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

**Interim results for the six months ended 30 November 2006**

Maxima Holdings plc (AIM:MXM), the acquisitive IT solutions and managed services group, is pleased to announce its interim results for the six months ended 30 November 2006.

**Financial Highlights:**

- Revenue up 61% to £13.0 million (H1 2006: £8.1 million)
- Strengthened recurring revenues now 62% of total turnover, up from 55%
- Operating profit\* doubled to £2.2million (H1 2006 £1.1million)
- Profit before tax up 56% to £1.4 million (H1 2006 £0.9 million)
- Adjusted\*, fully diluted earnings per share up 42% to 10.1p (H1 2006: 7.1p)
- Dividend of 1.8p per share (H1 2006: 1.5p) - in line with progressive dividend policy

\* pre-amortisation of intangibles, share based payments and exceptional charges

**Operational Highlights:**

- New clients won and new technical initiatives taken in both operating divisions
- Two acquisitions made and successfully integrated during the half year, with both making expected contribution to revenue and profit
  - Cognition Solutions Ltd, ERP Solution provider to the construction industry, in September 2006
  - IIL (Intertech Solutions Ireland) Ltd, Citrix managed services provider, in November 2006
- Strong pipeline of future acquisition opportunities

Commenting on the results, Mike Brooke, Chairman, said:

“The foundations of Maxima’s business, namely strong recurring revenues and a solutions and service portfolio which has generated top line growth, have resulted in a solid first half performance and I am pleased to report that this has continued into the second half. This, combined with Maxima’s proven ability to source and successfully integrate acquisitions, gives me every confidence in the Company’s continuing ability to enhance shareholder value.”



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## Notes to editors:

Maxima Holdings plc floated on AIM on 24 November 2004 at an issue price of 110p. It was established to acquire businesses supplying IT solutions and services, with the objective of building a focused IT services group. On flotation it immediately acquired Azur Holdings Ltd, bringing together a management team with the skill, experience and incentive to deliver significant shareholder value, through a combination of acquisitive and organic growth. The business implements and supports enterprise software solutions for mid-sized, UK-based manufacturing, distribution and service organisations. These solutions are based upon leading software suites such as Oracle, Microsoft and SAP as well as products developed in-house.

It has since made a further six acquisitions:

- August 2005 – Ringwood Group Ltd, a specialist in content and document management solutions, based on Microsoft technologies;
- September 2005 – Hanston Technology Partners Ltd, a fast growing managed services business providing applications support and consultancy services to Oracle users;
- February 2006 – The MFG/PRO business of Seabrook Research Ltd, the sole Irish distributor of MFG/PRO, a manufacturing package for which Maxima was already the sole UK distributor; and
- May 2006 – QED Business Systems Ltd, which provides managed services for critical mainframe and mid-range computer systems and applications software.
- October 2006 – Cognition Solutions Limited which supplies ERP (Enterprise Resource Planning) software solutions and services to the construction and facilities management sector.
- November 2006 – IIL (Intertech Solutions Ireland) Ltd, which provides IT infrastructure solutions and managed services based upon Citrix technologies.

Maxima has grown to become an IT systems integration and managed services company with a proven track record of delivering innovative and flexible IT solutions and services. Maxima's in-depth knowledge of industry and business, coupled with its skills and understanding of leading software suites ensures its solutions and services deliver real business benefits. The group prides itself on the quality of its service which lead to strong customer relationships and high customer retention rates.



## Interim results for the six months ended 30 November 2006

### Chairman's Statement

I am pleased to report an excellent set of results, demonstrating that Maxima has continued to execute its consolidation strategy well in the Software and IT Services sector. Revenues and profits have continued to grow organically, as well as benefiting from a full six-month contribution from the four acquisitions made during the previous financial year. During the period we made two further acquisitions, both of which have been successfully integrated and are performing well:

- Cognition Solutions Ltd, a supplier of Enterprise Resource Planning (ERP) software and solutions to the Construction and Facilities Management sector, acquired for a total consideration of £7.4m on 6 October 2006; and
- IIL (Intertech Solutions Ireland) Ltd, a provider of infrastructure solutions and managed services based upon Citrix Technologies, acquired for a total consideration of £4.1m on 10 November 2006.

