

Registration number 05697574

Managed Support Services plc

**Directors' Report and Consolidated Financial Statements for the year
ended 31 March 2011**

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Report and Financial Statements March 2011

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Directors and Advisers

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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
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Beehive Ring Road
Gatwick
RH6 0PA

AUDITOR

Deloitte LLP
Nottingham

REGISTRARS

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

Registered in England and Wales
Number 05697574

OVERVIEW

The year to March 2011 was our first full year of trading as a specialist Building Services provider. The Group now operates on a national basis. We specialise in providing complex, engineering based solutions for our customers, as well as the provision of planned and reactive maintenance, primarily for Heating, Ventilation and Air Conditioning ("HVAC") systems.

We believe customers understand and value our specialist focus on engineered solutions including the ability to manage large, capital projects. Where customers also wish for "soft" services such as cleaning or guarding, we provide these needs through partnership arrangements thereby giving our customers choice and access to best in class provision.

The substantial increase in turnover to £26.6 million from £15.3 million reflects previous acquisitions and the increased scale of the Group. Gross margin has also recovered substantially from the prior year. This improvement illustrates the benefits of margin management, improved sales mix and operational gearing.

TRADING

Following last year's operating losses and low levels of turnover it is a pleasure to be reporting an operating trading profit before exceptional items and other non trading costs of approximately £0.8 million for the year. The improvement in gross margin is obviously gratifying, reflecting growing efficiencies and the contribution of the higher margin Compliance units. This operating return represents only 2.9 per cent on sales. The Board clearly has ambitions to improve this figure considerably.

During the year we completed the integrations of the separately acquired trading units of Status Building Services and Environmental Control Services ("ECS"), which together with the original maintenance activities within the Group are now operating as one national unit, MSS Building Services. The integration process required the closure of surplus administration office space and considerable management simplification.

We also completed the acquisition of Data Sound Limited in April 2010 which now forms the core of our Health and Safety and Compliance offering, based in our Central London offices.

Finally, at the end of the year we upgraded our core IT systems from the previous, packaged solution to a much improved proprietary solution which offers superior management of the service elements of the business as well as improved day to day flexibility to control the complex, daily demands of a nationwide maintenance business.

In the context of achieving so much in the year, it was therefore disappointing to discover that there had been a significant, although temporary, failure to control certain contracts in the core maintenance unit. This led to cost recoverability issues and ultimately write offs. In normal circumstances these costs would have been recoverable. Further details are provided in the Financial Commentary.

The Group's UK Managing Director was not capable of meeting the challenge of integrating the enlarged Group and as previously disclosed, he was dismissed. Thereafter, the Board moved swiftly to impose greatly improved internal controls. Within a very short period of time operational control was re-established.

The Board is pleased to report that not only are the improved KPIs and metrics clearly understood across the Group but our proprietary IT platform, Nucleus is now delivering operational and reporting efficiencies and continues to impress with its functionality.

Nucleus is maintained by our offshore development office in India, modifications or extensions can therefore be delivered swiftly, at very modest cost. Nucleus is a lower cost and more functional solution than the third party packages available.

GROUP ACTIVITIES

The Group's Building Services offering focuses primarily on the provision of planned and preventative maintenance and complex engineering solutions. These services in the South are delivered by our London Regional management team based in the former ECS office in Wembley. This unit represents the consolidation of three former trading entities.

London Regional services the maintenance and complex engineering needs of several large, owner occupiers as well as a broad customer base of Managing Agents who maintain commercial real estate on behalf of their clients. The relevant customer properties are concentrated primarily within the M25. The location of the Wembley site is therefore ideal for management control and engineering efficiency.

Our engineering and HVAC services for the balance of the UK are managed from our Manchester office. Our Manchester office primarily serves the needs of our major Corporate customers. The expansion of our Manchester presence has been driven by the desire to support our major Corporate customers who have a concentration in and around Manchester and the North West. To deliver high levels of service it is important to offer proximity for customers.

Our Health & Safety and Compliance division enjoyed a robust trading year, although the development of our Water Services business has only picked up reasonable traction since the year end. The combination of these services, together with the ability to offer Fire & Electrical compliance means that we have a strong Compliance offering for our maintenance customers. Our core Compliance offering remains the provision of Health & Safety monitoring for a diversified customer base. Customer risks and legal exposures are managed by our team of Consultants and during the year we will be rolling out our in house software solution under the brand name Compleye.

The core compliance unit was acquired in April 2010 and now trades as MSS Health & Safety Limited. This unit now enjoys the benefits of a corporate structure, accurate and timely financial reporting and experienced leadership. Our Health & Safety Consultants are a key asset and with improved customer interface, we expect the customer base to grow during the current year.

BOARD

Euan McAlpine, who has been a non executive director since September 2008, has decided not to apply for re-election at the General Meeting in August due to increasing commitments with his other directorships. We would like to thank Euan for his important and valuable contribution to the Group and we have benefited much from his relevant sector experience. The Board is currently seeking a replacement non executive director.

GROUP STRATEGY

We believe that MSS has now established the key elements of a competitive and attractive Building Maintenance and Compliance services platform. It was therefore pleasing to announce a significant contract extension recently with Co-op Financial Services for their Leek campus with an annual contract value close to £1m.

We have a material commitment to new business sales to drive the expansion of our activities and as a result of our increasing recognition in the market, we now enjoy a promising bid pipeline. It seems reasonable to expect further new business wins over time.

It is our strategy to focus on sales led, organic growth, whilst continuing to improve the efficiency of the cost base. To the extent that the Group is able to win incremental business, net of the usual market churn, operational gearing will benefit net returns.

In terms of cash flow, following the issue of the Loan Notes in March, we will continue to invest in our supply chain, if necessary at the expense of the conversion rate of operating profit to cash flow. Our supplier base is critical to customer service levels. With regard to funding future growth, our facilities with Lloyds, which have recently been renewed, are ideally structured to manage the working capital needs arising from turnover growth.

PROSPECTS

Last year saw many achievements at MSS including the creation of a nationwide brand and service capability, major Corporate customer gains and the integration of several acquisitions. The short term management failings were clearly a disappointment and a painful episode, but management redress was rapid and more importantly, effective.

Market conditions in the first quarter of our new financial year were very difficult. The well publicised travails of the construction sector during the last few months had a material impact on our capital project related units.

This will adversely impact our first half performance, however, we believe we are now seeing the prospect of activity levels recovering and there are further considerable benefits to emerge from the new operating structure. Our intention is to build sales and to finish the year with a satisfactory run rate of activity in what we hope will become slightly less demanding markets.

Simon D Beart
Chief Executive

RESULTS

This year's results reflect the positive contribution made by the two businesses acquired during the year, the continued rationalisation of the cost base and the investment in our core IT platform to deliver future sustainable organic growth

Revenue for the year was £26.6m an increase of £11.3m from the prior year figure of £15.3m. As noted above, this increase was primarily due to a full year contribution from acquisitions made in the previous year, notably Status Building Services, and the two acquisitions made this year, Data Sound and ECS. The value of the contracted revenue book, adjusted for acquisitions, has remained fairly stable during the year, with strong organic sales growth offset by higher than usual contract losses in the Status contract book as this business was rationalised and integrated into the Group.

The Group achieved a gross margin of 32 per cent for the full year, compared to 24 per cent last year and 32 per cent for the first six months of the year. As noted in the interim results, this improvement from the prior year is largely as a result of a better mix of revenue. However, as the mix changes and with the continued difficult market conditions, it is expected that the Group's blended gross margin going forward will be in the region of 30 per cent.

The Group's adjusted operating profit (before restructuring costs, amortisation of intangible assets, share based payment charges and costs associated with acquisitions) was £0.8m. The statutory operating loss was £1.4m.

