



Annual Report and Financial Statements **2010**



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Chairman's Statement

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

Chief Executive's Review

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 1400 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 double 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

Chief Executive's Review continued

- > 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

Directors' Report

Financial Review

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.

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 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, an £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).

Financial Review continued

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.



David Memory
Chief Finance Officer
3 August 2010

Directors' Report

Corporate Governance

As the Company's shares are traded on AIM, the Company is not required to comply with the UK Corporate Governance Code ('Combined Code'). However, the Board is committed to high standards of corporate governance and has established procedures and policies that are considered appropriate to the nature and size of the Group and which follow the principles of the Combined Code, as further described below.

Directors – the Board

The Company supports the concept of an effective board leading and controlling the Group.

The Board provides entrepreneurial leadership of the Group within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Group's strategic aims, ensures that the necessary financial and human resources are in place for the Group to meet its objectives, and reviews management performance.

The Board comprises a Non-Executive Chairman, two executive and two Non-Executive directors. The members of the Board and the roles of each director are given in the biographical details of the directors on page 12. The senior independent director is Michael Brooke, the Chairman is Kelvin Harrison, the Chief Executive is Graham Kingsmill and the Chief Finance Officer is David Memory. Kelvin Harrison was appointed Chairman on 27 April 2009, having previously been Chief Executive Officer and, with effect from 1 July 2010, has moved to Non-Executive Chairman.

The policy of the Board is to meet at least 10 times per year to address a schedule of matters specifically reserved for its decision, including the overall strategy of the Group, acquisitions and disposals, significant contractual commitments and capital expenditure, and any major financial proposals. Management supply the board with appropriate and timely information and the directors are free to seek any further information they consider necessary. All directors have access to advice from the Company Secretary and independent professionals at the Company's expense. Training is available for new directors and other directors as necessary. The Board formally evaluates its own performance, together with that of its committees and individual directors, on an annual basis.

The Articles of Association require one third of the Board to retire by rotation, and for those directors appointed during the year to stand for re-election at the first AGM after their appointment.

Board committees

The Board has formally established Nomination, Remuneration and Audit Committees. The full terms of reference of these committees are available on the Company's website, www.maxima.co.uk.

Nomination committee

The Nomination Committee meets as required to select and recommend to the Board suitable candidates for both executive and Non-Executive directors when they are first appointed. The Committee is chaired by Michael Brooke. There were no meetings of the Nomination Committee during the year.

Remuneration committee

The Remuneration Committee comprises Michael Brooke (Chairman), Kelvin Harrison and Robin Williams. The committee meets when necessary during the year to review remuneration policy and to determine the remuneration packages of the executive directors and key senior management. It also reviews proposals for the granting of share options to employees of the Group. The

remuneration of the Non-Executive directors is determined by the Board as a whole. The Directors' remuneration report is set out on page 9.

Attendance at meetings

There were ten scheduled board meetings held during the year as well as a number of conference calls in connection with specific activities. The board members attended each of the scheduled meetings as follows:

	Board (max. 10)	Audit Committee (max. 3)	Remuneration Committee (max. 4)
K Harrison	10	3	4
M Brooke	10	3	4
G Kingsmill	10	–	–
D Memory	10	–	–
R Williams	10	3	4
B Huard	1	–	–

All directors attended all of the board meetings they were entitled to during the year.

Accountability and audit

The Board presents a balanced and understandable assessment of the Company's position and prospects in all interim and price-sensitive reports, as well as in the information required to be presented by statutory requirements.

Audit committee

The Audit Committee comprises Robin Williams (Chairman), Mike Brooke and Kelvin Harrison. The Chief Finance Officer and a representative of the external auditors normally attend meetings. The Audit Committee meets at least three times a year. Its terms of reference include monitoring the integrity of the financial statements focusing particularly on accounting policies and financial reporting compliance, reviewing the Group's internal financial controls, and reviewing the scope and effectiveness of the external audit. It meets with the auditors to review their plan for the audit and to discuss any matters arising therefrom and any reports they may produce. The auditors have direct access to the committee should they wish to raise any concerns.

The Audit Committee reviews the independence and objectivity of the external auditors. The committee reviews the nature and amount of the non-audit work undertaken by the auditors (for which its approval is required) to satisfy itself that there is no effect on their independence. Details of fees paid to Grant Thornton UK LLP are set out in note 6 to the accounts. The Group uses Grant Thornton UK LLP for occasional advice on various matters in cases where their familiarity with the Group increases efficiency. The committee is satisfied that Grant Thornton UK LLP use independent teams of staff as appropriate.

Internal control

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets, and for reviewing its effectiveness. Such a system is designed to manage, but cannot eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The directors have identified the Group's major risks and monitor these through a risk register. The Board and senior management monitor any factors which they believe might prove a risk to the business, prospects or assets of the Group on an ongoing basis.

Corporate Governance continued

The key features of the Group's system of internal controls, the effectiveness of which the Board has reviewed during the year, are as follows:

- > The Board has put in place a clearly defined organisational structure with appropriate delegation of authority to operational management.
- > A comprehensive annual planning and budgeting process requiring Board approval is carried out prior to the start of the financial year. Detailed financial forecasts are compiled, and actual results compared to management accounts and reviewed on a monthly basis.
- > Monthly operational review meetings for all Group businesses.
- > A system of detailed financial controls that includes approval limits for all sale contracts, ordering and expenditure.
- > The Group appoints experienced and professional staff of the necessary calibre to fulfil their allotted responsibilities.

The Board has considered the need for an internal audit function but continues to believe that the size, the segregation of duties between transactional processing and results analysis and the centralisation of the key finance activities of the Group do not justify it at present. However, it will keep the decision under annual review.

Going concern

After making appropriate enquiries, with consideration of the bank facilities available and following a review of the forecasts, the directors believe that the Group has adequate resources to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Relations with shareholders

The Company values the views of its shareholders and recognises their interest in the Group's strategy and performance, board membership and management, and holds regular meetings and gives presentations to its institutional shareholders to discuss objectives and to understand their views.

The AGM is used to communicate with all shareholders and they are encouraged to participate. The directors make themselves available to shareholders, both before and after the AGM, subject to normal disclosure rules.

All shareholders can gain access to the annual report and accounts, interim reports and other information about the Company through the investor relations section of the Company's website www.maxima.co.uk.

Remuneration Report

As an AIM listed company, Maxima is not required to report on Directors' remuneration. However, the Board have chosen to report on those aspects that it believes will inform the shareholders.

Remuneration committee

The Remuneration committee makes recommendations to the Board on remuneration packages for individual executive directors. It is chaired by Michael Brooke. The other members of the committee during 2009/10 were Robin Williams and Kelvin Harrison.

The committee consults with the Chief Executive as appropriate with regard to its proposals relating to remuneration of the executive directors. The committee has drawn up terms of reference which determine its duties and is authorised to take outside professional advice if it considers this necessary. No director is involved in the review of his/her own remuneration.

Policy on executive Directors' remuneration

The policy of the Board is to ensure that the executive directors of the Company are fairly rewarded for their individual contribution to the overall performance of the Company.

Components of remuneration

The remuneration package of executive directors comprises base annual salary, an annual bonus scheme, share options, long term incentives, pension arrangements and certain benefits in kind (principally life assurance, health cover and car benefits).

Base annual salary

Base salaries of executive directors are reviewed annually and are set at levels which reflect the level of responsibility of the executive directors concerned and ensure that they are competitive with pay for executive directors holding equivalent positions in comparable companies, as well as internal performance.

Details of directors' remuneration (this information has been audited)

	Salary and fees £000	Bonus £000	Pension £000	Benefits in kind £000	Total 2010 £000	Total 2009 £000
Executive Directors						
Kelvin Harrison	174	42	79	1	296	249
Graham Kingsmill (appointed 27 April 2009)	225	45	11	1	282	23
David Memory (appointed 27 April 2009)	132	36	40	1	209	16
John Taylor (resigned 27 April 2009)	–	–	–	–	–	124
Linda Andrews (resigned 1 July 2008)	–	–	–	–	–	12
Boris Huard* (resigned 31 July 2009)	–	–	–	–	–	178
Non-Executive Directors						
Michael Brooke	30	–	–	–	30	30
Robin Williams (appointed 23 March 2009)	25	–	–	–	25	5
Kim Nicholson (resigned 23 March 2009)	–	–	–	–	–	25
Mark Morris (resigned 23 March 2009)	–	–	–	–	–	27
	586	123	130	3	842	689

* £294,000 was provided for in last year's accounts for compensation payable to Boris Huard as well as salary costs in respect of the period from year end to 31 July 2009. These sums were paid during the current year.



Michael Brooke
Chairman of the Remuneration Committee
3 August 2010

Annual performance bonus

Executive directors participate in a bonus scheme which is linked to the achievement of demanding business and corporate objectives, primarily profit and earnings. Bonus targets for 2009/10 were based on adjusted profit before interest and tax and adjusted earnings per share. Bonus targets for 2010/11 are based on similar measures.

Annual bonus payments are payable in cash and are not pensionable.

Share options and long term incentives

The executive directors have been granted options under option schemes and the Long Term Incentive Plan. Details of options granted to and held by directors are contained in the Directors' Report (refer page 10).

Pensions

Contributions are made to the individual executive directors' personal pension schemes, which are defined contribution schemes, based upon basic salary only. No other element of remuneration is pensionable.

Service contracts

The service contracts of the executive directors were entered into during 2009, are for no fixed term and are subject to six months' notice by either party.

The Chairman has a service contract which is for no fixed term and is subject to six months' notice by either party.