Maxima has a stated policy of progressive dividend growth, whilst recognising the need to conserve cash to maintain prudent gearing levels and to finance further acquisitions. I am pleased to announce that in line with this policy an interim dividend of 1.8p per share (H1 2006: 1.5p) will be paid on 10 May 2007 to shareholders on the register on 20 April 2007.

Maxima is fundamentally a service business and pride ourselves on our high customer service. Our staff are key to us being able to achieve this and, once again, I should like to pay tribute to the conscientious efforts of our staff who have all contributed to these good results.

Maxima's strategy of augmenting organic growth by means of complementary acquisitions, as articulated at our flotation on AIM in November 2004, continues to be effective. At 30 November 2006, net debt was £7.8m (up from £3.1m on 31 May 2006) which is principally attributable to the acquisitions made during the first half of the year. As a result of strong operational cash flows we expect the level of debt to fall which will give us the means to finance further acquisitions during the second half of the year. We continue to pursue acquisition opportunities and we expect to make further announcements in due course.

Maxima's business has historically exhibited seasonality, resulting in a stronger second half. We expect this trend to continue and results from the second half to benefit from the acquisitions made during the first half of the year.

The foundations of Maxima's business, namely strong recurring revenues and a solutions and service portfolio which has generated top line growth, have resulted in a solid first half performance and I am pleased to report that this has continued into the second half. This, combined with Maxima's proven ability to source and successfully integrate acquisitions, gives me every confidence in the Company's continuing ability to enhance shareholder value.

**Michael Brooke**

**27 February 2007**

**Chairman**



## Interim results for the six months ended 30 November 2006

### Chief Executive's Review

#### Introduction

Maxima's growth has continued, both organically and through acquisition. We now have some 300 staff operating from eight offices across the UK, one in Ireland and one in the USA. We serve more than 1,000 clients, primarily medium-sized organisations with turnover of between £5m and £500m. In this market close attention to customer needs, coupled with the right solution and service offering, is vitally important. Our range of solutions and managed services has broadened and we continue to operate in three major markets: Manufacturing, Public Sector and Financial Services. Increasingly we are benefiting from positive synergies between our various business units in terms of both cross-selling and sharing of resources.

#### Market conditions

Market conditions in the Software & IT Services Sector continue to show stable growth. After overall growth of 6.1% to a market size of £27.67bn in 2006, growth averaging 5.8% per annum is forecast for the next four years (source: Ovum Market Trends: UK Software & IT Services, 7 February 2007). Enterprise applications software, including Customer Relationship Management (CRM), is one of the most buoyant areas with an average forecast growth of 10% for the next four years.

The view of Ovum is also that *"the market will continue to favour a handful of very large players (specifically Oracle, SAP, IBM, Microsoft and possibly one or two others) which are able to deliver full stacks of enterprise software from infrastructure and middleware to business applications"*. In the mid-market where we predominantly operate, it is Microsoft technologies that are increasingly dominating and therefore we are investing substantially in training and technology refreshes. For example, we have successfully installed a new user interface based upon Microsoft.NET technologies at several of our MFG/PRO customer sites.

These conditions have led to increasing merger and acquisition activity in the sector with increasing numbers of acquisitions reported in each of the last three years (source: Regent Associates, Intellect Conference, 8 February 2007) and as such we expect this trend to continue.

#### Operating Review

Maxima has two operating divisions, Maxima Solutions and Maxima Managed Services, both of which have grown organically having won significant new clients, and by acquisition. The two businesses operate common processes, share central support functions and cooperate with each other in both sales and delivery.

**Maxima Solutions** continues to develop and support its own enterprise software solutions, but the majority of growth comes from partnering with major vendors such as Microsoft, SAP and QAD. The division won eight new clients in the period as well as substantial business from existing clients.

