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**Maxima Holdings plc
(‘Maxima’ or the ‘Company’)**

FULL YEAR REPORT FOR THE YEAR ENDED 31 MAY 2010

Maxima Holdings plc (AIM: MXM), the leading IT business systems and managed services company, is pleased to announce its audited consolidated results for the year ended 31 May 2010.

Financial Highlights

- Revenues of £51.0m (2009: £56.6m)
- Adjusted operating profit of £5.6m* (2009: £8.3m*)
- Adjusted profit before tax £4.9m* (2009: £7.1m*)
- Loss before tax of £0.8m (2009: Loss £9.6m) after £1.8m (2009: £4.2m) of exceptional items
- Adjusted basic earnings per share 13.4p* (2009: 21.2p*); basic loss per share 2.7p (2009: 36.8p)
- Net cash flow from operating activities was £6.1m (2009: £5.2m)
- The Group had net debt of £11.8m at the end of the period (31 May 2009: £15.5m)
- Net finance costs in the period totalled £0.7m, covered 7.5 times by adjusted operating profit*
- Dividend of 3.0p per share (2009: 4.5p) in line with stated dividend policy
- 60% recurring revenue (2009: 56%)

(*before amortisation of intangibles, impairment of goodwill, share-based payments, and exceptional charges)

Operational Highlights

- 31% growth in new bookings in H2 2010 over H1 2010 (2.5% FY2010 over FY2009)
- 119 new clients won during the period (2009: 87) and strong contract renewal rate
- £2.5m of new Microsoft Dynamics® projects sold during the period
- Over £12.7m of multi-year Infrastructure Service contracts placed by 4 customers
- 31 new Virtualisation contracts won
- More than £2.5m of Business Intelligence orders placed by major UK banks
- Former QAD® customers continue to invest in Maxima’s wider services
- 14% net reduction of on-shore staff, inclusive of 61 new starters
- 48% increase in off-shore staff in India

Commenting on the results, Graham Kingsmill, Maxima's Chief Executive Officer, said:

“Our aim to simplify and focus Maxima’s operational processes and value proposition in order to retain existing and attract new customers gathered momentum, particularly in the second half of the year. Initiatives to drive economic efficiencies through greater use of our off-shore capability and improved internal infrastructure are progressing well, although many of the benefits are still to be realised.

“There are encouraging signs of recovery in those parts of the business which we have identified as being core competencies for Maxima. The opportunity ahead is the controlled management and migration of customers to the new more focused services and solutions now available. Enquiries, pipeline and order intake improved in our core areas through the year as a result of increased focus, rigour in sales execution and new skills being added to the business.”

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Notes to Editors

Maxima (AIM:MXM) is a leading IT business systems and managed services company, providing Business Solutions and Support Enablement Services to over 1,400 organisations across the UK, Ireland and the USA. The Company's core service offerings include virtualisation, network infrastructure and communications, business intelligence and comprehensive Microsoft Dynamics AX/CRM solutions for key sectors including construction, manufacturing and services.

Report for the year ended 31 May 2010

Director's Report

Chairman's Statement

Introduction

I am pleased to report on the Company's continued good progress in executing the plans we presented to shareholders a year ago. As planned, we have invested in people, intellectual property and infrastructure including:

- Recruitment of 61 new staff (although net reduction of 58) in the UK as we aligned the business with the market areas in which we see greatest growth opportunity, namely, Microsoft Business Solutions, Virtualisation, Business Intelligence and Unified Infrastructure
- Expansion of the scope of our MAXcel software solution, based upon Microsoft Dynamics AX/CRM and continued development of our proprietary implementation methodologies and templates for implementation of applications software including Business Intelligence
- Major front office and back office improvements:
 - Launch of Competency Centres in which we demonstrate our products and services to clients
 - Consolidation of our customer support centres, including rapid expansion of our Hyderabad support centre and implementation of new customer support systems

Results

Trading results, although lower than last year, were in line with expectations. This fall reflected the challenging economic environment affecting our customers as well as a year of planned investment in the business. Revenues totalled £51.0m (2009: £56.6m) giving adjusted operating profit of £5.6m* (2009: £8.3m*). Adjusted profit before tax was £4.9m* (2009: £7.1m*) resulting in adjusted basic earnings per share of 13.4p* (2009: 21.2p*). A statutory loss before tax of £0.8m (2009: Loss £9.6m) has been reported which includes the impact of £1.8m (2009: £4.2m) of exceptional items.

Recurring revenues continued to provide a solid foundation and increased as a percentage of overall revenues. The difficult trading environment however reduced product and consulting revenues. Cash flow continued to be strong, and net debt was reduced to £11.8m (2009: £15.5m), which is ahead of market expectations. We also took the opportunity towards the year end of renegotiating the terms of our facilities with Barclays Bank to remove certain restrictions. The revised facilities run through to 2013 on attractive terms.

(*before amortisation of intangibles, impairment of goodwill, share-based payments, and exceptional charges)

Board & Senior Management

I am very happy with the way in which the Board has conducted business this year after the major changes of 2009. It has brought stability and experience to the challenges faced by the new Executive Directors, Graham Kingsmill and David Memory, as they have re-shaped the business to address the market conditions of today and tomorrow. In light of this, I have moved to become non-executive Chairman with effect from 1 July 2010, though I will continue to support the executive directors on corporate, client-facing and some specialist matters, should the need arise.

I am very pleased that during the course of the year Paul Adams and Fraser Fisher were promoted to the roles of Divisional Managing Director of our Business Solutions and Support Enablement Services Divisions respectively. Fraser joined the business in 2007 with the acquisition of Centric Networks Ltd, a company he founded and Paul was recruited later that year after an early career in sales with IBM®. Both have demonstrated strong leadership and business development qualities and I wish them every success in their new roles.