The remuneration of Non-Executive directors is decided by the Board. Non-Executive directors receive a base fee only and are not eligible for incentive schemes or other benefits. Both Non-Executive directors have contracts with notice periods of three months.

Other Statutory Information

Business review

A full review of the development and performance of the Group is set out in the Chief Executive's and Financial Reviews on pages 2 to 6 which are incorporated within this report. These include consideration of the position of the Group at the end of the financial period, the principal risks and uncertainties facing the business and the key performance indicators that are monitored. Information on the financial risk management strategy of the Group and the exposure of the Group to currency risk, interest rate risk and liquidity risk are set out in Note 19 to the accounts.

Results and dividends

The results of the Group for the year are set out in detail in the Consolidated Income Statement and Consolidated Balance Sheet on pages 14 and 15.

An interim ordinary dividend of 1.0p (2009: 2.0p) per share was paid on 31 March 2010 and subject to shareholders approval a final dividend of 2.0p per share (2009: 2.5p) for the year ended 31 May 2010 will be paid on 8 October 2010.

Directors and their interests (this information has been audited)

The directors who served during the period and subsequently are set out below:

M J Brooke	D Memory
K F Harrison	R Williams
G Kingsmill	B Huard (resigned 31 July 2009)

In accordance with the Articles of Association Messrs. Brooke and Kingsmill retire by rotation and being eligible offer themselves for re-election.

The interests of the directors in office at the end of the period in the shares of the Company were as follows:

	Ordinary Shares of 1p		Share Options		LTIP Options	
	31 May 2010	31 May 2009	31 May 2010	31 May 2009	31 May 2010	31 May 2009
M J Brooke	32,730	32,730	–	–	–	–
K F Harrison	3,690,029	3,690,029	325,000	325,000	108,695	108,695
G Kingsmill	60,272	48,000	–	–	509,434	509,434
D Memory	56,588	48,000	–	–	377,358	377,358
R Williams	–	–	–	–	–	–

There was no change in these holdings in the period between 31 May 2010 and 3 August 2010. No director had, during or at the end of the year, a material interest in any contract which was significant in relation to the Company's business.

325,000 share options were issued to Mr Harrison on 24 November 2004 under an unapproved option scheme with an exercise price of £1.10. These options have vested and are exercisable until November 2014. Mr Harrison also has 108,695 LTIP options that were issued on 19 September 2008 under an unapproved scheme and, subject to achievement of certain performance criteria, are exercisable at a price of £0.01 between September 2011 and September 2018. The remaining 886,792 LTIP share options were issued to Messrs. Kingsmill and Memory on 27 April 2009 under an unapproved option scheme and, subject to achievement of certain performance criteria, are exercisable at a price of £0.01 between April 2012 and April 2019. The total share-based payment charge attributable to these options is £241,000 (2009: £69,000).

Statement of Directors' Responsibilities for the financial statements

The directors are responsible for preparing the annual report and the group and parent company financial statements in accordance with applicable law and regulations. The directors have prepared the consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The directors have elected to prepare the Company financial statements under UK Generally Accepted Accounting Practice ('UK GAAP').

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for the Group's system of internal financial control, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- > there is no relevant audit information of which the group's auditors are unaware; and
- > the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Political and charitable donations

Donations to charitable organisations amounted to £4,020 (2009: £50). No donations were made to political organisations.

Substantial shareholders

At 31 May 2010 the following had notified the Company of a disclosable interest in 3% or more of the issued share capital of the Company's shares:

Name	Shareholding	%
Mr K F Harrison	3,690,029	14.61%
Herald Investment Management Limited	2,587,000	10.24%
Octopus Investments	1,897,132	7.51%
Unicorn Asset Management	1,896,191	7.51%
Marlborough Special Situations Fund	1,400,000	5.54%
Ignis Asset Management	1,347,869	5.34%
Artemis Investment Management Limited	1,225,000	4.85%
Hargreave Hale Limited	1,071,437	4.24%
Mr J M Caines	800,000	3.17%

Research and development activities

The Group carries out development on its own intellectual property rights ("IPR") as well as developing add-ons to well established third party products such as Microsoft and SAP. Research and development is not a significant proportion of the Group's staff utilisation.

Payment policy and practice

It is the Company's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction. Trade creditors at the period end correspond to 22 days (2009: 35 days) of average supplies for the period.

Environmental policies

The Group acknowledges the importance of environmental matters and where possible uses environmentally friendly policies in all its offices such as recycling and energy efficient practices.

Employment and social issues

The Group values its staff and involves them in the business through monthly newsletters, regular staff meetings and annual group staff meetings. Key employees are granted share options and all staff are invited to join the Company's Save as You Earn scheme.

The Group is committed to a policy of equal opportunities, and full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

Annual General Meeting

Notice of the Annual General meeting of the Company, to be held on 23 September 2010, is set out on pages 43 to 44.

Website disclaimer

The maintenance and integrity of the Maxima Holdings plc website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 489 of the Companies Act 2006 and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



David Memory
Company Secretary
3 August 2010

Board of Directors

Graham Kingsmill, 51, Chief Executive

Graham Kingsmill was Chief Executive of Netstore plc, then an AIM listed company, from July 2007 until its acquisition by 2e2 Group in October 2008. Netstore provided IT Application Management, Hosting and Security Services. He was previously Managing Director (UK and Ireland) of SAP, a provider of enterprise management software to many of the world's largest companies. Prior to that, Graham held senior sales and general management positions with IBM, PTC and Integraph, primarily in the area of computer aided design tools.

David Memory ACA, 50, Chief Finance Officer and Company Secretary

David Memory was Chief Financial Officer of Netstore plc from September 2007 until its acquisition by 2e2 Group. He was previously Group Finance Director of Tie Rack plc/Ltd from 1995 until 2007. During that time, he played a leading role in the privatisation of the business and then its subsequent private sale in 2007 and also in adding new fascias to the Tie Rack group, both through an acquisition and partnership with other brands. David qualified with Deloitte Haskins & Sells (now PricewaterhouseCoopers) and stayed with the firm for 15 years working in audit, internal risk management and on advisory work.

Kelvin Harrison C Eng, 55, Chairman

Kelvin Harrison has a proven track record of achieving profits growth in both high growth and consolidating environments. His merger and acquisition experience includes origination, execution and integration. Prior to moving into general management, he worked in sales, project management and quality assurance and retains a strong focus on optimising business processes. He spent 5 years building Azur, the business acquired by Maxima upon flotation in 2004, through the merger of several private enterprise software businesses and was Chief Executive Officer of Maxima Holdings Plc from October 2004 until April 2009, at which point he became Chairman of the Company.

Kelvin was with Vega Group plc (software for aerospace and defence applications) from 1985 to 1996 latterly as chief executive, and was chief executive of Symbionics Group Limited (system and software design for wireless communication devices) from 1997 to 1998. He is a Chartered Engineer and has a first class honours degree in Electrical Engineering & Computing Science. He is also a Non-Executive Director of UBC Media Group plc and Jee Ltd and a member of the board of Warwick Ventures.

Kelvin is a member of the Remuneration, Nominations and Audit Committees.

Michael Brooke, 68, Senior Independent Non-Executive Director

Michael Brooke has worked in the computer industry for almost 40 years, predominantly specialising in founding, developing, floating and/or selling companies within the computer software, hardware and services sector. In 1967, he founded Datasolve, which was acquired by BOC in 1973, and in 1976 he founded Micro Business Systems Plc, which became the largest PC reseller in the UK before floating on the Official List in 1983. In 1986, he co-founded Telephone Information Services Plc, sold to management in 1991, and in 1994 he co-founded CMS Ltd which was sold to Millward Brown Limited in 1998. In 1991, he co-founded Comino Plc, which floated on AIM in 1997 and moved to the Official List in 1999. In 1999, he co-founded QA-IQ Ltd, which was sold to Private Equity in 2008.

Michael is currently Chairman of Trusted Terminals Ltd and a Non-Executive Director of Evolved Group Ltd and Imprimatur Capital Ltd.

Michael is Chairman of the Remuneration and Nominations Committees and a member of the Audit Committee.

Robin Williams, 53, Non-Executive Director

Robin obtained an engineering degree from Oxford before qualifying as a Chartered Accountant with Peat Marwick Mitchell and then moving into corporate finance. He spent 10 years with County Bank, UBS Phillips & Drew and Salomon Brothers before co-founding Britton Group plc. As CEO of Britton, he grew the business to £250m revenues within six years, before selling to a competitor. He was then an executive Director of Hepworth PLC, with a leading role in the rationalisation and subsequent sale of the group. He has subsequently held various public and private company directorships across a range of industries including business services.

Robin is currently Chairman of NHS Professionals Ltd and Killby & Gayford (Group) Ltd and is a Non-Executive Director of Xaar plc, London Linen Supply Ltd and Baronsmead VCT4 plc.

Robin is Chairman of the Audit Committee and a member of the Remuneration and Nomination committees.

Report of the Independent Auditor to the Members of Maxima Holdings plc

We have audited the Group financial statements of Maxima Holdings plc for the year ended 31 May 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. 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.

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 auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion

In our opinion the Group financial statements:

- > give a true and fair view of the state of the Group's affairs as at 31 May 2010 and of its loss for the year then ended;
- > have been properly prepared in accordance with IFRS as adopted by the European Union; and
- > 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 Group financial statements are prepared is consistent with the Group financial statements.


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:

- > 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.

Other matter

We have reported separately on the parent company financial statements of Maxima Holdings plc for the year ended 31 May 2010.