In August 2006 we enrolled as partners for Microsoft CRM (Customer Relationship Management) software. We have cemented our relationship with Microsoft, having secured a number of CRM customers and see opportunities across our entire customer base. We have also seen success in both the UK and USA in selling Microsoft Sharepoint services as part of our document management solutions.

After substantial investment in training on the latest technology releases, we were appointed as IBM's first certified training and services partner for U2 in Europe, and we have already won our first contract with a major distribution organisation for services work.

In October 2006 Cognition Solutions Ltd was acquired and swiftly and successfully integrated into the Maxima business. Cognition has its own proprietary enterprise software solution, Intellect, for the construction and facilities management sector, with over 300 clients. Since acquisition we have won



four new clients for Intellect. Substantial investment is being made in migrating the underlying legacy technologies of Intellect to Microsoft Dynamics AX technology. This has begun with a significant cross-training programme as the huge success of Microsoft Dynamics in the marketplace (19% growth reported in last results) has led to skills shortages.

**Maxima Managed Services** won nine new clients during the period, as well as achieving high levels of repeat business from existing customers. Our principal technology partner in this division is Oracle, whose new products and upgrades continue to drive substantial services opportunities. Oracle technology is widely used across the customer base of Maxima Solutions, resulting in many cross-selling opportunities. We also continue to be the largest UK provider of managed services around Computer Associates Datacom software for IBM mainframes.

In November 2006 IIL (Intertech Solutions Ireland) Ltd was acquired and integrated into Managed Services. Intertech provides infrastructure managed services and solutions primarily around Citrix technologies, which are widely used throughout our customer base and in the broader market. The business won its largest contract ever, worth €4m, for a major petro-chemical project, shortly after joining Maxima. Success in cross-selling in both directions has already been achieved and substantial growth rates are expected to continue.

Fundamental to Maxima's success is the delivery of exemplary levels of customer service resulting in high customer retention. This is particularly important during the integration of new acquisitions into the Group. We prepare a detailed integration plan for each acquisition, tailored to the needs of the staff, clients and partners, with a strong emphasis on clear communications. This careful planning has resulted in seamless transition to new ownership with negligible staff and client attrition in all of the acquisitions made to date.

Rapid growth means rapid change and I should particularly like to thank long-serving staff for the way that they have welcomed newcomers to the Group and to thank those new staff for their flexibility and responsiveness.

### **Financial Results in summary**

Revenues, profits and earnings per share all substantially increased over the first half of the last financial year.

- Revenues for the 6 month period have risen 61% to £13m (H1 2006: £8.1m). The two acquisitions made during the period contributed revenues of £0.8m. Recurring revenues from support and managed service contracts rose to 62% of revenues (H1 2006: 55%)
- Gross profit increased 65% to £10.1m (H1 2006: £6.1m)
- Operating profit doubled to £2.2m\* (H1 2006: £1.1m\*). This is largely attributable to the acquisitions in the previous financial year, as well as the benefits of scale as the acquired businesses share central functions such as finance, administration, human resources, technical infrastructure, quality assurance and marketing. Utilisation rates amongst fee-earning staff remained strong at 74% (H1 2006: 69%)
- Profit before tax increased by 56% to £1.4m (H1 2006: £0.9m)
- Adjusted\* fully diluted earnings per share increased by 42% to 10.1p (H1 2006: 7.1p)
- Operating cash flow was £0.3m (H1 2006: £(1.3m)). Seasonality has historically resulted in a stronger cash generation in the second half-year and this trend is expected to continue
- The Group had net debt of £7.8m at the end of the period, having paid £4.4m net in cash on acquisitions and issued 2.1m new shares to finance the two acquisitions made during the period
- Net interest costs in the period totalled £138,000, covered 16 times by operating profit\*

\*before amortisation of intangibles, share-based payments and exceptional charges

**IFRS**

Maxima has opted for early adoption of International Financial Reporting Standards (IFRS) and this is the first set of results to be published under those standards. As a consequence, we have included with the financial results a summary of our main accounting policies. Last year's full and interim results were restated in a Regulatory Announcement on 18 December 2006, together with a full explanation of the impact of the changes.

