Registration number 05697574

Managed Support Services plc

Directors' Report and Consolidated Financial Statements for the year ended 31 March 2010

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Directors and Advisers

DIRECTORS

I R Mann	Non Executive Chairman
S D Beart	Chief Executive
P L S Wilson	Finance Director
J Reynolds	Chief Operating Officer
E J McAlpine	Non Executive Director

FINANCIAL ADVISERS AND STOCKBROKERS

Cenkos Securities plc
6 7,8 Tokenhouse Yard
London
EC2R 7AS

SOLICITORS

Osborne Clarke
One London Wall
London
EC2Y 5EB

BANKERS

Lloyds Banking Group
2 City Place
Beehive Ring Road
Gatwick
RH6 0PA

AUDITORS

Deloitte LLP
Nottingham, UK

REGISTRARS

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Registered in England and Wales
Number 05697574

Chief Executive's Review

OVERVIEW

The trading performance of the Group during the first nine months of the year reflected the further retrenchment required by the recession, the effects of which became clear in mid 2009 However, this is more than balanced by the successful acquisition strategy undertaken in the last quarter of the year, including the recruitment of a high profile management team with proven expertise in the Building Services market

The Group did examine other markets, but whilst considerable effort was undertaken during the year to identify a suitable, substantial transaction, no such opportunity was available at a reasonable price Accordingly, the Board elected to develop further in the Building Services market, having identified the availability of a management team to lead the consolidation process

It is pleasing to note that following a period of intense management activity, the year ended with the new teams in place and all units trading profitably The costs of achieving this turnaround have been substantial and many of the payments required were in cash, but the Group has entered the new year operating from a well invested platform and with a much improved offering for customers

TRADING

The interim results for the first half of the year showed a greatly reduced turnover and operating losses following a promising period of profitability in the prior year This trend continued with full year turnover reducing to £15 3 million compared to the prior year of £26 3 million Operating losses also continued

These figures do not however, contain the annualised contribution from the acquisitions made in the last quarter Furthermore, underlying turnover, on a full year basis is now running at approximately the same rate as the year ending March 2009, being some £26 million, but with a superior mix of businesses and operations

The substantial restructuring charges and closure costs of £1 8 million were incurred as our previously profitable projects operation and parts of our London based catering services activities witnessed severe declines in turnover To an extent this reduction in activity was driven by Group actions since management was not prepared to compete in markets where margins were contracting sharply, coupled with increased credit risk The Group effectively withdrew from any material projects related activity and this led to the closure of the related subsidiary, MSS Projects Ltd, after incurring trading losses

The Group is prepared to manage projects, but only on behalf of key Group customers, on a direct basis, where the terms of trade and risk are acceptable It is important to offer a full service to customers but the business model of pursuing new business in the wider projects market has been halted

The emphasis of the Group for the future is to maximise the delivery of recurring services where possible, whilst enjoying a direct relationship with the customer

In order to manage our service delivery profitably and efficiently, considerable infrastructure investment was made during the year, in addition to the costs of restructuring the legacy assets This substantial investment included software, re-branding and the consolidation of customer helpdesks This has helped to create a competitive platform from which we will be able to deliver much greater business volumes than are currently being enjoyed The new management team have considerable experience in developing and successfully managing our customer services model

This restructuring process, involving the rationalisation of the activities of several offices and reporting lines took place during the final quarter The benefits of these actions are being reflected in current trading

ACQUISITIONS

The most important acquisition during the year was the purchase of the Status Building Services Group for consideration of £3 7 million in cash Annual revenue at the time of acquisition was approximately £8 million of which some 50 per cent comprised contracted maintenance revenues The acquired customer base is primarily based in London and the South East

Following this purchase it became possible to rationalise the other Groupwide maintenance activities that were previously being conducted in separate locations across the UK This consolidation of activities has led to better monitoring and performance, as well as cost efficiencies

The Group sales activity was also rationalised as a result of the merger of our national maintenance activities and we now have sales teams operating throughout the UK with clear reporting lines

In December 2009, we also acquired certain assets and liabilities of Workplace Engineering, a subsidiary of the quoted Johnson Service Group plc Whilst the consideration for this acquisition was modest, at an anticipated £230,000 acquired revenue was approximately £2 million We anticipate competitive levels of profitability now that the underlying contracts have been rationalised and absorbed into our existing operations and management structure This acquisition brought with it important relationships with substantial customers and we hope these represent a further development opportunity

The most recent acquisition of Data Sound Limited was made very shortly after the year end on 15 April 2010, for a net cash consideration of £2 8 million all of which was satisfied at completion

Data Sound is a long established provider of Health & Safety consultancy to a broad range of customers and the majority of its income is based on multi year contracts in exchange for which Data Sound provides comprehensive risk management consultancy

The business has since been integrated into the Group and the administrative functions have been moved to our low cost London office The former premises have been vacated at nominal cost

The continuing management team at Data Sound, which has now been renamed MSS Health & Safety Limited is highly experienced The consultant teams have also been with the company for many years

We intend to invest further in this market in order to grow sales and we also expect that there will be useful opportunities for selling the Group products across the enlarged customer base

Finally, in the year to March 2011, we are investing in a start up operation in order to self deliver water treatment and related Environmental Compliance services, which we currently outsource to other suppliers We believe this function is a key part of our offering and therefore operationally and economically should not be outsourced on a wholesale basis We are making an investment in a new team and we expect, after modest start up losses, that this unit will make a positive contribution to EBIT by the last quarter of the current fiscal year Thereafter, in future years, we expect rapid growth and the management team has been incentivised with the prospect of a capital payment in the event that the unit achieves certain operating profit targets

GROUP STRATEGY

The Group has now built the basic platform from which to expand We have a national footprint for the delivery of higher value M&E services, fabric maintenance and the delivery of an increasing range of specialist services through our Environmental Compliance unit We have also acquired a secure platform from which to offer existing and new Group customers an outsourced Health & Safety Compliance solution

We will continue to monitor the opportunities for acquisitions in these core areas and with a strong balance sheet we would expect to be in a position to make additional acquisitions using the company's own resources

The legacy issues relating to the original Group have been fully addressed The property obligations have reduced materially, only one small legacy earn out payment remains and following the further disappointing headcount reductions in the year to March 2010, we do not expect to incur additional rationalisation costs

The Group is now dedicated to growing a material presence in the specialist Building Services market We intend to remain within the more skilled, higher margin areas where delivery is complex and barriers to entry are higher

The Group is unlikely therefore to pursue the concept of Total Facilities Management since this requires the delivery and management of a range of low value added services such as cleaning which are largely commoditised and seen as of limited strategic interest by most customers Instead, it is the intention that the Group should focus on technical Building Services and the related Environmental Compliance and Health and Safety needs of the customer base

We believe this marketplace is fragmented and characterised by a multitude of small to medium sized enterprises, many of which are struggling to grow due to issues of credibility with customers and the financial challenges of managing growth in a very difficult market This creates opportunity for experienced management

PROSPECTS

The period of rationalisation and reorganisation during the last quarter of last year has produced a simplified and cost efficient Group structure As a result, it is a pleasure to report that profitable trading has been re-established and whilst it is very early in the year, we would expect the first quarter to be in line with management expectations

Growth in current markets is obviously a challenge but we have a broad range of Building Services revenue streams, much of it recurring, negligible exposure to Government spending and a large sales force, supported by a strong balance sheet and a clear strategy

The Board therefore expects that the current trading year will see the Group emerge as a profitable and successful provider of technical Building Services

Simon D Beart
Chief Executive

Financial Commentary

RESULTS

This year's results reflect the very difficult trading environment experienced in 2009, together with the significant costs of exiting the MSS Projects Ltd business and restructuring our operations following the acquisition of the Status Building Services Group in December

Revenue for the year was £15 3m, a reduction of £11m from the prior year figure of £26 3m This decline in revenue was a result of the decision during the year to close MSS Projects Ltd and cease accepting long term projects from non maintenance customers

The Group achieved a gross margin of 24 per cent for the full year This was an improvement on the 22 per cent achieved at the half year but significantly short of the Group target The gross margin will improve materially in 2010 as the mix of revenue improves The Group's adjusted operating loss (before restructuring and closure costs, amortisation of intangible assets, share based payment charges and impairment of goodwill) was £1 68m The statutory operating loss was £4 85m

The non recurring costs during the year relate to the one off costs of the closure of MSS Projects Ltd, the related impairment of goodwill and the costs incurred in order to restructure and reorganise the Group following the acquisition of the Status Building Services Group in December 2009

BALANCE SHEET AND CASH FLOW

The Group ended the year with net cash balances of £3 9m and net assets of £7 6m

Total working capital increased during the year as a result of acquisitions, delays in certain customer payments and provision usage At year end Group debtor days increased to 48 from 42 last year

The level of provisions to fund onerous leases and legacy legal issues has fallen in the year from £772,000 to £266,000 The onerous lease provision is in respect of three leases, one of which has been surrendered post year end and another has expired in June 2010 The remaining property has a break option in 2012 which has been exercised All costs are fully provided to that date

Adjusted operating cash flow (before payment of restructuring and closure cash costs) was £1 77m Restructuring and closure costs paid during the period totalled £2 14m of which £1 4m (2009 £nil) related to the closure of MSS Projects Ltd

Capital expenditure in the year was £270,000 of which £259,000 was invested in IT equipment and the development of the new IT platform, call centre and related systems This investment will improve the management of contracts and enable better utilisation and productivity of mobile engineers

ACQUISITIONS AND DEFERRED CONSIDERATION

The Group made three acquisitions in the year with total cash consideration including fees of £4 2m Additional deferred consideration in respect of these acquisitions of £0 8m is due to be paid in 2010

The three acquisitions resulted in the recognition at year end of an intangible asset (customer relationships) of £2 3m and goodwill of £3m The intangible asset is being amortised over a period of six years

The provision for deferred consideration has increased to £1 3m at 31 March 2010 from £0 7m last year as a result of the additional £0 8m related to new acquisitions, less payments made of £0 2m

Since the year end, the Group has acquired Data Sound Ltd, a London based Health and Safety consulting business for cash consideration of £2 8m

MSS BUILDING SERVICES LTD

MSS Building Services Ltd was created in 2009 prior to the acquisition of the Status Building Services Group Following a Group reorganisation on 31 March 2010, MSS Building Services is now the main trading business within the Group In order to incentivise the new senior operational management of the Group in a tax efficient structure, certain senior employees including Jamie Reynolds acquired, for cash, 5 per cent of the ordinary equity of MSS Building Services Ltd

BANK FACILITIES

Since the year end the Group has agreed a new working capital facility with Lloyds Banking Group, the Group's bankers

GOING CONCERN

In determining that the Group's results can be presented on a going concern basis the Directors have considered all relevant factors including forecast cash flows, borrowing facilities and risks related to its business activities The full benefits of the restructuring and closure costs incurred in the year to March 2010 are expected to be realised in the year to March 2011 and the Group Budget indicates operating profits and positive operating cash flow in this period Having considered all these factors the Directors are satisfied that the Group has sufficient resources to enable it to continue to trade for at least twelve months from the date of signing the financial statements Accordingly, the financial statements have been prepared on a going concern basis

TAX

No taxation charge or deferred tax asset has been provided in the year in respect of trading during the period The tax credit arising during the year represents the tax refunds received in cash during the year, in excess of the tax debtor brought forward During the year the Group reached agreement with HMRC as to the quantum of losses transferred to MSS Building Services Ltd and the basis upon which these losses could be applied to future profits The Directors believe this will allow the Group to pay minimal cash taxes for the next several years, however, to be prudent no deferred tax asset has been recorded as at 31 March 2010

Piers Wilson
Group Finance Director

The Directors present their report and the audited consolidated financial statements for the period ended 31 March 2010

EXECUTIVE DIRECTORS

S D Beart ACA (51) – Chief Executive, Deputy Chairman

Simon Beart was appointed Chief Executive in November 2007 Simon Beart qualified as a Chartered Accountant with PricewaterhouseCoopers in 1984 In 1992, he co-founded the fully listed, international packaging group Britton Group plc which was subsequently acquired by a listed US Corporation ACX in 1998 for £250 million He was appointed Chief Executive of Revenue Assurance Services plc in 2001 having been Finance Director since 1998, until its sale to Spice plc for £120 million in October 2007 Simon Beart is also a Director of The Throgmorton Trust, a fully listed Investment Trust specialising in small and mid cap growth companies