Andrew Howie
Senior Statutory Auditor
For and on Behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
3 August 2010

Consolidated Income Statement

Year ended 31 May 2010

	Note	2010 £000	2009 £000
Revenue			
Cost of sales	3 & 4	51,006	56,609
		(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	5	(1,829)	(3,652)
Operating loss	6	(40)	(7,932)
Exceptional charge for movement in derivative instruments carried at fair value	7	-	(551)
Finance costs	7	(754)	(1,176)
Finance income	7	12	27
Loss before income tax		(782)	(9,632)
Taxation	9	107	400
Loss for the year attributable to equity holders		(675)	(9,232)
Loss per share – total and continuing	11		
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)

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Consolidated Balance Sheet

At 31 May 2010

	Note	2010 £000	2009 £000
Assets			
Non-current assets			
Property, plant & equipment	13	1,265	1,361
Goodwill	14	40,921	41,021
Other intangible assets	14	5,704	8,880
Total intangibles		46,625	49,901
Total non-current assets		47,890	51,262
Current assets			
Inventory	15	329	405
Trade and other receivables	16	11,639	14,363
Cash and cash equivalents	17	781	2,421
Total current assets		12,749	17,189
Total assets		60,639	68,451
Liabilities			
Current liabilities			
Trade and other payables	18	(3,604)	(4,153)
Deferred income		(10,708)	(10,653)
Borrowings	19	(1,031)	(1,096)
Accruals		(4,347)	(4,218)
Current tax liabilities		(109)	–
Short term provisions	22	(856)	(804)
Total current liabilities		(20,655)	(20,924)
Non-current liabilities			
Borrowings	19	(11,530)	(16,812)
Deferred tax	20	(2,262)	(2,899)
Long term provisions	22	(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	23	253	253
Reverse acquisition reserve	24	(9,180)	(9,180)
Share premium account	23	28,794	28,794
Capital redemption reserve	24	50	50
Merger reserve	23	4,595	4,595
Currency translation reserve	24	201	193
Retained earnings	25	(739)	471
Total equity		23,974	25,176

These financial statements were approved by the Board of Directors on 3 August 2010

Signed on behalf of the Board of Directors



David Memory
Chief Finance Officer



Graham Kingsmill
Chief Executive Officer

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Company Registration No. 5043538

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	24	–	–	–	–	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	23 & 25	–	–	–	–	–	93	93
Proceeds from shares issued	23	3	170	–	–	–	–	173
Dividends paid	10	–	–	–	–	–	(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	24	–	–	–	–	8	–	8
Total comprehensive income for the year ended 31 May 2010		–	–	–	–	8	(675)	(667)
Employee share options scheme:								
Value of employee services	23 & 25	–	–	–	–	–	319	319
Deferred tax thereon		–	–	–	–	–	31	31
Dividends paid	10	–	–	–	–	–	(885)	(885)
Transactions with owners		–	–	–	–	–	(535)	(535)
Balance at 31 May 2010		253	28,794	4,595	(9,180)	251	(739)	23,974

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

Year ended 31 May 2010

	Note	2010 £000	2009 £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	13	(565)	(614)
Proceeds from sale of property, plant & equipment		36	57
Acquisition of subsidiaries (net of cash acquired)		–	(8,485)
Warranty claim received	14	100	–
Expenditure on research & development activities capitalised	14	(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		–	6,000
Repayment of long term borrowings		(5,250)	(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		(1,640)	(1,781)
Cash and cash equivalents at beginning of period		2,421	4,202
Cash and cash equivalents at end of period	17	781	2,421

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended 31 May 2010

1. General information

Maxima Holdings plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on the inner back cover of this report. The nature of the Group's operations and its principal activities are set out in the Chief Executive's Review and Financial Review on pages 2 to 6 within the Directors' Report.

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

During the year a number of new accounting standards, interpretations and amendments to standards were issued. Below is a summary of those that were issued and whether they have been adopted in the current year or will be adopted in the future.

(i) Standards, interpretations and amendments effective during the year and relevant to the Group

- > IAS 1 (Revised) "Presentation of Financial Statements". The revised standard affects the presentation of owner changes in equity and introduces a "Statement of Comprehensive Income". It also requires that where a balance sheet is restated that the opening balance sheet is also disclosed. There has been no restatement of the balance sheet and therefore an opening balance sheet has not been disclosed.
- > IAS 32, "Financial Instruments: Presentation". Amendment requires entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions.
- > IFRS 8 "Operating Segments" replaces IAS 14, "Segment Reporting". Amendment extends the scope of segmental reporting, in which segment information should be provided on the same basis as is used internally for evaluating segment performance and allocating resources. The standard does not change the recognition, measurement or disclosure of transactions within the financial statements.
- > IFRS 2 "Share-based Payment". Amendment clarifies that vesting conditions are service conditions and performance conditions only. The amendment also required reassessment of the fair value of options which contain non-vesting conditions. There is no material impact as a result of this amendment.

(ii) Standards, interpretations and amendments which are not effective but are mandatory to the Group's future accounting periods, which the Group has not early adopted

- > IAS 24 (Revised 2009) "Related Party Disclosures" - effective 1 January 2011. The revised standard modifies the definition of related parties.
- > IAS 27 "Consolidated and Separate Financial Statements" (Revised 2008) – effective 1 July 2009. The revised standard requires that acquisitions and disposals that do not result in a change of control are accounted for within equity. Any difference between the change in the non-controlling interest and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent and does not generate goodwill.
- > Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" – effective on or after 30 June 2009, amended to clarify the treatment of embedded derivatives where transactions are reclassified from Fair Value Through Profit or Loss (FVTPL). Where transactions are reclassified embedded derivatives may need to be separated from the host and continue to be treated as FVTPL.
- > IFRS 3, "Business Combinations" (Revised 2008) – effective 1 July 2009. The revised standard continues to apply the acquisition method to business combinations and requires that all acquisition related costs are to be expensed to the income statement in the period incurred. Furthermore, purchase accounting only applies at the point when control is achieved.
- > Improvements to IFRS issued May 2010 – part effective 1 July 2010, other parts effective 1 January 2011.

Accounting convention

The consolidated financial statements have been prepared under the historical cost convention and on a going concern basis. Disclosure of the underlying basis for this can be found in the Corporate Governance section of the Directors' Report.

Basis of consolidation

The financial statements incorporate the financial statements of the Company and all its subsidiaries. Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included for the period during which the Group held an interest and exercised control.

2. Accounting policies continued

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the acquisition over the fair value is recorded as Goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intangible assets

Research and Development

Expenditure on research is recognised as an expense in the period in which it is incurred.

Development costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- > completion of the intangible asset is technically feasible so that it will be available for use or sale
- > the Group intends to complete the intangible asset and use or sell it
- > the Group has the ability to use or sell the intangible asset
- > the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits
- > there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- > the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. The term, directly attributable costs include employee costs incurred on software development along with any directly attributable overheads. The costs of internally generated software developments are recognised as intangible assets and are subsequently amortised in the same way as externally acquired licences. However, until completion of the development project, the assets are subject to impairment testing only. Amortisation commences upon completion of the asset, and is shown within amortisation of intangibles.

Careful judgement by the directors is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date. In addition, all internal activities related to the research and development of new software products are continuously monitored by the directors.

Assets acquired as part of a business combination

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the date of acquisition, reflecting the probability that the future economic benefits embodied in the asset will flow to the Group.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives. The estimated useful lives are as follows:

- > Order backlogs – over the period of the contract remaining
- > Customer relationships – 3-7 years
- > Development costs – 1-3 years

Revenue and revenue recognition

Revenue represents the value of work performed in the UK and overseas during the period plus the recognised value of sales in respect of maintenance and support contracts for the respective period, excluding VAT and trade discounts.

Revenue attributable to the supply of software licenses and hardware is recognised when the significant risks and rewards of ownership have been transferred to the buyer, generally on delivery. Consultancy income is recognised based on the terms of the contract which can be either on a time spent on contract basis or a percentage completion basis.

Revenue attributable to the maintenance and support of the system is invoiced in accordance with the contract and recognised on a straight-line basis over the support period.

Where the value of customer contracts contains multiple elements, revenue is recognised by reference to the fair value of the elements delivered to the fair value of the contracts as a whole. Where the contract does not split the value into different elements, the revenue is recognised in accordance with the substance of the contractual provisions.

Deferred income arises where services are invoiced in advance of performance. The amount is released to the income statement in subsequent periods with reference to the stage of completion of the transaction at the balance sheet date.

Notes to the Consolidated Financial Statements continued

Year ended 31 May 2010

2. Accounting policies continued

Segmental reporting

The Group provides segmental reporting on a basis consistent with the provision of internal financial information used for decision making purposes by the Chief Operating Decision Maker. Internal reports are produced on a basis consistent with the accounting policies adopted in the Group's financial statements. Given that management do not use a segmented balance sheet for internal reporting, this analysis is no longer shown.

Cost of sales

Cost of sales represents the cost of hardware and software in respect of sales recognised in the year. External costs for support and maintenance are recognised over the term of the contract as they are incurred. All staff costs are treated as an overhead with no allocation to cost of sales.

Property, plant & equipment

Property, plant and equipment assets are stated at cost, net of depreciation or any provision for impairment. Depreciation is provided on the cost less its residual value in equal annual instalments over the estimated economic useful lives of the assets. The rates of depreciation are as follows:

Leasehold improvements	over the period of the lease
Equipment, fixtures and fittings	20 – 25% per annum
Computers	33 – 50% per annum
Motor vehicles	25% per annum

Useful lives are reviewed annually.

Goodwill

Goodwill arising on the acquisition of a business, representing the difference between the cost of acquisition and the fair value of the identifiable net assets acquired, is capitalised and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable.

Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Inventory – work in progress

Inventory comprises short term work in progress only and is held at the lower of cost and net realisable value. Cost comprises direct material and third party labour plus attributable overheads based on a normal level of activity. Net realisable value is based on estimated selling price less anticipated costs to disposal.

Taxation

Current tax is the tax currently payable based on taxable profit for the period.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Temporary differences include those associated with shares in subsidiaries. Deferred tax on these temporary differences is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

2. Accounting policies continued

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity (such as for share options) in which case the related deferred tax is also charged or credited directly to equity.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities in the financial statements of foreign subsidiaries and related goodwill are translated at the rate of exchange rate ruling at the balance sheet date. Income and expenses are translated at the actual rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to the "Currency translation reserve" in equity. On disposal of a foreign operation the cumulative translation differences (including, if applicable, gains and losses on related hedges) are transferred to the income statement as part of the gain or loss on disposal.

Leases

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight-line basis over the lease term. Lease incentives are spread over the term of the lease. Income from sub-let of properties is recognised over the period of the sub-lease.

It is the policy of the Group to make a provision for discounted rentals and other property costs on all leased properties which are vacant and to the extent that it is unlikely that they can be sub-let.

Financial instruments

Financial assets

Financial assets are classified as loans and receivables. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognised at fair value on their initial recognition, net of transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when there is objective evidence that the group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

A financial asset is de-recognised only where the contractual rights to the cash flows from the asset expire, or the financial asset is transferred and that transfer qualifies for de-recognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset, but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for de-recognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in the income statement. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Notes to the Consolidated Financial Statements continued

Year ended 31 May 2010

2. Accounting policies continued

Financial liabilities categorised as at fair value through profit or loss are remeasured at each reporting date at fair value, with changes in fair value being recognised in the income statement. All other financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Following renegotiation of the bank facilities, the existing loans were de-recognised under the extinguishment method of accounting and the new facilities have been recognised at fair value. The difference between the fair value of the new facility and the carrying value of the old liability has written off to the profit and loss account together with fees incurred during the renegotiation.

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Interest-bearing bank loans and overdrafts are recognised at fair value, net of transaction costs and thereafter at amortised cost. Finance charges are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial liabilities are categorised as at fair value through profit or loss where they are classified as held-for-trading or designated as at fair value through profit or loss on initial recognition. Financial liabilities are designated as at fair value through profit or loss where they are managed and their performance evaluated on a fair value basis in accordance with the group's risk management strategy. The interest rate cap and collar derivative is classified as a fair value through profit and loss instrument.

A financial liability is de-recognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Capital policy

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure that optimises the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Dividends

Dividend distributions payable to equity shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or, in respect of interim dividends, when they are paid.

Equity

Equity comprises share capital, reserves and retained earnings. Each of the reserves is described in Notes 23 to 25.

Employee benefits

Pension schemes

The Company operates defined contribution pension schemes covering the directors and some of the employees. The pension cost represents the contributions payable to the pension schemes in respect of the accounting period.

Share-based payments

All share-based payment arrangements granted after 7 November 2002 that have not vested by 1 June 2005, are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to equity.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

2. Accounting policies continued

Exceptional items

The group records as exceptional items those items of significant income or expenditure which are not expected to re-occur frequently or regularly. This includes costs in connection with restructuring of the business whether that relates to reductions or significant increases in the workforce. Costs or income relating to the disposal of a part of the business, or discontinuation of a part of the business and the disposal of property, whether freehold or leasehold prior to the end of the lease, will be treated as exceptional.

Critical accounting judgements and key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Onerous lease provision

The directors have made a judgement with regard to onerous leases and dilapidations and a provision has been made in the financial statements to take account of this. The method of calculation has included a discount rate of 8.5%, and assumes that current occupancy rates will remain unchanged until the end of each of the affected leases.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from each cash-generating unit, including management's estimates of long-term operating margins and long-term growth rates and selection of a suitable discount rate in order to calculate the present value. Details of the assumptions used and the select sensitivities of the key assumptions in the impairment calculations are disclosed in Note 14. In determining the key assumptions, management have taken into account the current economic climate, the resulting impact on expected growth and discount rates, and the impact this has on impairment calculations.

3. Segmental analysis

Segment information is presented in respect of the Group's operation segments, based on the Group's management and internal reporting structures. The Group have identified the Board as the Chief Operating Decision Maker. Revenues are attributed to one division or another and there is no significant cross charging between divisions. The assets and liabilities of the Group are not reviewed by the Chief Operating Decision Maker on a segment basis. Therefore none of the Group's assets and liabilities are segmental assets and liabilities and are all unallocated for segmental disclosure purposes. The Group has adopted early the amendment to IFRS 8 'Operating Segments' as detailed in the 'Improvements to IFRS' issued in April 2009. This amendment states that if segmental assets and liabilities are not presented to the Chief Operating Decision Maker then the Group need not disclose these in the financial statements. On this basis the Group has not disclosed details of segmental assets and liabilities.

At 31 May 2010 the Group is primarily organised into two main business segments. Business Solutions provides consultancy and supports a range of enterprise applications, both of its own software and that of third parties. Support Enablement Services provides managed services and support around infrastructure services such as security, networks and database administration. There are no other services provided by the Group which would constitute a separately disclosable segment. No single customer accounts for more than 10% of the Group's revenue.

Year ended 31 May 2010	Business Solutions £000	Support Enablement Services £000	Total £000
Revenue	20,078	30,928	51,006
Earnings before interest, tax, amortisation, impairment, share-based payments and redundancy and re-organisation costs	2,578	3,025	5,603
Amortisation of intangibles	(999)	(2,496)	(3,495)
Share-based payments	(161)	(158)	(319)
Redundancy and re-organisation costs	(1,105)	(724)	(1,829)
Operating loss	313	(353)	(40)
Finance costs			(754)
Finance income			12
Loss before income tax			(782)
Income tax credit, net			107
Loss for the period			(675)
Capital expenditure	130	435	565
Depreciation	197	425	622

Notes to the Consolidated Financial Statements continued

Year ended 31 May 2010

3. Segmental analysis continued

Year ended 31 May 2009	Business Solutions £000	Support Enablement Services £000	Total £000
Revenue	24,209	32,400	56,609
Earnings before interest, tax, amortisation, impairment, share-based payments and redundancy and re-organisation costs	4,162	4,095	8,257
Amortisation of intangibles	(3,091)	(940)	(4,031)
Impairment of goodwill	–	(8,413)	(8,413)
Share-based payments	(71)	(22)	(93)
Redundancy and re-organisation costs	(3,221)	(431)	(3,652)
Operating loss	(2,221)	(5,711)	(7,932)
Exceptional charge for movement in derivative instruments carried at fair value			(551)
Finance costs			(1,176)
Finance income			27
Loss before income tax			(9,632)
Income tax credit, net			400
Loss for the period			(9,232)
Capital expenditure	624	2,765	3,389
Depreciation	254	366	620

An analysis of turnover by geographical destination and capital expenditure by location is given below:

	Turnover		Total capital expenditure	
	2010 £000	2009 £000	2010 £000	2009 £000
UK	45,834	49,250	455	3,261
Europe	3,774	5,488	60	102
USA	1,321	1,702	–	16
Other	77	169	50	10
	51,006	56,609	565	3,389

4. Income

An analysis of the Group's income is as follows:

	2010 £000	2009 £000
Revenue from services provided and sale of related goods	51,006	56,609
Other operating income (note 6)	158	200
	51,164	56,809

5. Exceptional redundancy and reorganisation costs

	2010 £000	2009 £000
Redundancy and re-organisation costs	737	905
Provision for onerous leases	459	2,747
Fees and 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.

6. Operating loss

	2010 £000	2009 £000
Operating loss is stated after charging/(crediting):		
Depreciation of property, plant & equipment		
Owned assets	589	494
Leased assets	33	126
Amortisation of intangible assets	3,495	4,031
Impairment of goodwill	–	8,413
Audit services		
– Statutory audit	20	30
– Audit of the Company's subsidiaries	32	46
Tax services		
– Compliance	20	21
– Advisory	6	37
Other services pursuant to legislation	7	14
Fees paid to associates of Grant Thornton UK LLP	8	11
Exchange gains	(8)	(41)
Provisions made for bad debts	250	350
Provisions for onerous leases	459	2,747
Rentals under operating leases		
– Land and buildings	1,013	994
– Other	55	70
Loss/(profit) on disposals of property, plant & equipment	17	(23)
Other operating income:		
Rent receivable in respect of operating leases	158	200

7. Net finance cost

	2010 £000	2009 £000
Finance income:		
Bank interest receivable	12	27
Finance costs:		
Interest payable on bank borrowings and other financing	(789)	(1,176)
Fair value remeasurement of derivative instruments	246	–
Unwinding of discount on onerous lease provision	(153)	–
Other finance costs	(58)	–
	(742)	(1,149)
Exceptional cost of interest rate hedging		
Exceptional charge for movement in derivative instruments carried at fair value	–	(551)
	(742)	(1,700)

8. Employee benefits expense and staff numbers

	2010 £000	Restated 2009 £000
Staff costs incurred during the period in respect of employees were:		
Wages and salaries	20,418	20,847
Social security costs	2,328	2,309
Share options granted to directors and employees	319	93
Pension costs – defined contribution plans	622	482
	23,687	23,731

Comparative figures have been restated as certain costs were erroneously excluded in last year's accounts. This affected disclosure only and has no impact on either the Consolidated Income Statement or the Consolidated Balance Sheet.

	2010 No.	2009 No.
Average number of persons employed by the Group in the period (including directors):		
Operations	348	365
Sales and Marketing	57	56
Administration	49	49
	454	470

Directors' remuneration is disclosed in the Directors' Report on pages 9 and 10.