**Kelvin Harrison****27 February 2007****Chief Executive Officer**



## **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 2006 which comprises the consolidated interim income statement, consolidated interim balance sheet, consolidated interim cashflow statement, consolidated interim statement of recognised income and expense, accounting policies and the related notes. We have read the other information contained in the interim report which comprises only the highlights, Chairman's statement and Chief Executive's review, and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company 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 those matters we are required to state to them 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, 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.

As disclosed in note 1, the next annual financial statements of the group will be prepared in accordance with International Financial Reporting Standards as adopted by the European Union. This interim report has been prepared in accordance with the basis of accounting described in note 1.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements.

### **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 International Standards on Auditing (UK and Ireland) 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 2006.

GRANT THORNTON UK LLP

CHARTERED ACCOUNTANTS

GLASGOW

27 February 2007

The maintenance and integrity of the Maxima Holdings plc website is the responsibility of the Directors: the interim review does not involve consideration of these matters and, accordingly, the company's reporting accountants accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the interim report differ from legislation in other jurisdictions.



**Maxima Holdings plc**  
**Consolidated Interim Income Statement**

	<i>Note</i>	<i>(Unaudited)</i> <i>Six months to</i> <i>30 November</i> <i>2006</i>	<i>(Unaudited)</i> <i>Six months to</i> <i>30 November</i> <i>2005</i>	<i>(Unaudited)</i> <i>Year to</i> <i>31 May 2006</i>
		£'000	£'000	£'000
<b>Revenue</b>	2			
Continuing		12,189	6,230	12,689
Acquisitions		839	1,863	6,443
		<u>13,028</u>	<u>8,093</u>	<u>19,132</u>
Cost of Sales		(2,891)	(1,960)	(4,142)
<b>Gross Profit</b>		10,137	6,133	14,990
Administration expenses before amortisation of intangibles, share based payments and exceptional items		(7,880)	(5,008)	(11,635)
<b>Operating profit before amortisation of intangibles, share based payments and exceptional items</b>		2,257	1,125	3,355
Amortisation of intangibles		(602)	(91)	(341)
Share based payments		(79)	(37)	(73)
Exceptional Items		(87)	(119)	(236)
<b>Operating Profit</b>		1,489	878	2,705
Interest receivable		60	30	156
Interest payable		(198)	(44)	(229)
<b>Results for the period</b>		1,351	864	2,632
Tax expense, net		(393)	(138)	(536)
<b>Net result for the period</b>		<u>958</u>	<u>726</u>	<u>2,096</u>
<b>Earnings per share</b>	3			
Basic earnings per share (pence)		5.8p	5.4p	14.4p
Diluted earnings per share (pence)		5.7p	5.3p	14.1p

**Consolidated Interim Statement of Recognised Income & Expense**  
for the six months ended 30 November 2006

	<i>(Unaudited)</i> <i>Six months to</i> <i>30 November</i> <i>2006</i>	<i>(Unaudited)</i> <i>Six months to</i> <i>30 November</i> <i>2005</i>	<i>(Unaudited)</i> <i>Year to</i> <i>31 May 2006</i>
	£'000	£'000	£'000
Profit for the period	958	726	2,096
Foreign translation gain	20	7	7
Total recognised income and expense attributable to equity holders of the parent	<u>978</u>	<u>733</u>	<u>2,103</u>