P L S Wilson ACA (42) – Group Finance Director

Piers Wilson was appointed Group Finance Director in July 2008 Piers Wilson was formerly Finance Director of ED&F Man Coffee, a $2 5 billion business, having previously been Head of Corporate Finance and Risk Management for the ED&F Man Holdings Group Before joining ED&F Man, Piers was CFO of a NASDAQ listed technology company and prior to that, Head of Corporate Development at Cable and Wireless Communications plc Piers Wilson qualified as a Chartered Accountant with Arthur Andersen in 1992 Following qualification, he specialised in corporate recovery at Arthur Andersen including turnarounds of distressed companies

J Reynolds (34) – Chief Operating Officer

Prior to joining Managed Support Services, Jamie Reynolds was the co-Chief Executive of GSH Group plc Jamie joined the GSH Group in 1993 and having covered a number of roles within the Group was appointed GSH's youngest Board member, responsible for sales, in 2002 Thereafter, Jamie relocated to the US in 2005 where he successfully grew the GSH Facilities management business from a start up before returning to the UK in 2008

NON-EXECUTIVE DIRECTORS

I R Mann (68) – Chairman

Rodney Mann was appointed Non-Executive Chairman of the Group in November 2007 Previously, Rodney Mann was Chairman of Revenue Assurance Services plc until its sale to Spice plc in October 2007 He worked at Grand Metropolitan between 1965 and 1995 where he held positions as Managing Director of the Norwich Brewery (1982 to 1985), the Ushers Brewery (1985 to 1989) and Inntrepreneur and Tenanted Estates (1991 to 1993) Between 1995 and 1998, he was a Non-executive Director of Shepard Neame and he was Non-executive Chairman of Avebury Group

E J McAlpine (51) – Non Executive Director

Euan McAlpine joined Managed Support Services from Cazenove Capital Management Ltd, where he worked as a fund manager from 2001, with an emphasis on business development He was previously Chairman of Seamless Holdings Ltd, a manufacturer and installer of epoxy resin floor systems Prior to joining Seamless Holdings, Mr McAlpine worked in a variety of roles for the Alfred McAlpine group of companies

DIRECTORS AND THEIR INTERESTS

The directors who held office during the period and their beneficial interest in the ordinary shares of the company were as follows

	30 June 2010 Number	31 March 2010 Number	31 March 2009 Number
S D Beart	1,650,501	1,062,501	812,501
P L S Wilson	163,500	90,000	40,000
J Reynolds (appointed 1 December 2009)	205,750	132,250	-
I R Mann	282,000	135,000	10,000
E J McAlpine	314,000	100,000	100,000

Details of the Directors' incentive and options arrangements are set out in the Remuneration Report on page 14 Since the year end the directors have acquired additional shares and therefore their holdings as at 30 June 2010 are also shown in the table above

MATERIAL INTERESTS

So far as the Board is aware, no director had any material interest in a contract of significance (other than service contracts) with the Company or its subsidiary companies during the period

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the group is the provision of Building Services

The review of the year is contained within the Chief Executive's review and the Financial Commentary

The results for the Group are set out in the consolidated profit and loss account on page 21

The Directors recommend that there is no dividend payment for the year ended 31 March 2010 (2009 £nil)

The Chief Executive's Review and the Financial Commentary provide a balanced and comprehensive analysis of the development and performance of the profitability of the Group during the year and the balance sheet position of the Group at the end of that year

In accordance with the Combined Code (June 2008) guidance on going concern and financial reporting, the Directors confirm that, after making enquiries, they have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the financial statements

Principal risks and uncertainties

The Directors consider the following risks to be the most material or significant for the management of the business These issues do not purport to be a complete list or explanation of all the risk factors facing the Group In particular the Group's performance may be affected by changes in the market and/or economic conditions and changes in legal, regulatory or tax requirement legislation Additional risks and uncertainties not presently known by the Group or that the Group currently deems immaterial may also impact the business

Customers

Certain Group customers generate material business levels for the Group with widely varying levels of margin The loss of one or more key customers could affect profitability

Personnel

The Group currently depends upon the expertise and continued service of certain key executives If the Group fails to retain or attract personnel of a sufficient calibre, this could prejudice the achievement of Group's objectives

Systems Failures

The successful operation of the Group's business depends on maintaining the integrity and operation of the Group's computer and communication systems These systems incorporate disaster recovery and resilience planning but are vulnerable to damage or interruption from events which are beyond the control of the Group

The Board of Directors monitors these risks and the Group's performance on a monthly basis with written reports made by the Chief Executive, Group Finance Director and Chief Operating Officer The monthly reports specifically, amongst other reports, detail customer activity, contract management and personnel changes, as well as reporting on the actual performance of the Group against budgets

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a number of financial risks including credit risk and liquidity risk It is, and has been throughout the period under review, the group's policy that no speculative trading in financial instruments shall be undertaken

Credit risk
The group's principal financial assets are cash, and trade and other receivables The group's credit risk is primarily attributable to its trade and other receivables The amounts presented in the balance sheet are net of allowances for doubtful receivables The group's credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies

Liquidity risk
All of the group's cash balances and short term deposits are held in such a way that enables the correct balance of access to working capital and a competitive rate of interest to be achieved Working capital requirements are constantly monitored

SUPPLIER PAYMENT POLICY
It is the Group's policy to settle debts with its creditors on a timely basis, taking into consideration the terms and conditions offered by each supplier At 31 March 2010, the number of creditor days outstanding for the Group was 71 days (2009 52 days)

CAPITAL STRUCTURE
Details of the authorised and issued share capital are shown in note 25 The company has one class of ordinary shares which carry no right to fixed income Each share carries the right to one vote at general meetings of the company

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation The Directors are not aware of any agreements between holders of the company's shares that may result in restrictions on the transfer of securities or on voting rights

Details of employee share schemes are set out in note 27

No person has any special rights of control over the company's share capital and all issued shares are fully paid

With regard to the appointment and replacement of directors, the company is governed by its Articles of Association, the Combined Code the Companies Acts and related legislation The Articles themselves may be amended by special resolution of the shareholders

SUBSTANTIAL SHAREHOLDINGS
The Board has been notified of the following disclosures in respect of shareholders with an interest in 3 per cent or more of the issued share capital of the company at 28 June 2010

	Number of ordinary shares	%
Octopus Investments	19,920,000	12 1%
Legal & General	18,725,000	11 3%
Hargreave Hale	10,382,000	6 3%
Equity Partnership Investment Company	10,060,000	6 1%
Noble Fund Managers	7,500,000	4 5%

Close company status
In the opinion of the Directors, the Company is not a close company within the provisions of section 414 of the Income and Corporation Taxes Act 1988

Directors' and Officers' liability insurance
The Group has liability insurance for its Directors and officers as permitted by the Companies Act

Key Performance Indicators
The Group considers operating profit, operating cash flow and headcount as its principle key performance indicators These are reported in the financial statements, monitored monthly and reviewed at Board meetings

EMPLOYEES
The Group is committed to promoting equal opportunities in employment regardless of employees' or potential employees' sex, marital status, creed, colour, race, ethnic origin or disability This commitment applies in respect of all terms and conditions of employment Recruitment, promotion and the availability of training are based on the suitability of any applicant and full and fair consideration is always given to disabled persons in such circumstances

The Group has continued throughout the year to provide employees with relevant information and to seek their views on matters of common concern Priority is given to ensuring that employees are aware of all significant matters affecting the group's performance and of any significant organisational changes

Disabled employees
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees

CORPORATE GOVERNANCE STATEMENT
Details of the Group's approach to corporate governance are given below The Company, being listed on AIM, is not required to comply with the requirements of the Combined Code (June 2008) but the Board is committed to high standards of corporate governance The Board is accountable to the shareholders for good governance, and this statement sets out how the Combined Code (June 2008) of principles and governance are voluntarily applied to the Group

The Group has implemented an effective governance structure The Group has no internal audit function, but regards the level and detail of controls and senior management involvement imposed as sufficient, considering the size of the Group and its activities

Board effectiveness
The Board meets on a regular basis throughout the year and monitors current trading performance, budgets and forecasts and strategic options for each division of the Group To enable them to do this, all Directors have full and timely access to all relevant information

Relations with shareholders
The Executive Directors make regular presentations to existing and potential institutional shareholders as well as financial analysts in order to enhance an understanding of the Group The Board is conscious of the importance of a regular dialogue with shareholders

Audit committee
The Board has a formally constituted Audit Committee chaired by I R Mann, the other members are E J McAlpine and S D Beart The Audit Committee meets at least twice during the year and monitors the effectiveness of the Group's internal controls, accounting policies and financial reporting The Audit Committee meets with the external auditors to discuss any matters arising from their audit visits, and to review any reports which they might produce

Remuneration committee
The Board has a Remuneration Committee which comprises the Non Executive Directors and is chaired by I R Mann The Chief Executive is an ex officio attendee of the committee meetings but is not permitted to attend at times when his remuneration is being discussed The Remuneration Committee meets at least twice a year to consider the terms of employment of the Executive Directors, senior employees and to approve proposals for the granting of share options to employees of the Group

Nominations committee
The Nominations Committee is comprised of the full Board and meets to approve nominations of new Directors to the Board

Internal controls
The Directors acknowledge that they have overall responsibility for the Group's system of internal control and for reviewing its effectiveness Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets The Directors monitor and review the internal controls in operation to ensure that they are effective Where any significant weaknesses have been identified, new procedures have been put in place to strengthen controls

The key procedures that the Board has established and which are designed to provide effective internal control and risk assessment for the Group include

- a comprehensive and detailed budgeting system with the annual budget approved by the Board
- regular updates issued throughout the year giving the Board an updated forecast
- monthly reviews by the Board of trends in trading circumstances
- capital expenditure and other authority limits
- approval of hiring of all new employees
- regular reporting of legal and accounting developments to the Board

DONATIONS
During the year the group made charitable donations of £1,600 (2009 £50)

No political donations were made during the year (2009 £nil)

AUDITORS
Each of the persons who is a Director at the date of approval of this report confirms that

1) so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware, and

2) the Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting

Annual General Meeting

The Annual General Meeting will be held on 5 August 2010 at 10 00 a m at the offices of Osborne Clarke, One London Wall, London, EC2Y 5EB A notice of the meeting is set out on page 59 of this Report and a Form of Proxy to use at this meeting accompanies this Report and Accounts

By order of the Board

P L S Wilson
Secretary
30 June 2010

UNAUDITED INFORMATION
As stated in the Corporate Governance Statement on page 11, the Company is not required to comply with the requirements of the Combined Code (June 2008)

This report is made in accordance with AIM Notice 36 with regard to Directors' remuneration

Remuneration committee
The Company has established a Remuneration Committee which is constituted in accordance with the recommendations of the Combined Code (June 2008) The members of the Committee are I R Mann and E J McAlpine who are Non-executive Directors The Committee is chaired by I R Mann

No member of the Committee has any personal financial interest (other than as a shareholder), or conflict of interests arising from cross-directorships or day-to-day involvement in running the business The Committee makes recommendations to the Board No Director plays a part in any discussion about his own remuneration

Remuneration policy
Executive remuneration packages are prudently designed to attract, motivate and retain Directors of the high calibre needed to maintain the Group's position as a competitive supplier and to reward Directors for enhancing value for the shareholders The performance measurement of the Executive Directors and key members of senior management and the determination of their annual remuneration package are undertaken by the Committee The remuneration of the Non-executive Directors is determined by the Board

There are four main elements of the remuneration package for Executive Directors and senior management

- Basic annual salary and benefits,
- Annual bonus payments,
- Share related incentives, and
- Pension arrangements

The Company's policy is that a significant proportion of the remuneration of the Executive Directors should be performance related Executive Directors are entitled to accept non executive appointments outside the Company provided that the Chairman's permission is sought