Notes to the Consolidated Financial Statements continued

Year ended 31 May 2010

9. 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)

10. Dividends on shares classed as equity

	2010 pence per share	2010 £000	2009 pence per share	2009 £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.

11. 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 £000	2009 £000
Loss		
Net loss after tax for the year attributable to equity holders	(675)	(9,232)
	No. 000	No. 000
Weighted average number of ordinary shares		
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

11. Loss per share continued

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 £000	2009 £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

12. Group investments

The Group's principal subsidiary undertakings are as follows:

	Country of Incorporation/ registration and operation	Activity	Class of share capital	Ownership percentage by the Group at 31 May 2010
Minerva Industrial Systems Limited	England and Wales	Dormant	Ordinary	100
Maxima Information Group Limited	England and Wales	Note 1	Ordinary	100
Ringwood Software Limited	England and Wales	Dormant	Ordinary	100
Maxima Solutions Inc	USA	Note 1	Common	100
Maxima Managed Services Limited	England and Wales	Note 1	Ordinary	100
QED Business Systems Limited	England and Wales	Note 2	Ordinary	100
Ringwood Group Limited	England and Wales	Holding company	Ordinary	100
AH 1 Limited	England and Wales	Note 2	Ordinary	100
M2 Systems Limited	England and Wales	Dormant	Ordinary	100
Azur Business Solutions Limited	Scotland	Dormant	Ordinary	100
Ventiva Limited	England and Wales	Dormant	Ordinary	100
Trove Software Limited	England and Wales	Dormant	Ordinary	100
Cognition Solutions Limited	England and Wales	Note 2	Ordinary	100
Maxima Managed Services Ireland Limited	Ireland	Note 1	Ordinary	100
Cognition Support Services Limited	England and Wales	Dormant	Ordinary	100
SevenThree Limited	England and Wales	Dormant	Ordinary	100
3net Limited	England and Wales	Note 2	Ordinary	100
Centric Networks Limited	England and Wales	Note 2	Ordinary	100
DXI Networks Limited	England and Wales	Note 2	Ordinary	100
Hotchilli Internet Limited	England and Wales	Note 2	Ordinary	100
HCI Solutions Private Limited	India	Note 1	Ordinary	100

Note 1: The companies are engaged in the provision of specialist computing services and associated systems.

Note 2: The companies did not trade during the year, but did pay dividends to their respective holding companies.

Notes to the Consolidated Financial Statements continued

Year ended 31 May 2010

13. Property, plant and equipment

	Leasehold improvements £000	Equipment, fixtures and fittings £000	Computers £000	Motor vehicles £000	Total £000
Cost					
At 1 June 2008	541	612	1,293	244	2,690
Additions	104	123	168	219	614
On business combinations	98	44	215	20	377
Disposals	–	(19)	(7)	(126)	(152)
At 1 June 2009	743	760	1,669	357	3,529
Additions	16	165	293	91	565
Disposals	(10)	(76)	(6)	(121)	(213)
At 31 May 2010	749	849	1,956	327	3,881
Accumulated depreciation					
At 1 June 2008	239	370	968	89	1,666
Charge for the year	126	103	295	96	620
Disposals	–	(4)	(6)	(108)	(118)
At 1 June 2009	365	469	1,257	77	2,168
Charge for the year	83	90	341	108	622
Disposals	(10)	(50)	(5)	(109)	(174)
At 31 May 2010	438	509	1,593	76	2,616
Carrying amount:					
At 31 May 2010	311	340	363	251	1,265
At 31 May 2009	378	291	412	280	1,361

The net book value of tangible property, plant and equipment includes an amount of £7,000 in motor vehicles (2009: £0.1m) and £37,000 in computers (2009: £0.1m) in respect of assets held under finance leases and hire purchase contracts.

14. 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
Repayment under 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.

14. Intangible assets continued

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 £000	2009 £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 of 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.

15. Inventory – work in progress

	2010 £000	2009 £000
Work in progress	329	405

The directors consider that the carrying amount of work in progress approximates to its fair value.

16. Trade and other receivables

	2010 £000	2009 £000
Trade receivables	8,814	10,195
Tax recoverable	–	621
Prepayments and accrued income	2,825	3,547
	11,639	14,363

Trade debtors at the balance sheet date comprise amounts receivable from the provision of consulting and support services.

The average credit period taken on the provision of these services is 49 days (2009: 61 days). Trade receivables are stated net of impairment for estimated irrecoverable amounts of £691,000 (2009: £529,000). This impairment has been determined by reference to past default experience and known issues. Write offs are made when the irrecoverable amount becomes certain. The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Notes to the Consolidated Financial Statements continued

Year ended 31 May 2010

16. Trade and other receivables continued

Movements on the allowance for irrecoverable amounts on trade receivables are as follows:

	2010 £000	2009 £000
At 1 June 2009	529	179
Provision for bad debts	250	514
Amounts written off as irrecoverable	(88)	(164)
At 31 May 2010	691	529

	Total £000	Neither past due nor impaired £000	Less than 30 days £000	30 to 60 days £000	60 to 90 days £000	More than 90 days £000
2010	8,814	5,107	2,729	302	166	510
2009	10,195	7,402	1,234	399	206	954

17. Cash and cash equivalents

	2010 £000	2009 £000
Cash at bank and on hand	781	2,421

The directors consider that the carrying amount of these assets approximates to their fair value.

18. Trade and other payables

	2010 £000	2009 £000
Trade payables	1,773	2,605
Social security and other taxes	1,831	1,548
At 31 May 2010	3,604	4,153

All amounts are short term. The directors consider that the carrying amount of trade payables approximates to their fair value.

19. Borrowings

	2010 £000	2009 £000
Non-current		
Bank borrowings	11,500	16,750
Finance leases	30	62
	11,530	16,812
Current		
Bank borrowings	1,000	1,000
Finance leases	31	96
	1,031	1,096
Total borrowings	12,561	17,908

	Debt £000	Finance Leases £000	Total 2010 £000	Debt £000	Finance Leases £000	Total 2009 £000
Maturity of debt						
The borrowings are repayable as follows:						
Within one year	1,472	34	1,506	1,017	104	1,121
Between one and two years	1,433	34	1,467	1,033	34	1,067
Between two and five years	10,895	-	10,895	18,085	34	18,119
	13,800	68	13,868	20,135	172	20,307
Future finance charges	(1,300)	(7)	(1,307)	(2,385)	(14)	(2,399)
Debt	12,500	61	12,561	17,750	158	17,908

Following renegotiation of the bank facilities, the bank borrowings comprise a £3.0m Term Loan (2009: £4.0m) repayable in 6 equal instalments until 31 May 2013, and a £13.0m revolving credit facility of which £9.5m was drawn at year end (2009: £13.75m, of which £13.75m was drawn), for which there is a repayment schedule of £250,000 on 31 May 2011 and 30 November 2011 with further quarterly repayments of £250,000 until the balance is repayable on 31 May 2013 (2009: all repayable on 31 May 2013). These facilities can be drawn for interest periods varying from one to six months. In addition there is an overdraft facility of £1.0m (not utilised at the year end). All borrowings are denominated in sterling and interest is payable at a variable rate (between 1.5% and 3%) above LIBOR. The effective interest rate on the finance leases is 8.5%.

19. Borrowings continued

The bank borrowings are secured under a floating charge over the assets of the Group and a cross guarantee between the group companies.

Interest rate risk

The Group's borrowing facilities are floating rate, and it uses interest rate instruments to protect against interest rate risk where it considers appropriate. At 31 May 2010 the Group held a cap and collar derivative against interest rates to cover £8m (2009: £8m) of borrowings. At 31 May 2010 the fair value of this instrument was a liability of £305,000 (see Note 7) (2009: £551,000). Hedge accounting has not been applied with regard to this instrument.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +1% and -1% (2009: +/- 1%), based on the borrowings at the end of the financial year. These changes are considered to be reasonably possible based on observation of current market conditions.

£000	2010		2009	
	+1%	-1%	+1%	-1%
Net result for year and equity	(78)	78	(98)	98

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably, by the use of medium and long term facilities. Net debt is monitored daily and short term cash flow requirements are projected each week. At the balance sheet date all borrowing facilities are held with Barclays Bank plc.

	Current	Non-Current	
	Within 1 Year £000	In 1 to 2 Years £000	In 2 to 5 Years £000
31 May 2010			
Trade and other payables	3,604	–	–
Accruals	4,347	–	–
Deferred income	10,708	–	–
Bank loans	1,000	1,000	10,500
Finance lease obligations	31	30	–
	19,690	1,030	10,500
31 May 2009			
Trade and other payables	4,153	–	–
Accruals	4,218	–	–
Deferred income	10,653	–	–
Bank loans	1,000	1,000	15,750
Finance lease obligations	96	32	30
	20,120	1,032	15,780

Credit risk

The Group's main credit risk relates to trade receivables which are stated net of the provisions above. No collateral is held as security against these debtors and the carrying value represents the fair value. In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good. The largest customer accounted for 14% of the trade receivable balance at the year end.

Foreign currency risk

The Group's exchange risk is naturally hedged with costs and revenues incurred in the same currency. The main operating regions are the UK and Ireland. The Group is exposed to transaction foreign exchange risk. Transaction exposures are hedged when material and when known, mainly using the forward hedge market.

Fair value

The fair values and carrying amounts approximate their carrying value. Fair values have been estimated by discounting the cash flows relating to borrowings at the market rate at the end of the reporting period. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed below.

