



# Gemserv

## Annual Report and Financial Statements for the Year Ended 31<sup>st</sup> March 2018

Gemserv Limited

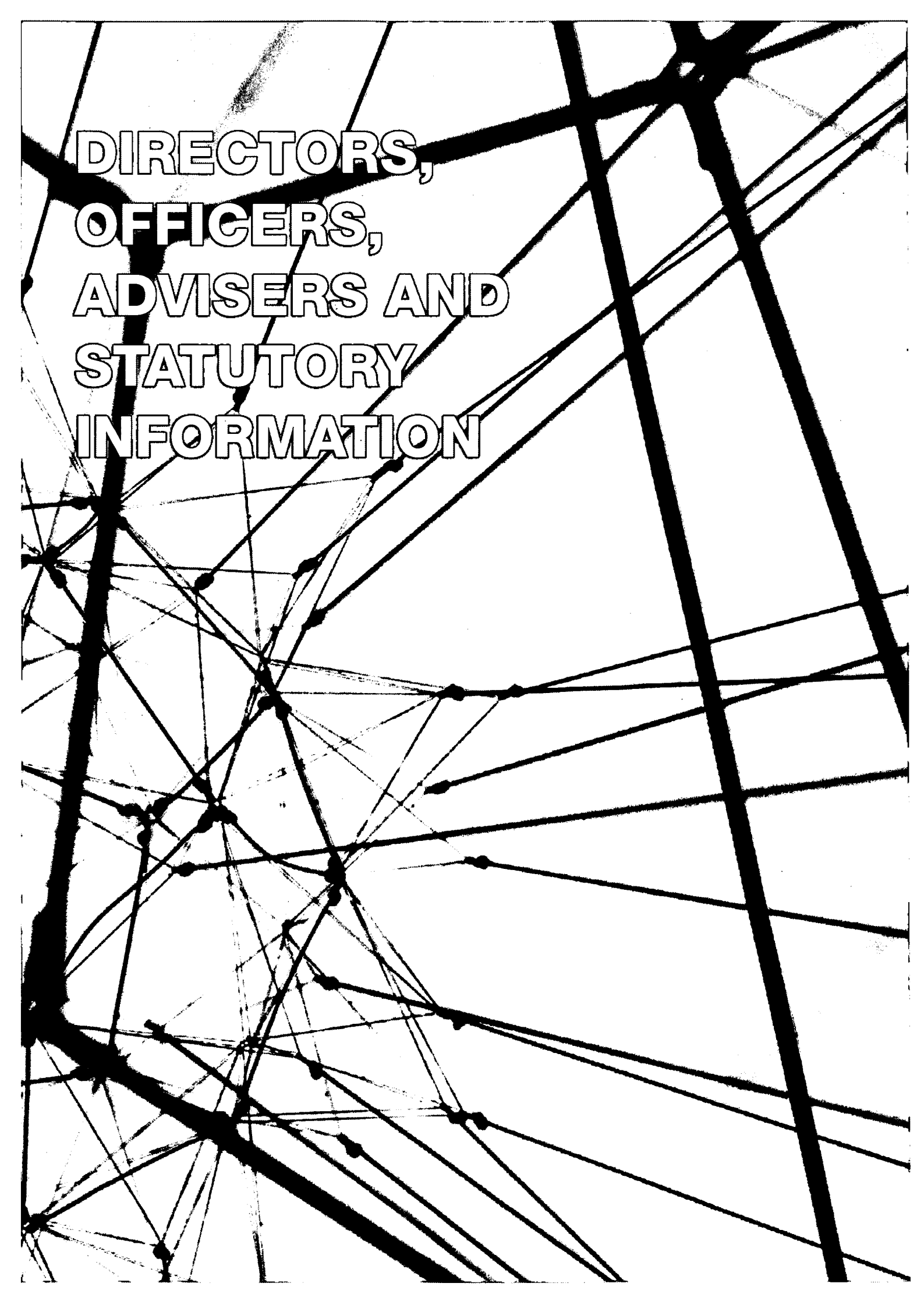




WE ARE AN EXPERT PROVIDER OF  
PROFESSIONAL SERVICES ENABLING THE  
ENERGY MARKET TRANSFORMATION AND  
DATA REVOLUTION

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The background of the entire page is a complex, abstract network of black lines and dots on a white background. The lines vary in thickness and orientation, creating a sense of depth and connectivity. Small black dots are scattered throughout, often acting as nodes where lines intersect or branch out. The overall effect is reminiscent of a neural network, a web of connections, or a molecular structure.

# **DIRECTORS, OFFICERS, ADVISERS AND STATUTORY INFORMATION**

## **Non-Executive Directors**

Meriel Lenfestey	Chair
Matthew Rees	Senior Independent Non-Executive Director
Annette Nabavi	Independent Non-Executive Director
Simon Wills	Non-Executive Director

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## **Executive Directors**

David Thorne	Chief Executive Officer
Alex Goody	Director of Business Development and Consultancy
Daniel Carter-Clout	Finance Director and Company Secretary

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## **Officers**

Jonathan Harley	Director of Client Delivery
Trevor Hutchings	Director of Strategy

## **Bankers**

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

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## **Auditor**

Moore Stephens LLP  
150 Aldersgate Street, London, EC1A 4AB

## **Registered Office**

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

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## **Ireland Office**

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

# CHAIR'S STATEMENT

Gemserv has a feeling of energy about it.

As we exit year 2 of our Invest for Growth Strategy it is starting to bear fruit, having delivered our best ever financial performance last year. We're confident that we're on the right path and energised to build on last year's successes. We've refined our strategy to focus very simply on Energy and Data, with the intersection between the two being at the heart of our change agenda.

We're embracing change in the world, in our markets and in our business.

In many ways the energy market is late to the race for digital revolution. In most industries, digital is transforming the way customers interact with brands, the way companies think and manage their assets, and the way markets are regulated. Companies who embrace these changes succeed, those who don't fall behind rapidly.

In the energy market the inertia is largely due to the highly complex nature of the systems and multi stakeholder relationships. At Gemserv, we believe it is now the turn of the energy industry and we are positioned to help our clients make it happen effectively, reaping the rewards and managing the risks. Dealing with these kinds of complex markets is our speciality and where we add the most value. With our deep insight from 16 years immersed in the energy sector, and the investments we've been making in data and technology, we're very clear about the opportunities and challenges created by both data and by regulation. Part of that is to ensure the industry codes evolve to meet the future demands of new innovative business models to benefit customers whether that be through faster switching or new "smart" services.

We've been on this journey for a while starting with our acquisition of a cyber security company in 2009, merging it into our core business adding real value to our Code Management and Scheme Administration contracts including the Smart Energy Code and the Microgeneration Certification Scheme. This foresight has helped open up new opportunities around the Internet Of Things and the connected home; accelerated the development of our Data Privacy team; and stimulated the work we're doing to open up Gas and Electricity data for the benefit of the market. The work is not done, and we are continuing to invest in the areas where we believe our experience and skills can deliver the most benefit to help our clients meet the challenges of this transformation.

It will also be a year of change within our office as we continue to evolve our services and team, welcoming new faces who will be part of our future, and saying thanks to some old ones who helped get us where we are. In particular, following an open, competitive and rigorous recruitment process, we have appointed Alex Goody as our new Chief Executive to succeed David Thorne this summer. Alex will be able to build on the strong foundations put in place to embrace the increasing pace of change to support energy market transformation and the data revolution. Sacrosanct through all of this is our focus on exceptional service. We know that the quality of our work defines us and

will ensure that as we go forward we take this focus with us.

In a year where we continue to invest to support reform, we are pleased to recommend a final dividend of 93.87 pence per share for 2017/18. This is in line with our policy of increasing dividend by RPI +1% year on year.