Basic salary
An Executive Director's basic salary is determined by the Committee prior to the beginning of each year and when an individual changes position or responsibility In deciding appropriate levels, the Committee considers the Group as a whole and takes account of comparable remuneration levels and policies Basic salaries are reviewed annually The Executive Directors' contracts of service, which include details of remuneration, will be available for inspection at the Annual General Meeting

Pension arrangements
The Company contributes a percentage of the Executive Directors' basic salaries to defined contribution pension schemes Other than basic salary, no element of remuneration is pensionable

Directors' warrants and share options
S D Beart holds warrants over 2,947,369 new ordinary shares at an exercise price of 7 5 pence per share The warrants are all exercisable up to March 2018 S D Beart also holds 1,052,631 EMI options at 7 5 pence The combined total of warrants and EMI options is 4,000,000 These incentives were granted following appointment

P L S Wilson holds warrants over 1,600,000 new ordinary shares at an exercise price of 10 pence per share The warrants are all exercisable up to July 2018 P L S Wilson also holds 1,200,000 EMI options at 10 pence The combined total of warrants and EMI options is 2,800,000 These incentives were granted following appointment

Long Term Incentive Plan
The Group operates a Long Term Incentive Plan ("LTIP") which was approved by shareholders on 14 April 2008 All LTIP grants are approved by the Remuneration Committee

LTIP – Type I
S D Beart was granted conditional, potential participation in the LTIP in respect of 4,500,000 shares on 1 April 2008 These nil cost options were granted under the Type I element of the scheme The maximum number of options available under the Type I grant for S D Beart is 4,500,000 In respect of this total, 1,500,000 are automatically exercisable on or after 31 March 2012 in the event that the Director remains an employee of the Group

A further 1,500,000 options are only exercisable by S D Beart in the event that the share price of the company trades at more than 25 pence for 10 consecutive business days The final tranche of 1,500,000 options under the Type I grant is only exercisable by S D Beart in the event that the share price of the company trades at more than 30 pence per share for 10 consecutive business days

P L S Wilson was granted conditional, potential participation in the LTIP in respect of 3,750,000 shares on 1 July 2008 These options were granted under the Type I element of the scheme The maximum number of options available under the Type I grant for P L S Wilson is 3,750,000 In respect of this total, 1,250,000 are automatically exercisable on or after 31 March 2012 in the event that the Director remains an employee of the Group

A further 1,250,000 options are only exercisable by P L S Wilson in the event that the share price of the company trades at more than 25 pence for 10 consecutive business days The final 1,250,000 options under the Type I grant is only exercisable by P L S Wilson in the event that the share price of the company trades at more than 30 pence per share for 10 consecutive business days

The maximum number of ordinary shares potentially issuable for all Group employees under LTIP Type I is 10 5 million, of which 3 5 million will be used to satisfy the employment conditions The two further tranches of 3 5 million options, a total of 7 million options, will be available to meet entitlements in the event that the price hurdles are reached

LTIP – Type II
As a result of the share placing in February 2009, Type II grants were automatically generated under the rules of the LTIP, being an amount equivalent to 7 5 per cent of any newly issued share capital, subject always to a maximum of 25 million ordinary shares

Type II awards are benchmarked against the relevant fundraising or share issue price The relevant fundraising price at 28 February 2009 was 8 pence per share Accordingly, a maximum potential number of 8,437,500 new Type II options were generated by the issue of the new shares These options do not vest unless the share price of the company trades at a 50 per cent premium to the relevant fundraising share price for 10 business days If this initial price hurdle is achieved, one half of an individual's Type II award vests

In the event that the new ordinary shares trade at a 100 per cent premium to the relevant fundraising price, the remaining 50 per cent of the award will vest In circumstances where the ordinary shares trade for 10 days at 150 per cent above the relevant fundraising price, the employee is deemed to be entitled to a Premium element and the award is increased by 50 per cent

S D Beart was granted 2,475,000, Type II options as a result of the February 2009 placing The Premium Element which requires the shares to trade at 150 per cent of the placing price, in this case 20 pence per share will, if achieved, take the maximum potential award to 3,712,500 options

P L S Wilson was granted 1 912,500, Type II options as a result of the February 2009 placing The premium element which requires the shares to trade at 150 per cent of the placing price, in this case 20 pence per share will, if achieved, take the maximum potential award to 2,868,750 options

The LTIP is a seven year scheme No further awards will be made after 31 July 2015 and all options granted thereunder are required to be exercised by 31 July 2016 Awards are adjusted in respect of changes in the share capital of the company In the event of a change of control of the Company all awards vest immediately in full

Operational Management Incentives
The Group recruited an operational team from the Building Services industry in December 2009 This team includes Jamie Reynolds who is also a Director of Managed Support Services plc The relevant operational managers have acquired a 5 per cent stake in an intermediate holding company This intermediate holding company owns or controls all subsidiary trading activities currently and in the event of further acquisitions The capital structure of the intermediate holding company is funded by loans from the parent with a net contribution from the Operations Managers

In the event of a sale or disposal of the Group's primary operating trading units the relevant equity would be repurchased from the subscribing managers on a pre-agreed basis Mr Reynolds subscribed £11,250 for his equity holding corresponding to 2 25 per cent of the intermediate holding company

Directors' service contracts
Each Executive Director's service agreement is terminable by either him or the Company on no more than 12 months written notice In the event of a change of control of the Group, the Executive Directors are contractually entitled to a payment of liquidated damages, without mitigation, of an amount equivalent to no less than two years salary, benefits and estimated bonuses

The Non-executive Directors have contracts which run for two year terms, commencing from their date of appointment and are open to annual extension subject to the mutual agreement of the Non-executive Director and the Company

The details of the Directors' contracts are summarised in the table below

Executive Directors:	**Date of contract**
S D Beart	21 November 2007
P L S Wilson	1 July 2008
J Reynolds	1 December 2009
Non-executive Directors:	
I R Mann	21 November 2007
E J McAlpine	1 September 2008

Non-executive Directors
The Non-executive Directors have specific terms of engagement and their remuneration is determined by the Board as a whole Non-executives are paid a fee for their services and are not eligible to join the Company's pension scheme

Report of the Board on Remuneration (continued)

AUDITED INFORMATION

Directors' emoluments

Current directors	Basic Salary £'000	Benefits £'000	Bonus £'000	Fees £'000	Year ended 31 March 2010 Total £'000	Year ended 31 March 2009 Total £'000
S D Beart	195	2	35	-	232	238
P L S Wilson	160	2	28	-	190	156
J Reynolds	66	1	5	-	72	-
I R Mann	-	-	-	50	50	50
E J McAlpine	-	-	-	25	25	15
	421	5	68	75	569	459

Jamie Reynolds joined the Group on 1 December 2009 and was appointed to the Board on 25 January 2010 In addition to the emoluments shown in the table above Jamie Reynolds received a joining bonus of £20,000 The year end bonus payable to Jamie Reynolds was not contractual

The Board has agreed that no basic salary pay increases will be awarded for the year to March 2011 This represents a three year freeze on Board salaries, which have not been increased since March 2008

No share related options were issued or exercised in the year

The Executive Directors have agreed with the Remuneration Committee that over a reasonable period of time, the Executive Directors should have acquired shares in the Group to the value of at least 50 per cent of their basic salary

Directors' pension entitlements

The Executive Directors are members of individual money purchase schemes No contributions were made by the Group in respect of Non-executive Directors The contributions made by the Company in respect of money purchase schemes for each of the other Executive Directors were as follows

Current directors	Total 2010 £'000	Total 2009 £'000
S D Beart	27	27
P L S Wilson	20	13
J Reynolds	3	-
	50	40

Approved and signed on behalf of the Board

I R Mann

Chairman, Remuneration Committee

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, International Accounting Standard 1 requires that Directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Responsibility statement
We confirm that to the best of our knowledge

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole, and
- the management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face

By order of the Board

Simon Beart	Piers Wilson
Chief Executive	**Finance Director**
30 June 2010	30 June 2010

Independent Auditors' Report to the members of Managed Support Services plc

We have audited the financial statements of Managed Support Services plc for the year ended 31 March 2010 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 33 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions 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 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' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

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

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2010 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent Auditors' Report to the members of Managed Support Services plc (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Mark Doleman

Mark Doleman FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Nottingham, United Kingdom

30 June 2010

Consolidated Income Statement

For the year ended 31 March 2010

	Note	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Revenue	2,4	15,318	26,285
Cost of sales		(11 598)	(18,899)
GROSS PROFIT		3,720	7,386
Administrative expenses before items identified below		(5,400)	(5,943)
OPERATING (LOSS)/PROFIT BEFORE ITEMS IDENTIFIED BELOW		(1,680)	1,443
Restructuring of activities		(573)	(865)
Closure costs of MSS Projects Limited		(1,229)	-
Amortisation of intangible assets	12	(136)	(812)
Impairment of goodwill	11	(1,000)	-
Increase in share based payment reserve		(334)	(432)
Gain on sale of asset held for sale		-	292
OPERATING LOSS	5	(4,952)	(374)
Financial income	7	54	226
Financial expenses	8	(3)	(23)
LOSS BEFORE TAX		(4,901)	(171)
Income tax	9	50	292
(LOSS)/PROFIT FOR THE PERIOD		(4,851)	121
Attributable to			
Owners of the Company		(4,851)	121
Minority interests	26	-	-
BASIC (LOSS)/PROFIT PER SHARE (pence)	10	(2 94)	0 13
DILUTED (LOSS)/PROFIT PER SHARE (pence)	10	(2 94)	0 12

All results are derived from continuing operations

There are no recognised gains or losses in either period other than the (loss)/profit for that period and therefore no consolidated statement of comprehensive income is presented

Statement of Changes in Equity

For the year ended 31 March 2010

Consolidated Statement of Changes in Equity

	Share Capital £ 000	Share premium account £ 000	Merger Reserve £ 000	Retained earnings £ 000	Share based payment reserve £ 000	Special reserve £ 000	Total equity attributable to equity shareholders of the Company £ 000	Minority Interests £'000	Total equity £ 000
Balance at 1 April 2008	902	55 816	4 163	(55 477)	454	-	5 858		5 858
Profit for the financial period	-	-		121	-		121	-	121
Issue of share capital	750	-	-	-	-	-	750	-	750
Premium on issue of shares	-	4 899	-	-	-	-	4 899	-	4 899
Cancellation of merger reserve	-	-	(4 163)	-	-	4 163	-	-	-
Increase in share based payments reserve	-	-	-	-	432	-	432	-	432
Special reserve transfer	-	-	-	55 332	-	(55 332)	-	-	-
Cancellation of share premium account	-	(55 816)	-	-	-	55 816	-	-	-
Balance at 31 March 2009	1 652	4,899	-	(24)	886	4,647	12 060	-	12 060
Loss for the financial period	-	-	-	(4 851)	-	-	(4 851)	-	(4 851)
Issue of share capital	-	-	-	-	-	-	-	25	25
Increase in share based payment reserve	-	-	-	-	334	-	334	-	334
Balance at 31 March 2010	1 652	4 899	-	(4 875)	1 220	4 647	7 543	25	7 568

Company Statement of Changes in Equity

	Share Capital £'000	Share premium account £'000	Merger Reserve £ 000	Retained earnings £ 000	Share based payment reserve £ 000	Special reserve £ 000	Total equity attributable to equity shareholders of the Company £ 000	Minority Interests £'000	Total equity £ 000
Balance at 1 April 2008	902	55 816	4 163	(52,050)	454	-	9 285	-	9 285
Loss for the financial period	-	-	-	(2,036)	-	-	(2 036)	-	(2,036)
Issue of share capital	750	-	-	-	-	-	750	-	750
Premium on issue of shares	-	4 899	-	-	-	-	4,899	-	4 899
Cancellation of merger reserve	-	-	(4,163)	-	-	4 163	-	-	-
Increase in share based payments reserve	-	-	-	-	432	-	432	-	432
Special reserve transfer	-	-	-	55,332	-	(55,332)	-	-	-
Cancellation of share premium account	-	(55 816)	-	-	-	55,816	-	-	-
Balance at 31 March 2009	1 652	4,899	-	1 246	886	4 647	13 330	-	13 330
Loss for the financial period	-	-	-	(2 126)	-	-	(2,126)	-	(2 126)
Increase in share based payment reserve	-	-	-	-	334	-	334	-	334
Balance at 31 March 2010	1 652	4 899	-	(880)	1 220	4 647	11 538	-	11 538