Staff

Maxima is fortunate to have a strong, resourceful and adaptable workforce, who have continued to provide excellent levels of customer service whilst the business has undergone substantial restructuring, with many new joiners and leavers. I should like to express my sincere thanks to all staff who have contributed to this successful year for their efforts and loyalty.

Prospects

Our clients are predominantly UK-headquartered and as a result of the recession have, for the last two years, been aggressive in looking for operational cost savings and cautious in making new IT investments.

In recent months we have noticed signs of improved confidence, which have enabled us to start benefiting from the changes and investments that we have made in Maxima. As a result of a pick-up in sales during the second half of the year, we have entered the new financial year with a strong order book. Trading in the first quarter of the new financial year has been encouraging and we look forward to 2011 with confidence that this year of investment has positioned the Company for future growth.

Our tightly focused offering enables our clients to take full advantage of our differentiated business applications software in a resilient hosted environment, based on strong partnerships with Microsoft®, SAP®, Citrix®, Oracle® and IBM. This, together with high levels of recurring revenues from our large and diverse client base gives us high confidence in our ability to achieve organic growth and continue to pay down our debt. However, in the event that we find acquisition opportunities that are strongly aligned with our new business propositions and structure and are at affordable prices, we may return to acquisitive growth.

Dividend

The directors recommend a final dividend of 2.0p per share (2009: 2.5p), to be paid on 8 October 2010 to shareholders on the register as at 10 September 2010, making a total of 3.0p per share for the year (2009: 4.5p). Our consistent policy is to pay out a proportion of operating profit to shareholders as dividends, whilst continuing to pay down debt and preserving the capacity to consider further acquisitions.

Kelvin Harrison
Chairman of the Board
3 August 2010

Results for the year ended 31 May 2010

Director's Report

Chief Executive's Review

Introduction

For the year ended 31 May 2010, Maxima continued to make progress towards delivering on its strategic plan presented in August 2009, focusing particularly on areas of core competence where we can respond best to the demands of key customers whilst driving improved efficiencies by simplifying our operational processes.

The last two years have seen the IT industry impacted by a 'perfect storm' created by the credit crunch which impacted business confidence and resulted in extended technology replacement cycles. However, there are now increasing signs of the market returning to growth, with recent research pointing to an increase in purchases of IT Infrastructure. Indeed, Gartner is now projecting that all vertical markets will return to growth, and will be particularly responsive to those vendors that continue to offer solutions that help achieve cost optimisation during 2010 and 2011.

Organisations that have been through these challenging market conditions acknowledge that there is a need to do things differently and, in keeping with this necessity, Maxima has, over the last year, been re-engineering its business. This translates into operating in ways that are less complex, achieving a lower cost base, targeting rapid payback for customers, and increased rigour around sales and performance management.

Customer opportunity

Across all parts of the Company, management has concentrated and prioritised activities towards three areas of customer opportunity:

- IT life extension and managed migration services targeting our longer standing customers
- The sale of selected new solutions and services to existing and new customers
- Industry orientated Business Solutions and Unified Infrastructure Services working in close collaboration with the best technology partners

We differentiate ourselves from competitors through the careful selection and grouping of technology and skills and through reference examples of our core competence. This is further enhanced by concentrating on a limited number of industry sectors where Maxima has historic knowledge and Intellectual Property (IP) for software and service enhancement. The provision of both Business Solutions and Infrastructure Support Enablement Services from one organisation with agile and flexible delivery options allows us to offer customers real choice and varied investment alternatives.

Technology partners and Cloud computing

We have accelerated our plans to align Maxima with the largest and most influential technology partners, taking advantage of increasing demand for the supply of Cloud services where the need to orchestrate the convergence of multiple technologies in a commercially flexible framework is the key success factor.

Cloud Computing is an IT delivery approach that provides utility-style, on-demand IT applications and services, hosted on a virtualised infrastructure, and typically delivered across the Internet or a corporate network on a pay-as-you-go basis. This is increasingly attractive to a broad range of customers in that it provides a way to update or increase capacity and functionality without needing to invest in new infrastructure or license new software. Cloud technology is paid for incrementally and thus encompasses subscription-based propositions like SaaS (Software as a Service).

Maxima is well positioned for Cloud Computing, with all the key components for providing customers with utility style IT solutions. Our large customer base has again proved invaluable in ensuring that Maxima is not only responsive to organisations' needs but also increasingly agile in customising solutions to meet specific requirements.

A combination of core infrastructure skills, a comprehensive Managed Services offering, and strong applications expertise means that Maxima is ready to support customers' Cloud Computing needs. The Company also has the operational infrastructure in place, as well as applications from partners such as Microsoft and IBM, to offer customised Cloud Computing delivery solutions where customers can be charged on a per usage basis.

We have reduced the number of partners we work with in order to concentrate our efforts and improve the value proposition through the addition of Maxima-developed IP.