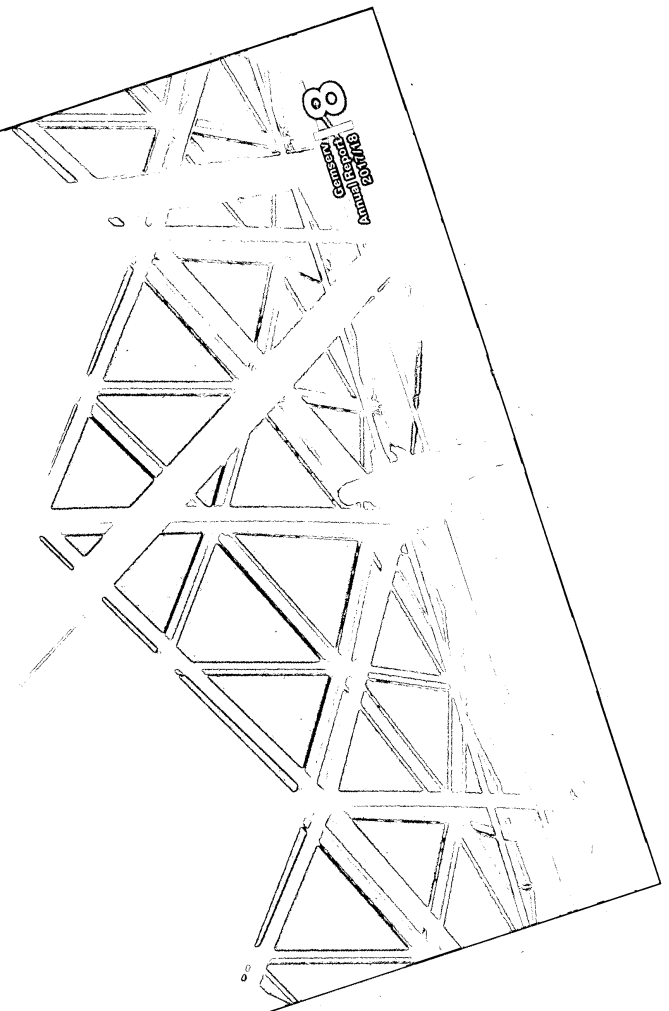
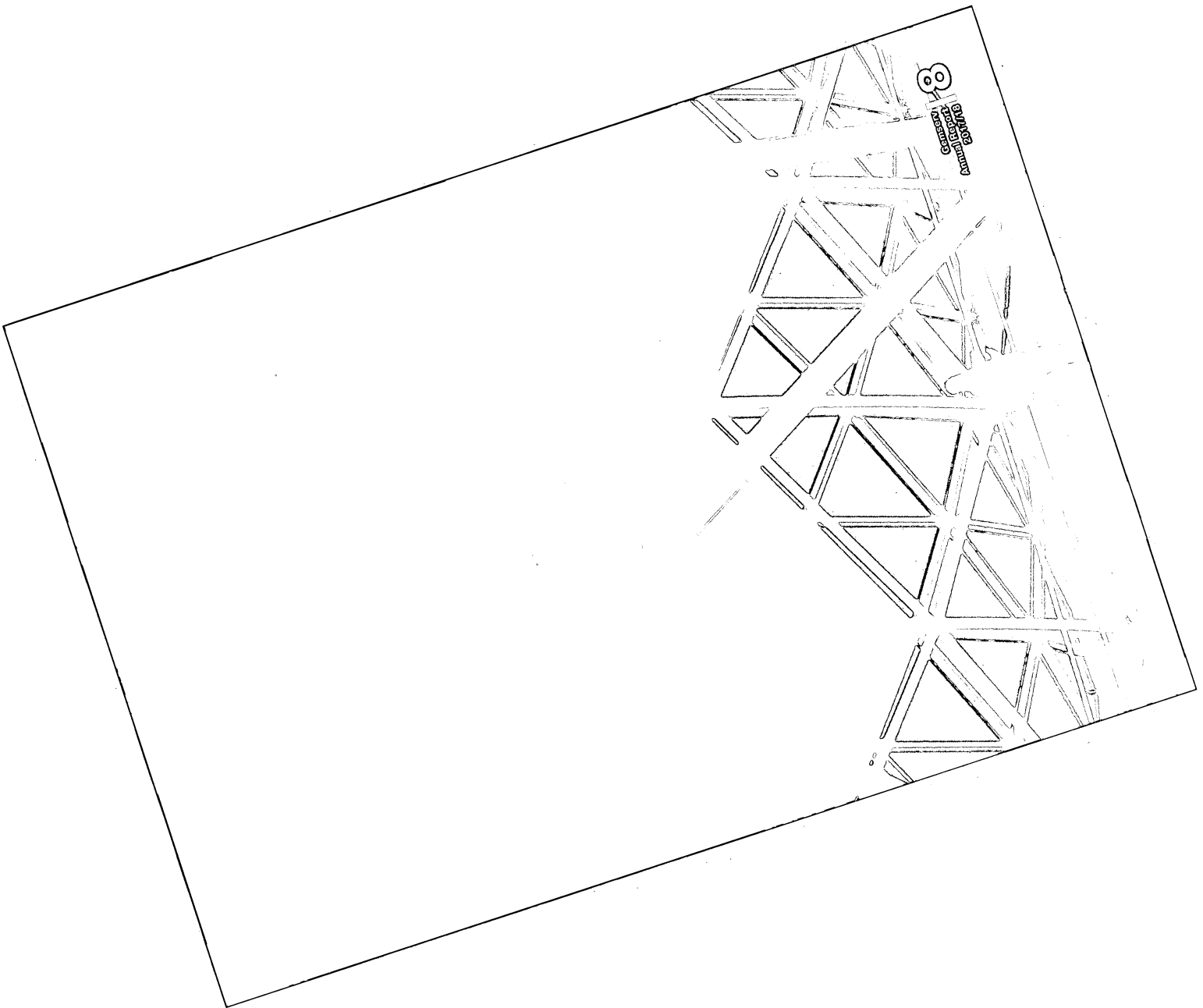
I am enormously privileged to work with such a great team throughout Gemserv. I look forward to supporting them as they continue delivering on our strategy and working towards our vision of ensuring complex markets work for everyone's benefit. I would like to take this opportunity to thank each and every one for their energy and commitment as we help our markets embrace change.



**Meriel Lenfesty**

Chair

5th June 2018



8  
Gauss  
Report  
April 2016

# CHIEF EXECUTIVE'S REPORT

In April 2016, Genserv embarked on an "Investor Growth" strategy, as set out in a new Five Year Strategic Plan, framed around Accelerating Growth, Building Relationships and Generating Talent – Genserv's AGS. We knew that this Strategy would be a challenge to implement successfully and initially impact our profit, but, in a period of transformational change in the industry, we recognised that we needed to change too.

As we complete Year 2 of our Five Year Strategy, it is clear to see that this courage to change is beginning to deliver results, with 2017/18 being a year of records for Genserv. We achieved our highest revenue of £18.7m, a 14% increase year on year. This was driven by an outstanding start to the financial year, securing record new business early so we could start delivering for our new clients from Quarter 1. This success in winning new long-term assignments means that we will start 2018/19 with the highest level of secured revenue in our history. But this has not been at the expense of efficiency and cost control – our profit margins have strengthened to 6.6% (6.1/7 – 4.9%). Accordingly, we are well on course to achieve our Accelerate Growth goal of £22m with double digit margins by 2021/22.

Our growth is grounded on our strategy to Build Relationships with existing and new clients. For our existing clients, we launched our Exceptional Service Programme to support our continuous evolution into a high performance, expert provider of energy and data services. Listening to our clients is a central pillar of this Programme and this year we introduced innovative ways to seek feedback, such as in-meeting tablets to record comments "on-the-spot" and feedback survey/polls. And more importantly, the returning of that feedback to the client's satisfaction was one of our Strategic Measures.

For new clients, we have invested heavily to develop additional capabilities, reflecting the new paradigm where technology and the intelligent use of data is driving innovation. We now have a strong team of data privacy experts who are helping clients manage their data securely and with integrity, aligned to the new General Data Protection Regulations. Furthermore, an experienced Connected Devices team is now in place to support the introduction of this new "smart" technology. Both these teams complement our existing deep experience in information security, creating a high quality, supportive resource for new entrants and existing players alike. And our current clients benefit too from this broader set of skills to help deliver their objectives.

This drive to embrace change and facilitate innovation is the foundation of our strong, continuing support during 2017/18 for code governance reform and faster switching – a key element of the regulatory agenda. Our vision to ensure complex markets work for everyone's benefits at the core of what we do, and why we know we must always continue to explore new ways of supporting the energy market.

All this would not be possible without the commitment and drive of our people. Investing for growth means investing in our people so we must cultivate our talent to be successful. Our Talent Management Programme implemented this year

seeks to support all our people in being the best that they can be. Whilst we have strong foundations, as demonstrated by our Gold Award in Investors in People, we will always strive to improve so we can be the career destination of choice in the energy and data sectors.