Notes to the Consolidated Financial Statements continued

Year ended 31 May 2010

19. Borrowings continued

Financial assets

	Assets at fair value through profit and loss £000	Loans and receivables £000	Total £000
2010			
Trade receivables (note 16)	–	8,814	8,814
Cash and cash equivalents	–	781	781
	–	9,595	9,595
2009			
Trade receivables (note 16)	–	10,195	10,195
Cash and cash equivalents	–	2,421	2,421
	–	12,616	12,616

All receivables are due within one year (2009: all due within one year).

Financial liabilities

	Liabilities at fair value through profit and loss £000	Amortised cost £000	Total £000
2010			
Trade payables (note 18)	–	1,773	1,773
Accruals	305	4,042	4,347
Bank loans (note 19)	–	12,500	12,500
Finance lease obligations (note 21)	–	61	61
	305	18,376	18,681
2009			
Trade payables (note 18)	–	2,605	2,605
Accruals	551	3,667	4,218
Bank loans (note 19)	–	17,750	17,750
Finance lease obligations (note 21)	–	158	158
	551	24,180	24,731

At the year end the Group had no (2009: no) forward contracts.

Capital risk management

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Management considers that it has adequate finance for its current needs with the bank facilities it currently has. Consequently, the most important measures that are followed are those relating to the covenants within the bank agreement. Of these the most significant is the measure of net debt to adjusted EBITA.

19. Borrowings continued

During the year, the Group's strategy, which was unchanged from 2009, was to maintain the net debt-to-adjusted EBITA ratio below 2.5. The net debt-to-adjusted EBITA ratios at 31 May 2010 and at 31 May 2009 were as follows:

	2010 £000	2009 £000
Current borrowings	1,031	1,096
Non-current borrowings	11,530	16,812
Total borrowings	12,561	17,908
Less: cash and cash equivalents	781	2,421
Net debt	11,780	15,487
Earnings before interest, tax, amortisation, impairment, share-based payments and redundancy and re-organisation costs	5,603	8,257
Debt-to-adjusted EBITA ratio	2.10	1.88

20. Deferred taxation

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2010 £000	2009 £000
Deferred income tax assets to be recovered within 12 months	(290)	(166)
Deferred income tax liabilities to be borne after more than 12 months	2,552	3,065
Deferred income tax liabilities (net)	2,262	2,899

The movement on the deferred income tax account is as follows:

£000	Financial instrument	Goodwill	Intangibles	Share-based payments	Research and Development & Other	Total
At 1 June 2009	(154)	584	2,376	(12)	105	2,899
Charged/(credited) to income statement	69	375	(890)	(64)	(95)	(605)
Credited direct to equity	–	–	–	(32)	–	(32)
At 31 May 2010	(85)	959	1,486	(108)	10	2,262

21. Obligations under finance leases

The minimum lease payments fall due as follows:

	Minimum lease payments	
	2010 £000	2009 £000
Amounts payable under finance leases:		
One year or less	34	104
Between one and five years	34	34
Over five years	–	34
	68	172
Future finance charges on finance leases	(7)	(14)
Present value of finance lease liabilities	61	158

The obligations derive solely from obligations to purchase motor vehicles and computer equipment.

22. Provisions

The movement on the provision account is as follows:

	Redundancy and reorganisation £000	Onerous leases and dilapidations £000	Other £000	Total £000
At 1 June 2009	368	2,747	329	3,444
Charged/(credited) to income statement	–	486	19	505
Discount charged to finance costs – note 7	–	153	–	153
Utilised/(released) in the year	(368)	(580)	(80)	(1,028)
At 31 May 2010	–	2,806	268	3,074

Notes to the Consolidated Financial Statements continued

Year ended 31 May 2010

22. Provisions continued

The provisions are analysed as:

	Provisions	
	2010 £000	2009 £000
One year or less	856	804
Between one and five years	1,060	1,349
Over five years	1,158	1,291
Present value of liabilities	3,074	3,444

Provision has been made for onerous leases and dilapidations representing the residual lease commitments together with ancillary property costs to the end of leases for properties vacated during the year and for vacant proportion of the Cheltenham premises.

Included in other provisions is holiday pay of £152,000 (2009: £79,000).

23. 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	25,009,694	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	25,261,402	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.

Any excess over nominal value which results after the allotment of shares is credited to the share premium account.

Allotments during the period

There were no allotments of ordinary shares during the year.

23. Called up share capital and capital reserves continued

Share options

The Company has granted equity settled options to directors and employees. The exercise price of the granted options varies according to the nature of the grant. Typically the SAYE options are granted at an exercise price reflecting a 10-15% discount at the time of issue and the Long Term Incentive Plans (LTIPs) are nil cost or value, and have performance criteria attached before they can vest. Options are exercisable after three to five years only if the vesting conditions are met.

Date of grant	At 1 June 2009	Granted during year	Lapsed during year	Exercised during year	At 31 May 2010	Dates exercisable	Exercise price (£)	Market price on issue (£)	Expected volatility %	Expected life (years)	Risk free rate %	Dividend yield %
24 November 2004	350,000	–	–	–	350,000	November 2008 – November 2014	1.10	1.10	35	3	4.4	1.7
28 August 2006	221,292	–	(163,226)	–	58,066	August 2009 – August 2016	1.55	1.52	30	3	4.75	2.5
22 September 2006	285,754	–	(167,132)	–	118,622	September 2009 – March 2012	1.292	1.61	30	3.96	4.75	2.5
26 September 2007	60,591	–	(20,981)	–	39,610	September 2010 – March 2013	2.724	3.09	30	3.84	5.03	2.25
3 December 2007	53,000	–	(53,000)	–	–	December 2010 – December 2017	2.375	2.375	30	3	4.46	2.25
4 January 2008	115,000	–	(115,000)	–	–	January 2011 – January 2018	2.535	2.535	30	3	4.21	2.25
25 September 2008	229,628	–	(60,480)	–	169,148	September 2011 – March 2014	1.665	1.80	50	3.71	4.46	4.9
19 September 2008	239,129	–	(130,434)	–	108,695	September 2011 – September 2018	0.01	1.85	50	3	4.46	4.9
27 April 2009	886,792	–	–	–	886,792	April 2012 – April 2019	0.01	0.565	50	3	2.44	4.9
11 September 2009	–	535,046	(90,146)	–	444,900	September 2012 – September 2019	0.01	0.89	50	3	2.44	3.4
Weighted average exercise price	£0.84	£0.01	£1.30	–	£0.47							

Out of the 2,175,833 (2009: 2,441,186) outstanding options, 408,066 (2009: 350,000) share options were exercisable at 31 May 2010 with a weighted average exercise price of £1.16 (2009: £1.10). The average period to expiry of all outstanding options is 7.3 years (2009: 7.4 years).

The weighted average value of options granted during the year determined using the Black Scholes valuation model was £0.80 per option (2009: £0.74). The volatility assumption is based upon historic share price volatility in the software sector. There were no options exercised during the year (2009: weighted average share price of options exercised during the year was £1.40).

24. Other reserves

	Capital redemption reserve £000	Reverse Acquisition reserve £000	Currency Translation reserve £000	Total £000
At 1 June 2008	50	(9,180)	152	(8,978)
Foreign exchange on consolidation	–	–	41	41
At 31 May 2009	50	(9,180)	193	(8,937)
Foreign exchange on consolidation	–	–	8	8
At 31 May 2010	50	(9,180)	201	(8,929)

The capital redemption reserve is a non-distributable reserve and contains the nominal value of shares repurchased and cancelled.

The reverse acquisition reserve was created under IFRS following the reverse acquisition of Maxima Holdings plc by Azur Holdings Limited in November 2004.

The currency translation reserve contains the exchange gains/losses arising from the translation into Sterling of assets/liabilities denominated in foreign currency.

Notes to the Consolidated Financial Statements continued

Year ended 31 May 2010

25. Retained earnings

	£000
At 1 June 2008	4,588
Loss for the year	(9,232)
Transfer from Merger Reserve	6,427
Share-based payments	93
Dividends paid	(1,405)
At 31 May 2009	471
Loss for the year	(675)
Share-based payments	319
Deferred tax on share-based payments credited to reserves	31
Dividends paid	(885)
At 31 May 2010	(739)

26. Analysis of changes in net debt

	At 1 June 2009 £000	Cash flow £000	At 31 May 2010 £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)

27. Pension scheme

The Group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and other private schemes and amounted to £631,000 for the year (2009: £477,000).

An amount of £10,000 (2009: £81,000) is included in creditors being outstanding contributions at the balance sheet date.

28. Commitments

Operating lease payments amounting to £1,128,000 (2009: £1,065,000) are due within one year. The leases to which these amounts relate expire as follows:

	2010		2009	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
In one year or less	85	11	119	25
Between one and five years	1,250	–	828	39
In five years or more	4,470	–	5,065	–
	5,810	11	6,012	64

There are no other commitments at the balance sheet date other than as disclosed in the financial statements.

Annual amounts receivable under sub-leases, all due within one year or less, are £54,000 (2009: £132,000).

29. Contingent liabilities

There are bank guarantees of £300,000 (2009: £300,000) on behalf of the Group.

30. Related party transactions

The Board is not aware of any related party transactions that should be disclosed apart from the details of key management remuneration. The Board considers there to be no key managers other than members of the Board, whose full details are disclosed in the Directors' Remuneration Report.

Report of the Independent Auditor to the Members of Maxima Holdings plc

We have audited the parent company financial statements of Maxima Holdings plc for the year ended 31 May 2010 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the parent company financial statements:

- > give a true and fair view of the state of the company's affairs as at 31 May 2010;
- > have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- > have been prepared in accordance with the requirements of the Companies Act 2006.

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 parent company financial statements.