Growth engines

We have identified four growth engines for Maxima in the future. They have been selected based upon our past experience, core skills and more recent success with customers. There is a strong focus on financial return for customers: working on the basis that unless customers easily identify rapid return, they are unlikely to buy. To support our growth engines, organisational changes have been necessary. Maxima was historically organised into eleven operating units, however we have now reduced this to two. Maxima's two business units each have two areas of core competence:

In the Support Enablement Services unit which represents circa 60% of staffing we concentrate activities on:

- Virtualisation Services
- Unified Network Infrastructure and Communications Services

In the Business Solutions unit which enhances technology from Microsoft and SAP we concentrate activities on:

- Business Intelligence with particular focus on the financial services industry
- Microsoft Dynamics AX/CRM for construction, service management and manufacturing industries

Our plans to build four Competency Centres are on track, with the first two centres for promoting our capabilities around Virtualisation and Microsoft Business Solutions, opening on time at the end of May 2010. These centres will play a significant role in the growth of Maxima enabling us to showcase, with selected partners, the benefits of the technology we support and the unique skills and experience that add the Maxima value. The remaining two competency centres are scheduled to open before the end of the calendar year.

Sales success

We are already seeing this approach proving to be successful, with highlights including a 31% increase in new sales orders in the second half of the year over the first half and an overall 2.5% increase in new sales orders from the previous year. The integration of our specialist Citrix team in Ireland with the UK core business has resulted in a significant increase of Virtualisation projects in the UK. New multi-year Unified Infrastructure projects valued in excess of £12.7m have been won from 4 customers resulting in an absolute increase of 25% in revenue from the top 10 customers. New Microsoft Business Solutions customers have been added with over £1m of contracts signed in the second half of the year and a number of long standing customers deciding to migrate to Microsoft from older more bespoke solutions. Increased concentration on the financial services sector for our Business Intelligence activities has resulted in over £2.5m of orders taken.

Maxima serves over 1,400 clients, primarily medium-sized UK-based organisations with a turnover of between £5m and £500m. Increasingly larger organisations are also now contracting with Maxima, particularly in areas where we have unique skills and competencies.

Customer examples include: Orange UK, Mars, AG Barr plc, The Murphy Group, Caledonian MacBrayne, Hill and Smith Ltd, Anglian Group, Namesco Limited and Arts Council.

Economic efficiencies

Maxima has focused on delivering a reliable performance, managing headcount, and taking significant steps to reduce costs. Throughout the year we have continued to align Maxima staffing levels with our stated business goals. This process has seen the recruitment of 61 new employees into the UK & Ireland business, bringing new skills and experience to strengthen our defined areas of competence, while overall UK & Ireland staff levels have reduced by 58 over the period.

Adopting centralised shared services and increasing the volume of work carried out in India has started to make a positive contribution although there are still many more benefits to be realised in the future. Projects to improve network connectivity, unified communications and customer support have all started in the year and will deliver benefits going forward. Magnifying our focus on credit control has greatly assisted in cash generation resulting in net debt reducing from £15.5m to £11.8m and days receivable down from 61 to 49.

Banking facilities renewed

The board has worked with Barclays Bank to renegotiate facilities that were originally agreed in 2005 when Maxima and market conditions were much different from those today. Our recent success of paying down debt ahead of expectations enabled us to agree the facilities at competitive interest rates and with some technical restrictions removed. The total cost for arranging the new facilities including fees and legal expenses was circa £0.5m.

Market Conditions

Maxima is addressing challenging market conditions by implementing new opportunity management and qualification processes. Focusing on better quality opportunities has helped deliver an increase in our win rate, and improved our ability to deliver stronger margins. More recently, there have been encouraging signs that volumes are increasing, complementing the improved win rate. The increase in booking volume in the latter part of the year is attributed to improved sales execution and the presentation of improved value propositions.

The tougher macroeconomic environment has meant the days of automatic contract renewal or extension have been superseded by higher service demands from customers and procurement led initiatives driving lower prices. In most cases we have been able to respond favourably to customers using our scale and relationship with key suppliers to get improved pricing. The increased competitive nature of our business sector is a doubled edged sword; on the negative side we have to compete hard to retain business with existing customers, and on the positive side we are able to attack our competitors' customers with alternative propositions. There are still many risks associated with service transfer from one supplier to another, but the lure of improved pricing is attracting organisations to consider competitive options. The new focus and operating structure within Maxima is targeted at being more attractive to new customers and improving the cost and service quality of existing customers. Our decision to focus on a reduced service portfolio will result in some existing contracted revenue being at risk. There is, however, evidence that contracts in new areas of focus can address any losses and still support incremental growth.

There has been some reduction in day rates for consulting services compared to the same period last year, but by concentrating on the higher value specialist services, Maxima is controlling the impact on margins. Despite customers being more risk averse, taking longer on technology selection and negotiating harder for new systems, Maxima has benefited from having a large installed base with customers who are more comfortable investing with a supplier they already know.

As previously announced, on 20 October 2009 the company was informed by QAD that they intended to end a long standing distribution partnership with Maxima, indicating that they were going to sell direct to customers rather than through Maxima. Although this was disappointing news, it is encouraging that many of the customer relationships will be maintained as Maxima has been successful in cross-selling many other products and services unrelated to QAD. Maxima takes pride in the customer relationships derived through the QAD product, which in many cases have been active for 10 years or more. As a result of our good service reputation, we believe that circa 75% of impacted customers will continue to invest in other business solutions and services offered by the company.