Consolidated Balance Sheet

As at 31 March 2010

	Note	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
NON CURRENT ASSETS			
Goodwill	11	4,000	2,000
Other intangible assets	12	2,165	-
Property, plant and equipment	13	495	84
		6,660	2,084
CURRENT ASSETS			
Work in progress		205	444
Trade and other receivables	17	3,885	3,270
Cash and cash equivalents	18	4,135	12,000
Assets held for sale	14	180	-
		8,405	15,714
TOTAL ASSETS		15,065	17,798
CURRENT LIABILITIES			
Trade and other payables	21	(6,847)	(4,474)
Short term borrowings	19	(177)	-
Current tax liability		(117)	-
Obligations under finance leases	20	(68)	-
Provisions for liabilities	23	(190)	(448)
		(7,399)	(4,922)
NET CURRENT ASSETS		1,006	10,792
NON CURRENT LIABILITIES			
Trade and other payables	21	-	(492)
Obligations under finance leases	20	(22)	-
Provisions for liabilities	23	(76)	(324)
		(98)	(816)
TOTAL LIABILITIES		(7,497)	(5,738)
NET ASSETS		7,568	12,060
EQUITY			
Share capital	25	1,652	1,652
Share premium account		4,899	4,899
Special reserve		4,647	4 647
Share based payments reserve		1,220	886
Retained earnings		(4,875)	(24)
Equity attributable to owners of the Company		7,543	12,060
Minority interest in subsidiary		25	-
TOTAL EQUITY		7,568	12,060

These financial statements were approved by the Board of Directors and authorised for issue on 30 June 2010

Signed on behalf of the Board of Directors

Simon Beart
Director

Piers Wilson
Director

Company Balance Sheet

As at 31 March 2010

Company registered number 05697574

	Note	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
NON CURRENT ASSETS			
Investments in subsidiaries	15	475	3,015
		475	3,015
CURRENT ASSETS			
Trade and other receivables	17	8,612	1,260
Cash and cash equivalents	18	3,494	10,998
		12,106	12,258
TOTAL ASSETS		12,581	15,273
CURRENT LIABILITIES			
Trade and other payables	21	(903)	(931)
Provisions for liabilities	23	(140)	(339)
		(1,043)	(1,270)
NET CURRENT ASSETS		11,063	10,988
NON CURRENT LIABILITIES			
Trade and other payables	21	-	(490)
Provisions for liabilities	23	-	(183)
		-	(673)
TOTAL LIABILITIES		(1,043)	(1,943)
NET ASSETS		11,538	13,330
EQUITY			
Share capital	25	1,652	1,652
Share premium account		4,899	4,899
Special reserve		4,647	4,647
Share based payments reserve		1,220	886
Retained earnings		(880)	1,246
TOTAL EQUITY		11,538	13,330

These financial statements were approved by the Board of Directors and authorised for issue on 30 June 2010

Signed on behalf of the Board of Directors

Simon Beart
Director

Piers Wilson
Director

Consolidated Cash Flow Statement

For the year ended 31 March 2010

	Note	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
NET CASH (USED IN)/FROM OPERATING ACTIVITIES BEFORE PAYMENT OF RESTRUCTURING COSTS	30	(1,774)	1,113
Restructuring and closure cash costs		(2,137)	(1,699)
NET CASH USED IN OPERATING ACTIVITIES		(3,911)	(586)
INVESTING ACTIVITIES			
Interest received		54	226
Proceeds from sale of assets held for sale		-	1,301
Proceeds on disposal of property, plant and equipment		9	5
Purchases of property, plant and equipment		(270)	(54)
Acquisition of businesses			
Cash paid (including acquisition costs)		(4 216)	-
Cash acquired		710	-
Deferred consideration payments	29	(234)	(1,571)
NET CASH USED IN INVESTING ACTIVITIES		(3,947)	(93)
FINANCING ACTIVITIES			
Repayment of borrowings		(11)	-
Repayment of obligations under finance leases		(21)	(34)
Net proceeds of share issue in subsidiary		25	-
Net proceeds of share issue		-	5,649
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(7)	5,615
NET (DECREASE)/INCREASE IN CASH		(7,865)	4,936
CASH AT THE BEGINNING OF PERIOD	18	12,000	7,064
CASH AT THE END OF THE PERIOD		4,135	12,000

Company Cash Flow Statement

For the year ended 31 March 2010

	Note	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
NET CASH USED IN OPERATING ACTIVITIES	30	(9,483)	(1,087)
INVESTING ACTIVITIES			
Interest received		113	199
Proceeds from sale of assets held for sale		-	1,301
Proceeds from sale of investments		2,500	-
Purchases of businesses	29	(234)	(1,425)
Investment in subsidiary	29	(475)	
NET CASH FROM INVESTING ACTIVITIES		1,904	75
FINANCING ACTIVITIES			
Net proceeds of share issue		-	5,649
NET CASH FROM FINANCING ACTIVITIES		-	5,649
NET (DECREASE)/INCREASE IN CASH		(7,579)	4,637
CASH AT THE BEGINNING OF PERIOD	18	10,998	6,361
CASH AT THE END OF THE PERIOD		3,419	10,998

1 GENERAL INFORMATION

General information

Managed Support Services plc is a company incorporated in the United Kingdom under the Companies Act The address of the registered office is given on the back cover The nature of the Group's operations and its principal activities are set out in the Chief Executive's review and Directors' report

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates There are no foreign operations

2 ACCOUNTING POLICIES

Going concern

In determining that the Group's results can be presented on a going concern basis the Directors have considered all relevant factors including forecast cash flows, borrowing facilities and risks related to its business activities The full benefits of the restructuring and closure costs incurred in this year are expected to be realised in the year to March 2011 and the Group Budget indicates operating profits and positive operating cash flow in this period Having considered all these factors the Directors are satisfied that the Group has sufficient resources to enable it to continue to trade for at least the next twelve months from the date of signing the financial statements Accordingly the financial statements have been prepared on a going concern basis

Basis of presentation

The financial statements are prepared in accordance with applicable IFRS including standards and interpretations issued by the International Accounting Standards Board as adopted by the EU, in the case of the consolidated financial statements the Group has also complied with Article 4 of the IAS Regulation

The financial report has been prepared on the basis of historical cost, except for the revaluation of financial instruments Cost is based on the fair values of the consideration given in exchange for assets

In the application of IFRS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods

Judgements made by management in the application of IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements

Adoption of new and revised Standards

Accounting policies set out below have been applied in preparing the financial standards for the year ended 31 March 2010 and the comparative information presented in these financial statements for the year ended 31 March 2009

Two interpretations and three accounting standards were effective for the current year but have not led to any changes in the group's accounting policies, although IFRS 8 has resulted in additional disclosures

IAS 1 *(Revised 2007) Presentation of financial statements*

IAS 23 *(Revised) Borrowing costs*

2. ACCOUNTING POLICIES (continued)

IFRS 8 *Operating segments*

IFRIC 15 *Agreements for the construction of real estate*

IFRIC 16 *Hedges of a net investment in a foreign operation*

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases not yet endorsed by EU)

IFRS 1 *(Revised) First time adoptions of IFRS*

IFRS 2 *(Revised) Share based payments*

IFRS 3 *(Revised) Business combinations*

IFRS 9 *Financial instruments*

IAS 24 *Related party disclosures*

IAS 27 *(Amendment) Consolidated and separate financial statements*

IAS 32 *(Amendment) Financial instruments presentation*

IAS 39 *(Amendment) Reclassification of financial assets and recognition and measurement eligible hedged items*

IFRIC 19 *Extinguishing financial liability with equity instruments*

IFRIC 17 *Distributions of non-cash assets to owners*

IFRIC 18 *Transfers of assets from customers*

Other than IFRS 3 (revised), the directors do not believe that adoption of the above accounting standards will have a material impact on the financial result of the group although there will be additional disclosures required Adoption of IFRS 3 (revised) will result in acquisition costs, currently included within goodwill, to be expensed to the income statement in the next accounting period

Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of Managed Support Services plc and the entities controlled by it (its subsidiaries) made up to 31 March 2010 Control is achieved when Managed Support Services plc has the power to govern the financial and operating policies of an invested entity so as to obtain benefits from its activities

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill Any deficiency of the cost of acquisition below the fair value of the identifiable net assets acquired (i e discount on acquisition) is credited to the profit and loss account in the period of acquisition

The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate

2. ACCOUNTING POLICIES (continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group

All intra-group transactions, balances, income and expenses are eliminated on consolidation

In accordance with section 408 of the Companies Act 2006, no income statement is presented for the company The retained loss of the parent company for the financial period was £2,126,000 (2009 £2,036,000)

The minority interest is stated at 5 per cent of the fair value of the subsidiary's net assets

Goodwill

Goodwill is stated at cost less impairment At the date of acquisition of a business fair values are attributed to the assets and liabilities of the acquired business Goodwill arises where the fair value of the consideration exceeds the fair value of the net assets acquired

Goodwill arising on consolidation represents the excess of the costs of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition

In accordance with IFRS 3, *Business combinations*, Goodwill is allocated to cash generating units at acquisition date Each unit is reviewed annually for impairment The method of review is included in note 11

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal

Other intangible assets

Other intangible assets consist of customer relationships of acquired businesses The intangible assets do not appear in the Balance sheet of the acquired business The intangible assets are separable from Goodwill in accordance with IFRS 3, *Business combinations*, and IAS 38, *Intangible assets* Customer relationships are amortised over a straight line basis over their estimated useful economic lives, being between one and six years Intangible assets are valued using the excess earnings method

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred and/or equity instruments issued by the group in exchange for control of the acquiree On the acquisition of a business, fair values are attributed to the group's share of net separable assets Where the cost of acquisition exceeds the fair values attributable to such assets, the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition The results and cash flows relating to such a business are included in the consolidated income statement and the consolidated cash flow statements from the date of acquisition

Assets held for sale

Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell

Assets are classified as held for sale when their carrying amount is expected to be recovered through a sale transaction rather than through continuing use This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition

2. ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents amounts received or receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes

Revenue is recognised either upon invoicing or agreement with the customer as to the amount of services supplied, or in the case of project related work the stage of completion of the contract If there is no agreement with the customer the revenue will not be recognised For contracted maintenance or other activities where income is invoiced in advance, income is recognised as the work is completed and a deferred income provision is held within trade and other payables

The Group as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term

When a property is not in use, a provision is made for the full rent of the remaining period or up to management's estimate of the likely break/sublet period

Operating profit or loss

Operating profit is stated after charging amortisation, restructuring and closure costs, impairment charges, share based payments and gains or losses on the disposal of assets held for sale, but before investment income and finance costs

Retirement benefit costs

Payments to defined contribution retirement schemes are charged as an expense as they fall due Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement scheme

Taxation

The tax currently payable is based on taxable profit or loss for the year Taxable profit or loss differs from net profit or loss as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) or other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

2 **ACCOUNTING POLICIES (continued)**

The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis

Property, plant and equipment

I *Owned assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items

II *Leased assets*

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease

III *Depreciation*

Depreciation is charged to the Consolidated Income Statement over the estimated useful lives of each part or an item of property, plant and equipment The depreciation policy is as follows

Land and buildings	25% to 50% on cost
Office and IT equipment	25% to 50% on cost
Motor vehicles	33% on cost

Impairment

Assets that have an indefinite useful life are not subject to amortisation but are reviewed for impairment annually and where there are indications that the carrying value may not be recoverable An impairment loss is recognised for the amount by which the carrying value exceeds the recoverable amount Other assets are assessed for impairment where there are indications that the carrying value may not be recoverable

Work in progress

The Group undertakes no long term contracts Work in progress is valued at the lower of cost and net realisable value where the outcome of the contract can be reliably estimated and a gross profit expected

Net realisable value is based on estimated selling price less further costs to completion and sale Provision is made for contract losses and obsolete, slow moving or defective items where appropriate