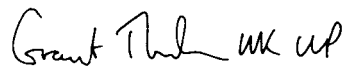
Matters on which we are required to report by exception

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.

Other matter

We have reported separately on the Group financial statements of Maxima Holdings plc for the year ended 31 May 2010.



Andrew Howie

Senior Statutory Auditor

For and on Behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Glasgow

3 August 2010

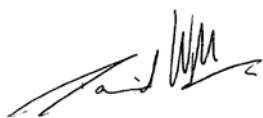
Company Balance Sheet

31 May 2010

	Note	2010 £000	2009 £000
Fixed assets			
Investments	3	63,568	63,668
Current assets			
Debtors	4	373	1,057
Cash at bank and in hand		3	15
		376	1,072
Creditors: amounts falling due within one year	5	(8,989)	(10,849)
Net current liabilities		(8,613)	(9,777)
Total assets less current liabilities		54,955	53,891
Creditors: amounts falling due after more than one year	6	(11,500)	(16,750)
Net assets		43,455	37,141
Capital and reserves			
Called up share capital	7	253	253
Share premium account	8	28,794	28,794
Capital redemption reserve	8	50	50
Merger reserve	8	4,595	4,595
Retained earnings	8	9,763	3,449
Shareholders' funds		43,455	37,141

These financial statements were approved by the Board of Directors on 3 August 2010.

Signed on behalf of the Board of Directors



David Memory
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Company Registration No. 5043538

Notes to the Accounts

Year ended 31 May 2010

1. Accounting policies

The financial statements of Maxima Holdings plc (the Company) have been prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards.

Intangible assets and investments (held as fixed assets)

As part of the acquisition strategy the trade and net assets of a subsidiary undertaking at or shortly after acquisition is transferred at book value to fellow subsidiaries, Maxima Managed Services Limited or Maxima Information Group Limited. The cost of the Company's investment in that subsidiary undertaking reflected the underlying fair value of its net assets and goodwill at the time of its acquisition. As a result of this transfer the value of the Company's investment in that subsidiary undertaking fell below the amount at which it was stated in the Company's accounting records.

Schedule 4 of the Companies Act 2006 requires that the investment be written down accordingly and that the amount be charged as a loss in the Company's profit and loss account. However, the directors consider that, as there has been no overall loss to the Group, it would fail to give a true and fair view to charge the diminution to the Company's profit and loss account. Instead the carrying value of the investment in all companies transferred into each of Maxima Managed Services Limited and Maxima Information Group Limited will be considered together against the future cashflows and net asset position of those companies.

The principal accounting policies of the Company which remain unchanged from the prior year are:

Investments

Investments in subsidiaries are carried at cost less amounts written off.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Pension schemes

The Company operates defined contribution pension schemes covering the directors and some of the employees. The pension cost represents the contributions payable to the pension schemes in respect of the accounting period.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are charged to the profit and loss account. Finance costs are calculated to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

Share-based payments

The Company issues equity-settled share-based payments to certain employees. The fair value of the shares granted is recharged to the Company's subsidiaries and is calculated at the grant date, based on an estimate of the shares that will ultimately vest, using the Black Scholes model and in accordance with FRS 20.

Dividends

Dividend distributions payable to equity shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or, in respect of interim dividends, when they are paid.

Notes to the Accounts continued

Year ended 31 May 2010

2. Employee benefit expense

The remuneration paid by the company represents the remuneration of the directors.

	2010 £000	2009 £000
Staff costs incurred during the period in respect of the Company's employees were:		
Wages and salaries	709	875
Social security costs	86	120
Pension costs – defined contribution plans	130	108
	925	1,103

	2010 £000	2009 £000
Highest paid director's emoluments		
Salary and benefits in kind	217	199
Compensation for loss of office	–	250
Contributions to defined contribution pension scheme	79	23
	296	472

During the year 3 (2009: 5) directors participated in money purchase pension schemes.

The highest paid director did not exercise any share options during the year (2009: none exercised).

3. Investments held as fixed assets

	Shares in subsidiary undertakings £000
Cost at 1 June 2009	63,668
Adjustment to prior period acquisition	(100)
Cost and net book value at 31 May 2010	63,568

There were no acquisitions during the year. All of the investments are unlisted. The details of the subsidiary undertakings are shown in Note 9.

During the 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). This reflects a discount on the original acquisition cost and has therefore been netted against the cost of the investment.

4. Debtors

	2010 £000	2009 £000
Amounts owed by subsidiaries	64	64
Corporation tax	134	761
Prepayments and accrued income	175	232
	373	1,057

5. Creditors: amounts falling due within one year

	2010 £000	2009 £000
Bank loans and overdrafts	1,000	1,000
Amounts owed to subsidiaries	7,767	9,702
Accruals	222	147
	8,989	10,849

6. Creditors: amounts falling due after more than one year

	2010 £000	2009 £000
Borrowings	11,500	16,750

Maturity of debt

The bank loans are repayable as follows:

Within one year	1,000	1,000
Between one and two years	1,000	1,000
Between two and five years	10,500	15,750
	12,500	17,750

Following renegotiation of the bank facilities, the bank borrowings comprise a £3.0m Term Loan (2009: £4.0m) repayable in 6 equal instalments until 31 May 2013, and a £13.0m revolving credit facility of which £9.5m was drawn at year end (2009: £13.75m, of which £13.75m was drawn), for which there is a repayment schedule of £250,000 on 31 May 2011 and 30 November 2011 with further quarterly repayments of £250,000 until the balance is repayable on 31 May 2013 (2009: all repayable on 31 May 2013). These facilities can be drawn for interest periods varying from one to six months. In addition there is an overdraft facility of £1.0m (not utilised at the year end). All borrowings are denominated in sterling and interest is payable at a variable rate (between 1.5% and 3%) above LIBOR.

The bank borrowings are secured under a floating charge over the assets of the Group and a cross guarantee between the group companies.

7. Called up share capital

	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	25,261,402	253	25,261,402	253

Rights attached to shares

Ordinary Shares

The ordinary shares are equity shares. Holders of ordinary shares have one vote for each share held.

Allotments during the period

No allotments of ordinary shares were made by the Company during the year.

Contingent rights to the allotment of shares

The Company has granted options to directors and employees, the full details of which are disclosed in Note 23 of the Group accounts. At the end of the year the number of options remaining unexercised was 2,175,833 (2009: 2,441,186).

	No. Shares	Exercise price per share	Date from which exercisable	Expiry Date
EMI scheme				
2004 grant	25,000	£1.10	24 November 2008	24 November 2014
2007 grant	58,066	£1.55	30 August 2007	29 August 2016
Unapproved scheme				
2004 grant	325,000	£1.10	24 November 2008	24 November 2014
2009 grant	108,695	£0.01	19 September 2011	19 September 2018
2009 grant	886,792	£0.01	27 April 2012	27 April 2019
2010 grant	444,900	£0.01	11 September 2012	11 September 2019
SAYE scheme				
2007 invitation	118,622	£1.292	September 2009	March 2012
2008 invitation	39,610	£2.724	September 2010	March 2013
2009 invitation	169,148	£1.665	September 2011	March 2014

Notes to the Accounts continued

Year ended 31 May 2010

8. Statement of movement of reserves

	Share Capital £000	Merger Reserve £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	2010 Total £000	2009 Total £000
At 1 June 2009	253	4,595	28,794	50	3,449	37,141	41,580
Transfer from Merger Reserve	-	-	-	-	-	-	-
Profit/(loss) for the year	-	-	-	-	7,199	7,199	(3,207)
Dividends paid	-	-	-	-	(885)	(885)	(1,405)
Issue of shares (net of expenses)	-	-	-	-	-	-	173
At 31 May 2010	253	4,595	28,794	50	9,763	43,455	37,141

The merger reserve arises from the issue of shares as part of consideration for certain acquisitions completed by the Group.

Any excess over nominal value which results after the allotment of shares is credited to the share premium account.

The capital redemption reserve is a non-distributable reserve and contains the nominal value of shares repurchased and cancelled.

9. Subsidiary undertakings

	Country of Incorporation/ registration and operation	Activity	Class of share capital	Ownership percentage by the Group at 31 May 2010
Minerva Industrial Systems Limited	England and Wales	Dormant	Ordinary	100
Maxima Information Group Limited	England and Wales	Note 1	Ordinary	100
Ringwood Software Limited	England and Wales	Dormant	Ordinary	100
Maxima Solutions Inc	USA	Note 1	Common	100
Maxima Managed Services Limited	England and Wales	Note 1	Ordinary	100
QED Business Systems Limited	England and Wales	Note 2	Ordinary	100
Ringwood Group Limited	England and Wales	Holding company	Ordinary	100
AH 1 Limited	England and Wales	Note 2	Ordinary	100
M2 Systems Limited	England and Wales	Dormant	Ordinary	100
Azur Business Solutions Limited	Scotland	Dormant	Ordinary	100
Ventiva Limited	England and Wales	Dormant	Ordinary	100
Trove Software Limited	England and Wales	Dormant	Ordinary	100
Cognition Solutions Limited	England and Wales	Note 2	Ordinary	100
Maxima Managed Services Ireland Limited	Ireland	Note 1	Ordinary	100
Cognition Support Services Limited	England and Wales	Dormant	Ordinary	100
SevenThree Limited	England and Wales	Dormant	Ordinary	100
3net Limited	England and Wales	Note 2	Ordinary	100
Centric Networks Limited	England and Wales	Note 2	Ordinary	100
DXI Networks Limited	England and Wales	Note 2	Ordinary	100
Hotchilli Internet Limited	England and Wales	Note 2	Ordinary	100
HCI Solutions Private Limited	India	Note 1	Ordinary	100

Note 1: The companies are engaged in the provision of specialist computing services and associated systems.