I have been privileged to lead Genserv as its Chief Executive since July 2010 and, with the Company stronger than it has ever been, I will be stepping down in the Summer of 2018. I am immensely proud of what Genserv has achieved over this period, but most importantly, the greater contribution that it can now make, with its strengthened capabilities and real appetite for change. In my successor, Alex Goody, we have someone who shares that ambition and passion to ensure Genserv continues to evolve to help deliver a secure, efficient and innovative future by supporting the energy transformation and data revolution.

David Thorne

David Thorne  
Chief Executive  
September 2018



# 2017/18 AT A GLANCE

## DEVELOPING BUSINESS



**Alternative HAN:** Gemserv is helping the Alt Han Company procure technological solutions and services that will allow alternative home area networks to be delivered in situations where the standard GB HAN range limitation means that a connection is not possible. The contract was won through competitive tender and will provide a national solution for these properties to connect to the smart metering infrastructure.



**Lyca Mobile:** We are helping the Lyca group meet regulatory requirements across its global business, specifically in relation to the General Data Protection Regulation (GDPR) that became UK law on 25th May 2018.



**Associated British Ports:** ABP manage most of the shipping and passenger ports in the UK. As a provider of critical national infrastructure to the country they have extensive cyber security requirements. We are advising ABP on how to position for future cyber security threats and deploy a CNI framework that prepares for forthcoming NIS Directive requirements.

## GPAFA

**GPAFA:** Gas Performance Assurance Framework Administrator following the CMA review one of the outstanding remedies was to set up a performance assurance framework in gas. Our role is to assure that the £4bn gas market for settlements is functioning correctly.



**Key Renewals:** Microgeneration Certification Scheme (MCS) moved to charity status in April 2018 and renewed their contract for services with us. MCS is a nationally recognised quality assurance scheme that certifies that microgeneration technologies produce heat and electricity from renewable sources.

## STRONG FINANCIAL PERFORMANCE

£18.7m



### REVENUE

Revenue increased 14% year on year to the highest level in Gemserv's history.

£1.3m

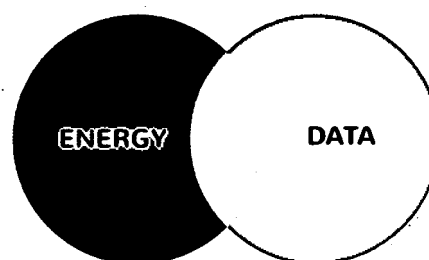


### OPERATING PROFIT

A 52% increase in operating profit year on year driven by revenue growth and operating efficiency.

before investment

## REFINING OUR STRATEGY



We are an expert provider of professional services enabling the energy market transformation and data revolution.

Our strategic focus is on providing services that support the energy market transformation and data revolution. We have particular expertise where energy and data combine.

## EXCEPTIONAL SERVICE



The Exceptional Service Programme is designed as a key foundation to support our 5-year strategic plan, supporting our objective to Build Relationships by a commitment to enhancing our services. We've defined Exceptional service as exceeding client expectations, where the standards and level of service received, goes beyond what our clients define as normal or expected.

Our approach sets out overarching principles, including positive behaviours to each other and our clients, passion, purpose and empowerment, as well as the developing practical operational tools to support our teams to consistently achieve high-performance. What Gemserv does matters. How we do it defines us.

## INVESTING IN NEW TECH AND CAPABILITIES

### DATA PROTECTION



Gemserv invested in creating a new data protection service that assists customers in energy and a wide variety of other industries to meet new EU GDPR requirements in a way that is beneficial to all stakeholders. This has been very successful and the service line is now a formal part of the Gemserv offer.

### CONNECTED DEVICES



Recognising the explosion in volumes of Internet of Things (IoT) devices and poor security standards, we have invested in a specialist team with proven methodologies to provide consultancy and device assurance for organisations wishing to launch and deploy IoT devices. We see this as a major area of growth going forward supporting both Energy and Data within our refined strategy.

**Jonathan Harley**

Director of Client Delivery

5th June 2018

# CORPORATE SOCIAL RESPONSIBILITY REPORT

We believe that businesses must do more than simply make a profit. It is Gemserv's culture to make a positive, long-term and sustainable contribution in all that we do. This is underscored by our vision to make complex markets work for everyone's benefit.

'Profit with Purpose' captures the approach we take, combining our vision and commercial ambition with our desire to achieve a positive environmental and social impact. We focused our CSR activities in four main areas in 2017/18.

## TREATING OUR STAFF FAIRLY

We are a people business and have worked hard to attract, retain and develop our staff so that they can reach their full potential. We have flexible and inclusive working practices and value the different perspectives that people bring to the workplace, establishing diverse and flexible teams. We have a whistleblowing policy to ensure that staff feel safe and valued in their day to day work and can identify concerns if they need to. We have supported those just starting out on their careers by sharing what we know and supporting those that might not otherwise have considered a career in our industry. We reward our staff through a competitive pay package and other benefits. We are an Investors in People gold standard employer.

## EXCEEDING OUR CLIENT'S EXPECTATIONS

Through our Exceptional Service Programme we have achieved the highest levels of satisfaction for our customers and clients. We abide by our legal commitments (including anti-bribery and anti-corruption, modern slavery and health and safety) and through our sustainable trading policy we operate to the highest standards of financial probity, ethics and sustainability. Our approach is underpinned through a range of quality and environmental standards which we have maintained over the year: Cyber Essentials Plus; Information Security Management ISO27001; Environmental Management System ISO14001; Energy Management ISO50001; and Quality Management System ISO9001.

## SUPPORTING COMMUNITIES AND FUNDRAISING FOR CHARITY

We have continued to support our nominated charities. For Jimmy and Us in a Bus, as well as match-funding personal fundraising by our employees for their chosen charities, raising £10,506 for good causes. Our largest fundraising event, RPI-X Factor, once again showcased the musical talents from across the utility and environment industry in a 'battle of the bands' competition, hosted by the Gemserv staff.

All staff are encouraged to take one paid volunteering day each year. This underpins our commitment to invest staff time in rewarding activities outside work. As part of this commitment Gemserv staff carried out mock interviews for pupils at Walthamstow School helping prepare them for tertiary education or to enter the job market. We took on

our first apprentice, providing stimulating work and valuable learning experience within our IT Team. We also hosted two internships, one a university student taking a year out to work in industry, the other someone starting out in their career and between roles.

## REDUCING OUR ENVIRONMENTAL FOOTPRINT AND GIVING BACK TO NATURE

Our focus has been on reducing energy consumption (and therefore carbon emissions), tackling our waste and enhancing London's biodiversity. We installed a number of energy saving measures including: solar reflective film to our windows to reduce heat loss in winter and reduce air conditioning in summer; efficient LED lightbulbs; adjusting our smart lighting system to auto switch lights off when no movement is detected; and electricity sub metering to better monitor our energy use. In purchasing new equipment, we have chosen the most energy efficient. The installation of video conferencing and Skype has reduced the need for business travel. We have also actively encouraged flexible and home working to reduce travel related emissions and made available to staff a cycle to work salary sacrifice scheme.

Turning to our wider environmental impact, we have improved recycling rates with better segregation of our waste through the introduction of new recycling bins, with 100% of our waste recycled or used to generate energy with none to landfill. We continue to use 100% recycled paper or paper from sustainable sources (Forestry Stewardship Council accredited) and discourage unnecessary printing. We also gave back to nature by hosting bee hives on the roof of our building in support of London's biodiversity.

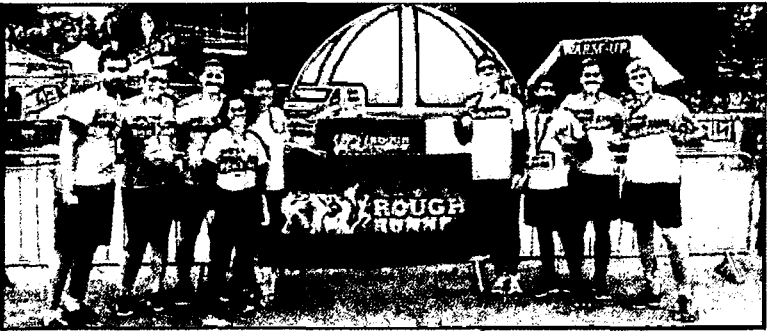
Looking ahead, we are taking further steps to strengthen our CSR commitments and delivery in support of our 'Profit with Purpose' approach.