Provisions

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring and the plan has been communicated to the affected parties Provisions are measured at the Directors best estimate of the expenditure required to settle the obligation at the balance sheet date They are not discounted to present value as the effect is not material

2. ACCOUNTING POLICIES (continued)

Share based payments

The Group has issued equity-settled share-based payments to certain employees The fair value (excluding the effect of non-market related combinations), as determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest and adjusted for the effect of non-market related conditions

Fair value is measured by use of a Black-Scholes model Further detail regarding the determination of Fair Value is set out in note 27 The liability in respect of equity-settled amounts is included in equity

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument

The Group no longer recognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity

The Group no longer recognises a financial liability when the Group's obligations are discharged, cancelled or they expire

Financial instruments are classified as cash and cash equivalents, trade and other receivables, trade creditors, borrowings (including obligations under finance leases) and other payables (including accruals, taxation and social security and current tax liabilities)

Non-derivative financial assets are categorised as "loans and receivables" and non-derivative financial liabilities are categorised as "other financial liabilities"

Loans and receivables

Loans and receivables, as categorised above, are measured at amortised cost using the effective interest method less any impairment Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They are included in current assets except for those with maturities greater than twelve months after the balance sheet date, which are classified as non-current assets and are measured at amortised cost less an allowance for any uncollectible amounts The net of these balances are classified as "trade and other receivables" in the balance sheet

Trade and other receivables are assessed for indicators of impairment at each balance sheet date and are impaired where there is objective evidence that the recovery of the receivable is in doubt

Objective evidence of impairment could include significant financial difficulty of the customer, default on payment terms or the customer going into liquidation

The carrying amount of trade and other receivables is reduced through the use of an allowance account When a trade or other receivable is considered uncollectible, it is written off against the allowance account Subsequent recoveries of amounts previously written off are credited against the allowance account Changes in the carrying amount of the allowance account are recognised in the income statement

2. ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, deposits at call with banks, other short-term highly liquid investments with original maturity at acquisition of three months or less that are readily convertible to cash, net of bank overdrafts For the purpose of the cash flow statement, cash and cash equivalents consist of the definition outlined above

Financial liabilities

All non-derivative financial liabilities are classified as other financial liabilities and are initially measured at fair value, net of transaction costs Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method Other financial liabilities consist of borrowings and trade and other payables

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date

Other financial liabilities

Other financial liabilities, as categorised above, are initially measured at fair value, net of transaction costs Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis Other financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date

Equity instruments

Equity instruments consist of the Company's ordinary share capital and are recorded at the proceeds received, net of direct issue costs

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with the Group's accounting policies as disclosed in Note 2 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below

I Impairment of goodwill and investments

The Group is required to test whether its goodwill or its investments have suffered any impairment The recoverable amounts of cash generating units have been determined based on value-in-use calculations The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the cash generating unit and the choice of a suitable discount rate in order to calculate the present value Actual outcomes could vary significantly from these estimates

II Impairment of assets

Property, plant and equipment and intangibles are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of an asset or a cash generating unit is not recoverable The carrying value is determined based on their fair value as supported by a management valuation less costs to sell

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

III Provision for doubtful debt

The Group makes provisions for the likely non payment by outstanding debtors based on a review of the age of the debt outstanding and the likelihood of payment

IV Onerous property lease provisions

The Group makes a provision for onerous property leases on specific premises based on the anticipated future cash outflows relating to minimum cost of exit In making this provision, management have taken into account the estimated time to dispose of a property where a reasonable estimate can be made This estimation is based on historical experience and knowledge of the retail property market in the area around each specific property

V Work in progress and loss making contracts

The Group undertakes no long term contracts Work in progress is valued at the lower of cost and net realisable value where the outcome of the contract can be reliably estimated and a gross profit expected

VI Fair Value Adjustments

On acquisition the Group makes adjustments for the fair value of the separately identifiable elements of the balance sheet of the acquired business

4 BUSINESS AND GEOGRAPHICAL REPORTING

The Group has adopted IFRS 8, Operating Segments in this period Amounts reported for the prior year have been restated to conform to the requirements of IFRS 8

Information regarding the Group's operating segments is reported below The Group's operations were only in the United Kingdom The segments reported below are determined by the legal and reporting structure of the Group Following the Group restructuring, the Building Services segment is operated by MSS Building Services Ltd and the Interior Contracts segment is MSS Interiors Ltd The CEO, the chief operating decision maker, reviews information and makes decisions at this level and impairment reviews are also done at this level

The revenues disclosed below within the operating segments is broadly equivalent to the revenues from each group of similar products and services and accordingly no additional disclosure is included

4 BUSINESS AND GEOGRAPHICAL REPORTING (continued)

Segment Revenues and Results

The following is an analysis of the Group's revenue and results by reportable segment for the year to 31 March 2010

	Building Services Year ended 31 March 2010 £'000	Interior Contracts Year ended 31 March 2010 £'000	Central and Other Year ended 31 March 2010 £'000	Consolidated Year ended 31 March 2010 £'000
Revenue				
External sales	12,952	2,366	-	15,318
Inter-segment sales	227	294	(521)	-
Total revenue	13,179	2,660	(521)	15,318
Inter-segment sales are charged at prevailing market prices				
Result				
Segment result before items below	(731)	96	(1,045)	(1,680)
Closure costs of MSS Projects Limited	(1,229)	-	-	(1,229)
Restructuring of activities	(460)	(26)	(87)	(573)
Amortisation of intangible assets	(136)	-	-	(136)
Increase in share based payment reserve	-	-	(334)	(334)
Impairment of goodwill	(1,000)	-	-	(1,000)
Operating (loss)/profit	(3,556)	70	(1,466)	(4,952)
Finance costs				51
Loss before tax				(4,901)
Tax				50
Loss after tax				(4,851)

4 BUSINESS AND GEOGRAPHICAL REPORTING (continued)

The following is an analysis of the Group's revenue and results by reportable segment for the year ended 31 March 2009

	Building Services Year ended 31 March 2009 £'000	Interior Contracts Year ended 31 March 2009 £'000	Central and Other Year ended 31 March 2009 £'000	Consolidated Year ended 31 March 2009 £'000
Revenue				
External sales	22,055	3,269	961	26,285
Inter-segment sales	326	215	(541)	-
Total revenue	22,381	3,484	420	26,285
Inter-segment sales are charged at prevailing market prices				
Result				
Segment result before items below	2,018	555	(1,130)	1,443
Restructuring of activities	(800)	(15)	(50)	(865)
Amortisation of intangible assets	(812)	-	-	(812)
Increase in share based payment reserve	-	-	(432)	(432)
Gain on sale of asset held for sale	-	-	292	292
Operating profit/(loss)	406	540	(1,320)	(374)
Finance costs				203
Loss before tax				(171)
Tax				292
Profit after tax				121

Segment Assets

	2010 £'000	2009 £'000
Building services	13,283	4,346
Interior contracts	920	736
Other	788	12,716
Consolidated total assets	14,991	17,798

For the purpose of monitoring segment performance and allocation of resources between segments the Group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment All assets are allocated to reportable segments with the exception of investments in associates, other financial assets (except for trade and other receivables) (see note 11) and tax assets Goodwill has been allocated on the basis of the revenues earned by individual reportable segments

4 BUSINESS AND GEOGRAPHICAL REPORTING (continued)

Other Segment Information

	Depreciation Year ended 31 March 2010 £'000	Depreciation Year ended 31 March 2009 £'000
Building services	90	14
Interior contracts	11	5
Other	-	(15)
	101	4

In addition to the depreciation reported above, impairment losses of £1,000,000 (2009 £nil) were recognised in respect of goodwill The impairment losses were attributable to Building Services in respect of MSS Projects Limited

5 OPERATING LOSS FOR THE PERIOD

Group	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Operating loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	101	4
Loss on disposal of fixed assets	8	2
Amortisation of intangible assets	136	812
Impairment of goodwill	1,000	-
Payments under operating leases		
Land and buildings	202	247
Plant and machinery	322	215
Bad debts written off	188	1,008
Cost of inventories recognised as expense	11,598	18,899
Staff costs (see note 6)	6,399	7,071
Auditors' remuneration	135	105
The analysis of auditors' remuneration is as follows		
Fees payable for the company's annual audit	60	60
Fees payable for the audit of the company's subsidiaries	25	25
Total audit fees	85	85
Non audit services		
Tax services	50	20
Total non-audit fees	50	20
Total	135	105

£45,000 of due diligence services fees (2009 £nil) were paid to the Company's auditors and are included within goodwill as an acquisition cost

6 STAFF COSTS

	Group		Company	
	Year ended 2010 Number	Year ended 2009 Number	Year ended 2010 Number	Year ended 2009 Number
Average number of persons employed				
Administration	74	53	9	5
Engineering	136	112	-	-
	210	165	9	5

	Group		Company	
	Year ended 2010 £'000	Year ended 2009 £'000	Year ended 2010 £'000	Year ended 2009 £'000
Staff costs during the period				
Wages and salaries	5,658	6,296	916	657
Social security costs	627	658	123	81
Other pension costs	114	117	65	66
	6,399	7,071	1,104	804

	£'000	£'000	£'000	£'000
Directors' emoluments				
Directors' emoluments (including benefits in kind)	619	498	619	498
Highest paid director	259	264	259	264

7 FINANCIAL INCOME

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Interest on cash deposits	54	226

8 FINANCIAL EXPENSES

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Interest on bank overdrafts and loans	3	27
Interest on obligations under finance leases	-	(4)
	3	23

9 TAX

Analysis of tax credit in the year:

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Current taxation		
United Kingdom credit	50	292
	50	292

The standard rate of corporation tax for the year was 28% (2009 28%) The actual tax credit for the year differs from the standard rate for the reasons set out in the following reconciliation

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Loss on ordinary activities before tax	(4,901)	(171)
Loss on ordinary activities multiplied by the standard rate of corporation tax	(1,372)	(48)
Effects of·		
Share based payments charge not deductable	94	-
Expenses not deductable for tax purposes	296	445
Timing differences between capital allowances and depreciation	(4)	(88)
Short term timing differences	(38)	103
Brought forward losses utilised	-	(331)
Capital loss	-	(81)
Losses carried forward	1,024	-
Adjustment in respect of prior period	50	292
Iax credit based on loss for the year	50	292

Deferred tax

No deferred tax asset is recognised in respect of losses carried forward at a tax written down value of £5 1m (2009 £4 1m) The asset is not recognised as there is insufficient certainty that sufficient taxable profits will arise within the next 12 months against which to utilise the losses

An asset would be recognised once it was reasonably certain that sufficient taxable profits would arise within the Group above the level of Group relief available in the year

There are no significant deferred tax assets or liabilities relating to either capital allowances or short term timing differences in either the current year or prior year

10 (LOSS)/PROFIT PER SHARE

The calculation of basic and diluted (loss)/profit per share is based on the following data

	2010 £'000	2009 £'000
(Loss)/profit		
(Loss)/profit for the purposes and basic and diluted earnings per share	(4,851)	121
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share	165,203,976	96,453,976
Potentially dilutive ordinary shares	n/a	6,511,800
Weighted average number of shares for the purposes of diluted earnings per share	165,203,976	102,965 776
(Loss)/profit per share		
Basic (loss)/profit per share (pence)	(2 94)	0 13
Diluted (loss)/profit per share (pence)	(2 94)	0 12
ADJUSTED (LOSS)/PROFIT PER SHARE		
(Loss)/profit as above	(4,851)	121
Restructuring of activities	573	865
Amortisation of intangible assets	136	812
Increase in share based payment reserve	334	432
Closure costs of MSS Projects	1,229	-
Impairment of goodwill	1,000	-
Gain on sale of asset held for sale	-	(292)
Tax effect of items above at 28% (2009 30%)	-	(545)
(Loss)/profit for the purposes of adjusted basic and diluted earnings per share	(1,579)	1,393
Adjusted basic (loss)/profit per share (pence)	(0 96)	1 44
Adjusted diluted (loss)/profit per share (pence)	(0 96)	1 35

