'battle of the bands' competition.

Musicians from across these sectors compete to prove their musical talent, with the winners voted by the audience. Last year's event raised over £9,000 for Macmillan Cancer Support and For Jimmy.

Our belief in volunteering and fundraising activities is a fundamental part of our culture and DNA. We relish the opportunities to contribute to our local community and participate in fundraising events to raise awareness for our charities. Our people understand that these opportunities are there to make a difference for good causes and improve our environment. Through their efforts, we are proud to say that over the years we have raised over £125,000 for charity. We want to do more and therefore CSR will continue to be an integral element of Gemserv's culture.

Directors' Report and Financial Statements 2015/16

Directors' Report

Introduction

The Directors present their report on the results of the Company, together with the Strategic Report, the Financial Statements and the Auditor's Report, for the year ended 31st March 2016.

Results and Dividends

In the year to 31st March 2016, the Company achieved revenues of £15m (2015: £14.9m) and operating profit of £1.6m (2015: £1.5m). Despite the impact of a challenging environment in our core markets, with resulting delays in the Smart Metering Programme and Government budget cuts in environmental schemes (Green Deal), sustained growth has been delivered. Our ability to decisively react to the current challenges, whilst working with our clients to position for the future changing industry landscape, is reflective of the strong financial performance delivered.

In line with the Company's dividend policy to increase ordinary dividend payments by RPI plus 1%, the Directors recommend an ordinary dividend of 86.46p per share (2015: 84.69p) totalling £199k.

Share Issues

There were no share issues during the year.

Directors and their Interests

The Directors who served during the year were as follows:

- Nigel Bromley (Chairman)
- Mike Jeans
- Meriel Lenfestey
- Simon Wills*
- Matthew Rees (appointed 14th March 2016)
- David Thorne
- Jagjit Dosanjh-Elton
- Ken McRae (resigned 31st May 2016)

*Non-Executive Director from the shareholder community.

No Director at 31st March 2016 had any beneficial interest in any of the shares of the Company.

Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the

financial statements in accordance with FRS102 (Financial Reporting Standards applicable in the UK and Republic of Ireland). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Company and of the surplus or deficit of the Company for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, disclose with reasonable accuracy at any time the financial position of the Company 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware and each Director has taken all the steps that they ought to have taken in order to make themselves aware of any relevant information and to establish that the Company's auditor is aware of that information.

Auditor

Moore Stephens LLP is willing to seek reappointment as the auditor to the Company. A resolution proposing its reappointment will be put forward at the forthcoming General Meeting.



Jagjit Dosanjh-Elton

Chief Financial Officer
2nd June 2016

Strategic Report

Principal Activities

Gemserv provides bespoke end to end consultancy and delivery solutions to its clients, primarily within the utility and environmental sectors. Our services range from providing specialist advice on market design, information security and assurance to administering transformational industry codes and national schemes.

We work with our clients to inform policy development, shape the future operating landscape and implement enduring solutions on behalf of government departments, regulators, trade associations and market participants.

Our innate ability to understand markets, and our client requirements, uniquely positions Gemserv to deliver seamless solutions that work for everyone's benefit.

Business Review

This year the business has delivered an exceptional financial performance, with record revenues and operating profit levels of £15m and £1.6m respectively. This strong financial performance has been delivered against a backdrop of a changing industry landscape. We have embraced change by acting with agility, strengthening our core business and working with a cross section of industry stakeholders to shape the future operating landscape in our key markets.

Acting decisively and with agility has been instrumental in delivering a sustainable performance this year. Government budget cuts and changes in Green Deal policy, coupled with delays in delivering the Smart Metering programme, has tested our operational responsiveness. Our ability to align our delivery model and drive out operational efficiencies through restructuring, as well as substantive re-planning of implementation programmes, has enabled the business to deliver on client requirements, demonstrating our core strength and resilience.

Strengthening the business, including our service proposition, our client relationships, our expertise and our business infrastructure has underpinned our sustainable performance this year, as in preceding years. Our focus on this has ensured we remain ahead of the curve. As our industries evolve, so do our clients' needs. Anticipating these needs has informed our service proposition, one in which the mix of capability, expertise and services can be flexed in line with emerging priorities.

Testament to the strength of our relationships and ability to adapt to changing industry needs is our success in securing the renewal of key contracts, particularly the MCS, a scheme we have

administered since 2008, the iGT UNC, initially secured in 2007 and our information security work with BT, a contract which is now in its fourth year.