**Trevor Hutchings**

Director of Strategy

5th June 2018



FOR JIMMY



INVESTORS  
IN PEOPLE

Gold  
Until 2020



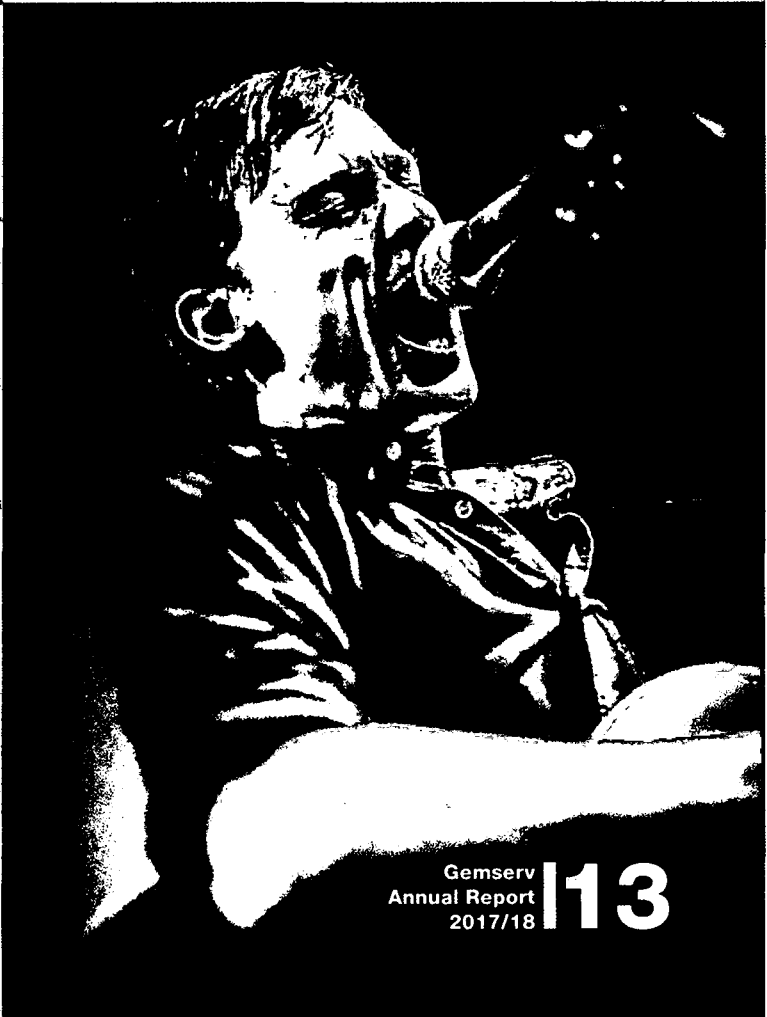
Gemserv



CYBER  
ESSENTIALS  
PLUS



Information Security  
Management



Gemserv  
Annual Report  
2017/18

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# BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

## BOARD OF DIRECTORS

### Meriel Lenfestey

Chair (Independent Non-Executive Director)

Meriel joined the Gemserv board in 2013 and became Chair in January 2017. Her career has been built providing customer-centered strategic and design consultancy to organisations of all shapes and sizes; across public, private and third sectors; and across many different markets. As a designer, researcher, entrepreneur and qualified director she brings a blend of creative energy, customer focus, digital experience, consultancy experience, as well as thorough corporate governance to the Board.



### Simon Wills

Non-Executive Director

Simon took up his current role in Centrica as Group Health, Safety, Environment and Security Director, in November 2013. This followed five years as the Managing Director of Centrica Storage, the ring-fenced entity responsible for the operation and commercialisation of the Rough offshore gas storage facility and the associated Easington terminal. Simon has been with Centrica since de-merger and before that with British Gas plc. He has held a variety of commercial and technical roles within British Gas and latterly Centrica, both in the UK and Europe. Simon joined the Gemserv Board in November 2014.



### Matthew Rees

Senior Independent Non-Executive Director (Deputy Chair)

Matthew combines his responsibilities at Gemserv with his position as Director and board member of the Single Source Regulations Office, an independent regulator established by the Ministry of Defence. He was previously the National Audit Office's Director of Corporate Finance, where he produced reports for Parliament about government investments and privatisations, and he advised the Competition Commission about mergers. Matthew was previously an investment banker focusing on TMT and he qualified as a Chartered Accountant at KPMG. Matthew became a Board member in January 2016 and Deputy Chair in 2017.



### David Thorne

Chief Executive Officer (Executive Director)

David is Gemserv's Chief Executive. He has over 28 years' experience in the utility and environmental sectors, starting his career at the water and electricity regulators before joining a FTSE30 energy company where he held senior regulatory and risk management positions. He has deep knowledge on the design, development and management of regulatory governance and associated processes to support competitive energy markets. The combination of his experience working for the regulator, and subsequently for the "regulated" during the introduction and extension of competition, has provided David with a comprehensive understanding of the dynamics within the gas and electricity sector during periods of transformational change. David joined Gemserv in 2008 and was appointed CEO in 2010.



### Annette Nabavi

Independent Non-Executive Director

Annette joined the Board in January 2017. She has a broad range of public and private board experience and currently holds a number of Directorships. She is a Non-Executive Director on the board of Maintel Holdings plc, an AIM listed unified communications services business. She is on also on the board of IPSE, the Association of Independent professionals and the Self Employed. She is on the Advisory Board of the National Media Museum, part of the Science Museum Group, and a Director of Women in Telecoms and Technology (WiTT) Ltd; an events and networking group.

Annette previously held positions with ING Barings and the PA Consulting Group. Annette holds an MA from Oxford University and a Doctorate from the University of Dijon.



### Daniel Carter-Clout

Finance Director (Executive Director)

Daniel joined Gemserv in January 2017 to lead the Finance and IT functions. Having started his career in audit at Deloitte, Daniel has subsequently gained broad commercial and strategic finance experience across a number of sectors including Telecoms, Manufacturing and Energy. He has held finance roles in both listed multinationals and SMEs, most recently as Finance Director for a division of a renewable energy developer. Daniel is a Fellow of the Institute of Chartered Accountants of England and Wales.



### **Alex Goody**

**Director of Business Development and Consultancy (Executive Director)**

Alex joined Gemserv in May 2012. Alex has a background in business development, strategy and marketing across energy, insurance, and information technology industries.

He commenced his career at the energy company, Amerada Hess and prior to joining Gemserv worked for the insurance group, Domestic & General, in various senior and international management roles. Alex is a member of Gemserv Board and leads on Business Development, Marketing and Consultancy services.



### **EXECUTIVE MANAGEMENT TEAM**

The Executive Management Team includes the three Executive Directors and the following individuals:

### **Jonathan Harley**

**Director of Client Delivery**

Jonathan has worked for Gemserv since January 2009 and has led numerous high-profile programmes across the Smart, Environment, Energy, Telecoms and Water sectors. He has accountability for the management of Gemserv's largest contracts, focusing on continuous improvement, innovation and exceptional service in client delivery. Jonathan is an experienced leader of large teams in the utilities sector, particularly practiced at implementing policy into robust operational practice. His previous experience includes working at E.ON UK and international experience in Japan, Taiwan, India, mainland Europe and Ireland.