11 GOODWILL

	Group £'000	Company £'000
Cost		
At 1 April 2008 and 31 March 2009	37,212	24,148
Additions	3,000	-
At 31 March 2010	40,212	24,148
Accumulated impairment losses		
At 1 April 2008 and 31 March 2009	35,212	24,148
Impairment loss in the period to 31 March 2010	1,000	-
At 31 March 2010	36,212	-
Carrying amount		
At 31 March 2010	4,000	-
At 31 March 2009	2,000	-

During the year the Group has impaired the carrying value of goodwill attributable to MSS Projects Limited by £1,000,000 (2009 £nil) due to the decision to close the business

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units (CGUs) that are expected to benefit from that business combination before recognition of impairment losses

	2010 £'000	2009 £'000
The carrying amount of goodwill has been allocated as follows		
MSS Projects Limited	-	1,000
MSS Southern Limited	-	500
MSS Interiors Limited	500	500
MSS Building Services Limited	3,500	-
	4,000	2,000

On 31 March 2010 the trade and net assets of MSS Southern Limited was transferred to MSS Building Services Limited in exchange for an intercompany balance The goodwill associated with MSS Southern Limited has transferred to MSS Building Services Limited as a result of the trade and asset transfer

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired

The recoverable amounts of the CGUs are determined from the value in use calculations The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs during the period Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks specific to each CGU The growth rates are based on industry forecasts Changes on selling prices and direct costs are based on expectations of future changes in the market

The Group prepares twelve month cash flow forecasts which are approved by the management and extrapolates the forecast for a five year period The discount rates used for each CGU varies from 10 per cent to 25 per cent (2009 10 per cent to 30 per cent) and growth rates were in the range of 0 per cent to 20 per cent (2009 0 per cent to minus 20 per cent)

11 GOODWILL (continued)

The Group has conducted a sensitivity analysis on the impairment test of each CGUs carrying value and determined that negative growth of around 5 per cent per annum would result in the carrying value of goodwill being reduced to its recoverable amount

12 OTHER INTANGIBLE ASSETS

	Acquired customer relationships £'000
GROUP	
Cost	
At 1 April 2008	1,217
Acquisition of business in the period	146
At 31 March 2009	1,363
Acquisition of businesses in the period	2,301
At 31 March 2010	3,664
Amortisation	
At 1 April 2008	551
Charge for the period	812
At 31 March 2009	1,363
Charge for the year	136
At 31 March 2010	1,499
Carrying amount	
At 31 March 2010	2,165
At 31 March 2009	-

The amortisation period for customer relationships acquired on acquisition is over their useful economic lives, being between one to six years

13 PLANT PROPERTY AND EQUIPMENT

Group	Land and Buildings £'000	Office and IT Equipment £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 April 2008	61	368	127	556
Additions	-	52	2	54
Disposals	-	-	(42)	(42)
At 31 March 2009	61	420	87	568
Additions	-	259	11	270
Acquisition of subsidiary company	182	54	206	442
Re-allocated to assets held for sale	(182)	-	-	(182)
Disposals	(4)	(81)	(82)	(167)
At 31 March 2010	57	652	222	931
Depreciation				
At 1 April 2008	61	368	64	493
Charge for the year	-	5	(1)	4
Disposals	-	-	(13)	(13)
At 31 March 2009	61	373	50	484
Charge for the year	2	67	32	101
Re-allocated to assets held for sale	(2)	-	-	(2)
Disposals	(4)	(78)	(65)	(147)
At 31 March 2010	57	362	17	436
Net book value				
At 31 March 2010	-	290	205	495
At 31 March 2009	-	47	37	84

The Directors review the estimated useful economics lives and residual values of plant, property and equipment annually and when there are indications that the carrying value may not be recoverable

Hire purchase agreements

The following fixed assets were held under finance leases or similar hire purchase agreements (2009 £nil)

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Motor vehicles	90	-
	90	-

14 ASSETS HELD FOR SALE

The only class of asset held for sale was as follows

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Group		
Property	180	-

The property, acquired as part of the acquisition of the Status Building Services Group, was at year end being marketed for sale and is included in the balance sheet at the expected sale price less costs to complete The directors expect a sale to occur within twelve months of the balance sheet date

15 INVESTMENTS IN SUBSIDIARIES

Company	**£'000**
At 1 April 2008 at 31 March 2009	17,714
Additions	497
Disposals	(15,736)
At 31 March 2010	2,475
Impairment	
At 1 April 2008 at 31 March 2009	14,699
Impairment for the period to 31 March 2010	2,000
Disposals	(14 699)
At 31 March 2010	2,000
Net book value	
At 31 March 2010	475
At 31 March 2009	3,015

During the period, the Company impaired its investment in Woods Holdings Wilmslow Limited, the intermediate holding company of MSS Projects Ltd

On 23 November 2009, MSS Building Services Limited was incorporated The Company owns 95 per cent of the share capital of MSS Building Services Limited

On 31 March 2010, the Company sold its interests in the share capital of MSS Interiors Limited, MSS Southern Limited and MSS Facilities Limited to MSS Building Services Limited for a consideration of £2,500,000 in return for an intercompany loan On the same date, the trade and net assets of MSS Facilities Limited, MSS Southern Limited, MSS Projects Limited (excluding certain liabilities), MSS Interiors Limited, Status Building Services limited and Status Electrical Services Limited were transferred to MSS Building Services Limited in exchange for an intercompany balance The transfer had no effect on the Group's results

15 INVESTMENTS IN SUBSIDIARIES (continued)

Details of the principal subsidiary companies at 31 March 2010, all of which have been consolidated are

Subsidiary undertakings	Country of registration/ incorporation	Class and percentage of shares held	Nature of business
MSS Building Services Limited	England and Wales	95% ordinary	Building services
MSS Facilities Limited *	England and Wales	100% ordinary	Building services
MSS Interiors Limited *	England and Wales	100% ordinary	Interior fit out
MSS Southern Limited *	England and Wales	100% ordinary	Building services
Status Building Services Limited *	England and Wales	100% ordinary	Building services
Status Electrical Services Limited *	England and Wales	100% ordinary	Building services
MSS Projects Limited *	England and Wales	100% ordinary	HVAC installations

* denotes indirect subsidiary

The percentage of the issued share capital held by the Group is equivalent to the percentage of voting rights held With the exception of MSS Building Services Limited, which is disclosed above, the Group holds the whole of all classes of issued share capital

16 ACQUISITION OF SUBSIDIARIES

Delrac Group of companies

On 1 May 2009, the Group acquired 100 per cent of the issued share capital of Delrac Services Limited and its subsidiary Delrac Air Conditioning Services Limited, for a cash consideration of £720,000 This transaction has been accounted for by the purchase method of accounting

	Book value £'000	Provisional fair value adjustments £'000	Total provisional fair value £'000
Net assets acquired			
Plant, property and equipment	2	-	2
Trade and other receivables	288	-	288
Cash and cash equivalents	280	-	280
Trade and other payables	(246)	-	(246)
	324	-	324
Goodwill			300
Intangible assets			247
Total consideration			871
Satisfied by			
Cash			720
Directly attributable costs			151
			871
Net cash outflow arising on acquisition			
Cash consideration			871
Less cash and cash equivalents acquired			(280)
			591

Immediately following the acquisition, the trade and net assets of Delrac Air Conditioning Services Limited were transferred to MSS Southern Limited in return for an intercompany loan Following the transfer of the trade and net assets, Delrac Air Conditioning Services Limited ceased to trade It is therefore not practicable to disclose Delrac's contribution to revenue and profit before tax either post acquisition or if the acquisition had been made at the start of the period

The goodwill arising on the acquisition of Delrac Air Conditioning Services Limited is attributable to the anticipated profitability of the distribution of the Group's services in the new markets and the anticipated future operating synergies from the combination The intangible asset represents acquired customer relationships

16 ACQUISITION OF SUBSIDIARIES (continued)

Status Group of companies

On 1 December 2009, the Group acquired 100 per cent of the issued share capital of Status Building Services Group, for a cash consideration of £3,000,000 This transaction has been accounted for by the purchase method of accounting

	Book value £'000	Provisional fair value adjustments £'000	Total provisional fair value £'000
Net assets acquired			
Plant, property and equipment	604	(164)	440
Trade and other receivables	1,960	(21)	1,939
Cash and cash equivalents	430	-	430
Trade and other payables	(2,823)	(331)	(3,154)
	171	(516)	(345)
Goodwill			2,400
Intangible assets			1,778
Total consideration			3,833
Satisfied by			
Cash			3,000
Deferred consideration			700
Directly attributable costs			133
			3,833
Net cash outflow arising on acquisition			
Cash consideration			3,133
Less cash and cash equivalents acquired			(430)
			2,703

The provisional fair value adjustments relate to reduction of asset values to estimated market values and adjustment for Group accounting policy alignment

The goodwill arising on the acquisition of Status Building Services Limited is attributable to the anticipated profitability of the distribution of the Group's services in the new markets and the anticipated future operating synergies from the combination The intangible asset represents acquired customer relationships

Status Building Services Limited contributed £2,461 000 to revenue and £485 000 to profit before tax for the period between the date of acquisition and the balance sheet date

If the acquisition of Status Building Services Limited had been completed on the first day of the financial year, Group revenues for the period would have been £20 6m and Group loss attributable to equity holders of the parent would have been £4 6m

16 ACQUISITION OF SUBSIDIARIES (continued)

Workplace Engineering

On 15 December 2009, the Group acquired the net assets of Workplace Engineering Limited, for a cash consideration of £130,000 This transaction has been accounted for by the purchase method of accounting

	Book value £'000	Provisional fair value adjustments £'000	Total provisional fair value £'000
Net assets acquired			
Plant, property and equipment	176	(176)	-
Trade and other receivables	495	(90)	405
Trade and other payables	(384)	(285)	(669)
	287	(551)	(264)
Goodwill			300
Intangible assets			276
Total consideration			312
Satisfied by			
Cash			130
Deferred consideration			100
Directly attributable costs			82
			312
Net cash outflow arising on acquisition			
Cash consideration			212
			212

The provisional fair value adjustments relate to reduction of asset values to estimated market values and adjustment for Group accounting policy alignment

Immediately following the acquisition, the trade of Workplace Engineering was transferred to MSS Facilities Limited It is therefore not practicable to disclose the contribution to revenue and profit before tax either post acquisition or if the acquisition had been at the start of the period

The goodwill arising on the acquisition of the trade and net assets of Workplace Engineering is attributable to the anticipated profitability of the distribution of the Group's services in the new markets and the anticipated future operating synergies from the combination The intangible asset represents acquired customer relationships

17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Amounts receivable for the sale of goods	3,612	3 087	-	-
Allowance for doubtful debts	(296)	(338)	-	-
	3,316	2,749	-	-
Amounts due from Group undertakings	-	-	8,591	1,181
Other debtors	113	156	6	6
Prepayments	454	286	15	73
Corporation tax	2	79	-	-
	3,885	3,270	8,612	1,260

17 TRADE AND OTHER RECEIVABLES (continued)

The average credit period taken on sale of goods is 48 days (2009 42 days) The provision for estimated irrecoverable amounts from the sale of goods was £296,000 (2009 £338,000) In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers Accordingly, the Directors believe that there is no further credit risk provision required in excess of the allowance for doubtful receivables

The age of financial assets past due but not impaired is as follows

	Group 2010 £'000	Group 2009 £'000
Trade Debtors – More than three months but not more than twelve months overdue	-	59
	-	59

All financial assets past due and impaired are between three and twelve months

	Group 2010 £'000	Group 2009 £'000
Movement in the allowance for doubtful debts		
Balance at the beginning of the period	338	1,162
Acquired provision	57	-
Amount provided for in period	89	184
Amounts written off as uncollectable	(188)	(1,008)
Balance at the period end	296	338

The Directors consider that the carrying value of trade and other receivables approximates to their fair value The Group has £484,000 (2009 £338,000) of trade debtors that have exceeded their allowed credit period but not been provided for, all of which is 0 – 90 days overdue

For the Company, the carrying value of amounts due from subsidiaries approximates to their fair values

18 CASH AND CASH EQUIVALENTS

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Cash and cash equivalents	4,135	12,000	3,494	10,998

Credit risk

The Group's principal financial assets are bank balances and cash, and trade receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies

The Group's credit risk is primarily attributable to its trade receivables The amounts presented in the balance sheet are net of allowances for doubtful receivables There are no other credit or impairment losses for other classes of financial assets

19 SHORT TERM BORROWINGS

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Bank loans and overdrafts due within one year	177	-	-	-

The loan is secured over the property held as an asset for sale (Note 14) and is repayable on disposal of the property The loan has therefore been classified as short term borrowings

The weighted average effective borrowing rate was 3 per cent (2009 nil)

20 OBLIGATIONS UNDER FINANCE LEASES

	Group 2010 £'000	Group 2009 £'000
CURRENT		
Hire purchase and finance leases	68	-
NON CURRENT		
Hire purchase and finance leases	22	-
The maturity profile of the carrying amount of the obligations under finance leases was as follows		
Repayable		
– between one and two years	68	-
– between two and five years	22	-
	90	-

	Group 2010 £'000	Group 2009 £'000
The minimum lease payments under finance leases fall due as follows		
On demand or within one year	77	-
Later than one year but not more than five years	24	-
Future finance charges on finance leases	(11)	-
Present value of finance lease payables	90	-

The weighted average effective borrowing rate was 6 per cent (2009 nil)

All amounts are payable in Sterling The fair value of the Group's lease obligations is approximately equal to their carrying amount

21 TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Trade creditors	2,967	2,514	116	160
Amounts owed to group undertakings	-	-	-	270
Social security and other taxes	215	95	-	-
Deferred consideration	1,266	700	466	700
Other creditors	597	638	16	141
Deferred income	522	-	-	-
Accruals	1,280	1,019	305	150
	6,847	4,966	903	1,421
Split as				
Non current liabilities	-	492	-	490
Current liabilities	6,847	4,474	903	931
	6,847	4,966	903	1,421

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 71 days (2009 52 days)

The Group has policies in place to ensure all payables are paid within the pre-agreed credit terms

The Directors consider that the carrying amount of trade payables approximates to their fair value

22 OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

Group	Land and buildings 2010 £'000	Plant and machinery 2010 £'000	Land and buildings 2009 £'000	Plant and machinery 2009 £'000
Leases ending:				
Within one year	304	189	291	26
Within two to five years	649	406	753	8
More than five years	140	-	232	-
	1,093	595	1,276	34

Company	Land and buildings 2010 £'000	Plant and machinery 2010 £'000	Land and buildings 2009 £'000	Plant and machinery 2009 £'000
Leases ending:				
Within one year	259	-	291	-
Within two to five years	604	-	753	-
More than five years	129	-	232	-
	992	-	1,276	-

23 PROVISIONS FOR LIABILITIES

	Onerous leases £'000	Loss making contracts £'000	Legal costs £'000	Total £'000
Group				
Balance at 1 April 2008	987	650	700	2,337
Additional provision in the period	250	-	-	250
Transfer of provision	-	-	-	-
Utilisation of provision	(686)	(650)	(479)	(1,815)
Balance at 31 March 2009	551	-	221	772
Utilisation of provision	(272)	-	(159)	(431)
Additional provision in the period	75	-	-	75
Release of provision	(150)	-	-	(150)
Balance at 31 March 2010	204	-	62	266
Included in current liabilities				190
Included in non current liabilities				76
				266

	Onerous leases £'000	Loss making contracts £'000	Legal costs £'000	Total £'000
Company				
Balance at 1 April 2008	-	-	700	700
Transfer of provision in the period	728	-	-	728
Utilisation of provision	(427)	-	(479)	(906)
Balance at 31 March 2009	301	-	221	522
Utilisation of provision	(148)	-	(159)	(307)
Additional provision in the period	75	-	-	75
Release of provision	(150)	-	-	(150)
Balance at 31 March 2010	78	-	62	140

The onerous lease provision relates to leases to which the Group is committed but for which no future benefit through usage is expected The provision is expected to be fully utilised over the next three years

The loss making contracts provisions related to contracts in respect of which further costs were required to remediate or complete work and the Group was unlikely to recover these costs from the client

The legal costs provision relates to work commenced in respect of proceedings against certain parties relating to accounting irregularities in prior periods These costs are expected to be incurred in the next six months

24 FINANCIAL INSTRUMENTS

The Directors maintain detailed cash forecasts which are frequently revised to actuals to ensure that the Group has sufficient resources to meet its requirements

Categories of financial instruments

	Group		Company	
	2010	**2009**	**2010**	**2009**
	£'000	**£'000**	**£'000**	**£'000**
Carrying value of financial assets:				
Cash and cash equivalents	4,135	12,000	3,494	10 998
Trade receivables	3,316	2,749	-	-
Other receivables	295	235	6	6
Due from subsidiaries	-	-	8,591	1,181
Loans and receivables at amortised cost	7,746	14,984	12,091	12,185
Carrying value of financial liabilities:				
Obligations under finance leases	(68)	-	-	-
Trade payables	(2,967)	(2,514)	(116)	(160)
Other payables	(4,462)	(3,224)	(927)	(1,783)
Total other financial liabilities at amortised cost	(7,497)	(5,738)	(1,043)	(1,943)
Undiscounted contractual maturity of other financial liabilities				
Amounts payable				
On demand or within one year	(7,399)	(4,922)	(1,043)	(1,270)
In the second to fifth years inclusive	(98)	(816)	-	(673)
	(7,497)	(5,738)	(1,043)	(1,943)

The capital structure of the group consists of debt, which includes the short term borrowings disclosed in Note 19 cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings The group is not subject to any externally imposed capital requirements Given the nature of the short term borrowings, the group does not consider gearing disclosures to be relevant

The Group has no significant exposure to currency or interest rates, therefore no sensitivity analysis been calculated

In the opinion of the Directors, the fair value of the financial assets and liabilities are equal to their book values

25 SHARE CAPITAL

	31 March 2010 £'000	31 March 2009 £'000
Authorised		
250,000,000 ordinary shares of 1p each (2009 250,000,000 ordinary shares of 1p each)	2,500	2 500
Issued and fully paid		
165,203,976 ordinary shares of 1p each (2009 165,203,976)	1,652	1,652

26 MINORITY INTEREST IN SUBSIDIARY

	£'000
Balance at 1 April 2009	-
Equity issued by subsidiary to minority holders	25
Balance at 31 March 2010	25

The minority interest relates to the 5 per cent shareholding in the ordinary share capital of MSS Building Services Limited acquired by certain employees for cash as part of their incentive arrangements

27 SHARE BASED PAYMENTS

The company operates a share option scheme and Long Term Incentive Plan ("LTIP") that grants options over its ordinary shares on a discretionary basis to its Directors and employees

Details of the movements in the periods to 31 March 2009 and 31 March 2010 in options, warrants and LTIPs are set out below

	1 April 2008 Number	Granted Number	Lapsed Number	31 March 2009 Number	Exercise prices pence	Exercise Period
Share options and warrants						
EMI Scheme	2,305,262	1,200,000	-	3 505 262	7 5-10 0	2008-2018
Warrants	3,394 738	1,600 000	-	4 994 738	7 5-10 0	2008-2018
Former advisors' options at listing	650,000	-	-	650,000	75 0	Up to 2011
EMI Scheme and Warrant sub total	6,350 000	2,800 000	-	9,150,000		
LTIP Contingent Awards					**Vesting Prices**	**Exercise Period**
LTIP Type I (vest 31 3 2011)	-	3 500 000	-	3,500,000	-	2012-2016
LTIP Type I (vest at 25p)	-	3 500 000	-	3,500,000	25p	2009-2016
LTIP Type I (vest at 30p)	-	3,500,000	-	3,500 000	30p	2009-2016
LTIP Type II (vest at 12p)	-	2,812 500	-	2 812,500	12p	2009-2016
LTIP Type II (vest at 16p)	-	2,812 500	-	2,812,500	16p	2009-2016
LTIP Type II (vest at 20p)	-	2,812 500	-	2 812,500	20p	2009-2016
Total	6,350 000	21 737,500	-	28,087,500		

27 SHARE BASED PAYMENTS (continued)

	1 April 2009 Number	Granted Number	Lapsed Number	31 March 2010 Number	Exercise prices pence	Exercise Period
Share options and warrants						
EMI Scheme	3 505 262	-	-	3,505 262	7 5-10 0	2008-2018
Warrants	4 994,738	-	-	4,994,738	7 5-10 0	2008-2018
Former advisors' options at listing	650 000	-	-	650,000	75 0	Up to 2011
EMI Scheme and Warrant sub total	9 150,000	-	-	9,150,000		
LTIP Contingent Awards					**Vesting Prices**	**Exercise Period**
LTIP Type 1 (vest 31 3 2011)	3,500,000	-	-	3 500,000	-	2012-2016
LTIP Type 1 (vest at 25p)	3 500,000	-	-	3,500,000	25p	2009-2016
LTIP Type 1 (vest at 30p)	3,500,000	-	-	3 500 000	30p	2009-2016
LTIP Type II (vest at 12p)	2,812 500	-	-	2,812,500	12p	2009-2016
LTIP Type II (vest at 16p)	2,812 500	-	-	2,812,500	16p	2009-2016
LTIP Type II (vest at 20p)	2,812 500	-	-	2 812 500	20p	2009-2016
Total	28 087 500	-	-	28,087,500		

Details of the LTIP awards are as follows

The maximum number of ordinary shares potentially available for all Group employees under Type I is 10 5 million of which 3 5 million will be used to satisfy the employment conditions Two further tranches of 3 5 million shares will be available to meet entitlements in the event that the price hurdles of 25p and 30p are reached

As a result of the share placing in February 2009, 8,437,500 Type II conditional grants were automatically generated under the rules of the LTIP, being an amount equivalent to 7 5 per cent of the newly issued share capital, subject always to a maximum of 25 million ordinary shares

Type II awards are benchmarked against the relevant fundraising or share issue price The relevant fundraising price at 28 February 2009 was 8p per share Accordingly, a maximum potential of 8,437,500 new Type II options were generated by the issue of the new shares These options are not exercisable unless the share price of the company trades at 50 per cent above the relevant fundraising share price for 10 business days If the price hurdle is achieved, one half of an individual's Type II award will vest

In the event that the new ordinary shares trade at a 100 per cent premium to the relevant fundraising price, the remaining 50 per cent of the award will vest In circumstances where the ordinary shares trade for 10 days at 150 per cent above the relevant fundraising price, the employee is deemed to be entitled to a Premium element and the award is increased by 50 per cent

The LTIP is a seven year scheme No further awards will be made after 31 July 2015 and all options granted thereunder are required to be exercised by 31 July 2016 Awards are adjusted in respect of changes in the share capital of the company In the event of a change of control of the Company all awards vest immediately in full

The EMI scheme options and Warrants outstanding at 31 March 2010 had a weighted average exercise price of 13 1p (2009 13 1p) and a weighted average remaining contractual life of 7 years (2009 8 years)

27 SHARE BASED PAYMENTS (continued)

The fair value of the options that were issued in the prior period were determined using the Black-Scholes Option Pricing Mode The inputs were as follows

	2009
Weighted average exercise price	8 3p
Expected volatility	115%
Expected life	8 Years
Risk-free rate	6%
Expected dividend yield	1%

Expected volatility was determined by calculating the historical volatility of the Group's share price since new management joined in November 2007

The average fair value of EMI options and Warrants granted in the prior period was 8 6p No options, warrants or LTIPs were granted in the year ended 31 March 2010

The Company and the Group recognised an expense of £334,000 (2009 £432,000) related to equity settled share-based payment transactions This expense in the period relates to options and LTIPs issued in the prior period but for which the cost is amortized over the expected vesting period of three years

28 PENSION SCHEMES

Defined contribution pension scheme

The Group operates a defined contribution pension scheme The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £114,000 (2009 £117,000)

Outstanding contributions at the end of the financial year were £1,000 (2009 £1,000)

29 ANALYSIS OF CASH FLOWS USED FOR ACQUISITIONS

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Purchase of businesses		
Group		
Goodwill and trade of Kitsann	-	(146)
Deferred consideration paid	(234)	(1,425)
Cash paid for acquisitions	(4,216)	-
	(4,450)	(1,571)
Company		
Deferred consideration paid	(234)	(1,425)
Investment in MSS Building Services Limited	(475)	-
	(709)	(1,425)