As described in the CEO's review, the non recurring restructuring costs during the year relate primarily to the one off costs incurred as a result of the mid year failure to control the recoverability of costs arising from maintenance contracts. As a result of this management failure a total of £0.5m was written off as non recoverable during the year. By year end a significant system upgrade had been implemented so that WIP is now monitored daily and reported to the Board weekly. Full provision is made against all WIP over 60 days. In addition, an amount of £0.3m has been recognised in exceptional costs for redundancy and integration costs incurred in the year. These costs are shown as restructuring of activities in the Consolidated Income Statement.

The costs associated with acquisitions are now reported through the income statement, rather than as a cost of acquisition in the balance sheet, following the implementation of IFRS 3 (2008). The amounts in this year relate to corporate finance fees, legal fees and external due diligence fees incurred on the acquisitions of Data Sound and ECS.

BALANCE SHEET

The Group ended the year with net debt of £2.7m, comprising £3.0m of short term borrowings from Lloyds Bank, £0.5m of Loan Notes and £0.8m of cash. The cash balance was higher than usual as the proceeds of the Loan Note were received on the last day of the financial year.

Core working capital, being the difference between trade debtors and trade creditors, increased during the year from £0.4m to £2.2m. This was partly as a result of acquisitions, but primarily due to an increase in Group debtor days from 48 to 55 and a decrease in group creditor days from 71 to 60. There have, however, been no material bad debts in the period. Creditor days have fallen significantly as we have made a conscious effort to speed up supplier payments to ensure supplier support. This process will continue in the current year with a target to reduce creditor days to less than 50.

Total Work in Progress at year end was £0.5m. This can be analysed as to £0.4m in relation to the maintenance business and £0.1m for the installation units. The maintenance related WIP arises due to the normal delay between performing work on site, and the processing of the relevant paperwork before the customer invoice can be raised. The current WIP balance represents approximately one week's worth of maintenance related revenue.

CASH FLOW

Operating cash outflow before restructuring cash costs was £1.7m compared to £1.8m last year. The operating cash outflow this year, is due almost entirely to the movement in working capital described above and a small reduction in provisions.

Capital expenditure in the year was £457,000, partly funded by a depreciation charge of £323,000. The largest spend was approximately £350,000 which was invested in IT equipment and the development of the Nucleus IT platform. This investment will improve the management of contracts and enable better utilisation and productivity of mobile engineers.

ACQUISITIONS AND DEFERRED CONSIDERATION

The Group made two acquisitions in the year with total net cash consideration of £6.3m. At year end the remaining deferred consideration in respect of these acquisitions was £350,000 payable in the year to 31 March 2012. The deferred consideration due at the end of the previous year being £1.27m was paid in full in the year.

The two acquisitions in the year resulted in the recognition at year end of additional intangible assets (customer relationships) of £2.6m and additional goodwill of £4m. The intangible asset is being amortised over a period of six years.

The acquisition of Data Sound was funded from existing cash balances, the acquisition of ECS was funded from the proceeds of a share placing undertaken at the time of the acquisition to raise approximately £2.9 million.

BANK FACILITIES

The Group has recently renewed its working capital facility with Lloyds Banking Group, for a further year, with a maximum facility size of £3.5m. Interest is paid monthly at 2.5 per cent over base rate.

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 which have been recently renewed and risks related to its business activities. The Group Budget indicates operating profits and positive operating cash flow in the period to 31 March 2012 and the Group maintains and regularly reviews detailed daily/monthly cash flow forecasts for the following three months.

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, these 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 charge arising during the year represents a tax adjustment in relation to trading in a prior period. During the year the Group reached agreement with HMRC for the business of ECS to be transferred to MSS Building Services, to enable the use of carry forward tax losses in the company. No deferred tax asset has been recognised as at 31 March 2011.

Piers Wilson
Group Finance Director

The Directors present their report and the audited consolidated financial statements for the period ended 31 March 2011

EXECUTIVE DIRECTORS

S D Beart ACA (52) – 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 (43) – 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 (35) – 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 (69) – 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 Entrepreneur 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 (52) – Non Executive Director

Euan McAlpine joined Managed Support Services from Cazenove Capital Management Limited, 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

Ordinary shares	31 March	31 March
	2011	2010
	Number	Number
S D Beart	2,686,215	1,062,501
P L S Wilson	650,000	90,000
J Reynolds	634,321	132,250
I R Mann	282,000	135,000
E J McAlpine	314,000	100,000

Loan Notes	31 March	31 March
	2011	2010
	£	£
S D Beart	100,000	-
P L S Wilson	5,000	-
J Reynolds	15,000	-
I R Mann	20,000	-

Details of the Directors' incentive and options arrangements are set out in the Remuneration Report on page 14

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 and Compliance 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 2011 (March 2010 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 or insolvency of one or more key customers could affect profitability. No customer represents more than 10 per cent of Group turnover and regular review meetings are held with all major customers

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. The Group mitigates this risk with appropriate HR policies and regular pay and benefit reviews.

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.

Financing

The Group has a financing facility with Lloyds Bank, which was recently renewed to June 2012. Loss or curtailment of this facility would severely impact the Group. Regular reports are provided to the Bank and the Facility has limited covenants.

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 interest rate 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 trade and other receivables, and bank balances and cash. 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.

Liquidity risk

All of the Group's cash balances and short term deposits are held in current accounts with major banks.

Interest rate risk

The Group's borrowings are at a variable interest rate linked to the Base rate. However, any potentially foreseeable increase in Base rates would have an immaterial impact on the Group's earnings.

SUPPLIER PAYMENT POLICY

It is the Group policy to settle debts with its creditors on a timely basis, taking into consideration the terms and conditions offered by each suppliers. At 31 March 2011, the number of creditor days outstanding for the Group was 58 days (2010: 71 days).

CAPITAL STRUCTURE

Details of the issued share capital are shown in note 28. 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 notes 30 and 31.

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.

On 31 March 2011 Convertible Loan Notes with a nominal value of £500,000 were issued. These notes pay interest semi-annually at a rate of 7 per cent. The Loan Notes are convertible into new ordinary shares of the Company, at a conversion price of 5p, by a note holder at any time up to 31 January 2015.

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 23 June 2011:

	Number of ordinary shares	%
Octopus Investments	20,557,277	9.8%
Legal & General	17,486,667	8.3%
Kilik Asset Management	10,873,343	5.2%
Hargreave Hale	10,382,000	4.9%
Noble Fund Managers	7,500,000	3.6%
Nathaniel Nabil Bouris	6,350,000	3.0%

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 2006.

Key Performance Indicators

The Group considers operating profit, operating cash flow, WIP and headcount as its principal 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

DONATIONS

During the year the group made charitable donations of £847 (2010 £1,600)

No political donations were made during the year (2010 £nil)

AUDITOR

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 auditor is 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 auditor is 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 4 August 2011 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 58 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
6 July 2011

UNAUDITED INFORMATION

As stated in the Corporate Governance Statement on page 12, 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 director's 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 loan note holder), 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 4,000,000 new ordinary shares at an exercise price of 75 pence per share The warrants are all exercisable up to March 2018 These incentives were granted following appointment

P L S Wilson holds warrants over 2,800,000 new ordinary shares at an exercise price of 10 pence per share. The warrants are all exercisable up to July 2018. 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 2011 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 2011 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, MSS Building Services Ltd. 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 formula. 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)

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AUDITED INFORMATION

Directors' emoluments

Current directors	Basic Salary £'000	Benefits £'000	Bonus £'000	Fees £'000	Year ended	Year ended
					31 March 2011 Total £'000	31 March 2010 Total £'000
S D Beart	195	3	-	-	198	232
P L S Wilson	160	1	-	-	161	190
J Reynolds	199	1	-	-	200	72
I R Mann	-	-	-	50	50	50
E J McAlpine	-	-	-	25	25	25
	<u>554</u>	<u>5</u>	<u>-</u>	<u>75</u>	<u>634</u>	<u>569</u>

No basic salary pay increases have been awarded for the last three years. In the year commencing 1 April 2011 S D Beart and J Reynolds have each agreed a salary reduction to £185,000, no other salary changes are expected.