### **Trevor Hutchings**

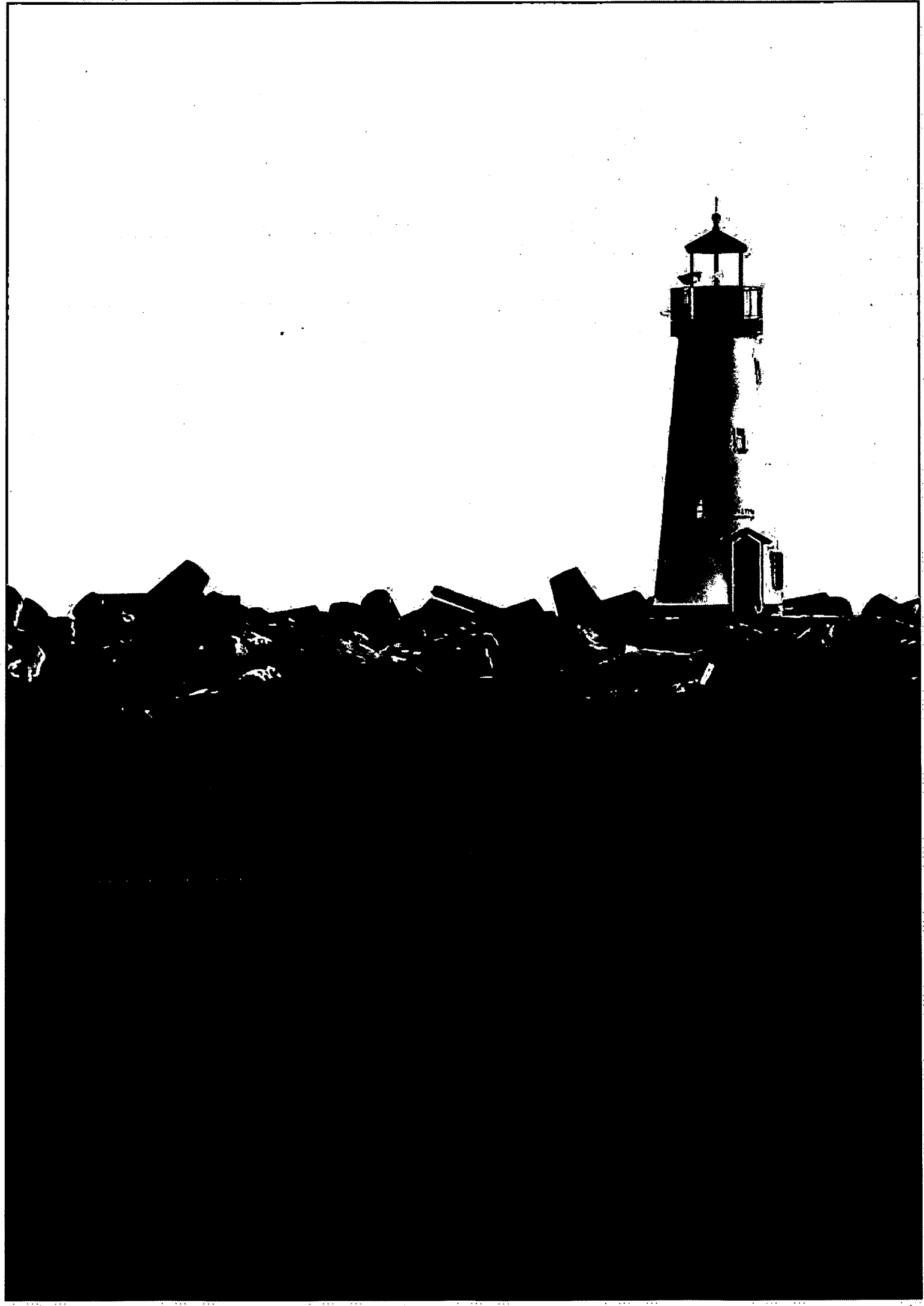
**Director of Strategy**

Trevor joined Gemserv in May 2017 as Director of Strategy. This is a new role, enhancing strategic capacity across the business. Trevor spent much of his early career in the UK civil service, working in a number of government departments and with the European Commission in Brussels. This included positions at the DECC (Department of Energy and Climate Change) where he was responsible for major programmes on energy efficiency, the low carbon economy and reducing the UK's greenhouse gas emissions. He went on to join WWF, the global conservation charity, where he was Director of Advocacy, working to improve public policy on the environment.



# DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2017/18







# 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 2018.

## RESULTS AND DIVIDENDS

In the year to 31st March 2018, the Company achieved revenues of £18.7m (2017: £16.4m) and operating profit of £1.3m (2017: £0.8m). Commentary on the results is contained in the Strategic Report.

In line with the Company's dividend policy to increase ordinary dividend payments by RPI plus 1%, the Directors recommend an ordinary dividend of 93.87p per share (2017: 90.00p) totalling £216k.

## SHARE ISSUES

There were no share issues during the year.

## DIRECTORS AND THEIR INTERESTS

The Directors who served during the year were as follows:

- Meriel Lenfestey
- Matthew Rees
- Annette Nabavi
- Simon Wills\*
- David Thorne
- Alex Goody
- Daniel Carter-Clout

\*Non-Executive Director from the shareholder community

No Director at 31st March 2018 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.

Approved by the Board and signed on its behalf by:



**Daniel Carter-Clout**

Executive Director and Company Secretary

5th June 2018

# STRATEGIC REPORT

Gemserv is an expert provider of professional services enabling the energy market transformation and the data revolution. Our vision is to ensure that complex markets work for everyone's benefit.

We are passionate about what we do, from national schemes that have enabled nearly one million installations of domestic solar panels in the UK to protecting lives and assets in critical national infrastructure through our business continuity work. Our experts are leaders in their respective fields and use insight and collaboration to make an impact through our projects and contracts that in turn defines who we are.

Looking forward, we are investing in our people and our services to continue to enable the energy market transformation through digitalisation and ensure that the data revolution works for the benefit of all.

## OUR PURPOSE

It is Gemserv's culture to make a positive, long-term and sustainable contribution in all we do. We believe in 'Profit with Purpose', combining commercial ambition with our desire to make markets work while achieving a positive social and environmental impact.

We support fair markets for consumers and businesses by providing professional services that enable the energy transformation and data revolution. We go the 'extra mile' to exceed expectations of our clients and deliver value for money.

We attract and develop the best people, value their diversity and offer a flexible and enjoyable working environment.

Gemserv is committed to not only supporting the introduction of programmes that will contribute to a low carbon and sustainable economy but also to continuously reduce our own environmental footprint and support communities through volunteering and fundraising.

## REVIEW OF THE BUSINESS

Gemserv completed the second year of its five-year strategic plan recording the highest revenue and profit before investment in the company's history. Revenue increased from last year's £16.4m to £18.7m. This was coupled with a significant increase in operating profit, from £0.8m to £1.3m.

Furthermore, an important characteristic was that growth was spread right across the services we deliver. Major new contract wins with rapid mobilisation expanded our services and diversified our business while contracts, both new and established, outperformed expectations.

As was the case in the previous two years the progression of the Smart Metering landscape in GB and Ireland was a key aspect underpinning growth. This year we further cemented our role as a major delivery organisation preparing the groundwork for a Smart infrastructure. The programme

is complex; however, we are breaking down barriers and finding solutions to those complex challenges. It is the continued demonstration of specialist knowledge and expertise in delivering Smart solutions that saw us win a major contract at the beginning of the year, where we were appointed to support the procurement and implementation of Alternative Home Area Network Technology in GB. We also successfully facilitated the first live testing of smart devices under our role as the Smart Metering Device Assurance Scheme Operator.

In the context of the political focus on reducing energy bills and a concern that energy code governance is a barrier to innovation, Gemserv is demonstrating that it can be a driver of change and embrace new ways of delivering. One example of this has been the leading role we have played in supporting Ofgem's competition and reform agenda. Working on behalf of our clients MRASCo and SECCo we have contributed to the regulatory design of the Faster Switching Programme. We have also continued to work in partnership with a Central Body to progress a Market Intelligence Service (MIS) for an evolving energy sector. We blend an ambition of building on the existing infrastructure of the market with promoting new and different ways of doing things. We not only support a reformist agenda in energy, we lead on that agenda.

This year our data services have evolved significantly as digitalisation and consumer empowerment start to change markets. Big data, a greater focus on privacy and data security are foremost on the agenda for new and existing clients. This, coupled with the accelerating pace of technological change (e.g. connected devices, smart) and new and disruptive business models, has led to us developing the services we offer in this space to meet the new expectations of clients.

This strong year across the business has resulted in net assets at the year-end reaching £8.5m (2017: £7.5m), and working capital being £8.0m (2017: £7.0m) including reduced debtors of £3.8m (2017: £4.9m). The decrease in debtors was due to major milestone payments on the development phase of the Smart Metering Device Assurance scheme being paid.

The cash and cash equivalents balance at the year-end was £9.3m (2017: £6.3m), driven by the profit for the year and the working capital movements outlined above, meaning our reserves continue to be strong, enabling Gemserv to plan for tomorrow by investing today.

## COMPANY STRATEGY AND PERFORMANCE MEASURES

At our Annual Board Strategy Session in December 2017 we challenged our strategic plan two years on from when it was conceptualised. We determined that the 'ABC' focus remains the core of our strategy.