**Maxima Holdings plc**  
**Consolidated Interim Balance Sheet**

	Notes	<i>(Unaudited)</i> 30 November 2006	<i>(Unaudited)</i> 30 November 2005	<i>(Unaudited)</i> 31 May 2006
		£'000	£'000	£'000
<b>Assets</b>				
Non- current Assets				
Goodwill		21,703	11,459	15,270
Intangible assets		6,150	1,745	3,315
Property, plant and equipment		952	500	556
		<u>28,805</u>	<u>13,704</u>	<u>19,141</u>
Current Assets				
Trade and other receivables		8,627	6,522	6,386
Cash and cash equivalents	4	2,043	1,278	3,029
		<u>10,670</u>	<u>7,800</u>	<u>9,415</u>
<b>Total current assets</b>		<u>39,475</u>	<u>21,504</u>	<u>28,556</u>
<b>Liabilities</b>				
Current Liabilities				
Trade and other payables		(1,780)	(1,244)	(1,559)
Deferred Income		(7,813)	(6,246)	(7,045)
Tax liabilities		(1,869)	(566)	(1,132)
Bank loans and short term borrowings	4	(7,700)	(700)	(3,700)
Accruals		(2,626)	(1,889)	(2,142)
		<u>(21,788)</u>	<u>(10,645)</u>	<u>(15,578)</u>
<b>Net current liabilities</b>		<u>(11,118)</u>	<u>(2,845)</u>	<u>(6,163)</u>
<b>Non-current liabilities</b>				
Long term borrowings	4	(2,100)	(2,800)	(2,450)
Finance leases		(76)	-	-
Deferred tax		(1,649)	(421)	(789)
Deferred consideration		(325)	-	(325)
		<u>(25,938)</u>	<u>(13,866)</u>	<u>(19,142)</u>
<b>Net Assets</b>		<u>13,537</u>	<u>7,638</u>	<u>9,414</u>
<b>Total Equity</b>				
Share capital		181	157	160
Reverse acquisition reserve		(9,180)	(9,180)	(9,180)
Share premium account		17,270	17,270	17,270
Capital redemption reserve		50	50	50
Merger reserve		5,211	1,193	1,766
Foreign translation reserve		27	7	7
Profit and loss reserve		(22)	(1,859)	(659)
		<u>13,537</u>	<u>7,638</u>	<u>9,414</u>
<b>Equity Shareholders' Funds</b>		<u>13,537</u>	<u>7,638</u>	<u>9,414</u>



**Maxima Holdings plc**  
**Consolidated Interim Cash Flow Statement**

	Notes	<i>(Unaudited)</i> <i>Six months to</i> <i>30 November 2006</i>	<i>(Unaudited)</i> <i>Six months to</i> <i>30 November 2005</i>	<i>(Unaudited)</i> <i>Year to</i> <i>31 May 2006</i>
		£'000	£'000	£'000
<b>Operating profit</b>		1,489	878	2,705
Adjustments for:				
Depreciation charge		113	68	180
Share based payment expense		79	37	73
Amortisation of intangibles		602	91	341
<b>Operating cash flows before movements in working capital</b>		<b>2,283</b>	<b>1,074</b>	<b>3,299</b>
Movement in receivables		(325)	(859)	(137)
Movement in payables		(1,318)	(1,562)	(927)
Taxation paid		(114)	-	(193)
Interest paid		(198)	(9)	(139)
<b>Net cash from operating activities</b>		<b>328</b>	<b>(1,356)</b>	<b>1,903</b>
<b>Investing activities</b>				
Interest received		60	30	156
Purchase of property, plant & equipment		(146)	(10)	(195)
Proceeds from sale of property, plant & equipment		-	12	25
Acquisition of subsidiaries (net of cash acquired)		(4,417)	(8,379)	(12,232)
Development expenditure on research & development activities capitalized		(38)	-	(48)
<b>Net cash used in investing activities</b>		<b>(4,541)</b>	<b>(8,347)</b>	<b>(12,294)</b>
<b>Financing activities</b>				
Proceeds from long term borrowings		-	3,500	3,500
Repayment of long term borrowings		(350)	-	(350)
Dividends paid		(400)	(235)	(469)
Proceeds from issue of shares		-	4,791	4,791
<b>Net cash used in financing activities</b>		<b>(750)</b>	<b>8,056</b>	<b>7,472</b>
<b>Net decrease in cash &amp; cash equivalents</b>		<b>(4,963)</b>	<b>(1,647)</b>	<b>(2,919)</b>
Cash and cash equivalents at beginning of period		6	2,925	2,925
<b>(Debt)/Cash and cash equivalents at end of period</b>	4	<b>(4,957)</b>	<b>1,278</b>	<b>6</b>