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 2011 £'000	Total 2010 £'000
S D Beart	29	27
P L S Wilson	20	20
J Reynolds	9	3
	<u>58</u>	<u>50</u>

Approved and signed on behalf of the Board

I R Mann
Chairman, Remuneration Committee

Statement of Directors' Responsibilities

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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

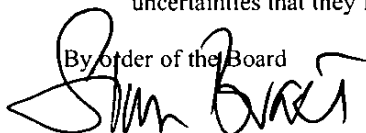
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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
Chief Executive Officer
6 July 2011



Piers Wilson
Chief Financial Officer
6 July 2011

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

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We have audited the financial statements of Managed Support Services plc for the year ended 31 March 2011 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 36. 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 regards the parent company financial statements, 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2011 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)

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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, FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Nottingham

6 July 2011

Consolidated Income Statement

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For the year ended 31 March 2011

	Note	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Revenue	2,4	26,582	15,318
Cost of sales		(18,167)	(11,598)
GROSS PROFIT		8,415	3,720
Administrative expenses before items identified below		(7,642)	(5,400)
OPERATING PROFIT/(LOSS) BEFORE ITEMS IDENTIFIED BELOW		773	(1,680)
Restructuring of activities		(786)	(573)
Closure costs of MSS Projects Limited		-	(1,229)
Non cash amortisation of intangible assets	13	(693)	(136)
Impairment of goodwill	12	-	(1,000)
Non cash increase in Share Based Payment reserve		(236)	(334)
Costs associated with acquisitions	7	(348)	-
OPERATING LOSS	5	(1,290)	(4,952)
Financial income	8	5	54
Financial expenses	9	(71)	(3)
LOSS BEFORE TAX		(1,356)	(4,901)
Income tax	10	(26)	50
LOSS FOR THE PERIOD		(1,382)	(4,851)
Attributable to			
Owners of the Company		(1,377)	(4,851)
Non-controlling interests	29	(5)	-
BASIC LOSS PER SHARE (pence)	11	(0.74)	(2.94)
DILUTED LOSS PER SHARE (pence)	11	(0.74)	(2.94)

All results are derived from continuing operations

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

Statement of Changes in Equity

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For the year ended 31 March 2011

Consolidated Statement of Changes in Equity

	Share Capital £ 000	Share premium account £ 000	Retained earnings £ 000	Share based payment reserve £ 000	Special reserve £ 000	Total equity attributable to equity shareholders of the Company £ 000	Non Controlling interests £'000	Total equity £ 000
Balance at 1 April 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 payments reserve	-	-	-	334	-	334	-	334
Balance at 31 March 2010	1 652	4 899	(4 875)	1 220	4,647	7 543	25	7 568
Loss for the financial period	-	-	(1 377)	-	-	(1 377)	(5)	(1 382)
Issue of share capital	446	-	-	-	-	446	-	446
Premium on issue of shares	-	2 474	-	-	-	2 474	-	2 474
Transfer to retained earnings	-	-	4 647	-	(4 647)	-	-	-
Increase in share based payment reserve	-	-	-	236	-	236	-	236
Balance at 31 March 2011	2 098	7 373	(1 605)	1 456	-	9 322	20	9 342

Company Statement of Changes in Equity

	Share Capital £ 000	Share premium account £ 000	Retained earnings £ 000	Share based payment reserve £ 000	Special reserve £ 000	Total equity attributable to equity shareholders of the Company £ 000	Non Controlling interests £'000	Total equity £ 000
Balance at 1 April 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 payments reserve	-	-	-	334	-	334	-	334
Balance at 31 March 2010	1 652	4 899	(880)	1 220	4,647	11 538	-	11 538
Loss for the financial period	-	-	(1 634)	-	-	(1 634)	-	(1 634)
Issue of share capital	446	-	-	-	-	446	-	446
Premium on issue of shares	-	2 474	-	-	-	2 474	-	2 474
Transfer to retained earnings	-	-	4 647	-	(4 647)	-	-	-
Increase in share based payment reserve	-	-	-	236	-	236	-	236
Balance at 31 March 2011	2 098	7 373	2 133	1 456	-	13 060	-	13 060

Consolidated Balance Sheet

As at 31 March 2011

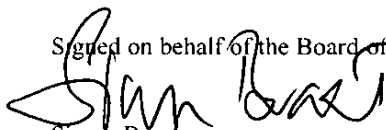
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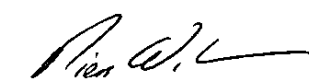
Company registered number 05697574

	Note	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
NON CURRENT ASSETS			
Goodwill	12	8,000	4,000
Other intangible assets	13	4,145	2,165
Property, plant and equipment	14	804	495
		<u>12,949</u>	<u>6,660</u>
CURRENT ASSETS			
Work in progress	16	499	205
Trade and other receivables	19	6,594	3,885
Cash and cash equivalents	20	815	4,135
Assets held for sale	15	-	180
		<u>7,908</u>	<u>8,405</u>
TOTAL ASSETS		<u>20,857</u>	<u>15,065</u>
CURRENT LIABILITIES			
Trade and other payables	24	(7,641)	(6,847)
Short term borrowings	21	(3,017)	(177)
Current tax liability		(234)	(117)
Obligations under finance leases	23	(66)	(68)
Provisions for liabilities	26	(46)	(190)
		<u>(11,004)</u>	<u>(7,399)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(3,096)</u>	<u>1,006</u>
NON CURRENT LIABILITIES			
Convertible loan notes	22	(500)	-
Obligations under finance leases	23	(11)	(22)
Provisions for liabilities	26	-	(76)
		<u>(511)</u>	<u>(98)</u>
TOTAL LIABILITIES		<u>(11,515)</u>	<u>(7,497)</u>
NET ASSETS		<u>9,342</u>	<u>7,568</u>
EQUITY			
Share capital	28	2,098	1,652
Share premium account		7,373	4,899
Special reserve		-	4,647
Share based payments reserve		1,456	1,220
Retained earnings		(1,605)	(4,875)
Equity attributable to owners of the Company		<u>9,322</u>	<u>7,543</u>
Non-controlling interests		<u>20</u>	<u>25</u>
TOTAL EQUITY		<u>9,342</u>	<u>7,568</u>

These financial statements were approved by the Board of Directors and authorised for issue on 6 July 2011

Signed on behalf of the Board of Directors


Simon Beart
Director


Prers Wilson
Director

Managed Support Services plc

Company Balance Sheet

As at 31 March 2011

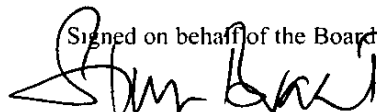
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Company registered number 05697574


	Note	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
NON CURRENT ASSETS			
Investments in subsidiaries	17	475	475
		<u>475</u>	<u>475</u>
CURRENT ASSETS			
Trade and other receivables	19	13,309	8,612
Cash and cash equivalents	20	405	3,494
		<u>13,714</u>	<u>12,106</u>
TOTAL ASSETS		<u>14,189</u>	<u>12,581</u>
CURRENT LIABILITIES			
Trade and other payables	24	(624)	(903)
Provisions for liabilities	26	(5)	(140)
		<u>(629)</u>	<u>(1,043)</u>
NET CURRENT ASSETS		<u>13,085</u>	<u>11,063</u>
NON CURRENT LIABILITIES			
Convertible loan notes	22	(500)	-
		<u>(500)</u>	<u>-</u>
TOTAL LIABILITIES		<u>(1,129)</u>	<u>(1,043)</u>
NET ASSETS		<u>13,060</u>	<u>11,538</u>
EQUITY			
Share capital	28	2,098	1,652
Share premium account		7,373	4,899
Special reserve		-	4,647
Share based payments reserve		1,456	1,220
Retained earnings		2,133	(880)
TOTAL EQUITY		<u>13,060</u>	<u>11,538</u>

