

maxima

Maxima Holdings plc
Group Interim Results

For the six months to 30 November 2005

maxima
HOLDINGS PLC

GROUP INTERIM RESULTS

Company Registration No. 5043538

For the six months to 30 November 2005

Chairman's Statement

I am delighted to present Maxima's interim results for the six months ended 30 November 2005, representing the first half of its first full financial year as an AIM-quoted company. Maxima was established to acquire companies or businesses supplying computer software or services to specialist niche and vertical markets, with the objective of building a focused IT services group. The additional acquisition announced today continues that objective.

Maxima has continued to grow and improve gross and operating profit margins. Revenues and operating profit from continuing operations are ahead of the comparable period in the previous year. In addition, our strategy of carefully targeted acquisitions has greatly enhanced that growth, with the two acquisitions during the period each making a substantial contribution to revenues and profits.

Whilst recognising the need to retain cash to finance future acquisitions, the Board remains committed to returning a proportion of operating profits to shareholders through our declared progressive dividend policy. In line with this strategy I am pleased to announce that an interim dividend of 1.5 pence per share will be paid on 15th May 2006 to shareholders on the register on 18th April 2006. This follows on from the 1.5 pence dividend we paid following last year's final results.

In October 2005, we were pleased to welcome Linda Andrews to the Board as Group Finance Director, having previously been Finance Director of Azur Group Ltd since 2001. Since our AIM IPO Linda has been heavily involved in our acquisition activity, leading our due diligence and integration team. I should like to

record our appreciation of the efforts of the previous Group Finance Director, Geoff Bicknell, who remains a consultant to the Company.

The focus of our staff on providing exemplary customer service continues to result in excellent client retention rates and high levels of recurring revenues. Once again I should like to thank the whole team, including those who have joined us by acquisition, for their hard work and commitment.

Outlook

In line with our acquisition strategy to pursue targets which have the potential for strong earnings enhancement, we have evaluated many further opportunities during the period. Several are a good fit with our existing activities and we would expect to make further announcements during the coming months.

Maxima's foundations of strong recurring revenues and a product and service portfolio which can generate new business, together with our proven ability to source and successfully integrate acquisitions give me confidence in the Company's ability to continue to enhance shareholder value. Historically Azur has traditionally had a stronger second half, this trend is continuing in the current year which will also benefit from the full six months results from the two acquisitions made during the first half.



Michael Brooke
Chairman

27 February 2006

Operational & Financial Review

Introduction

I am pleased to report another strong set of results, showing significant growth on the comparable period last year, as we continue to grow the business organically and via complementary acquisition.

Market conditions

The UK market for Software and IT Services remains relatively stable with overall growth of about 5% forecast for 2006. Manufacturing (22%), Financial Services (22%) and Public Sector (17%) are the three largest sectors (source IDC). Within the market, the trends that we are noticing most are:

- Requirement to support rapid operational change
- Importance of demonstrating regulatory compliance
- Desire to maximise value from IT investments
- Continued reduction of communications and data storage costs

These are resulting in:

- Increased opportunity for managed services
- Willingness of clients to invest in system enhancements which give a speedy return on investment
- Demand for faster deployment of applications software

These conditions play to Maxima's strengths, namely:

- A large and loyal client base, more than half of whom operate systems based upon Maxima's Intellectual Property Rights (IPR)
- Focus on core sectors: following our recent acquisitions, our clients continue to be principally in the manufacturing sector (71%), but also in Financial Services (6%) and Public Sector (19%)
- An up to date portfolio of product offerings, based around technologies from Oracle, SAP, Microsoft, QAD, Progress and IBM

- A team of consultants, developers and support staff with proven ability to efficiently install and support these products, including full 24x7 application management

Operating review

Azur Group remains the only trading arm of Maxima. Azur has four operating businesses, each addressing a specific market with a dedicated sales team, but with common business processes and some sharing of delivery resources. The finance and administration functions are centralised. Increasingly, initiatives are being taken at Group level in order that each business unit can benefit from the total Group capability. For instance Azur Group Ltd was recently awarded "Gold Certified Partner" status by Microsoft in recognition of our overall capability in Microsoft technologies, which we continue to build. Azur's four businesses are:

- Azur Business Solutions (ABS), which provides "own-brand" enterprise software solutions, principally to mid-sized industrial clients. ABS continues to grow revenues, principally from its existing client base and to improve margins. Ringwood Group Ltd which was acquired in August 2005 was rapidly fully integrated into ABS and returned to profitability. It now trades as the Document Management Division and since acquisition has won 6 new clients in financial services, healthcare and local government.
- Azur for SAP, which implements and supports SAP's Business One product. Business One is designed for the SME market and does not carry the implementation or operational overheads associated with the full mySAP Business Suite. It is attractive both to mid-sized businesses and to subsidiaries of larger businesses which run mySAP. 7 new clients were won during the period, the most notable being Otto Bock Healthcare Ltd, a user of mySAP that required a more streamlined solution to

roll-out to multiple smaller units within its organization, that was capable of integration with mySAP. This is the largest Business One project that we are aware of in Europe, to date.

- Minerva Industrial Systems, which is the only UK distribution partner for QAD's enterprise software solution MFG/PRO. Minerva serves manufacturers with turnovers of up to £175 million in the consumer products, electronics, industrial, medical and automotive sectors. Substantial new business has been won with existing clients and in recognition, Minerva has recently been presented with sales awards by its two main partners, QAD and Progress Software Inc.
- Hanston Technology Partners, which provides managed services to users of Oracle database, middleware and applications technologies. Hanston was acquired in September 2005 and continues to enjoy high growth, winning 5 new clients during the period. The business continues to operate independently under a new senior management team, but finance and management information systems have now been integrated with the rest of Azur.

Growth Strategy

Initiatives are being taken in all four operating businesses to ensure continued organic growth. These principally involve technology upgrades in order to attract new and retain existing clients, together with an increasing emphasis on application management.

We believe that by continuing to acquire businesses which fit the business model exemplified above, we can continue to grow at a rate well in excess of the sector average. We continue to evaluate many such acquisition targets and pursue negotiations only with those that have the potential for strong earnings enhancement. Our model is to carry out due diligence largely using an in-house team. This reduces costs and risks and the team is then also well placed to integrate the acquired business.

Financial results in summary

The Group has continued to trade in line with expectations and the two acquisitions made during the period have performed ahead of our own business plans.

- Revenues for the six month period have risen 31% to £8.1million (H1 2004 £6.2million), with most of the growth coming from the acquisitions made during the period.
- Gross profit increased by 33% to £6.1million (H1 2004 £4.6million), largely as a result of a changing mix of business, with more services and less software license sales.
- Operating profit, before goodwill and exceptional charges, increased by 55% to £1.2million compared to the proforma results for the first half last year. This reflected the increasing scale of the business with revenues rising faster than overheads, but with staff utilisation levels remaining high and consistent with the prior period.
- Adjusted earnings per share (fully diluted, but pre-amortisation of goodwill and exceptional charges) increased by 51% to 7.12p (H1 2004 4.7p). Diluted earnings per share after amortisation of goodwill and exceptional charges were 1.4p.
- The Group had net debt at the end of the period of £2.2million, as a result of partly financing the acquisition of Hanston Technology Partners through a bank loan.

IFRS

We have conducted a thorough review of the implications of reporting under IFRS with a view to early adoption. Given that standards continue to change and implementation practices continue to develop, we have decided that at this stage early adoption would not be beneficial. However, we will continue to monitor activities of the standard setting bodies and our peers.



Kelvin Harrison
Chief Executive Officer

27 February 2006

Independent Review Report to Maxima Holdings plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 November 2005 which comprises the consolidated profit and loss accounts, balance sheets, cash flow statement and the related notes. We have read the other information contained in the interim report which comprises only the Chairman's statement and Operating and Financial Review and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. Our responsibilities do not extend to any other information.

This report is made solely to the company's members, as a body, in accordance with guidance contained in APB Bulletin 1999/4 "Review of Interim Financial Information". Our review work has been undertaken so that we might state to the Company's members those matters we are required to state to it in a review 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 review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority, which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the

preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 "Review of Interim Financial Information" issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 November 2005.