- 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

# STRATEGIC REPORT

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.

However, the review sharpened our strategic focus on energy and data, with an emphasis on where energy and data combine, underpinning our ABC strategy. We see opportunities to grow into the wider energy market as well as provide more extensive data services into non-energy related markets. The energy market is transforming, merging with other sectors of the economy with data being the facilitator for new business models. Likewise, outside energy, data is driving disruption across all markets. Gemserv is sector agnostic with its data services.

We will continue to shape change by operating and supporting national schemes for the energy industry and governments. We are pushing into new spaces such as IoT (Internet of Things), providing security and assurance services.

To continue to achieve our strategic aims we have introduced and enhanced several initiatives this year, including our Exceptional Service Programme, Innovation Plan, Talent Management Programme, CSR Plan, Strategic Investments and Business Development Plans. We continue to push ourselves to get better and better.

In parallel with new initiatives are continued measurement of well-established performance metrics. We have made significant progress against our medium-term goal to deliver £22m revenue with a double digit operating profit margin by 2021. Our strategic investments in the first two years are starting to pay back already. Gemserv's Data Protection proposition has delivered both new clients and an important service for existing clients. Our Connected Devices propositions continue to develop and have begun to generate revenue. We will complement the success of these investments with developing opportunity assessments in other emerging adjacent areas. We continue to explore a potential acquisition, funding such investment through our cash reserves.

We monitor 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 Engagement statistics;
- Marketing effectiveness through PRACE (Plan, Reach, Act, Convert, Engage) scores;
- Employee statistics (engagement, satisfaction and diversity levels); and

- Business performance measures.

This year we set ourselves stretch targets and more specific strategic indicators to ensure the Board and senior management are focussed on both Gemserv's short and longer-term aspirations. Tracking these metrics provides greater foresight, enabling us to project forward trends and inform our business risk analysis, and acts as early warning indicators so we can adapt to changing circumstances.

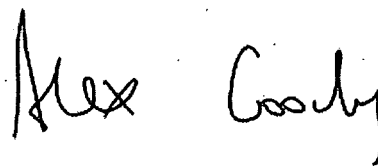
## BUSINESS RISK

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. Key risks that are continuously managed include:

- 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;
- Retention of key talent;
- Negative media linked to market initiatives we support; and
- The risk of information security breaches.

These risks are regularly appraised and mitigating actions are put in place as appropriate.

Approved by the Board and signed on its behalf by:



**Alex Goody**

Executive Director

5th June 2018

# CORPORATE GOVERNANCE STATEMENT

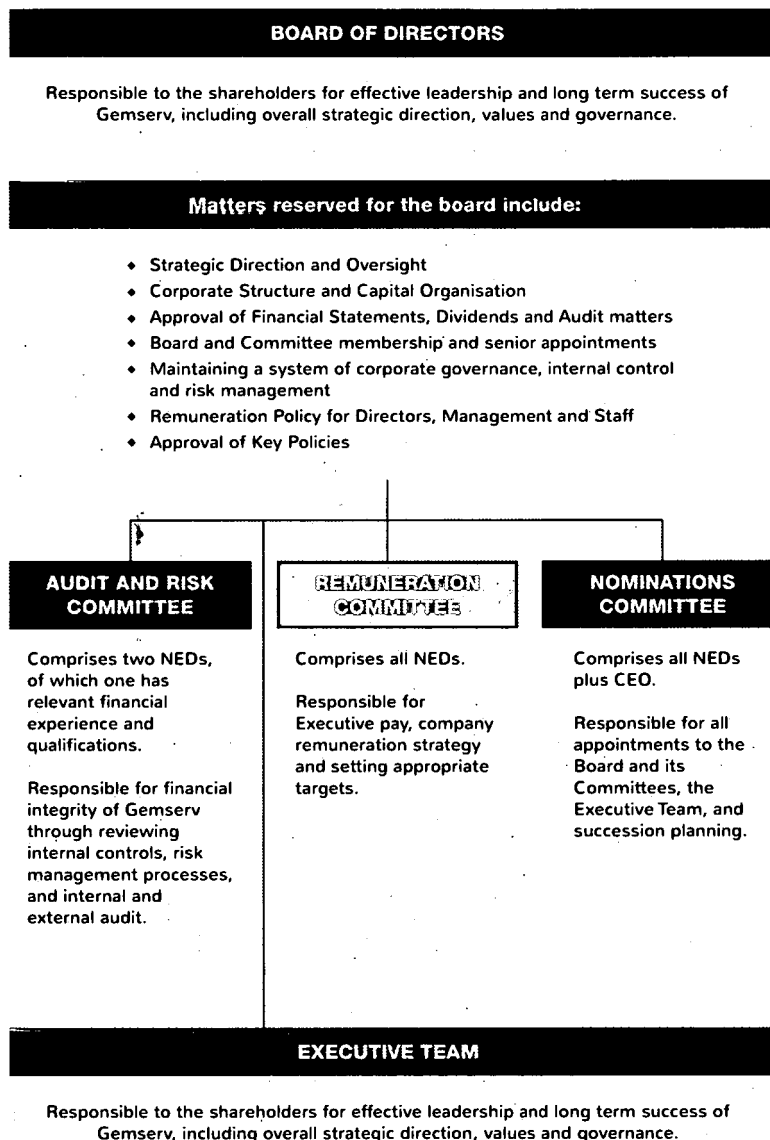
Gemserv's Board is committed to its vision to make complex markets work for everyone's benefit, and recognises the importance of sound corporate governance in achieving that vision. This section outlines the key provisions Gemserv has made to ensure good corporate governance, which have been developed to provide governance policies appropriate to its size.

## LEADERSHIP AND BOARD EFFECTIVENESS

Gemserv's Board comprises three Executive Directors and four Non-Executive Directors, of which the Board considers three are independent and one Director is from the shareholder community. All director appointments are subject to shareholder approval, and all Non-Executive Directors are subject to annual re-election by shareholders.

The Board meets at least six times a year for scheduled meetings to assess the performance of the company and deal with other matters as required. In addition, the Board meets once a year to review and if necessary update the company strategy. All Directors are kept advised of key developments, receive timely and accurate information, and participate fully in the decision-making process of the Board.

Certain items of business are delegated to the three principal Board committees: the Audit and Risk Committee; the Remuneration Committee; and the Nominations Committee. Each committee operates under clear terms of reference, and sets out its key responsibilities and activities in the annual report. This governance structure is set out below:



#### ACCOUNTABILITY

The company's financial performance is a standing item at Executive and Board meetings throughout the year. The Board is therefore well-informed to approve the annual report and financial statements as a fair and representative assessment of the company's financial position and performance. In addition, the Board regularly reviews internal and external risks in relation to achieving Genserv's strategic objectives, and assesses these in conjunction with its appetite for risk to ensure that the company is taking appropriate mitigating action where required.

The Board has established an Audit and Risk Committee with delegated responsibility for ensuring that the financial performance, position and prospects of the company are properly monitored and reported on. The committee meets with the auditor and discusses their reports on the accounts and the company's financial controls and recommends the appointment of auditors. It also reviews the internal controls and risk management processes, including the output from internal audits.

#### REMUNERATION

The Board has established a remuneration committee. The remuneration committee determines the terms and conditions of service of Executive Directors. The remuneration and terms and conditions of appointment of Non-Executive Directors are set by the Board. No Director may participate in any discussions or decisions regarding his or her own remuneration.

The committee also sets objectives for performance-related incentives for Executive Directors and other senior management, and reviews performance against those objectives. The objectives are a combination of financial and non-financial measures, with 10-year and multi-year objectives designed to promote the long-term success of the company.

#### RELATIONS WITH SHAREHOLDERS

The Board ensures a dialogue with shareholders through regular shareholder meetings to discuss the strategy and objectives of the company and provides an update on performance as part of the Annual Report. Shareholders are encouraged to participate in the general meeting and feed back on performance and other matters raised. In addition, Genserv's unique position in the energy market allows for regular contact with shareholder representatives on a more informal basis, maintaining an active dialogue.

#### GOING CONCERN

Genserv has a sound financial record including strong operating cash flows derived from substantial recurring revenues across a range of contracts, and a robust cash position. Therefore 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.

# 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 reviewing the effectiveness of the risk management framework and processes to inform the Board's approach in managing the strategic and operational risks facing the Company.