Looking forward, the future of our markets will be shaped by the outcome of the CMA review, the changing nature and delivery mechanisms of environmental schemes, the increased cross cutting reliance on data and the associated importance of such information. To effect such change, our Delivery and Transformation teams have been working with our stakeholders to inform policy and debate. The strength of our stakeholder relationships and the depth of our expertise naturally lends itself to the business playing a pivotal role in designing the market mechanisms to deliver the resulting change.

Company Strategy and Performance Measures

Gemserv's aspiration is to continue to deliver sustainable and profitable growth by ensuring markets work for everyone's benefit.

Leveraging our strong financial and operational business model means the Company is well positioned to realise its Vision. To this effect our strategic intent is centred on:

A: Accelerating growth by investing in existing services, new business in new markets and by adopting a proactive acquisition strategy;

B: Building relationships with our clients to deliver exceptional service and with our stakeholders to position Gemserv for the future; and

C: Cultivating talent to realise full potential, deepen our professional and intellectual capability and strengthen our management and delivery capacity.

A focus on the aforementioned key areas will position Gemserv to operate at the heart of existing transformational programmes including Smart Metering and Water Competition and will extend our reach into other emerging areas such as Smart Connected Homes. Coupled with this, a focus on strengthening our service proposition will ensure we are able to continue to meet our clients' evolving needs.

From a commercial stance, our medium term goal is to deliver £22m revenue with a double digit operating profit margin by 2021. To achieve this goal, a period of investment between now and then will be undertaken. This will include organic and strategic investment, with the latter potentially including a suitable acquisition to extend our reach. It is our intention to fund such investment through our cash reserves.

On an operational level, we track our performance through a combination of financial and non-financial targets which include:

- Gross Margin %;
- Forward looking secured income levels;
- New sales pipeline conversion rates;
- Upselling rates;
- Utilisation levels;
- Customer Satisfaction Survey results;
- Marketing effectiveness through PRACE (Plan, Reach, Act, Convert, Engage) scores;
- Employee statistics (engagement, satisfaction and diversity levels); and
- Infrastructure performance levels.

Tracking these metrics provides foresight, to project forward trends and inform our business risk analysis, with the metrics acting as early warning indicators.

Business Risk

The Board collectively assesses business risk by reviewing and updating the corporate risk register in the context of developments in the external environment and internal operations. The Audit and Risk Committee evaluates the effectiveness of our risk management processes and informs the Board of any key findings. A number of core risks are continuously managed including:

The impacts of government, regulatory and industry changes taking place in relation to our core contracts;

- Financial dependency on key contracts;
- Delivery dependency on key technology/suppliers;
- Increased competition from existing code bodies, international consultancy practices and major outsourcing companies; and
- The risk of an information security breach.

Other internal operational risks include the retention of key talent and infrastructure resilience. These risks are regularly appraised and mitigating actions are put in place as appropriate.

The risks facing the business are regularly assessed against the medium-term Company Strategic Plan, which is periodically modified to reflect significant changes in the operating environment.



Jagjit Dosanjh-Elton
Chief Financial Officer
2nd June 2016

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.

Although Gemserv is not listed on a Stock Exchange, the Board aligns its approach to Corporate Governance with the Financial Reporting Council's UK Corporate Governance Code. The Board welcomes the guidance it provides as the basis for preparing annual accounts.

This alignment reflects the interest of both our shareholders and the clients that we serve.

Board of Directors

The Board met ten times this year and 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;
- The corporate risk register;
- Approval of major developments including acquisitions;
- Approval of the annual business plan and budget;
- Board and Committee appointments and related terms of reference;
- Review of management performance;
- Approval of significant changes in accounting policy and practice; and
- Corporate Governance and internal control.

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 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.

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 in place with the strategy and the annual budget approved by the Board. Monthly actual results are reported against budget, and forecasts for the year are prepared regularly. The Executive Team reviews the monthly reports.

Risk Management

The Audit and Risk Committee evaluates the effectiveness of the risk management and reporting framework on a periodic basis. The key findings are reported to the Board, which is responsible for examining and managing the major strategic, business and operational risks that the Company faces on a continual basis.

A Risk Management Framework has been established that ensures risks are monitored and reported regularly at all levels, and that appropriate actions are in place to mitigate the perceived 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 and Risk Committee. The financial controls and procedures are reviewed regularly and compliance with them is assessed as part of the annual audit. The Audit and Risk 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. A Non-Executive Director from the shareholder community is represented at Board level and the Board ensures an ongoing dialogue with other shareholders through a range of communications.