Operating Review

Following the appointment of the new Maxima board and senior management team a number of operational successes have been achieved including:

- Existing Managed Services customers who have renewed and extended services with Maxima – including two multi-year service contracts valued at over £6.5m which were part of a group of existing and new customer wins relating to our specialist Unified Network Infrastructure and Communications capability

- Two new customer “Cloud type” wins valued at more than £6.2m over three years which include the supply of converged services from multiple suppliers into a flexible commercial framework to provide the customer what they need when they need it
- Multiple new contract wins for Maxima’s Citrix Virtualisation capability
- Concentrated efforts to drive the partnering relationship with Microsoft have resulted in 6 new Microsoft Dynamics AX contracts signed with organisations such as Anglian Building Products Ltd
- New orders from UK based Microsoft Business Partners for the Maxima developed MAXcel which is the company’s suite of business management software that leverages the power of Microsoft Dynamics AX to support the needs of the construction, service management and manufacturing industries
- New contracts placed by major banks wanting to access Maxima’s specialist domain expertise in Business Intelligence technology from SAP and Microsoft
- Centralised Maxima shared service functions making a positive contribution helping to minimise costs, recruit new skills and generate new opportunities
- Focused efforts in credit control resulting in a very pleasing level of cash collection, enabling net debt to be reduced ahead of expectation to £11.8m
- New investment in partner management has supported greater partner collaboration, resulting in new pipeline opportunities being generated
- Investment in new marketing staff and management, enabling the roll-out of a re-branding programme, simplification of marketing messages and a refresh of all communications media
- Doubling of engineering staff in Hyderabad to provide support and development services
- Two out of four Competency Centres opened in the Thames Valley and Dublin

Maxima continues to have high visibility of future revenues with 60% of total revenues represented by recurring revenues from support and managed services in the period, high levels of repeat business and a good order book for project work. We have a broad spread of clients across a number of industry sectors with a good mix of transaction values – all helping to ensure that our risk profile is manageable. While the current economic climate has driven a small number of customers to either reduce or cancel services, we have had very few customers that have been forced out of business. Maxima’s business strategy is to provide exemplary levels of customer service around market-leading solutions - leading to high levels of customer retention. We have also adopted a policy of working closely with any customers who are experiencing trading difficulties, and this has resulted in any potential customer and financial losses being minimised.

Outlook

The last year has been one of considerable change for Maxima, as the business adjusts and adapts its operating activities to an evolving business climate. At the core of Maxima is a loyal and committed customer base, which we’re pleased to say has continued to invest its trust and money in the combined skill, knowledge and experience of Maxima staff, and our vision for the future.

The outlook for Maxima is positive and exciting following the re-engineering work by Maxima staff over the last year. This has significantly strengthened the organisation, and provides a relevant and robust platform for both the continued support of existing customers and the attraction of new ones. Like most companies operating in the UK market, success is only available to companies like Maxima that have made the effort to adapt to materially different market conditions and changing customer demands. We believe Maxima is well placed to take advantage of the changes that we have made, and that market conditions present us with a significant opportunity for growth through competitive engagement.

Graham Kingsmill
Chief Executive Officer
3 August 2010

Results for the year ended 31 May 2010

Director's Report

FINANCIAL REVIEW

Introduction

Maxima made significant financial progress during the year and we are beginning to see the benefits of the many management actions we have taken to improve the organisation. We have reduced our cost base, dealt with some legacy issues in areas such as property, improved our cash flow, and put the Company on a much sounder financial footing in terms of its banking facilities and debt. This progress was made despite trading results being lower than last year, for reasons explained in the Chairman's and Chief Executive's sections above.

Trading results

Overall revenues for the year to 31 May 2010 decreased from £56.6m to £51.0m. This was largely as a result of the termination of the QAD partnership and due to lower sales of product and consultancy services generally, but this masked a number of successes in other areas of the business such as Unified Infrastructure and Microsoft related Business Solutions. Recurring revenues have improved to 60% (2009: 56%) and gross margins are level with last year at 70%. Whilst the tougher environment has had an impact on margins on product sales, there has been a compensating effect of the sales mix due to a lower proportion of product sales this year (down 3% to 15% this year).

Earnings before interest, tax, amortisation, impairment, share based payments and exceptional charges decreased to £5.6m (2009: £8.3m), resulting in an adjusted operating profit margin of 11.0% (2009: 14.6%). Margins were partly impacted due to planned investment in our sales and marketing effort, but were also reduced by the termination of the QAD partnership.

Amortisation of intangibles reduced to £3.5m (2009: £4.0m), reflecting the acquisitions completed by Maxima in recent years. The decrease in the charge is explained by the fact that intangibles relating to earlier acquisitions are now fully amortised (intangibles being amortised over periods not exceeding 7 years from their date of acquisition).

Exceptional items comprise three categories of costs all of which have been incurred to ensure that Maxima is better positioned and has a stronger and more competitive operating platform whilst reducing risk:

1. Redundancy and re-organisation costs:

Phase 1 of our re-organisation plan was completed during the year and these are the costs incurred for redundancies and for the rebranding of the Group. The costs also include redundancy costs associated with the termination of the QAD relationship. With the recent restructuring to two operating divisions, there will be further costs of redundancies in the current year, but on a lesser scale to that seen during the past twelve months.

2. Property costs:

During the year there were further property rationalisation costs mostly associated with the further reorganisation of the property in Cheltenham, where the QAD division was based. Our plan going forward is to continue with the rationalisation program which will include the Aylesbury and Crewe locations.

3. Bank refinancing costs:

The fees and fair value write off for renegotiation of the bank facilities represent the difference between the fair value of the new facility and the carrying value of the old liability, together with the bank and adviser fees incurred during the renegotiation.

Loss before tax and after the adjustments above together with net finance costs of £0.7m (2009: £1.1m) and share based payment costs of £0.3m (2009: £0.1m) was £0.8m (2009: £9.6m). The key performance indicators used by the Board to measure the business are:

1. Operating margins
2. The level of recurring revenues
3. New orders
4. Cash generation

(Loss)/Earnings per share and dividends

Basic loss per share was 2.7p (2009: loss 36.8p). Adjusted earnings per share, before amortisation, share based payments, exceptional redundancy and re-organisation costs, impairment and fair value charges, fell to 13.4p (2009: 21.2p). An interim dividend of 1.0p per share was paid on 31 March 2010, and subject to shareholder approval, a final dividend of 2.0p per share will be paid on 8 October 2010 to shareholders on the register at close of business on 10 September 2010. This will make a total full year dividend of 3.0p (2009: 4.5p) per share, in line with reduced earnings before interest, tax, amortisation, share based payments, and exceptional redundancy and re-organisation costs.