The members of the Committee who served during the year were Non-Executive Directors Simon Wills and Matthew Rees, with Matthew Rees as the Committee Chairman. The Finance Director is the Secretary of the Committee. The External Audit Partner also attends meetings as required.

The Audit and Risk Committee approves the audit fee 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 effectiveness and independence of the external auditor and the nature and extent of the non-audit services it provides. The Committee meets three times during the year and the key terms discussed in brief:

- o Internal audit processes and findings
- o Review of the Risk Management Framework
- o Review of significant financial judgements, and
- o The Financial results and the Annual Report for 2018/19.

In reviewing significant financial judgements, the Committee identified revenue recognition as the most significant risk of misstatement in the financial statements. The Committee conducted an in-depth review of the Company's accounting policy and its application to key contracts, and found that it was in accordance with IFRS 102 and that any assumptions or estimations were reasonable.

## REMUNERATION COMMITTEE

The Remuneration Committee determines the remuneration of the Executive Team on behalf of the Board and approves the remuneration strategy for all Genserv employees. Its members are all Non-Executive Directors who met during the year under the Chair of Martel Lecestay until June 2017, when the position of Chair was taken over by Annette Nabavi in line with recommended practice to separate the roles of Chair of the Board and Chair of the Remuneration

Committee. The Chief Executive and the Head of HR attend the meetings to present proposals with respect to Genserv's Remuneration Strategy. The Committee met three times during the year and the key items discussed included:

- o Reviewing the proposed annual remuneration, including the levels of salary, bonus and pensions payable to staff
- o Reviewing the remuneration package of the Executive Team, in line with Company and personal performance and contribution
- o Reviewing remuneration for the Chair of the Board (with the Chair of the Board recusing herself from this discussion) and
- o Setting, and reviewing performance against, appropriate financial and non-financial targets for Company performance.

## NOMINATIONS COMMITTEE

The Nominations Committee is chaired by the Board Chair 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 twice during the year and the key items discussed included:

- o The requirements in terms of skills and experience for any Chief Executive, the appointment of an executive search firm to assist with the process, and conducting the search itself and
- o 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 included two other Executive Directors and two Senior Managers during the year. 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.



### **Daniel Carter-Clout**

Executive Director and Company Secretary

5th June 2018

# AUDITOR'S REPORT

## OPINION

We have audited the financial statements of Gemserv Limited ("the company") for the period ended 31 March 2018 which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the Statement of Cash Flows; and
- the related notes.

The financial reporting framework that has been applied in their preparation is applicable law including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In our opinion, Gemserv Limited's financial statements ("the financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of the company's profit for the period 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.

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 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.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## COMPLETENESS AND CUT OFF OF REVENUE

There is a risk that revenue due to the company has not been recorded, especially for transactions around the reporting date. This is effectively the risk that the revenue reported is inaccurate, incomplete or has been recognised in the wrong period.

In response to the risk:

- We performed substantive transactional testing, from project contracts and sales invoices, tracing details through to the nominal ledger and reviewing cash receipts, to validate that revenue transactions had been appropriately recorded at the right time;
- We carried out a comparison between reported amounts and the company's budgets, and investigated any significant differences;
- For a sample of sales selected from the nominal ledger a month either side of the year end, we assessed whether they had been recorded in the correct period through review of invoices and timing of work carried out, ensuring that where necessary the income had been correctly deferred or accrued; and
- We tested credit notes issued after the reporting date to gain assurance that any material credit notes relating to sales made pre year-end had been accounted for.



#### OUR APPLICATION OF MATERIALITY

We set certain thresholds for materiality. These helped us to establish transactions and misstatements that are significant to the financial statements as a whole, to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on balances and on 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 £375,000, 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 £287,500, as well as any differences below this figure to the extent this was considered necessary.

#### AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting process and controls and the industry in which they operate. The company operates through one trading entity.

#### OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

#### OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

#### EXPLANATION

In the light of the knowledge and understanding of the company and its environment obtained in the course of the

audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

#### RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of Directors' Responsibilities on page 13, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

*Moore Stephens LLP*

Stephen Corraill  
(Senior Statutory Auditor)

for and on behalf of Moore Stephens LLP

Chartered Accountants and Statutory  
Auditor London

5th June 2018

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31<sup>st</sup> March 2018

Company Registration Number: 4419878

		2018	2017
	Notes	£'000	£'000
<b>REVENUE</b>	2	18,729	16,444
<b>ADMINISTRATIVE EXPENSES</b>		(17,469)	(15,632)
<b>OPERATING PROFIT</b>		<u>1,260</u>	<u>812</u>
Interest receivable and similar income		12	26
<b>PROFIT BEFORE TAXATION</b>	3	<u>1,272</u>	<u>838</u>
Tax on profit on ordinary activities	5	(65)	(180)
<b>PROFIT FOR THE YEAR</b>		<u><u>1,207</u></u>	<u><u>658</u></u>

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.

# STATEMENT OF FINANCIAL POSITION

As at 31<sup>st</sup> March 2018

	Notes	2018 £'000	2017 £'000
<b>FIXED ASSETS</b>			
Intangible assets	7	54	74
Property, Plant, Equipment	8	540	470
		<u>594</u>	<u>544</u>
<b>CURRENT ASSETS</b>			
Debtors	9	3,803	4,948
Cash equivalents	10	509	508
Cash at bank and in hand	11	8,812	5,755
		<u>13,124</u>	<u>11,211</u>
<b>CREDITORS</b>			
Amounts falling due within one year	12	(5,073)	(4,234)
<b>NET CURRENT ASSETS</b>		<u>8,051</u>	<u>6,977</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		8,645	7,521
<b>PROVISION FOR LIABILITIES</b>			
Deferred Taxation	13	(26)	(14)
Dilapidation provision	14	(112)	-
<b>NET ASSETS</b>		<u>8,507</u>	<u>7,507</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	230	230
Profit and loss account		8,277	7,277
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>8,507</u>	<u>7,507</u>

Approved by the Board and authorised for issue on 5th June 2018 and signed on behalf of the Board by:



Meriel Lenfestey

Chair



David Thorne

Chief Executive

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

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31<sup>st</sup> March 2018

	Notes	Share Capital £'000	Profit and Loss Account £'000	Total £'000
Balance at 1st April 2017		230	7,277	7,507
Profit for the year		-	1,207	1,207
Dividends paid	6	-	(207)	(207)
<b>BALANCE AT 31ST MARCH 2018</b>		<u>230</u>	<u>8,277</u>	<u>8,507</u>

	Notes	Share Capital £'000	Profit and Loss Account £'000	Total £'000
Balance at 1st April 2016		230	6,818	7,048
Profit for the year		-	658	658
Dividends paid	6	-	(199)	(199)
<b>BALANCE AT 31ST MARCH 2017</b>		<u>230</u>	<u>7,277</u>	<u>7,507</u>

# STATEMENT OF CASHFLOWS

For the year ended 31<sup>st</sup> March 2018

	2018	2017
	£'000	£'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,272	838
<i>Adjustments for</i>		
Interest received	(12)	(26)
Depreciation of property, plant and equipment	224	260
Amortisation of intangible fixed assets	20	20
Loss on disposal of property, plant and equipment	-	9
Decrease / (Increase) in debtors	1,145	(2,006)
Increase in creditor	983	351
Increase in dilapidation provision	112	-
<b>CASH FROM OPERATIONS</b>	<u>3,744</u>	<u>(554)</u>
Tax paid	(199)	(82)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>3,545</u>	<u>(636)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	12	26
Purchase of plant, property and equipment	(294)	(30)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>(282)</u>	<u>(4)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(207)	(199)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>(207)</u>	<u>(199)</u>
Unrealised gain from the effect of exchange rate change	2	9
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>3,058</u>	<u>(830)</u>
Cash and cash equivalents at the beginning of the period	6,263	7,093
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>9,321</u>	<u>6,263</u>

# NOTES TO THE FINANCIAL STATEMENTS

## GENERAL INFORMATION

Gemserv Limited, a private company limited by shares, is incorporated in the United Kingdom (registered number 4419878).

The address of the registered office is 8 Fenchurch Place, London, EC3N 4AF.

## 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 PREPARATION OF FINANCIAL

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:

### 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 straightline 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 the 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:

- o 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:

- o Leasehold improvements: 5 years
- o Office and computer equipment: 2-4 years; and
- o 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.