Committee Reports

The Board has three standing committees: an Audit and Risk Committee; a Remuneration Committee; and a Nominations Committee. Each is formally constituted with terms of reference and includes at least two Non-Executive Board members.

Audit and Risk Committee

The Audit and Risk Committee assists the Board in the execution of its responsibilities for Corporate Governance and internal control, and has adopted terms of reference modelled on those set out in the UK Corporate Governance Code. This includes evaluating the effectiveness of the risk management framework to inform the Board's approach in examining and managing the strategic and operational risks facing the Company.

The members of the Committee are Non-Executive Directors: Mike Jeans (Chairman), Simon Wills and Matthew Rees. Mike Jeans will be retiring in July 2016, with Matthew Rees taking over the position as the Committee Chairman. The Chief Financial Officer is the Secretary of the Committee. The External Audit Partner and the Chief Executive also attend meetings as required.

The Audit and Risk Committee approves the audit fees and reviews the Company's internal financial control structure and external audit process. It monitors the effectiveness of the Company's internal controls, risk management framework, the integrity of the financial statements and proposed announcements, together with any proposed changes in accounting policies, prior to approval by the Board. The Committee also keeps under review the objectivity and independence of the external auditor and the nature and extent of the non-audit services it provides. The Committee met three times during the year and the key issues discussed included:

- Restatement of the prior year financial results (2014/15) in accordance with FRS102;
- The implementation and performance of the new Corporate Business System;
- A review of the Risk Management Framework; and
- The Financial results and the Annual Report for 2015/16.

Remuneration Committee

The Remuneration Committee determines the remuneration of the Executive Team on behalf of the Board and approves the remuneration strategy for all Gemserv employees. Its members are all Non-Executive Directors who meet under the Chair of Meriel Lenfestey. The Chief Executive and the Head of HR attend the meetings to present proposals with respect to Gemserv's Remuneration

Strategy. The Committee met three times during the year and the key items discussed included:

- Reviewing the proposed annual remuneration, including the levels of salary, bonus and pensions payable to staff;
- Review of the remuneration package of the Executive Team, including the operation of the Senior Management Incentive and Retention Scheme and the approval thereof; and
- Commissioning a Company Incentive Scheme review in 2016/17 to assess the effectiveness of current arrangements.

Nominations Committee

The Nominations Committee is chaired by the Board Chairman and comprises all Non-Executive Directors. The Committee manages the process for Board appointments, ensuring there is a formal and appropriate procedure for the appointment of new Directors to the Board. The Committee is responsible for leading the process and making recommendations to the Board. In addition, the Committee is responsible for reviewing succession planning for the Board and Executive Team members in line with its approved terms of reference.

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

- The appointment process and recommendation for a new Non-Executive Director; and
- Succession planning for Senior Management.

Executive Team

The Board has delegated operational matters to the Executive Team. The Executive Team is led by the Chief Executive and includes two Executive Directors and one Senior Manager. The Team formally meets twice a month.

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



Jagjit Dosanjh-Elton
Chief Financial Officer
2nd June 2016



Auditor's Report

Independent auditor's report to the members of Gemserv Limited

We have audited the financial statements of Gemserv Limited (the "financial statements") for the year ended 31st March 2016 on pages 26-38. The financial reporting framework that has been applied in their preparation is applicable by law including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Report, 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 and express an opinion on 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. Opinion on financial statements

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the company's affairs as at 31st March 2016 and of its profit for the year then ended;
- The financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Our application of materiality

The concept of materiality is used throughout our audit process, and in evaluating the effect of misstatements on our audit and on the financial statements. To assess whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatement

that makes it probable that the economic decisions of a reasonably knowledgeable person relying on the financial statements would be changed or influenced. A level of performance materiality is also calculated to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

In establishing the audit strategy, it was determined that the level of uncorrected misstatements judged to be material for the financial statements and our audit overall would be £300,000, approximately 2% of turnover.

We agreed with the Audit and Risk Committee that we would report to them all unadjusted audit differences in excess of £5,000, as well as any differences below this figure to the extent this was considered necessary.

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 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Our assessment of risk significant to our audit

We identified the risk of revenue recognition, specifically understatement as well as cut off, being the risk which has had the greatest impact on our audit strategy and scope. This is effectively the risk that the revenue reported is inaccurate, incomplete or has been recognised in the wrong period.