Cash flow and net debt

This year the Group generated £6.1m of cash from operations, against £5.2m last year. This reflects lower profitability, but is offset by a reduction in trade debtors, reflecting better cash collection, and a repayment of overpaid taxation in the prior year. Net debt was £11.8m, down £3.7m from £15.5m last year, ahead of market expectations.

The Group finances its operations through a mixture of cash generation and related retained profit, and a mixture of medium and long term bank facilities with Barclays Bank plc, to ensure that sufficient liquidity is available to meet its foreseeable funding requirements. The Group's facilities are floating rate and it uses interest rate instruments to hedge its interest rate risk on borrowing where appropriate.

The original facility letter was agreed in 2005. Since then the strategy of the Group has been modified substantially, with the result that there were a number of technical restrictions which were no longer appropriate for the efficient management of the Group. The facilities have therefore been renegotiated to amend the restrictions and also to reduce the quantum. The fees and fair value write off for renegotiation of the bank facilities was amounted to £0.5m, which is included in the exceptional items. Interest rates will remain competitive, varying from 1.5% to 3.0% above LIBOR.

The Group had committed borrowing facilities of £15.0m at 31 May 2010, comprising a £3.0m term loan facility, repayable in six instalments until 31 May 2013, a £11.0m revolving credit facility repayable by 31 May 2013 (with reductions of £0.25m at 31 May 2011 and 30 November 2011 and quarterly thereafter until final repayment of the balance on 31 May 2013) and a £1.0m overdraft facility. £12.5m was drawn under these facilities at the year end. Cash balances at the year-end were £0.7m, which together with the overdraft facility allows £3.2m of headroom. At 31 May 2010, the Group held a cap and collar interest rate derivative covering £8.0m of the debt (of which £4.0m expires on 30 June 2010 and a further £4.0m expires on 30 November 2011).

Taxation

The effective tax rate of 13.7% (2009: 4.1%), arises largely as a result of there being limited tax relief on goodwill. The Group has £0.1m (2009: £0.1m) of tax losses available. Deferred tax arose on share based payments, amortisation of intangibles, goodwill, research and development costs, and the re-measurement of the derivative instruments.

Principal risks and uncertainties

Maxima is exposed to significant risks and uncertainties, although these are not considered to be any more severe than for comparable quoted companies pursuing a similar strategy. Formal risk analysis, review and control is a Board level activity which also flows down to day to day operations through our ISO 9001 accredited quality processes. The principal risks have not changed during the year under review and have been analysed as:

Strategy: Market conditions are subject to long term trends and disruptive changes. Our plans are designed to respond to these changes whilst having the flexibility to take advantage of opportunities created by disruptive events. There is a risk, particularly in the current climate, that where we seek to invest in the business for future growth, we will not be able to achieve growth as quickly as forecast. We minimise the impact of this by careful measurement against budgets and appropriate action on the cost base should that prove necessary.

Staff: Maxima is a services business and relies heavily on having a skilled and experienced workforce at all levels matched to our clients' needs. We pay close attention to career appraisal, development and training. We also offer competitive remuneration packages including share option schemes, appropriate tools and good working conditions. This minimises staff attrition which we believe is below the sector average. We also have an excellent record of staff continuity post acquisitions.

Clients: Maxima's large client base, many of whom have been with us for many years is a strength, but could easily be eroded if service levels and value were not maintained. A broad spread of clients across several market sectors mitigates the risk of adverse conditions in any one sector. There are no clients upon which the Group is critically dependent, the top ten clients representing some 35% of revenues in the year to 31 May 2010 (2009: 28%). The high levels of recurring revenues and repeat business and low attrition rates are evidence of our success.

Suppliers: Maxima relies on technology from partners for most of the solutions and services we sell. We are therefore dependent upon the quality of this technology and our ability to negotiate good terms and maintain good relationships with these partners. We work with world-class technology partners and invest heavily in maintaining good relationships with them, principally by selling substantial amounts of their technology. We have also spread our risks by working with several of the main software firms reducing the potential impact should one of these partners change its policies or let us down.

Business continuity: Maxima's computing and communications infrastructure is integrated but distributed across its office estate providing resilience and we continue to monitor risks to continuity at each site.

Financial: Maxima has some exposure to credit risk as well as interest and exchange rate fluctuation. Credit checks are carried out before bidding for work with new clients and outstanding debt is checked before taking significant additional business from existing clients; we also employ qualified and experienced credit control staff. Borrowings are kept to prudent levels and the Board reviews performance against bank covenants monthly. Interest and exchange rate hedging/swaps are employed as appropriate. Internal controls and approval levels are documented and enforced. Further consideration of the financial risks is set out in Note 19 of the Annual Report and Accounts for the year ended 31 May 2010.