Grant Thornton UK LLP
Chartered Accountants
Glasgow

24 February 2006

Consolidated Profit and Loss Account

For the period ended 30 November 2005

	(Unaudited) six months to 30 November 2005	(Unaudited) 3 days to 30 November 2004	(Audited) Period from 24 November 2004 to 31 May 2005
	£'000	£'000	£'000
Turnover			
Continuing	6,230	-	-
Acquisitions	1,863	152	8,076
	<u>8,093</u>	<u>152</u>	<u>8,076</u>
Gross Profit	6,133	114	5,685
Operating profit before goodwill amortization and exceptional items	1,184	9	1,425
Goodwill amortisation	(662)	-	(377)
Exceptional Items	(119)	-	-
Operating Profit	<u>403</u>	<u>9</u>	<u>1,048</u>
Net interest payable	(14)	-	(10)
Profit on ordinary activities before taxation	<u>389</u>	<u>9</u>	<u>1,038</u>
Tax on profit on ordinary activities	(190)	(3)	28
Profit on ordinary activities after taxation	<u>199</u>	<u>6</u>	<u>1,066</u>
Basic earnings per share (pence)	1.48p	0.052p	8.9p
Diluted earnings per share (pence)	1.44p	0.048p	8.3p

Consolidated Balance Sheet

	(Unaudited) 30 November 2005 £'000	(Unaudited) 30 November 2004 £'000	(Audited) 31 May 2005 £'000
Fixed Assets			
Intangible assets	24,655	15,378	14,704
Tangible assets	500	370	319
	<u>25,155</u>	<u>15,748</u>	<u>15,023</u>
Current Assets			
Stocks and Work in Progress	52	85	14
Debtors	6,561	4,421	4,072
Cash at bank and in hand	1,278	3,932	2,925
	<u>7,891</u>	<u>8,438</u>	<u>7,011</u>
Creditors:			
Amounts falling due within one year	(4,344)	(7,199)	(3,618)
Net Current Assets	<u>3,547</u>	<u>1,239</u>	<u>3,393</u>
Total Assets less Current Liabilities	<u>28,702</u>	<u>16,987</u>	<u>18,416</u>
Deferred income: Amounts falling due within one year	<u>(6,245)</u>	<u>(4,357)</u>	<u>(4,900)</u>
Creditors:			
Amounts falling due after one year	(2,800)	-	-
Net Assets	<u>19,657</u>	<u>12,630</u>	<u>13,516</u>
Capital and Reserves			
Called up share capital	157	119	119
Share premium account	18,463	12,455	12,510
Capital redemption reserve	50	50	50
Profit and loss account	987	6	837
Equity Shareholders' Funds	<u>19,657</u>	<u>12,630</u>	<u>13,516</u>

Consolidated Cashflow Statement

	(Unaudited) six months to 30 November 2005	(Unaudited) 3 days to 30 November 2004	(Audited) Period from 24 November 2004 to 31 May 2005
	£'000	£'000	£'000
Reconciliation of operating profit to net cash (outflow)/inflow from operating activities			
Operating profit	403	9	1,048
Depreciation charge	68	-	63
Goodwill amortization	662	-	377
Movement in stocks	(38)	-	71
Movement in debtors	(867)	(19)	436
Movement in creditors	(1,575)	(7)	1,284
Net cash (outflow)/inflow from operating activities	<u>(1,347)</u>	<u>(17)</u>	<u>3,279</u>
Cash Flow Statement			
Net cash (outflow)/inflow from operating activities	(1,347)	(17)	3,279
Returns on investment and servicing of finance	21	-	(10)
Taxation	-	-	(565)
Capital expenditure and financial investment	2	-	(8)
Acquisitions	(8,379)	(4,847)	(4,144)
Dividends paid	(235)	-	-
Net cash outflow before financing	(9,938)	(4,864)	(1,448)
Financing	8,291	6,783	4,373
(Decrease)/Increase in cash	<u>(1,647)</u>	<u>1,919</u>	<u>2,925</u>
Reconciliation of net cashflow to movement in net (debt)/funds			
(Decrease)/Increase in cash	(1,647)	1,919	2,925
Net cash inflow from bank loans	(3,500)	-	-
Movement in net debt in period	(5,147)	1,919	2,925
Opening net funds	2,925	13	-
Closing net (debt)/funds	<u>(2,222)</u>	<u>1,932</u>	<u>2,925</u>