These financial statements were approved by the Board of Directors and authorised for issue on 6 July 2011

Signed on behalf of the Board of Directors



Simon Beart
Director



Piers Wilson
Director

Consolidated Cash Flow Statement

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For the year ended 31 March 2011

	Note	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
NET CASH USED IN OPERATING ACTIVITIES BEFORE PAYMENT OF RESTRUCTURING COSTS	34	(1,710)	(1,774)
Restructuring and cash closure costs		(786)	(2,137)
NET CASH USED IN OPERATING ACTIVITIES		<u>(2,496)</u>	<u>(3,911)</u>
INVESTING ACTIVITIES			
Interest received		5	54
Proceeds from sale of assets held for sale		150	-
Proceeds on disposal of property, plant and equipment		792	9
Purchases of property, plant and equipment		(457)	(270)
Acquisition of businesses			
Cash paid		(7,972)	(4 216)
Cash acquired		1,677	710
Deferred consideration payments	33	(1,266)	(234)
NET CASH USED IN INVESTING ACTIVITIES		<u>(7,071)</u>	<u>(3,947)</u>
FINANCING ACTIVITIES			
Increase in short term borrowings		2,840	(11)
Repayment of obligations under finance leases		(13)	(21)
Proceeds on issue of convertible loan notes		500	-
Net proceeds of share issue in subsidiary		-	25
Net proceeds of share issue		2,920	-
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		<u>6 247</u>	<u>(7)</u>
NET DECREASE IN CASH		(3 320)	(7,865)
CASH AT THE BEGINNING OF PERIOD	20	4,135	12,000
CASH AT THE END OF THE PERIOD		<u>815</u>	<u>4 135</u>

Company Cash Flow Statement

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For the year ended 31 March 2011

	Note	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
NET CASH USED IN OPERATING ACTIVITIES	34	(6,573)	(9,408)
INVESTING ACTIVITIES			
Interest received		530	113
Proceeds from sale of investments		-	2,500
Purchases of businesses	33	(466)	(234)
Investment in subsidiary	33	-	(475)
NET CASH FROM INVESTING ACTIVITIES		<u>64</u>	<u>1,904</u>
FINANCING ACTIVITIES			
Net proceeds of convertible loan stock issue		500	-
Net proceeds of share issue		<u>2,920</u>	<u>-</u>
NET CASH FROM FINANCING ACTIVITIES		<u>3,420</u>	<u>-</u>
NET DECREASE IN CASH		(3,089)	(7,504)
CASH AT THE BEGINNING OF PERIOD	20	3,494	10,998
CASH AT THE END OF THE PERIOD		<u>405</u>	<u>3,494</u>

31 March 2011

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, the recently renewed borrowing facilities and risks related to its business activities. The full benefits of the restructuring costs incurred in this year will be realised in the year to 31 March 2012 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 judgements. 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 statements for the year ended 31 March 2011 and the comparative information presented in these financial statements for the year ended 31 March 2010.

Three interpretations and nine accounting standards were effective for the current year with the exception of IFRS 3 (revised), they have not led to any changes in the group's accounting policies, although IFRS 8 has resulted in additional disclosures.

IFRS 1 (Revised)

IFRS 2 (Revised)

IFRS 3 (Revised)

Exemptions for first time adoptions of IFRS

Group cash settled share based payments

Business combinations

31 March 2011

2 ACCOUNTING POLICIES (continued)

IAS 27 (Amendment)	Consolidated and separate financial statements
IAS 39 (Amendment)	Eligible hedged items
IAS 32 (Amendment)	Classification of Rights Issues
IAS 1 (Revised 2007)	Presentation of financial statements
IAS 23 (Revised)	Borrowing costs
IFRS 8	Operating segments
IFRIC 15	Agreements for the construction of real estate
IFRIC 16	Hedges of a net investment in a foreign operation
IFRIC 17	Distributions of non-cash assets to owners

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 (Amendment)	Severe Hyperinflation and removal of fixed dates for first time adopters
IFRS 7 (Amendment)	Disclosures – transfer of Financial Assets
IFRS 9	Financial instruments
IAS 12 (Amendment)	Deferred tax recovery of Underlying assets
IAS 24	Related party disclosures
IFRIC 14 (Amendment)	Prepayments of a minimum funding requirement
IFRIC 18	Transfer of assets from customers
IFRIC 19	Extinguishing financial liability with equity instruments
Improvements to IFRSs 2010	Except for the amendments in connection with IFRS 3 and IAS 27

The directors do not believe that adoption of any of the above accounting standards will have a material impact on the financial result of the group although additional disclosures may be required

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 2011. 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 value 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.

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 £1,634,000 (2010 £2,126,000).

31 March 2011

2 ACCOUNTING POLICIES (continued)

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition by acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The non-controlling interest is stated at 5 per cent of the fair value of the relevant 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 and is recognised from that date.

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. Goodwill is not amortised but is reviewed annually for impairment.

In accordance with IFRS 3, Business combinations, Goodwill is allocated to cash generating units at acquisition date. Each unit is reviewed annually and where there are indications that the carrying value may not be recoverable for impairment. The method of review is included in Note 12.

Other intangible assets

Other intangible assets consist of customer relationships of acquired businesses. The cost of customer relationships acquired in a business combination is generally based on fair market values. 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 statement 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.

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.

31 March 2011

2 ACCOUNTING POLICIES (continued)

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 after initial recognition of a liability.

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, costs associated with acquisitions 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.

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.

31 March 2011

2 ACCOUNTING POLICIES (continued)

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 based on tax laws and rates that have been enacted at the balance sheet date. 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.

Impairment of non-financial assets

The carrying amounts of the Group's property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where the carrying value exceeds the recoverable amount, a provision for the impairment loss is established with a charge being made to the income statement.

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

The carrying values of property, plant and equipment are reviewed for impairment annually and when events or changes in circumstances indicate that the carrying value may be impaired. Any impairment is taken direct to the income statement.

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.

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.

31 March 2011

2 ACCOUNTING POLICIES (continued)

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.

Onerous leases

Present obligations under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

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 30. 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 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 12 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.

31 March 2011

2 ACCOUNTING POLICIES (continued)

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.

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 12 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 12 months after the balance sheet date.

Compound financial instruments

The fair value of the liability portion of a convertible loan is determined using a market interest rate for an equivalent non-convertible loan. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity.

Equity instruments

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

31 March 2011

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.

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 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.

V 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

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 in the prior year, the Building Services segment is operated by MSS Building Services Limited, the Interior Contracts segment is MSS Interiors Limited and the Health and Safety segment is MSS Health and Safety Limited. 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 are broadly equivalent to the revenues from each group of similar products and services and accordingly no additional disclosure is included.

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4 BUSINESS AND GEOGRAPHICAL REPORTING (continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment operating profit/(loss) represents the operating profit/(loss) earned by each segment after allocation of the items described below. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

There is no difference between the total of the reportable segments' revenues and profit/(loss) before tax and the Group's revenue and loss before tax.

Segment Revenues and Results

The following is an analysis of the Group's revenue and results by reportable segment for the year ended 31 March 2011.