**Maxima Holdings plc**  
**Notes to the interim financial statements**

**1. Basis of preparation**

This interim financial information has been prepared on the basis of the recognition and measurement of IFRSs in issue that either are endorsed by the EU and effective (or available for early adoption) at 31 May 2007 or are expected to be endorsed and effective (or available for early adoption) at 31 May 2007, the Group's first annual reporting date at which it is required to use adopted IFRSs. Based on these adopted and unadopted IFRSs, the directors have made assumptions about the accounting policies expected to be applied when the first annual IFRS financial statements are prepared for the year ending 31 May 2007. They are prepared in accordance with the Company's accounting policies as set out at the end of this document. The Interim statements were approved by the Board of Directors on 26 February 2007.

The policies have changed from the previous periods when the financial statements were prepared under applicable United Kingdom Generally Accepted Accounting Principles. The figures for the period ended 31 May 2006 have been extracted from the statutory accounts of Maxima Holdings plc as filed with the Registrar of Companies as adjusted to comply with relevant IFRS. The Auditors' report on those filed 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 reconciliation of figures shown in the financial statements for the previous periods between UK GAAP and IFRS was explained in a document released to the London Stock Exchange on 18 December 2006 entitled 'Transition to International Financial Reporting Standards'. The date of transition to IFRS was 1 June 2005.

The Group has taken advantage of certain exemptions available under IFRS 1 'First-time adoption of International Financial Reporting Standards'. The exemptions used are explained under the respective accounting policy.

**2. Segmental Analysis**

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structures.

Segment results and assets and liabilities include items directly attributable to a segment. Unallocated items comprise mainly tax related items.



<b>Six months ended 30 November 2006</b>	Unallocated amounts £000	Maxima Solutions £000	Maxima Services £000	Total £000
Revenue	-	7,910	5,118	13,028
Operating profit before amortisation	-	1,114	977	2,091
Amortisation of intangibles	-	(151)	(451)	(602)
Operating profit		963	526	1,489
Net financial income				(138)
Profit before tax				1,351
Tax expense, net				(393)
Profit for the period				958
<b>Total assets</b>	<b>2,381</b>	<b>18,106</b>	<b>18,988</b>	<b>39,475</b>
<b>Total liabilities</b>	<b>(13,973)</b>	<b>(9,996)</b>	<b>(1,969)</b>	<b>(25,938)</b>
Capital expenditure	-	101	45	146
Depreciation	-	74	39	113
<b>Six months ended 30 November 2005</b>	Unallocated amounts £000	Maxima Solutions £000	Maxima Services £000	Total £000
Revenue	-	7,239	854	8,093
Operating profit before amortisation	-	841	128	969
Amortisation of intangibles	-	(33)	(58)	(91)
Operating profit		927	70	878
Net financial income				(14)
Profit before tax				864
Tax expense, net				(138)
Profit for the period				726
<b>Total assets</b>	<b>412</b>	<b>10,898</b>	<b>10,194</b>	<b>21,504</b>
<b>Total liabilities</b>	<b>(4,469)</b>	<b>(8,560)</b>	<b>(837)</b>	<b>(13,866)</b>
Capital expenditure	-	10	-	10
Depreciation	-	62	6	68