To respond to the risk identified above, we carried out the following procedures: substantive testing from project contracts and sales invoices, tracing details through to the financial statements and reviewing cash receipts; a comparison between reported amounts and the company's budgets, whereby any significant differences were

investigated; and a review of bank transactions either side of the year end.

Opinion on other matters prescribed by the Companies Act 2006

- In our opinion the information given in the Chief Executive's Report, Committee Reports, Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- The information given in the Corporate Governance Statement set out on page 21 is 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:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- Materially inconsistent with the information in the audited financial statements;
- Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- Otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' Report that they consider that the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The 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.

Moore Stephens LLP

Stephen Corral FCCA (Senior Statutory Auditor) for
and on behalf of Moore Stephens LLP

Chartered Accountants and Statutory Auditor,
London

13th June 2016

Statement of Comprehensive Income

For the year ended 31st March 2016

		2016	2015
	Notes	£'000	£'000
Revenue	2	15,009	14,884
Administrative expenses		(13,391)	(13,360)
Operating profit		1,618	1,524
Interest receivable and similar income		32	27
Profit before taxation	3	1,650	1,551
Tax on profit on ordinary activities	5	(63)	(328)
Profit for the year		1,587	1,223

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.

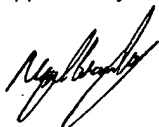
The notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

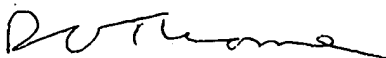
As at 31st March 2016

	Notes	2016 £'000	2015 £'000
Fixed Assets			
Intangible assets	7	94	90
Property, Plant, Equipment	8	709	877
		803	967
Current Assets			
Debtors	9	2,942	3,078
Cash equivalents	10	2,507	1,505
Cash at bank and in hand	11	4,586	4,137
		10,035	8,720
Creditors			
Amounts falling due within one year	12	(3,758)	(3,979)
Net Current Assets		6,277	4,741
Total Assets Less Current Liabilities		7,080	5,708
Provision for Liabilities			
Deferred Taxation	13	(32)	(52)
Net Assets		7,048	5,656
Capital and Reserves			
Share capital	14	230	230
Profit and loss account		6,818	5,426
Equity shareholders' funds		7,048	5,656

Approved by the Board and authorised for issue on 2nd June 2016 and signed on behalf of the Board by:



Nigel Bromley
Chairman



David Thorne
Chief Executive

The notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31st March 2016

	Notes	Share Capital £'000	Profit and Loss Account £'000	Total £'000
Balance at 1st April 2015		230	5,426	5,656
Profit for the year		-	1,587	1,587
Dividends paid	6	-	(195)	(195)
Balance at 31st March 2016		230	6,818	7,048

		Share Capital £'000	Profit and Loss Account £'000	Total £'000
Balance at 1st April 2014		230	4,392	4,622
Profit for the year		-	1,223	1,223
Dividends paid	6	-	(189)	(189)
Balance at 31st March 2015		230	5,426	5,656

STATEMENT OF CASH FLOWS

For the year ended 31st March 2016

	2016	2015
	£'000	£'000
Cash flows from operating activities		
Profit before taxation	1,650	1,551
<i>Adjustments for</i>		
Interest received	(32)	(27)
Depreciation of property, plant and equipment	280	244
Amortisation of intangible fixed assets	7	-
Loss on disposal of property, plant and equipment	13	2
Decrease in debtors	136	42
(Decrease)/Increase in creditors	(52)	923
Cash from operations	2,002	2,735
Tax paid	(252)	(190)
Net cash flows from operating activities	1,750	2,545
 Cash flows from investing activities		
Interest received	32	27
Purchase of plant, property and equipment	(125)	(966)
Purchase of intangible fixed assets	(11)	(90)
Net cash flows from investing activities	(104)	(1,029)
 Cash flows from financing activities		
Dividends paid	(195)	(189)
Net cash flows from financing activities	(195)	(189)
 Net cash increase in cash and cash equivalents	1,451	1,327
Cash and cash equivalents at the beginning of the period	5,642	4,315
Cash and cash equivalents at the end of the period	7,093	5,642
 Cash and cash equivalents at the beginning of the period (MCS)	-	6,315
Movement in MCS bank account during the period	-	(6,315)
Cash and cash equivalents at the end of the period (MCS)	-	-
 Total cash and cash equivalents at the beginning of the period	5,642	10,630
Total cash and cash equivalents at the end of the period	7,093	5,642

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, are set out below:

Basis of preparation of financial statements

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

The Company has taken advantage of s402 Companies Act 2006 not to prepare group accounts on the basis that the exclusion of Red Island Consulting Limited, its dormant subsidiary, would not have a material impact upon these financial statements.