	Building Services Year ended 31 March 2011 £'000	Health and Safety Year ended 31 March 2011 £'000	Interior Contracts Year ended 31 March 2011 £'000	Central and Other Year ended 31 March 2011 £'000	Consolidated Year ended 31 March 2011 £'000
Revenue (continuing operations)					
External sales	21,409	2,338	2,835	-	26,582
Inter-segment sales	1,018	1	574	(1,593)	-
Total revenue	<u>22,427</u>	<u>2,339</u>	<u>3,409</u>	<u>(1,593)</u>	<u>26,582</u>

Inter-segment sales are charged at prevailing market prices.

Result

Operating (loss)/profit	1,645	376	(179)	(3,132)	(1,290)
Finance costs					(66)
Loss before tax					(1,356)
Tax					(26)
Loss after tax					<u>(1,382)</u>

Notes to the Financial Statements (continued)

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31 March 2011

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 2010

	Building Services	Health and Safety	Interior Contracts	Central and Other	Consolidated
	Year ended 31 March 2010 £'000	Year ended 31 March 2010 £'000	Year ended 31 March 2010 £'000	Year ended 31 March 2010 £'000	Year ended 31 March 2010 £'000
Revenue					
External sales	12,952	-	2,366	-	15,318
Inter-segment sales	227	-	294	(521)	-
Total revenue	<u>13,179</u>	<u>-</u>	<u>2,660</u>	<u>(521)</u>	<u>15,318</u>

Inter-segment sales are charged at prevailing market prices

Result					
Operating (loss)/profit	(3,556)	-	70	(1,466)	(4,952)
Finance costs					51
Loss before tax					(4,901)
Tax					50
Loss after tax					<u>(4,851)</u>

Segment Assets

	2011 £'000	2010 £'000
Building Services	27,926	13,283
Health and Safety	664	-
Interior contracts	791	920
Other	(8,524)	788
Consolidated total assets	<u>20,857</u>	<u>14,991</u>

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 12) and tax assets. Goodwill has been allocated on the basis of the revenues earned by individual reportable segments.

Notes to the Financial Statements (continued)

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5 OPERATING LOSS FOR THE PERIOD

Group	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Operating loss for the period has been arrived at after charging/(crediting).		
Depreciation of property, plant and equipment	323	101
(Profit)/loss on disposal of fixed assets	(15)	8
Costs associated with acquisitions (see note 7)	348	-
Amortisation of intangible assets	693	136
Impairment of goodwill	-	1,000
Payments under operating leases		
Land and buildings	354	202
Plant and machinery	368	322
Bad debts written off	8	188
Cost of inventories recognised as expense	18,167	11,598
Staff costs (see note 6)	11,325	6,399
Auditors' remuneration	107	135
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	20	25
Total audit fees	80	85
Non audit services		
Tax services	27	50
Total	107	135

£40,000 of due diligence services fees (2010 £45,000) were paid to the Company's auditors and are included within acquisition costs

6 STAFF COSTS

	Group		Company	
	Year ended 31 March 2011 Number	Year ended 31 March 2010 Number	Year ended 31 March 2011 Number	Year ended 31 March 2010 Number
Average number of persons employed (including directors)				
Administration	121	74	8	9
Engineering	199	136	-	-
	320	210	8	9
	£'000	£'000	£'000	£'000
Staff costs during the period				
Wages and salaries	10,044	5,658	697	916
Social security costs	1,122	627	90	123
Other pension costs	159	114	57	65
	11,325	6,399	844	1,104

31 March 2011

6 STAFF COSTS (continued)

Directors' emoluments

An analysis of the directors' emoluments and pension entitlements and their interests in the share capital of the Company are contained in the Remuneration Report on pages 14 to 17

Highest paid director

The Companies Act 2006 requires certain disclosures about the remuneration of the highest paid director taking into account emoluments, gains on exercise of share options and amounts receivable under long term incentive schemes. On this basis, the highest paid director in the year was J Reynolds

7 COSTS ASSOCIATED WITH ACQUISITIONS

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
The costs of acquisitions reported in the income statement were as follows		
Legal fees	142	-
Advisory fees	166	-
Due diligence fees	40	-
	<u>348</u>	<u>-</u>

8 FINANCIAL INCOME

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Interest on cash deposits	<u>5</u>	<u>54</u>

9 FINANCIAL EXPENSES

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Interest on bank overdrafts and loans	60	3
Interest on obligations under finance leases	11	-
	<u>71</u>	<u>3</u>

10 TAX

Analysis of tax (charge)/credit in the year

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Current taxation		
United Kingdom (charge)/credit	(26)	50
	<u>(26)</u>	<u>50</u>

31 March 2011

10 TAX (continued)

Factors affecting current tax charge in the period:

The Emergency Budget for 2010 introduced a reduction in the rate of corporation tax from 28 per cent to 27 per cent effective from 1 April 2011. This legislation was substantively enacted on 21 July 2010 and was expected to impact the company's current tax charge from 1 April 2011.

Subsequently, the Budget for 2011 has introduced a further reduction in the rate of corporation tax from 27 per cent to 26 per cent. This legislation was substantively enacted on 29 March 2011 and will impact the company's current tax charge from 1 April 2011.

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Loss on ordinary activities before tax	(1,356)	(4,901)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 28 per cent	(380)	(1,372)
Effects of		
Share based payments charge not deductible	66	94
Expenses not deductible for tax purposes	71	296
Timing differences between capital allowances and depreciation	(105)	(4)
Short term timing differences	(25)	(38)
Losses carried forward	373	1,024
Adjustment in respect of prior period	(26)	50
Current tax credit based on loss for the year	(26)	50

Deferred tax

Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the balance sheet date. Accordingly the reduction to 26 per cent has been taken into account when measuring the deferred tax assets and liabilities at 31 March 2011.

Further changes to the rate are proposed to reduce the rate by one per cent per annum from 26 per cent to 23 per cent by 1 April 2014. However these changes were not substantively enacted at the balance sheet date (nor have they yet been substantively enacted) and as such are not included in the deferred tax figures at 31 March 2011.

No deferred tax asset is recognised in respect of losses brought forward at a tax written down value of £3.1m (2010 £3.1m). 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 period.

31 March 2011

11 LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following data

	2011	2010
	£'000	£'000
Loss		
Loss for the purposes of basic and diluted earnings per share	(1,382)	(4,851)
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share	187,503,084	165,203,976
Potentially dilutive ordinary shares	2,750,000	-
Weighted average number of shares for the purposes of diluted earnings per share	190,253,084	165,203,976
Loss per share		
Basic loss per share (pence)	(0.74)	(2.94)
Diluted loss per share (pence)	(0.74)	(2.94)
ADJUSTED PROFIT/(LOSS) PER SHARE		
Loss as above	(1,382)	(4,851)
Restructuring of activities	786	573
Amortisation of intangible assets	693	136
Increase in share based payment reserve	236	334
Closure costs of MSS Projects	-	1,229
Impairment of goodwill	-	1,000
Costs associated with acquisitions	348	-
Tax effect of items above at 28% (2010: 28%)	-	-
Profit/(loss) for the purposes of adjusted basic and diluted earnings per share	681	(1,579)
Adjusted basic profit/(loss) per share	0.36	(0.96)
Adjusted diluted profit/(loss) per share	0.36	(0.96)

Impact of change in accounting policy

Changes in the Group's accounting policies during the year are described in detail in Note 2. To the extent that those changes have had an impact on results reported for 2011 and 2010 they have had an impact on the amounts reported for earnings per share.