David Memory
Chief Finance Officer
3 August 2010

CONSOLIDATED INCOME STATEMENT
Year ended 31 May 2010

	Note	2010 £000	2009 £000
Revenue		51,006	56,609
Cost of sales		(15,323)	(17,192)
Gross profit		35,683	39,417
Administrative expenses		(30,080)	(31,160)
Earnings before interest, tax, amortisation, impairment, share based payments and redundancy and re-organisation costs		5,603	8,257
Amortisation of intangibles		(3,495)	(4,031)
Impairment of goodwill		-	(8,413)
Share based payments		(319)	(93)
Exceptional redundancy and re-organisation costs	4	(1,829)	(3,652)
Operating loss		(40)	(7,932)
Exceptional charge for movement in derivative instruments carried at fair value		-	(551)
Finance costs		(754)	(1,176)
Finance income		12	27
Loss before income tax		(782)	(9,632)
Taxation	5	107	400
Loss for the year attributable to equity holders		(675)	(9,232)
Loss per share – total and continuing	2		
Basic		(2.7)p	(36.8)p
Diluted		(2.7)p	(36.8)p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 May 2010

	2010 £000	2009 £000
Loss for the year	(675)	(9,232)
Other comprehensive income		
Exchange gain on translating foreign operations	8	41
Other comprehensive income, net of tax	8	41
Total comprehensive income for the year attributable to equity holders of the parent entity	(667)	(9,191)

CONSOLIDATED BALANCE SHEET
At 31 May 2010

	Note	2010 £000	2009 £000
Assets			
Non-current assets			
Property, plant & equipment		1,265	1,361
Goodwill	6	40,921	41,021
Other intangible assets	6	5,704	8,880
Total intangibles		46,625	49,901
Total non-current assets		47,890	51,262
Current assets			
Inventory		329	405
Trade and other receivables		11,639	14,363
Cash and cash equivalents		781	2,421
Total current assets		12,749	17,189
Total assets		60,639	68,451
Liabilities			
Current liabilities			
Trade and other payables		(3,604)	(4,153)
Deferred income		(10,708)	(10,653)
Borrowings		(1,031)	(1,096)
Accruals		(4,347)	(4,218)
Current tax liabilities		(109)	-
Short term provisions		(856)	(804)
Total current liabilities		(20,655)	(20,924)
Non-current liabilities			
Borrowings		(11,530)	(16,812)
Deferred tax		(2,262)	(2,899)
Long term provisions		(2,218)	(2,640)
Total non-current liabilities		(16,010)	(22,351)
Total liabilities		(36,665)	(43,275)
Net assets		23,974	25,176
Equity attributable to equity holders of the parent company			
Share capital	8	253	253
Reverse acquisition reserve		(9,180)	(9,180)
Share premium account	8	28,794	28,794
Capital redemption reserve		50	50
Merger reserve	8	4,595	4,595
Currency translation reserve		201	193
Retained earnings		(739)	471
Total equity		23,974	25,176

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 May 2010

All attributable to the owners of the Company

	Note	Share Capital £000	Share Premium Account £000	Merger Reserve £000	Reverse Acquisition Reserve £000	Other Reserves £000	Retained Earnings £000	Total £000
Balance at 1 June 2008		250	28,624	11,022	(9,180)	202	4,588	35,506
Loss for the year		-	-	-	-	-	(9,232)	(9,232)
Other comprehensive income								
Foreign translation gain		-	-	-	-	41	-	41
Total comprehensive income for the year ended 31 May 2009		-	-	-	-	41	(9,232)	(9,191)
Transfer from Merger Reserve		-	-	(6,427)	-	-	6,427	-
Employee share options scheme:								
Value of employee services		-	-	-	-	-	93	93
Proceeds from shares issued		3	170	-	-	-	-	173
Dividends paid	3	-	-	-	-	-	(1,405)	(1,405)
Transactions with owners		3	170	(6,427)	-	-	5,115	(1,139)
Balance at 31 May 2009		253	28,794	4,595	(9,180)	243	471	25,176
Loss for the year		-	-	-	-	-	(675)	(675)
Other comprehensive income								
Foreign translation gain		-	-	-	-	8	-	8
Total comprehensive income for the year ended 31 May 2010		-	-	-	-	8	(675)	(667)
Employee share options scheme:								
Value of employee services		-	-	-	-	-	319	319
Deferred tax thereon		-	-	-	-	-	31	31
Dividends paid	3	-	-	-	-	-	(885)	(885)
Transactions with owners		-	-	-	-	-	(535)	(535)
Balance at 31 May 2010		253	28,794	4,595	(9,180)	251	(739)	23,974

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 May 2010

	Note	2010	2009
		£000	£000
Operating activities			
Loss before tax		(782)	(9,632)
Adjustments for:			
Interest payable		754	1,176
Exceptional redundancy and re-organisation costs		1,829	3,652
Exceptional charge for movement in derivative instruments carried at fair value		-	551
Interest receivable		(12)	(27)
Depreciation charge		622	620
Share based payment expense		319	93
Impairment of goodwill		-	8,413
Amortisation of intangibles		3,495	4,031
Operating cash flows before movements in working capital		6,225	8,877
Movement in inventories		75	(93)
Movement in receivables		2,135	1,070
Movement in payables		(2,558)	(2,629)
Taxation repaid/ (paid)		240	(2,049)
Net cash from operating activities		6,117	5,176
Cash flows from investing activities:			
Interest received		12	27
Purchase of property, plant & equipment		(565)	(614)
Proceeds from sale of property, plant & equipment		36	57
Acquisition of subsidiaries (net of cash acquired)		-	(8,485)
Warranty claim received		100	-
Expenditure on research & development activities capitalised		(319)	(391)
Net cash used in investing activities		(736)	(9,406)
Cash flows from financing activities:			
Interest paid		(789)	(1,103)
Proceeds from long term borrowings		12,500	6,000
Repayment of long term borrowings		(17,750)	(1,000)
Repayment of finance leases		(97)	(143)
Dividends paid		(885)	(1,405)
Proceeds from issue of shares		-	100
Net cash from financing activities		(7,021)	2,449
Net decrease in cash & cash equivalents	7	(1,640)	(1,781)
Cash and cash equivalents at beginning of period		2,421	4,202
Cash and cash equivalents at end of period		781	2,421

Notes

1. Basis of preparation

This preliminary statement was approved by the directors on 3 August 2010.