The following principal accounting policies have been applied:

Transition to FRS 102

These are the first financial statements to comply with FRS 102. The Company transitioned to FRS 102 from previous UK GAAP on 1st April 2014. There have been no changes required to either the current or comparative figures as a result of the transition.

Revenue

Revenue is recognised upon completion of service or at agreed milestones to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. Where contracted services have been rendered but not invoiced at the year end, the value of these services is recognised within accrued income. Conversely, where services have been invoiced in advance, these sums are carried forward at the year end as deferred income and included in creditors.

Financial instruments

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

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.

Operating leases

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

Intangible fixed assets

Intangible fixed assets are stated at cost less amortisation. The Company's policy is to amortise intangible fixed assets at rates calculated to write off their cost, less their estimated residual value, over their expected useful lives from the date of purchase on the following basis:

- Software: 3-5 years

Plant, property and equipment

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

- Leasehold improvements: over the lease period to the break point of 23rd May 2024;
- Computer and office equipment: 2-4 years; and
- Office furniture: 4-5 years.

Pension costs

The Company operates a defined contribution scheme. Contributions are charged in the profit and loss account in the period in which they are paid.

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

The Company has, in the past, made claims for Research and Development tax credits, the benefits of

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

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Critical accounting estimates and judgements

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

Critical judgements in applying the Company's policies

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

2. Revenue

2016	2015
£'000	£'000

Revenue by geographic area is as follows:

UK	14,410	14,565
Rest of Europe	599	299
Other	-	20
	15,009	14,884

3. Profit before taxation

This is stated after charging:

Depreciation and amortisation of Fixed Assets	287	244
Loss on disposal – tangible Fixed Assets	13	2
Staff costs (see note 4)	6,810	6,260
Foreign exchange loss	55	29
Payments under operating lease	441	456

Auditor's remuneration:

Audit services	20	20
Non-audit services	3	3
	23	23

4. Staff costs

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

Wages and salaries	5,820	5,323
Social security costs	662	652
Pension costs	328	285
	6,810	6,260

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	114	103
	121	110

Directors' remuneration

The total amount of Directors' remuneration and other benefits was £779k (2015: £766k). The remuneration of the highest paid Director was £279k including £17k pension contribution (2015: £275k including £16k pension contribution).

Directors' remuneration includes £177k (2015: £176k) in respect of the Senior Management Incentive and Retention Scheme. Pension contributions of £44k (2015: £42k) were made in respect of 3 Directors (2015: 3).

David Thorne has a season ticket and health care loan and Jagjit Dosanjh-Elton has a season ticket and gym loan in accordance with the Company's normal terms for staff. The maximum amount advanced to David Thorne and Jagjit Dosanjh-Elton in the year was £3,616 and £5,198 respectively. The amount outstanding at the end of the year was £1,727 and £1,665 respectively.

Key Management Remuneration

The total amount of key management remuneration and other benefits was £1m. The Management Team was created this year and consisted of senior managers who have responsibility for business operations.

5. Tax on profit on ordinary activities

	2016 £'000	2015 £'000
Analysis of tax charge for the period		
UK corporation tax on profits for the period	354	251
Foreign taxation	-	2
Adjustments in respect of R&D tax credits for prior years 2013/14 and 2014/15	(272)	-
Total current tax	82	253
Deferred tax		
Origination and reversal of timing differences	(14)	75
Effect of increased/(decreased) tax rate on opening balance	(5)	-
Tax on profits on ordinary activities	63	328
Factors affecting tax change for the period:		
Profit before tax:	1,650	1,551
Tax on profits at 20% (2015: 21%)	330	326
Effects of:		
Expenses not deductible for tax	2	1
Fixed asset timing differences	7	6
Marginal relief	-	(1)
Adjust opening deferred tax to average rate of 20% (2015: 21%)	-	(1)
Adjust closing deferred tax to average rate of 20% (2015: 21%)	(4)	(3)
Adjustments in respect of R&D tax credit for prior years 2013/14 and 2014/15	(272)	-
Tax on profits on ordinary activities	63	328

6. Dividend

	2016 £'000	2015 £'000
Amounts recognised as distributions to ordinary shareholders in the year:		
Final 2015 ordinary dividend of 84.69p (2014: 84.25p) per share paid in the year	195	189
Amounts not recognised as distributions to ordinary shareholders during the year:		
Proposed final 2016 ordinary dividend of 86.46p (2015: 84.69p) per share	199	195

The proposed final 2016 ordinary dividend is subject to approval by shareholders at a General Meeting and has not been included as a liability in these financial statements in accordance with FRS 102.