30 NOTES TO THE CASH FLOW STATEMENT

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Operating loss from continuing activities	(4,952)	(374)	(2,239)	(2,235)
Adjustments for				
Depreciation of property, plant and equipment	101	4	-	-
Amortisation of intangible assets	136	812	-	-
Impairment of goodwill	1,000	-	-	-
Impairment of investments	-	-	2,000	-
Share based payments	334	432	334	432
Profit on disposal of investments	-	-	(1,463)	-
Loss/(profit) on disposal of property, plant and equipment	11	(267)	-	(291)
Operating cash flows before movement in working capital	(3,370)	607	(1,368)	(2,094)
Decrease/(increase) in work in progress	267	(10)	-	-
Decrease/(increase) in receivables	1,908	2,123	(7,352)	925
(Decrease)/increase in payables	(2,323)	(2,268)	(306)	1,311
Decrease in provisions	(506)	(1,565)	(457)	(906)
Decrease in net intercompany	-	-	-	(323)
Cash utilised by operations	(4,024)	(1,113)	(9,483)	(1,087)
Income taxes received	116	550	-	-
Interest paid	(3)	(23)	-	-
Net cash flow from operating activities	(3,911)	(586)	(9,483)	(1,087)
Restructuring and closure costs paid in period	2,137	1,699	-	-
Net cash flow from operating activities before payment of restructuring costs	(1,774)	1,113	(9,483)	(1,087)

Restructuring and closure costs paid during the year comprised MSS Projects Ltd closure costs £1 4m (2009 £nil), onerous lease payments and lease settlements £0 2m (2009 £0 7m), redundancy costs £0 2m (2009 £0 6m), legal and professional fees £0 1m (2009 £0 4m), and other £0 2m (2009 £nil)

Cash and cash equivalents (which are presented as a single class of asset on the face of the balance sheet) comprise cash at bank and other short term, highly liquid investments with a maturity of three months or less

31 EVENTS AFTER THE BALANCE SHEET DATE

On 15 April 2010, the Group acquired 100 per cent of the issued share capital of Data Sound Limited for a cash consideration of £2,800,000 This transaction has been accounted for by the purchase method of accounting

	Book value £'000	Provisional fair value adjustments £'000	Total provisional fair value £'000
Net assets acquired			
Plant, property and equipment	80	(60)	20
Trade and other receivables	636	-	636
Cash and cash equivalents	36	-	36
Trade and other payables	(306)	(50)	(356)
Deferred Income	(433)	(500)	(933)
	13	(610)	(597)
Goodwill			2,000
Intangible Assets			1,536
Total consideration			2,939
Satisfied by			
Cash			2,830
Directly attributable costs			109
			2,939
Net cash outflow arising on acquisition			
Cash consideration			2,939
Less cash and cash equivalents acquired			(36)
			2,903

The provisional fair value adjustments relate to reduction of asset values to estimated market values and adjustment for Group accounting policy alignment

32 RELATED PARTY TRANSACTIONS

The remuneration of the Directors, who are the key management personnel of the group, is set out in the Remuneration report on page 14 There have been no other material transactions with the board

The Company funds the operating companies through equity investment and loans In addition, the Company provides its subsidiaries with the services of senior management, for which a recharge is made to those subsidiary companies

The Company had the following transactions in the period with its subsidiaries

	2010 £'000	2009 £'000
Sales to other group companies	-	696
Dividends receivable	312	1,000

The Company had the following balances outstanding at the period end with its subsidiaries

	2010 £'000	2009 £'000
Amounts due from subsidiaries	8,591	1,181
Amounts payable to subsidiaries	-	270

33 ULTIMATE CONTROLLING PARTY

As at year end Managed Support Services plc was the ultimate parent company of the Group and the smallest and largest group for which consolidated financial statements are prepared

Managed Support Services plc

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (the "**AGM**") of Managed Support Services plc (the "**Company**") will be held at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB on Thursday 5 August 2010 at 10 00 a m for the following purposes

Ordinary Business
To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions

1. **Report and accounts**
To receive the audited financial statements of the Company for the year ended 31 March 2010 together with the Directors' report and the auditor's report on those financial statements

2. **Re-election of Directors**
2 1 To re-elect I R Mann, who retires by rotation in accordance with the Company's articles of association

2 2 To re-elect S D Beart, who retires by rotation in accordance with the Company's articles of association

3 **Appointment of auditors**
To appoint Deloitte LLP as auditors of the Company to hold office until the conclusion of the next Annual General Meeting

4 **Auditors' remuneration**
To authorise the directors to determine the remuneration of the auditors

Special Business
To consider and, if thought fit, pass the following resolutions of which resolution 5 will be proposed as an ordinary resolution and resolutions 6 and 7 will be proposed as special resolutions

5 **Directors' authority to allot shares**
That, in substitution for any equivalent authorities and powers granted to the directors prior to the passing of this resolution, the directors be and they are hereby generally and unconditionally authorised pursuant to section 551, Companies Act 2006 (the "**Act**") to exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being "**relevant securities**") up to an aggregate nominal amount of £545,000 representing approximately 33 per cent of the nominal value of the issued ordinary share capital of the Company as shown in the audited accounts of the Company for the year ended 31 March 2010 provided that, unless previously revoked, varied or extended, this authority shall expire at the conclusion of the next annual general meeting of the Company, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired

6. **Directors' power to issue shares for cash**
That the directors be and they are hereby empowered pursuant to section 570(1) of the Act to allot equity securities (as defined in section 960(1) of the Act) of the Company wholly for cash pursuant to the authority of the directors under section 551 of the Act conferred by resolution 5 above, and/or by way of a sale of treasury shares for cash (by virtue of section 573 of the Act), in each case as if section 561(1) of the Act did not apply to such allotment provided that

6 1 the power conferred by this resolution shall be limited to

(a) the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for equity securities

Notice of Annual General Meeting (continued)

(i) in favour of holders of ordinary shares in the capital of the Company in proportion as nearly as practicable to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange, and

(ii) to holders of any other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal, regulatory or practical problems arising under the laws or requirements of any overseas territory or by virtue of shares being represented by depository receipts or the requirements of any regulatory body or stock exchange or any other matter whatsoever, and

(b) in the case of the authority granted under resolution 5 and/or in the case of the sale of treasury shares for cash, the allotment, otherwise than pursuant to sub-paragraph (a) above, of equity securities or sale of treasury shares up to an aggregate nominal value equal to £410,000 representing approximately 25 per cent of the nominal value of the issued ordinary share capital of the Company as shown in the audited accounts of the Company for the year ended 31 March 2010, and

6 2 unless previously revoked, varied or extended, this power shall expire on the conclusion of the next annual general meeting of the Company except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted (and treasury shares to be sold) after such expiry and the directors may allot equity securities (and sell treasury shares) in pursuance of such an offer or agreement as if this power had not expired

7. **Authority to purchase shares (market purchases)**
That the Company be and is hereby unconditionally and generally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its ordinary shares of 1p each (**"Ordinary Shares"**) provided that

7 1 the maximum number of Ordinary Shares authorised to be purchased is 16,500,000 representing approximately 10 per cent of the Company's issued ordinary share capital as shown in the audited accounts of the Company for the year ended 31 March 2010,

7 2 the minimum price which may be paid for any such Ordinary Share is 1p,

7 3 the maximum price which may be paid for an Ordinary Share shall be an amount equal to 105 per cent of the average middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Ordinary Share is contracted to be purchased, and

7 4 this authority shall, unless previously renewed, revoked or varied, expire on the conclusion of the next annual general meeting of the Company, but the Company may enter into a contract for the purchase of Ordinary Shares before the expiry of this authority which would or might be completed (wholly or partly) after its expiry

Dated 30 June 2010 *By order of the Board*

Registered Office *P L S Wilson*
Company Secretary

One Crown Square
Church Street East
Woking
Surrey
GU21 6HR

Notice of Annual General Meeting (continued)

Notes

1 Only those members registered in the register of members of the Company at 6 00 p m on 3 August 2010 (or if the AGM is adjourned, two working days before the time fixed for the adjourned AGM) shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the AGM

2 A member who is entitled to attend, speak and vote at the AGM may appoint a proxy to attend, speak and vote instead of him A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy) A proxy need not be a member of the Company but must attend the AGM in order to represent you A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed Appointing a proxy will not prevent a member from attending in person and voting at the AGM (although voting in person at the AGM will terminate the proxy appointment) A proxy form is enclosed The notes to the proxy form include instructions on how to appoint the Chairman of the AGM or another person as a proxy You can only appoint a proxy using the procedures set out in these Notes and in the notes to the proxy form

3 To be valid, a proxy form and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, should reach the Company's registrar Capita Registrars, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 48 hours before the time of the AGM

4 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment thereof by using the procedures described in the CREST Manual CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual The message regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA 10) by the latest time(s) for receipt of proxy appointments specified in this Notice For this purpose the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001 (as amended) CREST members and where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy instructions It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings

The notes to the proxy form include instructions on how to appoint a proxy by using the CREST proxy appointment service You may not use any electronic address provided either in this Notice or in any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated

5 In the case of joint holders of shares the vote of the first named in the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders

6 A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it This can be done in one of two ways either by the appointment of a proxy (described in Notes 2 to 4 above) or of a corporate representative Members considering the appointment of a corporate representative should check their own legal position, the Company's articles of association and the relevant provision of the Companies Act 2006

7 Copies of the executive directors service contracts with the Company and any of its subsidiary undertakings and letters of appointment of the non-executive directors are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday, Sunday or public holidays excluded) from the date of this Notice until the conclusion of the AGM and will also be available for inspection at the place of the AGM from 9 45 a m on the day of the AGM until its conclusion

Notice of Annual General Meeting (continued)

Explanatory notes to certain business of the AGM

Resolution 5 Directors' authority to allot shares

This resolution grants the directors authority to allot shares in the capital of the Company and other relevant securities up to an aggregate nominal value of £545 000 representing approximately 33 per cent of the nominal value of the issued ordinary share capital of the Company as shown in the latest audited accounts of the Company The directors do not have any present intention of exercising this authority but they consider it desirable that the specified amount of authorised but unissued share capital is available for issue so that they can more readily take advantage of possible opportunities Unless revoked varied or extended this authority will expire at the conclusion of the next AGM of the Company

Resolution 6 Directors' power to issue shares for cash

This resolution authorises the directors in certain circumstances to allot equity securities for cash other than in accordance with the statutory pre-emption rights (which require a company to offer all allotments for cash first to existing shareholders in proportion to their holdings) The relevant circumstances are either where the allotment takes place in connection with a rights issue or the allotment is limited to a maximum nominal amount of £410 000 representing approximately 25 per cent of the nominal value of the issued ordinary share capital of the Company Unless revoked varied or extended this authority will expire at the conclusion of the next AGM of the Company

Treasury shares regulations

*The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (as amended) ("**Treasury Shares Regulations**") give flexibility concerning what the Company can do with any of its ordinary shares that it may buy back The Company may now hold such shares in treasury and then sell them at a later date for cash rather than simply cancelling them The Treasury Shares Regulations require such sales to be on a pre-emptive, pro-rata basis to existing shareholders unless shareholders agree by special resolution to disapply such pre-emption rights Accordingly in addition to giving the directors power to allot unissued ordinary shares on a non pre-emptive basis, resolution 6 will also give directors power to sell ordinary shares held in treasury on a non-pre-emptive basis subject always to the limitations noted above The directors consider that the power proposed to be granted by resolution 6 is necessary to retain flexibility although they do not have any intention at the present time of exercising such power*

Resolution 7 Authority to purchase shares (market purchases)

This resolution authorises the board to make market purchases of up to 10 per cent of the Company's issued ordinary shares Shares so purchased may be cancelled or held as treasury shares

The directors intend to exercise this right only when in light of the market conditions prevailing at the time and taking into account all relevant factors (for example the effect on earnings per share), they believe that such purchases are in the best interests of the Company and shareholders generally The overall position of the Company will be taken into account before deciding upon this course of action The decision as to whether any such shares bought back will be cancelled or held in treasury will be made by the directors on the same basis at the time of the purchase