The financial information set out above does not constitute the company's statutory financial statements for the year ended 31 May 2010 but is derived from those financial statements. The comparative figures are those of the financial statements for the year ended 31 May 2009. The report of the auditors was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The statutory financial statements for the year ended 31 May 2010 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The financial information contained in this Preliminary Statement does not constitute statutory accounts.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU.

2. Loss per share

The calculation of basic earnings per share is based on the earnings attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on earnings per share attributable to ordinary shareholders and the weighted average number of ordinary shares that would be in issue, assuming conversion of all dilutive potential ordinary shares into ordinary shares.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	2010	2009
	£000	£000
Loss		
Net loss after tax for the year attributable to equity holders	(675)	(9,232)
	No.	No.
Weighted average number of ordinary shares	000	000
For basic earnings per share	25,261	25,087
Dilutive share options	1,302	260
For diluted earnings per share	26,563	25,347
Basic loss per share	(2.7)p	(36.8)p
Fully diluted loss per share	(2.7)p	(36.8)p

Under IAS 33 "Earnings per share", the shares cannot be dilutive if they decrease a loss per share, and therefore the dilution impact has been ignored for the purposes of calculating the loss per share this year.

The directors believe that, in addition to the statutory figures, (loss)/earnings per share figures adjusted for the amortisation of intangibles, impairment, share based payments, redundancy and re-organisation costs and fair value charges represent a more consistent measure of underlying performance. A reconciliation of the statutory loss to these profit figures and the resulting earnings per share figures is given below:

	2010	2009
	£000	£000
Operating loss	(40)	(7,932)
Share-based payments	319	93
Amortisation of intangibles	3,495	4,031
Impairment of goodwill	-	8,413
Redundancy and re-organisation costs	1,829	3,652
Adjusted operating profit	5,603	8,257
Net interest	(742)	(1,149)
Adjusted profit on ordinary activities before tax	4,861	7,108
Tax on profit on ordinary activities	107	400
Tax on share-based payments, amortisation and redundancy and re-organisation costs	(1,580)	(2,177)
Adjusted profit after tax	3,388	5,331
Adjusted basic earnings per share	13.4p	21.2p
Adjusted diluted earnings per share	12.8p	21.0p

3. Dividends on shares classed as equity

	2010	2010	2009	2009
	pence per share	£000	pence per share	£000
Paid during the year				
Final dividend for prior year	2.5p	632	3.6p	900
Interim dividend for current year	1.0p	253	2.0p	505
	3.5p	885	5.6p	1,405

The directors propose that a final dividend of 2.0p will be paid to the shareholders on 8 October 2010. The dividend is subject to the approval of shareholders at the Annual General Meeting and has not been included as a liability in these accounts. The total estimated cost of the dividend to be paid is £0.5m.

4. Exceptional redundancy and reorganisation costs

	2010	2009
	£000	£000
Redundancy and re-organisation costs	737	905
Provision for onerous leases	459	2,747
Fair value write off associated with renegotiation of bank facilities	526	-
Rebranding and other costs	107	-
	1,829	3,652

The redundancy and reorganisation costs have been incurred in delivering the first phase of the divisional restructuring of the business, as well as costs associated with staff changes following the termination of the QAD partnership.

The onerous lease costs represent the additional costs of vacant property at Cheltenham as a result of the reorganisation that followed the termination of the QAD partnership.

The fees and fair value write off for renegotiation of the bank facilities represent the difference between the fair value of the new facility and the carrying value of the old liability, together with the bank and adviser fees incurred during the renegotiation. The rebranding costs are costs relating to the rebranding of the Group that took place at the beginning of the year.

5. Tax on loss

	2010 £000	2009 £000
The tax credit represents:		
Current year tax charge	488	395
Adjustments in respect of prior periods	(37)	(17)
Total current tax	451	378
Deferred tax – origination and reversal of timing differences	(558)	(778)
Taxation	(107)	(400)

UK tax is calculated at 28 per cent (2009: 28 per cent) of taxable profit. Overseas tax is calculated at the rates ruling in the relevant countries. The total tax credit for the year represents an effective rate of 13.68 per cent (2009: 4.15 per cent). The tax credit is explained as follows:

	2010 £000	2009 £000
Loss before tax	(782)	(9,632)
Loss multiplied by standard rate of corporation tax of 28% (2009: 28%)	(219)	(2,696)
Effect of:		
Expenses not deductible for tax purposes	115	2,518
Additional deduction for R&D expenditure	(13)	(18)
Utilisation of tax losses not recognised for deferred tax	(20)	(237)
Movement in other deferred tax not recognised	34	80
Differences in tax rates	33	(30)
Prior year adjustments in relation to subsidiary undertakings	(37)	(17)
Credit for period	(107)	(400)