## PROVISIONS

Provision is made in areas where the Directors believe there is a constructive obligation which is more than likely to be settled with an economic outflow. The amount provided for is based upon their best estimate of the amount to be settled.

## 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 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.

	2018	2017
	£'000	£'000
<b>2. REVENUE</b>		
<b>REVENUE BY GEOGRAPHIC AREA IS AS FOLLOWS:</b>		
UK	18,446	16,047
Rest of Europe	283	397
	<u>18,729</u>	<u>16,444</u>

### 3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

Depreciation and amortisation of fixed assets	245	280
Loss on disposal – tangible fixed assets	-	9
Staff costs (see note 4)	9,665	7,628
Foreign exchange loss	(1)	(29)
Payment under operating leases	<u>569</u>	<u>449</u>
Auditor's remuneration:		
Audit services	21	20
Non-audit services	24	35
	<u>45</u>	<u>55</u>

### 4. STAFF COSTS

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

Wages and salaries	8,284	6,542
Social security costs	981	766
Pension costs	400	320
	<u>9,665</u>	<u>7,628</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	141	121
	<u>148</u>	<u>128</u>

### DIRECTORS' REMUNERATION

The total amount of Directors' remuneration and other benefits was £729k (2017: £915k). The remuneration of the highest paid Director was £230k including £8k pension contribution (2017: £282k including £17k pension contribution).

Directors' remuneration includes £108k (2017: £283k) in respect of the Senior Management Incentive and Retention Scheme. The number of directors who accrue benefits under money purchase pension schemes is 3 (2017: 5). Pension contributions for the Directors amounted to £34k (2017: £35k).

Alex Goody and David Thorne have season ticket loans in accordance with the Company's normal terms for staff. The amounts advanced in the year were £2,716 and £1,295 respectively. The amounts outstanding at the end of the year were £905 and £nil respectively.

### KEY MANAGEMENT REMUNERATION

The total amount of key management remuneration and other benefits was £1.4m (2017: £1.4m). The Management Team consists of senior managers who have responsibility for business operations. This includes the Executive Directors.



<b>2018</b>	<b>2017</b>
<b>£'000</b>	<b>£'000</b>

## 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

### ANALYSIS OF TAX CHARGE FOR THE PERIOD

UK corporation tax on profits for the period	241	198
Adjustments in respect of R&D tax credits for prior years	(188)	-
Total current tax	<u>53</u>	<u>198</u>
Deferred tax		
Origination and reversal of timing differences	12	(17)
Effect of decreased tax rate on opening balance	-	(1)
Tax on profits on ordinary activities	<u>65</u>	<u>180</u>

### FACTORS AFFECTING TAX CHARGE FOR THE PERIOD

Profit before tax:	<u>1,272</u>	<u>838</u>
Tax on profits at 19% (2017: 20%)	242	168
Effects of:		
Expenses not deductible for tax	6	4
Fixed asset timing differences	6	6
Adjust opening deferred tax to average rate of 19% (2017: 20%)	2	4
Adjust closing deferred tax to average rate of 19% (2017: 20%)	(3)	(2)
Adjustments in respect of R&D tax credit for prior years	(188)	-
Tax on profits on ordinary activities	<u>65</u>	<u>180</u>

2018	2017
£'000	£'000

## 6. DIVIDEND

AMOUNTS RECOGNISED AS DISTRIBUTIONS TO ORDINARY SHAREHOLDERS IN THE YEAR:

Final 2017 ordinary dividend of 90.00p (2016: 86.46p) per share paid in the year	<u>207</u>	<u>199</u>
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AMOUNTS NOT RECOGNISED AS DISTRIBUTIONS TO ORDINARY SHAREHOLDERS DURING THE YEAR:

Proposed final 2018 ordinary dividend of 93.87p (2017: 90.00p) per share	<u>216</u>	<u>207</u>
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The proposed final 2018 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.

**SOFTWARE**  
£'000

## 7. INTANGIBLE FIXED ASSETS

### COST

At 1st April 2017	101
Additions	-
At 31st March 2018	<u>101</u>

### AMORTISATION

At 1st April 2017	27
Charge for the year	20
At 31st March 2018	<u>47</u>

### NET BOOK VALUES

At 31st March 2018	<u>54</u>
At 31st March 2017	<u>74</u>

**SOFTWARE**  
£'000

### COST

At 1st April 2016	101
Additions	-
At 31st March 2017	<u>101</u>

### AMORTISATION

At 1st April 2016	7
Charge for the year	20
At 31st March 2017	<u>27</u>

### NET BOOK VALUES

At 31st March 2017	<u>74</u>
At 31st March 2016	<u>94</u>

## 8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'000	Office & computer equipment £'000	Office furniture £'000	Total £'000
<b>COST</b>				
At 1st April 2017	627	100	164	891
Additions	133	31	130	294
Disposals	-	-	-	-
At 31st March 2018	<u>760</u>	<u>131</u>	<u>294</u>	<u>1,185</u>
<b>DEPRECIATION</b>				
At 1st April 2017	250	65	106	421
Charge for the year	132	40	52	224
Disposals	-	-	-	-
At 31st March 2018	<u>382</u>	<u>105</u>	<u>158</u>	<u>645</u>
<b>NET BOOK VALUES</b>				
At 31st March 2018	<u>378</u>	<u>26</u>	<u>136</u>	<u>540</u>
At 31st March 2017	<u>377</u>	<u>35</u>	<u>58</u>	<u>470</u>

	Leasehold improvements £'000	Office & computer equipment £'000	Office furniture £'000	Total £'000
<b>COST</b>				
At 1st April 2016	626	592	164	1,383
Additions	1	29	-	30
Disposals	-	(521)	-	(521)
At 31st March 2017	<u>627</u>	<u>100</u>	<u>164</u>	<u>891</u>
<b>DEPRECIATION</b>				
At 1st April 2016	125	483	65	673
Charge for the year	125	94	41	260
Disposals	-	(512)	-	(512)
At 31st March 2017	<u>250</u>	<u>65</u>	<u>106</u>	<u>421</u>
<b>NET BOOK VALUES</b>				
At 31st March 2017	<u>377</u>	<u>35</u>	<u>58</u>	<u>470</u>
At 31st March 2016	<u>501</u>	<u>109</u>	<u>99</u>	<u>709</u>

	2018	2017
	£'000	£'000
<b>9. DEBTORS</b>		
Trade receivables	2,866	3,247
Other debtors	55	77
Prepayments and accrued income	882	1,324
	<u>3,803</u>	<u>4,948</u>

#### 10. CASH EQUIVALENTS

Cash at bank	<u>509</u>	<u>508</u>
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The deposits of £509k can be released early by giving 95 days' notice to the Group's bankers.

#### 11. CASH AT BANK AND IN HAND

Gemserv bank accounts	<u>8,812</u>	<u>5,755</u>
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#### 12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Trade payables	245	219
Other creditors including social security	992	727
Corporation tax	53	199
Accruals and deferred income	3,783	3,089
	<u>5,073</u>	<u>4,234</u>

#### 13. DEFERRED TAXATION

Capital allowances		
Deferred tax liability	26	14
	<u>26</u>	<u>14</u>

#### THE MOVEMENT DURING THE YEAR IS AS FOLLOWS:

Balance at 1st April 2017		
Capital allowances	14	32
Short term timing differences	12	(23)
Effect of change in tax rate on opening balances	-	7
Balance at 31st March 2018	-	(2)
	<u>26</u>	<u>14</u>

#### 14. DILAPIDATION PROVISION

Included in the accounts is a provision of £112k (2017: nil) for dilapidations, the current lease to which this dilapidation provision relates will expire in May 2024.

2018 2017

£'000 £'000

## 15. SHARE CAPITAL

Authorised 500,000 Ordinary shares of £1 each (2017: 500,000)

500 500

Called up, issued and fully paid 230,258 Ordinary shares of £1 each (2017: 230,258)

230 230

## 16. FINANCIAL COMMITMENTS

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

2018 2017

£'000 £'000

Due within one year

569 569

Due within two to five years

2,278 2,278

Due after more than five years

653 1,222

## 17. PENSION SCHEME

The Company operates defined contribution schemes. The charge for the year of £400k (2017: £320k) represents contributions payable to the schemes in respect of the year ended 31st March 2018.

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