	Impact on profit for the year from continuing operations		Impact on basic earnings per share		Impact on diluted earnings per share	
	2011	2010	2011	2010	2011	2010
	£'000	£'000	pence	pence	pence	pence
Changes in accounting policies relating to IFRS 3 (Revised) – Acquisition costs	348	-	(0.19)	-	(0.18)	-

31 March 2011

12 GOODWILL

	Group £'000	Company £'000
Cost		
At 1 April 2009	37,212	24,148
Acquisition of businesses in the year	3,000	-
At 31 March 2010	40,212	24,148
Acquisition of businesses in the year	4,000	-
At 31 March 2011	<u>44,212</u>	<u>24,148</u>
Accumulated impairment losses		
At 1 April 2009	35,212	24,148
Impairment loss in the year	1,000	-
At 1 April 2010 and at 31 March 2011	<u>36,212</u>	<u>24,148</u>
Carrying amount		
At 31 March 2011	<u>8,000</u>	-
At 31 March 2010	<u>4,000</u>	-

During the previous year the Group impaired the carrying value of goodwill attributable to MSS Projects Limited by £1,000,000

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

The carrying amount of goodwill has been allocated as follows

	2011 £'000	2010 £'000
MSS Interiors Limited	500	500
MSS Building Services Ltd	7,500	3,500
	<u>8,000</u>	<u>4,000</u>

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 management and extrapolates the forecast for a five year period. The discount rates used for each CGU varies from 10 per cent to 20 per cent (2010 10 per cent to 25 per cent) and growth rates were in the range of 0 per cent to 20 per cent (2010 0 per cent to 20 per cent).

The Group has conducted a sensitivity analysis on the impairment test of each CGU's 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.

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13 OTHER INTANGIBLE ASSETS

	Acquired customer relationships £'000
GROUP	
Cost	
At 1 April 2009	1,363
Acquisition of businesses	2,301
At 31 March 2010	3,664
Acquisition of businesses (see note 18)	2,580
Additions	93
At 31 March 2011	<u>6,337</u>
Amortisation	
At 1 April 2009	1,363
Charge for the period	136
At 31 March 2010	1,499
Charge for the year	693
At 31 March 2011	<u>2,192</u>
Carrying amount	
At 31 March 2011	<u>4,145</u>
At 31 March 2010	<u>2,165</u>

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

Notes to the Financial Statements (continued)

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14 PLANT PROPERTY AND EQUIPMENT

Group	Land and Buildings £'000	Office and IT Equipment £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 April 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
Additions	-	457	-	457
Acquisition of subsidiary company	750	8	194	952
Disposals	(807)	-	(111)	(918)
At 31 March 2011	-	1,117	305	1,422
Depreciation				
At 1 April 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
Charge for the year	-	200	123	323
Disposals	(57)	-	(84)	(141)
At 31 March 2011	-	562	56	618
Net book value				
At 31 March 2011	-	555	249	804
At 31 March 2010	-	290	205	495

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

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Carrying value		
Office equipment	59	-
Motor vehicles	35	90
	<u>94</u>	<u>90</u>

Notes to the Financial Statements (continued)

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31 March 2011

15 ASSETS HELD FOR SALE

The only class of asset held for sale was as follows

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Group		
Property	-	180

The property, acquired as part of the acquisition of the Status Building Services Group, was at the prior year end being marketed for sale and was included in the balance sheet at the expected sale price less costs to complete. The property was sold on 20 September 2010.

16 WORK IN PROGRESS

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Work in progress		
Maintenance contracts	394	205
Installation projects	105	-
	<u>499</u>	<u>205</u>

The Maintenance contract WIP of £394,000 is stated at cost and arises due to the normal delay between performing work on site and the processing of the relevant paperwork prior to customer invoicing. The WIP arising on installations is the net figure, across all installation contracts, of the costs incurred in advance of billing (£357,000) and invoices raised in advance of incurring relevant costs (£252,000).

17 INVESTMENTS IN SUBSIDIARIES

Company	£'000
At 1 April 2009	17,714
Additions	497
Disposals	(15,736)
At 1 April 2010 and at 31 March 2011	<u>2,475</u>
Impairment	
At 1 April 2009	14,699
Impairment charge	2,000
Disposals	(14,699)
At 1 April 2010 and at 31 March 2011	<u>2,000</u>
Net book value	
At 1 April 2010 and at 31 March 2011	<u>475</u>

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17 INVESTMENTS IN SUBSIDIARIES (continued)

Details of the principal subsidiary companies at 31 March 2011, 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 Health and Safety Limited*	England and Wales	95% ordinary	Health and safety consultants
MSS Interiors Limited *	England and Wales	95% ordinary	Interior fit out

* denotes indirect subsidiary owned 100 per cent by MSS Building Services Limited

The percentage of the issued share capital held by the Group is equivalent to the percentage of voting rights held

18 ACQUISITION OF SUBSIDIARIES

MSS Health and Safety Limited (previously Data Sound Limited)

On 15 April 2010, the Group acquired 100 per cent of the issued share capital of MSS Health and Safety Limited, gaining control for a cash consideration of £2,942,000. This transaction has been accounted for by the purchase method of accounting. The acquisition was made for the long term interests of the Group.

	Book value £'000	Final fair value adjustments £'000	Total Final fair value £'000
<i>Net assets acquired</i>			
Plant, property and equipment	80	(72)	8
Trade and other receivables	605	(73)	532
Cash and cash equivalents	60	-	60
Trade and other payables	(329)	(181)	(510)
Deferred Income	(403)	(500)	(903)
	<u>13</u>	<u>(826)</u>	<u>(813)</u>
Goodwill			2,500
Intangible assets			<u>1,255</u>
Gross consideration			<u>2,942</u>
Satisfied by			
Cash			<u>2,942</u>
Directly attributable costs of £181,600 have been expensed to the Income statement			
Net cash outflow arising on acquisition			
Cash consideration			2,942
Less cash and cash equivalents acquired			<u>(60)</u>
Net consideration			<u>2,882</u>

The goodwill arising on the acquisition of MSS Health and Safety 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.

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18 ACQUISITION OF SUBSIDIARIES (continued)

MSS Health and Safety Limited contributed £2,339,000 to revenue and a profit of £576,000 (before group management charges) to loss before tax for the period between the date of acquisition and the balance sheet date

If the acquisition of MSS Health and Safety Limited had been completed on the first day of the financial year, Group revenues and Group loss attributable to equity holders of the parent would have been the same as those included in the Group's result

Environmental Control Services Limited

On 30 September 2010, the Group acquired 100 per cent of the issued share capital of Environmental Control Services Limited, gaining control, for a net cash consideration of £3,413,000. This transaction has been accounted for by the purchase method of accounting. The acquisition was made for the long term interests of the Group.

	Book value £'000	Provisional fair value adjustments £'000	Total provisional fair value £'000
<i>Net assets acquired</i>			
Plant, property and equipment	835	109	944
Trade and other receivables	2,163	(233)	1,930
Cash and cash equivalents	1,617	-	1,617
Trade and other payables	(1,470)	(466)	(1,936)
	<u>3,145</u>	<u>(590)</u>	<u>2,555</u>
Goodwill			1,500
Intangible assets			1,325
Gross consideration			<u>5,380</u>
Satisfied by			
Cash			5,030
Deferred consideration			350
			<u>5,380</u>
Directly attributable costs of £166,023 have been expensed to the Income statement			
Net cash outflow arising on acquisition			
Cash consideration			5,030
Less cash and cash equivalents acquired			(1,617)
Net consideration			<u>3,413</u>

The goodwill arising on the acquisition of Environmental Control 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.

Environmental Control Services Limited contributed £4,297,000 to revenue and a profit of £465,000 (before Group management charges) to loss before tax for the period between the date of acquisition and the balance sheet date.