Notes to the Financial Statements

1. Basis of preparation

The interim financial statements have been prepared in accordance with applicable United Kingdom Accounting standards under the historical cost convention and are in accordance with the Company's accounting policies as set out in the 2005 statutory accounts of Maxima Holdings plc. The Interim statements were approved by the Board of Directors on 24th February 2006.

The figures for the period ended 31 May 2005 have been extracted from the statutory accounts of Maxima Holdings plc as filed with the Registrar of Companies. The Auditors' report on those accounts was unqualified.

The half year figures to 30 November 2005 have not been audited by the Group's auditors and do not constitute statutory accounts.

The interim tax charge reflects an estimate of the likely effective tax rate for the full year applied to the interim profit on ordinary activities.

2. Earnings Per Share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary share holders by the weighted average number of shares in issue during the period. Diluted earnings per share takes into account the dilutive effect of the share options outstanding under the Company's employee option schemes.

Adjusted earnings per share is based on earnings before goodwill amortisation and exceptional items, and is presented in order to assist in the understanding of the underlying performance of the Group's businesses.

	(Unaudited) Six months to 30 November 2005	(Unaudited) Period to 30 November 2004	(Audited) Period ended 31 May 2005
Post tax profit (£'000)	199	6	1,066
Weighted average number of shares ('000)			
Basic	13,430	11,939	11,939
Diluted	13,751	11,939	12,156
Basic earnings per share	1.48	0.052	8.9
Diluted earnings per share	1.44	0.052	8.8
Adjusted basic earnings per share*	7.29	4.70	12.1
Adjusted diluted earnings per share*	7.12	4.70	11.9

*pre goodwill amortisation and exceptional charges and period to 30 November 2004 on proforma basis

Earnings per share for the periods ended 30 November 2004 and 31 May 2005 have been restated under Financial Reporting Standard 22 Earnings Per Share.

3. Analysis of changes in net debt

	At 1 June 2005 £'000	Cash flow 2004 £'000	At 30 November £'000
Cash at bank and in hand	2,925	(1,647)	1,278
Debt due within one year	-	(700)	(700)
Debt due after one year	-	(2,800)	(2,800)
	<u>-</u>	<u>(3,500)</u>	<u>(3,500)</u>
Total	<u>2,925</u>	<u>(5,147)</u>	<u>(2,222)</u>

4. Acquisition of Ringwood Group Limited

The Company acquired Ringwood Group Limited on 11 August 2005 for a total consideration of £2,860,000 excluding expenses, comprising £2,160,000 in cash and the issue of 400,000 ordinary shares of 1 pence.

The cash element of the acquisition was paid from cash reserves.

5. Acquisition of Hanston Technology Partners Limited

The Company acquired Hanston Technology Partners Limited on 26 September 2005 for a total consideration of £8,750,000 (excluding expenses) comprising £8,250,000 in cash and the issue of 282,486 ordinary shares of 1 pence.

To finance the acquisition the Group raised £5,000,000 (before expenses) by placing 3,030,303 Ordinary shares of 1 pence each and secured a facility of £9,000,000 from Barclays Bank, of which £3,500,000 has been drawn down.

6. Dividends

An interim dividend of 1.5 pence per share has been proposed, payable on 15 May 2006 to shareholders on the register at 18 April 2006.

7. Events Subsequent to Balance Sheet Date

The Group acquired some of the trade and assets of Seabrook Research Limited for a maximum consideration of €750,000 (£512,000) in cash on February 24th 2006.

8. Responsibility

The directors of the Company accept responsibility for the information contained in this document and to the best of their knowledge and belief, (having taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

9. Availability of Interim Report

Copies of these results together with the Chairman's statement are being sent to shareholders and will also be available from the company's registered office at Cotswold Court, Lansdown Road, Cheltenham, GL50 2JA.