6. Intangible assets

	Goodwill £000	Customer relationships £000	Order backlog £000	Development costs £000	Total other intangibles £000	Total £000
Cost						
At 1 June 2008	41,434	13,308	1,842	540	15,690	57,124
Additions	-	-	-	391	391	391
Adjustment to prior period acquisition	(427)	-	-	-	-	(427)
On business combinations	8,427	1,112	895	-	2,007	10,434
At 1 June 2009	49,434	14,420	2,737	931	18,088	67,522
Warranty claim	(100)	-	-	-	-	(100)
Additions	-	-	-	319	319	319
At 31 May 2010	49,334	14,420	2,737	1,250	18,407	67,741
Accumulated amortisation						
At 1 June 2008	-	3,636	1,244	297	5,177	5,177
Charge for the year	-	2,818	971	242	4,031	4,031
Impairment	8,413	-	-	-	-	8,413
At 1 June 2009	8,413	6,454	2,215	539	9,208	17,621
Charge for the year	-	2,659	522	314	3,495	3,495
At 31 May 2010	8,413	9,113	2,737	853	12,703	21,116
Carrying amount:						
At 31 May 2010	40,921	5,307	-	397	5,704	46,625
At 31 May 2009	41,021	7,966	522	392	8,880	49,901

During the current year a claim was made against a warranty relating to the acquisition of DXI, which was settled in an amount of £100,000 (2009: £Nil). In accordance with IFRS 3 'Business Combinations', this has been applied to the value of goodwill arising in relation to that acquisition. No change has been made to the fair value of any of the other assets/liabilities in connection with the acquisition.

Following internal reorganisation, the Group has redefined the cash-generating units (CGUs) that are appropriate for the ongoing measurement of the carrying value of goodwill. The Business Solutions division represents a combination of two previous divisions which were called the Business Solutions and Information Management divisions (collectively Maxima Solutions) and the Support Enablement Services division represents a combination of the previous Support and Enablement Services division with MS Infrastructure (Ireland) (collectively Maxima Managed Services). This has not had a material impact upon the impairment provision that would have been deemed necessary under the previous definition of CGUs. Goodwill acquired in a business combination has been re-allocated to the new CGUs that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	2010	2009
	£000	£000
Business Solutions	12,357	12,357
Support Enablement Services	28,564	28,664
	40,921	41,021

Impairment tests for goodwill

Goodwill acquired through business combinations has been allocated for impairment testing purposes to individual CGUs, which never exceed the size of a reportable segment. The Group conducts annual impairment tests which are only reperformed in the intervening period if an impairment triggering event occurs. An impairment test of the Business Solutions division was completed following the announcement of the termination of the QAD partnership and no impairment provision was considered necessary at the time.

When conducting an impairment review, the recoverable amounts of the CGUs are based on value in use calculations. Value in use is calculated based upon discounted cash flows into the future. The future cash flows are derived from the approved budget for the year ended 31 May 2011 which are then extrapolated based upon management's expectations on operating performance and growth prospects. The most sensitive assumptions are those regarding growth rates and discount rates. Budgeted cash flows for the financial year to 31 May 2011 were extrapolated for a period of ten years at projected growth rates and thereafter using a terminal multiplier based on industry growth rates and P/E ratios, together with management's view of the observable markets as well as historical and estimated requirements by customers for the products and services. Management has forecast growth rates for years 2 to 5 were 4% for Support Enablement Services (2009: 3%) and 3% for Business Solutions (2009: 3%) and then assumed growth of 2.25% thereafter in both divisions (2009: 3%). Projected cash flows, pre-tax, were discounted at 8.5% (2009: 9.0%) per annum for both CGUs, to calculate their net present value, the discount rate reflecting the time value of money, the nature and risks to the CGUs and bank borrowings being the same across the CGUs.

As a result of these tests, no impairment provision (2009: £8,413,000) is considered necessary. The key assumptions that are most sensitive in the calculation of the carrying value of goodwill are those relating to discount and growth rates. Management has considered a 1% movement in each measure as this is the maximum likely movement that it believes is likely (ie a 1% absolute movement in the discount rate represents a shift of 12% of the assumed rate and a 1% absolute movement in growth rates represents a shift of at least 25% of the assumed growth rates). Neither sensitivity would give rise to the need for impairment in either division.

7. Analysis of changes in net debt

	At 1 June 2009	Cash flow	At 31 May 2010
	£000	£000	£000
Cash at bank and in hand	2,421	(1,640)	781
Finance leases	(158)	97	(61)
Bank loan	(17,750)	5,250	(12,500)
	(15,487)	3,707	(11,780)

8. Called up share capital and capital reserves

	31 May 2010		31 May 2009	
	No. of shares	£000	No. of shares	£000
Authorised				
Ordinary shares of 1p each	95,000,000	950	95,000,000	950

Called up, allotted and fully paid Ordinary shares of 1p each	Number of Shares	Ordinary Shares £000	Share Premium £000	Merger Reserve £000	Total £000
At 1 June 2008	25,009,695	250	28,624	11,022	39,896
Exercise of employee share options	90,000	1	99	-	100
Impairment on business combination	-	-	-	(6,427)	(6,427)
Issue of shares (net of expenses)	161,708	2	71	-	73
At 31 May 2009 and 31 May 2010	25,261,403	253	28,794	4,595	33,642

The merger reserve arises from the issue of shares as part of consideration for certain acquisitions completed by the Group. The transfer from the merger reserve in 2009 represents a release of the reserve to the extent it was created on business combinations where the purchased goodwill has now been impaired.

9. Annual Report and Accounts

A copy of the Annual Report and Accounts for the year ended 31 May 2010 will be sent to shareholders and copies will be available from the Company's registered office at Cotswold Court, Lansdown Road, Cheltenham GL50 2JA or by visiting our website at www.maxima.co.uk

The annual general meeting of the Company will be held at the Company's offices, 1st Floor, Parkview 1230, Arlington Business Park, Reading, Berkshire, RG7 4GA at midday on 23rd September 2010.