Note 2: The companies did not trade during the year, but did pay dividends to their respective holding companies.

10. Contingent liabilities

There are bank guarantees of £300,000 (2009: £300,000) on behalf of the Group.

The bank borrowings are covered by cross-guarantees relating to other companies in the Group. The potential liability at the year end was £nil (2009: £nil).

11. Profit of the parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial period amounted to £7,199,000 (2009: Loss £3,207,000).

12. Related party transactions

The Company has taken advantage of the exemption in FRS 8 'Related Party Transactions' from disclosing transactions with other members of the Group headed by Maxima Holdings plc. Transactions with the directors of the Company are disclosed in the Directors' Remuneration Report on page 9. There were no other related party transactions in the current or prior year. All balances due from and payable to subsidiary companies are disclosed in Notes 4 and 5 respectively.

Notice of Annual General Meeting

Maxima Holdings plc (the “Company”)

(Registered in England and Wales with Company No.: 05043538)

Notice is hereby given that an 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 on 23 September 2010 at 12.00 p.m. to consider and, if thought fit, pass the following resolutions:-

Ordinary resolutions

- (1) To receive and adopt the report of the directors and the financial statements of the Company for the year ending 31 May 2010 together with the report of the auditors thereon.
- (2) That a final dividend in respect of the year ended 31 May 2010 be declared, payable at the rate of 2 pence per Ordinary Share on 8 October 2010 to ordinary shareholders registered at the close of business on 10 September 2010.
- (3) To re-elect Mr. Michael Brooke, who retires by rotation and, being eligible, offers himself for re-election, as a director of the Company.
- (4) To re-elect Mr. Graham Kingsmill, who retires by rotation and, being eligible, offers himself for re-election, as a director of the Company.
- (5) To reappoint Grant Thornton UK LLP as auditors of the Company and to authorise the directors to fix their remuneration.

Special resolutions

- (6) THAT the directors now be and they are generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the “Act”) to exercise any and all powers of the Company to allot or grant rights to subscribe for relevant securities (as defined in section 560 of the Act) up to an aggregate nominal value of £100,000 to such persons and at such times and on such terms as they think proper such authority to be in substitution for any equivalent authority which may have been granted to the directors prior to the passing of this Resolution 6 PROVIDED THAT unless previously renewed, revoked, varied or extended this authority hereby given shall expire on the date of the next annual general meeting of the Company save 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.
- (7) THAT the directors of the Company now be and are empowered pursuant to Section 570 of the Act to allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authority conferred on the directors under Section 551 of the Act pursuant to Resolution 6 above for the duration of such authority, as if the provisions of Section 561 of the Act did not apply to such allotment such authority to be in substitution for any equivalent authority which may have been granted to the directors prior to the passing of this Resolution 7 PROVIDED THAT this power shall be limited to the allotment of equity securities up to an aggregate nominal value equal to £100,000 save that the Company may, prior to the expiry of such power, make any offer or agreement which requires or might require such equity securities to be allotted after the expiry of such period.
- (8) THAT the Company be authorised generally and unconditionally to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of £0.01p each provided that:
 - i) The maximum aggregate number of ordinary shares that may be purchased is 10% of the issued share capital
 - ii) The minimum price (excluding expenses) which may be paid for each ordinary share is 1 pence
 - iii) The maximum price (excluding expenses) which may be paid for each ordinary share is the higher of:
 - (a) an amount equal to 105 per cent. of the average market value of an ordinary share in capital of the Company derived from the London Stock Exchange Daily Official List for the five business days prior to the day the purchase is made; and
 - (b) 105 per cent. of the value of an ordinary share in the capital of the Company calculated on the basis of the higher of the price quoted for the last independent trade of and the highest current independent bid for any number of the Company’s ordinary shares on the trading venue where the purchase is carried out.
 - iv) The authority conferred on this resolution shall expire on the date being fifteen months from its passing, or, if earlier, at the conclusion of the Company’s next annual general meeting save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase ordinary shares which will or may be executed wholly or partly after the expiry of such authority.
- (9) THAT the Company be and is hereby generally and unconditionally authorised to hold General Meetings (other than the AGM) for the purpose of conducting either ordinary or special business on 14 clear days’ notice from the date of the passing of this Resolution and such authority expiring at the conclusion of the next AGM of the Company.
- (10) THAT the Articles of Association of the Company be amended by deleting all the provisions of the Company’s Memorandum of Association which, by virtue of section 28 of the Act, are to be treated as provisions of the Company’s Articles of Association.

Notice of Annual General Meeting continued

(11) THAT the amended Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association. The principal changes introduced by resolution 11 are summarised in the explanatory notes appended to this notice at Appendix 1.

By order of the board



David Memory (Secretary)

Dated: 3 August 2010

Registered office:
Cotswold Court
Lansdown Court
Cheltenham
Gloucestershire
GL50 2JA

Notes:

- (1) A member entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint a proxy to attend and to exercise all or any of that member's rights to attend, speak or vote instead of him. A proxy need not be a member of the Company.
- (2) A form of proxy is enclosed. The appointment of a proxy by way of the return of a completed proxy form or other such instrument will not prevent a shareholder from subsequently attending and voting at the meeting in person if he or she so wishes.
- (3) To be effective the instrument appointing a proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be deposited with the Registrars of the Company, Capita Registrars, (PXS) The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- (4) A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
- (5) To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 12 p.m. on 21 September 2010 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- (6) There will be available for inspection at the Company's registered office during normal business hours from the date of this notice to the date of the AGM and for 15 minutes prior to and during the AGM the following:
 - a. the Register of Directors' interests;
 - b. the Memorandum and Articles of Association and the amended Articles of Association;
 - c. copies of the Directors' Service Contracts with the Company or its subsidiaries and the terms and conditions of appointment of Non-Executive Directors.

Appendix 1

It is proposed in resolution 11 to adopt the new Articles of Association (the "New Articles") with immediate effect at this year's Annual General Meeting in order to update the company's current Articles of Association (the "Current Articles") primarily to take account of the implementation of the final parts of the Companies Act 2006.

The principal changes are (a) the deletion of any reference to the Companies Act 1985 and (b) the deletion of Article B.4.1 "Authorised Share Capital". The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority (as per resolutions 6 and 7) continues to be required under the Companies Act 2006.

Other changes are of a minor nature.

FORM OF PROXY - AGM

Maxima Holdings plc (the “Company”)

I/We the undersigned, being a member/members of the above-named company, hereby appoint

or, failing him, the Chairman of the meeting, as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held on 23 September 2010 and any adjournment thereof. The proxy will vote on the under mentioned resolutions, as indicated.

(PLEASE INDICATE WITH AN X IN THE BOXES BELOW)

RESOLUTIONS	For	Against	Abstain
ORDINARY BUSINESS:			
Resolution 1: To receive and adopt the Directors' and Auditors' Report and Audited Accounts for the year ended 31 May 2010.			
Resolution 2: To approve a final dividend of 2 pence per ordinary share.			
Resolution 3: To re-elect Michael Brooke as a Director.			
Resolution 4: To re-elect Graham Kingsmill as a Director.			
Resolution 5: To re-appoint Grant Thornton UK LLP as auditors to the Company and to authorise and approve the Directors to fix their remuneration.			
SPECIAL BUSINESS:			
Resolution 6: To authorise the Directors to allot relevant securities generally pursuant to section 551 of Companies Act 2006.			
Resolution 7: To disapply the statutory pre-emption rights conferred by Section 561 of the Companies Act 2006.			
Resolution 8: To authorise the Company to make market purchases of its own shares.			
Resolution 9: To authorise the holding of General Meetings (other than the AGM) on 14 days' clear notice.			
Resolution 10: To authorise the deletion of those provisions of the Memorandum of Association that are deemed to be Articles pursuant to section 28 of the Companies Act 2006 and treat them as provisions of the Articles of Association			
Resolution 11: To authorise the Company to adopt the amended Articles of Association as presented to the meeting			

If this form is signed and returned without any indication as to how the proxy shall vote, he will exercise his discretion both as to how he votes (and whether or not he abstains from voting).

PRINT NAME: DATE:

SIGNATURE:

Notes to the proxy form - AGM

- As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.
- Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
- A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
- You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.
- To direct your proxy how to vote on the resolutions, mark the appropriate box with an 'X'. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
- To appoint a proxy using this form, the form must be (i) completed and signed (ii) sent or delivered to Registrars of the Company, Capita Registrars, (PXS) The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU and (iii) received by the Registrars of the Company no later than noon on 21 September 2010.
- In the case of a member which is a company, this proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
- Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
- In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).
- If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
- For details of how to change your proxy instructions or revoke your proxy appointment, see the notes to the notice of meeting.
- You may not use any electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly stated.

Officers and Professional Advisers

Directors	M J Brooke (Senior Independent Director) K F Harrison (Chairman) G Kingsmill (Chief Executive) D Memory (Chief Finance Officer) R Williams (Non-Executive Director)
Secretary	D Memory
Registered Office	Cotswold Court Lansdown Road Cheltenham Gloucestershire GL50 2JA
Registered Number	5043538
Brokers & Nominated Advisers	Cenkos Securities plc 6-8 Tokenhouse Yard London EC2R 7AS
Bankers	Barclays Bank plc Eagle Point 1 Capability Green Luton LU1 3US
Independent Auditors	Grant Thornton UK LLP Registered Auditors Chartered Accountants 95 Bothwell Street Glasgow G2 7JZ
Solicitors	BPE St James' House St James' Square Cheltenham GL50 3PR
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA
Financial PR	Hogarth No. 1 London Bridge London SE1 9BG

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