The Company Secretary holds 463 shares in reserve. The final 2015 dividend of £400 due on these shares has been waived.

7. Intangible fixed assets

	Software £'000
Cost	
At 1 st April 2015	90
Additions	11
At 31 st March 2016	101
Amortisation	
At 1st April 2015	-
Charge for the year	7
At 31 st March 2016	7
Net book values	
At 31 st March 2016	94
At 31 st March 2015	90

	Software £'000
Cost	
At 1 st April 2014	-
Additions	90
At 31 st March 2015	90
Amortisation	
At 1st April 2014	-
Charge for the year	-
At 31 st March 2015	-
Net book values	
At 31 st March 2015	90
At 31 st March 2014	-

8. Property, Plant and Equipment

	Leasehold improvements £'000	Office & computer equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1st April 2015	601	543	164	1,308
Additions	25	100	-	125
Disposals	-	(51)	-	(51)
At 31st March 2016	626	592	164	1,382
Depreciation				
At 1st April 2015	40	366	25	431
Charge for the year	85	155	40	280
Disposals	-	(38)	-	(38)
At 31st March 2016	125	483	65	673
Net book values				
At 31st March 2016	501	109	99	709
At 31st March 2015	561	177	139	877

	Leasehold improvements £'000	Office & computer equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1st April 2014	320	551	177	1,048
Additions	597	206	163	966
Disposals	(316)	(214)	(176)	(706)
At 31st March 2015	601	543	164	1,308
Depreciation				
At 1st April 2014	286	439	167	892
Charge for the year	70	140	34	244
Disposals	(316)	(213)	(176)	(705)
At 31st March 2015	40	366	25	431
Net book values				
At 31st March 2015	561	177	139	877
At 31st March 2014	34	112	10	156

9. Debtors	2016	2015
	£'000	£'000
Trade debtors	1,691	1,946
Other debtors	139	47
Prepayments and accrued income	1,112	1,085
	2,942	3,078

Included within prepayments and accrued income is an amount of £395K (2015: £5K) which is expected to be recovered after more than one year.

10. Cash Equivalents

Fixed Rate Interest Bearing Cash Deposits	2,507	1,505
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A treasury reserve of £2m is fixed for 1 year but can be accessed earlier subject to penalties. The deposit of £0.5m can be released by giving 95 days' notice to the bankers.

11. Cash at bank and in hand

Cash at bank	4,586	4,137
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12. Creditors: Amounts falling due within one year

Trade creditors	364	661
Other creditors including social security	768	716
Corporation tax	82	252
Accruals and deferred income	2,544	2,350
	3,758	3,979

13. Deferred taxation	2016	2015
	£'000	£'000
Capital allowances	39	59
Short term timing differences	(7)	(7)
Deferred tax liability	32	52

The movement during the year is as follows

Balance at 1 st April 2015	52	(23)
Capital allowances	(14)	76
Short term timing differences	-	(1)
Effect of change tax rate on opening balances	(6)	-
Balance at 31st March 2016	32	52

14. Share capital

	2016 £'000	2015 £'000
Company		
Authorised 500,000 Ordinary shares of £1 each (2015: 500,000)	500	500
Called up, issued and fully paid 230,258 Ordinary shares of £1 each (2015: 230,258)	230	230

15. Financial Commitments

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

	2016 £'000	2015 £'000
Due within one year	345	-
Due within two to five years	2,278	2,051
Due after more than five years	1,791	2,361

- i. The Company signed a 10 year lease on its current premises on 23rd May 2014 which included a rent free period of 27 months. Accordingly there is no rent payable until September 2016.
- ii. Under the Senior Management Incentive and Retention Scheme rules, part of the bonus entitlement is conditional on the scheme member remaining in continuous employment for a further 36 months' qualifying period and therefore is not provided for in these financial statements. At 31st March 2016, the aggregate sum of conditional bonuses under the scheme was £222k (2015: £170k).

16. Pension Scheme

The Company operates defined contribution schemes. The charge for the year of £328k (2015: £285k) represents contributions payable to the schemes in respect of the year ended 31st March 2016.

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