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19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Amounts receivable for the sale of goods	5,974	3,612	-	-
Allowance for doubtful debts	(336)	(296)	-	-
	<u>5,638</u>	<u>3,316</u>	-	-
Amounts due from Group undertakings	-	-	13,249	8,591
Other debtors	158	113	30	6
Prepayments	798	454	30	15
Corporation tax	-	2	-	-
	<u>6,594</u>	<u>3,885</u>	<u>13,309</u>	<u>8,612</u>

The average credit period taken on sale of goods is 55 days (2010 48 days) The provision for estimated irrecoverable amounts from the sale of goods was £336,000 (2010 £296,000) 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	
	2011 £'000	2010 £'000
Trade Debtors – More than three months but not more than twelve months overdue	<u>195</u>	<u>-</u>

All financial assets past due but not impaired are between three and twelve months and have been settled subsequent to the financial year ended 31 March 2011

	Group	
	2011 £'000	2010 £'000
Movement in the allowance for doubtful debts		
Balance at the beginning of the period	296	338
Acquired provision	50	57
Amount (released)/provided for in period	(2)	89
Amounts written off as uncollectable	(8)	(188)
Balance at the period end	<u>336</u>	<u>296</u>

The Directors consider that the carrying value of trade and other receivables approximates to their fair value The Group had £907,000 (2010 £484,000) of trade debtors that have exceeded their allowed credit period but not been provided for, all of which was 0 – 90 days overdue

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

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20 CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Cash and cash equivalents	815	4,135	405	3,494

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.

21 BORROWINGS

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
CURRENT				
Bank loans due for settlement within one year	3,017	177	-	-

The weighted average effective borrowing rate was 3.0 per cent (2010 3.0 per cent).

The borrowings relate to a facility secured against the Group trade debtors.

22 CONVERTIBLE LOAN NOTES

Convertible Loan Notes were issued on 31 March 2011 with a total nominal value of £500,000. The Convertible Loan Notes are convertible by the Note holder into new Managed Support Services plc ordinary shares at a conversion price of 5 pence per ordinary share. The maximum number of new ordinary shares to be issued if all Loan Notes are converted is 10 million, equivalent to approximately 5 per cent of the currently issued outstanding ordinary share capital.

If conversion does not take place before 31 January 2015, the Convertible Loan Notes will be redeemed at par by the Company. The notes yield 7 per cent per annum, paid semi-annually in arrears.

23 OBLIGATIONS UNDER FINANCE LEASES

	Group	
	2011 £'000	2010 £'000
CURRENT		
Hire purchase and finance leases	66	68
NON CURRENT		
Hire purchase and finance leases	11	22
The maturity profile of the carrying amount of the non-current borrowings was as follows:		
Repayable		
- between one and two years	66	68
- between two and five years	11	22
	77	90

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23 OBLIGATIONS UNDER FINANCE LEASES (continued)

	Group	
	2011	2010
	£'000	£'000
The minimum lease payments under finance leases fall due as follows		
On demand or within one year	66	77
Later than one year but not more than five years	21	24
	<u>87</u>	<u>101</u>
Future finance charges on finance leases	(10)	(11)
Present value of finance lease payables	<u>77</u>	<u>90</u>

The weighted average effective borrowing rate was 6 per cent (2010 6 per cent)

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

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Trade creditors	3,396	2,967	118	116
Amounts owed to group undertakings	-	-	275	-
Social security and other taxes	653	215	-	-
Deferred consideration	350	1,266	-	466
Other creditors	1,074	597	136	16
Deferred income	1,044	522	-	-
Convertible loan notes	500	-	500	-
Accruals	1,124	1,280	95	305
	<u>8,141</u>	<u>6,847</u>	<u>1,124</u>	<u>903</u>
Split as				
Non current liabilities	500	-	500	-
Current liabilities	7,641	6,847	624	903
	<u>8,141</u>	<u>6,847</u>	<u>1,124</u>	<u>903</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 58 days (2010 71 days).

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

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25 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

	Land and buildings 2011 £'000	Plant and machinery 2011 £'000	Land and buildings 2010 £'000	Plant and machinery 2010 £'000
Group				
Leases ending:				
Within one year	342	16	304	189
Within two to five years	685	930	649	406
More than five years	80	-	140	-
	<u>1,107</u>	<u>946</u>	<u>1,093</u>	<u>595</u>
	Land and buildings 2011 £'000	Plant and machinery 2011 £'000	Land and buildings 2010 £'000	Plant and machinery 2010 £'000
Company				
Leases ending:				
Within one year	235	-	304	-
Within two to five years	595	-	649	-
More than five years	80	-	140	-
	<u>910</u>	<u>-</u>	<u>1,093</u>	<u>-</u>

26 PROVISIONS FOR LIABILITIES

	Onerous leases £'000	Legal costs £'000	Total £'000
Group			
Balance at 1 April 2009	551	221	772
Additional provision in the period	75	-	75
Utilisation of provision	(272)	(159)	(431)
Release of provision	(150)	-	(150)
Balance at 31 March 2010	<u>204</u>	<u>62</u>	<u>266</u>
Utilisation of provision	(126)	-	(126)
Release of provision	(37)	(57)	(94)
Balance at 31 March 2011	<u>41</u>	<u>5</u>	<u>46</u>
Included in current liabilities			<u>46</u>

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26 PROVISIONS FOR LIABILITIES (continued)

	Onerous leases £'000	Legal costs £'000	Total £'000
Company			
Balance at 1 April 2009	301	221	522
Additional provision in the period	75	-	75
Utilisation of provision	(148)	(159)	(307)
Release of provision	(150)	-	(150)
Balance at 31 March 2010	78	62	140
Utilisation of provision	(74)	-	(74)
Additional provision in the period	-	-	-
Release of provision	(4)	(57)	(61)
Balance at 31 March 2011	-	5	5
Included in current liabilities			5

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 year.

The legal costs provision relates to work commenced by the Group's legal advisors to start proceedings against third parties in relation to the flotation of the Group in 2006.

27 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	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Carrying value of financial assets.				
Cash and cash equivalents	815	4,135	405	3,494
Trade receivables	5,638	3,316	-	-
Other receivables	158	369	30	6
Due from subsidiaries	-	-	13,249	8,591
Loans and receivables at amortised cost	6,611	7,820	13,684	12,091
Carrying value of financial liabilities:				
Obligations under finance leases	(66)	(68)	-	-
Trade payables	(3,396)	(2,967)	(118)	(116)
Other payables	(8,053)	(4,536)	(1,011)	(927)
Total other financial liabilities at amortised cost	(11,515)	(7,497)	(1,129)	(1,043)
Undiscounted contractual maturity of other financial liabilities.				
Amounts payable				
On demand or within one year	(11,004)	(7,473)	(629)	(1,043)
In the second to fifth years inclusive	(511)	(98)	(500)	-
	(11,515)	(7,497)	(1,129)	(1,043)

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27 FINANCIAL INSTRUMENTS (continued)

The capital structure of the group consists of debt, which includes the short term borrowings disclosed in Note 21, 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 has been calculated.

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

28 SHARE CAPITAL

	31 March 2011 £'000	31 March 2010 £'000
Issued and fully paid		
209,802,191 ordinary shares of 1p each (2010: 165,203,976)	<u>2,098</u>	<u>1,652</u>

On 29 September 2010, 44,285,715 shares were placed at 7p per share, in addition a further 312,500 shares were placed at 8p per share in relation to the acquisition of Environmental Control Services Limited.

29 NON-CONTROLLING INTEREST IN SUBSIDIARY

	£'000
Balance at 1 April 2010	25
Share of loss for the year	<u>(5)</u>
Balance at 31 March 2011	<u>20</u>

The non-controlling 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.

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30 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 2010 and 31 March 2011 in options, warrants and LTIPs are set out below

	1 April 2010 Number	Granted Number	Lapsed Number	31 March 2011 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	-		
EMI Scheme and Warrant sub total	9,150,000	-	650,000	8,500,000		
LTIP Contingent Awards						
					Vesting Prices	Exercise Period
LTIP Type I (vest 31/3/11)	3,500,000	-	750,000	2,750,000	-	2012-2016
LTIP Type I (vest at 25p)	3,500,000	2,000,000	750,000	4,750,000	25p	2009-2016
LTIP Type I (vest at 30p)	3,500,000	-	750,000	2,750,000	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	2,000,000	2,900,000	27,187,500		
	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	7.5	Up to 2011
EMI Scheme and Warrant sub total	9,150,000	-	-	9,150,000		
LTIP Contingent Awards						
					Vesting Prices	Exercise Period
LTIP Type I (vest 31/3/11)	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	28,087,500	-	-	28,087,500		

Of the outstanding options at 31 March 2011, 2,750,000 were exercisable (2010 Nil)

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.

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30 SHARE BASED PAYMENTS (continued)

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 2011 had a weighted average exercise price of 13.1p (2010: 13.1p) and a weighted average remaining contractual life of 6 years (2010: 7 years).

2,250,000 LTIP I options lapsed in the period due to the relevant employee leaving the Group. 2,000,000 LTIP I options were issued in the period to one of the vendors of the ECS business who remains an employee of the Group and part of the senior management team. These new options are only exercisable if the share price of the Company exceeds 25 pence for 10 consecutive business days.

The fair value of the options that were issued in the period were reviewed using the Black-Scholes Option Pricing Mode. This review determined that the options issued in the year had negligible value and therefore no expense has been recognised in relation to these options.

The Company and the Group recognised an expense of £236,000 (2010: £334,000) related to equity settled share-based payment transactions. This expense in the period relates to options and LTIPs issued in prior periods but for which the cost is amortised over the expected vesting period of three years.

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31 SHARE OPTIONS AND OTHER LONG TERM INCENTIVE PLANS

Directors' share options

Aggregate emoluments disclosed in Note 6 do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the directors

Details of options for directors who served during the year are as follows:

Name of director	Scheme	1 April 2010 Number	31 March 2011 Number	Exercise price Pence	Date from which exercisable	Expiry date
S D Beart	Warrants	4,000,000	4,000,000	7 5	2009	2016
S D Beart	LTIP I	1,500,000	1,500,000	n/a	31 3 11	2016
S D Beart	LTIP I	1,500,000	1,500,000	25 0	2009	2016
S D Beart	LTIP I	1,500,000	1,500,000	30 0	2009	2016
S D Beart	LTIP II	1,237,500	1,237,500	12 0	2009	2016
S D Beart	LTIP II	1,237,500	1,237,500	16 0	2009	2016
S D Beart	LTIP II	1,237,500	1,237,500	20 0	2009	2016
P L S Wilson	Warrants	2,800,000	2,800,000	10 0	2009	2016
P L S Wilson	LTIP I	1,250,000	1,250,000	n/a	31 3 11	2016
P L S Wilson	LTIP I	1,250,000	1,250,000	25 0	2009	2016
P L S Wilson	LTIP I	1,250,000	1,250,000	30 0	2009	2016
P L S Wilson	LTIP II	956,250	956,250	12 0	2009	2016
P L S Wilson	LTIP II	956,250	956,250	16 0	2009	2016
P L S Wilson	LTIP II	956,250	956,250	20 0	2009	2016
		<u>21,631,250</u>	<u>21,631,250</u>			

There have been no variations to the terms and conditions or performance criteria for the LTIP schemes during the financial year

32 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 £159,000 (2010: £114,000)

Outstanding contributions at the end of the financial year were £nil (2010: £1,000)

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33 ANALYSIS OF CASH FLOWS USED FOR ACQUISITIONS

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Purchase of businesses		
Group		
Deferred consideration	(1,266)	(234)
Net Cash paid for acquisitions	<u>(6,295)</u>	<u>(4,216)</u>
	<u>(7,561)</u>	<u>(4 450)</u>
Company		
Deferred consideration paid	(466)	(234)
Investment in MSS Building Services Limited	-	(475)
	<u>(466)</u>	<u>(709)</u>

34 NOTES TO THE CASH FLOW STATEMENT

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Operating loss from continuing activities	(1,290)	(4,952)	(2,164)	(2,239)
Adjustments for				
Depreciation of property plant and equipment	323	101	-	-
Amortisation of intangible assets	693	136	-	-
Impairment of Goodwill	-	1,000	-	-
Impairment of investments	-	-	-	2,000
Share based payments	236	334	236	334
Profit on disposal of investments	-	-	-	(1,463)
(Profit)/loss on disposal of property, plant and equipment	(15)	11	-	-
Other non-cash items	(64)	-	-	-
	<u>(64)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating cash flows before movement in working capital	(117)	(3,370)	(1,928)	(1,368)
Decrease/(increase) in work in progress	(244)	267	-	-
Decrease/(Increase) in receivables	(297)	1,908	(4,697)	(7,352)
(Decrease)/increase in payables	(1,433)	(2,323)	187	(306)
Decrease in provisions	(220)	(506)	(135)	(382)
	<u>(2,311)</u>	<u>(4,024)</u>	<u>(6,573)</u>	<u>(9,408)</u>
Cash utilised by operations	(2,311)	(4,024)	(6,573)	(9,408)
Income taxes (paid)/received	(114)	116	-	-
Interest paid	(71)	(3)	-	-
	<u>(2,496)</u>	<u>(3,911)</u>	<u>(6,573)</u>	<u>(9,408)</u>
Net cash flow from operating activities	(2,496)	(3,911)	(6,573)	(9,408)
Restructuring costs paid in period	786	2,137	-	-
	<u>(1,710)</u>	<u>(1,774)</u>	<u>(6,573)</u>	<u>(9,408)</u>
Net cash flow from operating activities before payment of restructuring costs	(1,710)	(1,774)	(6,573)	(9,408)

Restructuring costs paid during the year comprised closure costs £0 1m (2010 £1 4m) onerous lease payments and lease settlements £0 1m (2010 £0 2m), redundancy costs £0 1m (2010 £0 2m), legal and professional fees £nil (2010 £0 1m), and WIP write off /other £0 5m (2010 £0 2m)

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 March 2011

35 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:

	2011	2010
	£'000	£'000
Sales to other group companies	700	-
Interest charged on funding loans	525	-
Dividends receivable	-	312

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

Amounts due from subsidiaries	13,249	8,591
Amounts payable to subsidiaries	275	-

36 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.

Notice of Annual General Meeting

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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 4 August 2011 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 2011, together with the directors' report and the auditor's report on those financial statements and the directors' report

2 Re-election of Directors

2.1 To re-elect J Reynolds, who retires by rotation in accordance with the Company's articles of association

2.2 To re-elect P L S Wilson, who retires by rotation in accordance with the Company's articles of association

3 Appointment of auditors

To re-appoint Deloitte LLP as auditors of the Company to hold office from the conclusion of this Annual General Meeting 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 £700,000 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 2011 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 560(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 £500,000 representing approximately 24 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 2011, and

- 6.2 unless previously revoked, varied or extended, this power shall expire on the earlier of the date falling 18 months after the date of the passing of this resolution and 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 20,000,000 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 2011,
- 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 earlier of the date falling 18 months after the date of the passing of this resolution and 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 6 July 2011

Registered Office
One Crown Square
Church Street East
Woking
Surrey
GU21 6HR

By order of the Board

P L S Wilson
Company Secretary

Notice of Annual General Meeting (continued)

Notes

- 1 Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those members registered in the register of members of the Company at 10.00 a.m. on 2 August 2011 (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, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4BR 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, the revocation of a proxy appointment 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 am on the day of the AGM until its conclusion.

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 £500,000, representing approximately 24 per cent of the nominal value of the issued ordinary share capital of the Company as at 30 June 2011, being the latest practicable date before publication of this notice. 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 £500,000, representing approximately 24 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.

Resolution 7 Authority to purchase shares (market purchases)

This resolution authorises the board to make market purchases of up to approximately 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.