<b>Year ended 31 May 2006</b>	Unallocated amounts	Maxima Solutions	Maxima Services	Total
	£000	£000	£000	£000
Revenue	-	15,314	3,818	19,132
Operating profit before amortisation	-	2,079	967	3,046
Amortisation of intangibles	-	(110)	(231)	(341)
Operating profit		1,969	736	2,705
Net financial income				(73)
Profit before tax				2,632
Tax expense, net				(536)
Profit for the period				2,096
<b>Total assets</b>	<b>730</b>	<b>11,623</b>	<b>16,203</b>	<b>28,556</b>
<b>Total liabilities</b>	<b>(8,640)</b>	<b>(8,979)</b>	<b>(1,523)</b>	<b>(19,142)</b>
Capital expenditure	-	53	142	195
Depreciation	-	161	19	180

### 3. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders 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 amortisation, share based payments and exceptional items, and is presented in order to assist in the understanding of the underlying performance of the Group's businesses.

	<i>(Unaudited)</i> <i>Six months to</i> <i>30 November</i> <i>2006</i>	<i>(Unaudited)</i> <i>Six months to</i> <i>30 November</i> <i>2005</i>	<i>(Unaudited)</i> <i>Year ended</i> <i>31 May</i> <i>2006</i>
Earnings for the purposes of basic earnings per share (£'000)	958	726	2,096
Add back			
Amortisation of share based payments	79	37	73
Amortisation of other intangible assets	573	91	325
Exceptional costs	87	119	236
Earnings for the purposes of adjusted earnings per share	1,697	973	2,730
Weighted average number of shares ('000)			
Basic	16,422	13,430	14,550
Adjustments for share options	380	321	286
Diluted	16,802	13,751	14,836
Basic earnings per share	5.8	5.4	14.4
Diluted earnings per share	5.7	5.3	14.1
Adjusted basic earnings per share	10.3	7.2	18.8
Adjusted diluted earnings per share	10.1	7.1	18.4

#### 4. Analysis of cash, cash equivalents and net debt

	<b>At 1 June 2006</b>	<b>Cash flow</b>	<b>At 30 November 2006</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	3,006	(963)	2,043
Revolving credit facility	(3,000)	(4,000)	(7,000)
Cash and cash equivalents	6	(4,963)	(4,957)
<u>Debt</u>			
Bank loan	(3,150)	350	(2,800)
Net debt	(3,144)	(4,613)	(7,757)

## 5. Acquisitions

The company acquired 100% of the share capital of Cognition Solutions Limited and IIL (Intertech Solutions Ireland) Limited during the period. The book and fair values acquired were as follows:

	Cognition			IIL			Total £000
	Book Value	Fair Value Adj.	Fair value	Book Value	Fair Value Adj.	Fair value	
	£000	£000	£000	£000	£000	£000	
Intangible Assets	-	2,201	2,201	-	1,198	1,198	3,399
Tangible Fixed Assets	339	-	339	43	-	43	382
Receivables	1,085	-	1,085	821	-	821	1,906
Cash & Cash equivalents	3,274	-	3,274	457	-	457	3,731
Payables	(2,502)	-	(2,502)	(830)	-	(830)	(3,332)
Net Assets	<u>2,196</u>	<u>2,201</u>	<u>4,397</u>	<u>491</u>	<u>1,198</u>	<u>1,689</u>	<u>6,086</u>
Goodwill			<u>3,146</u>			<u>2,460</u>	<u>5,606</u>
Consideration			<u>7,543</u>			<u>4,149</u>	<u>11,692</u>
Consideration satisfied by							
Shares			2,200			1,344	3,544
Cash (including expenses)			<u>5,343</u>			<u>2,805</u>	<u>8,148</u>
			<u>7,543</u>			<u>4,149</u>	<u>11,692</u>
No. of share issued			1,365,612			738,648	
Date of acquisition			06/10/06			10/11/06	

The directors have reviewed the carrying values of the assets for both acquisitions and identified that other than in compliance of IFRS 3 (Business Combinations) no adjustment to the book values is required.

## 6. Statement of changes in equity

	Share Capital £000	Reverse acquisition reserve £000	Merger reserve £000	Share premium account £000	Capital redemption reserve £000	Foreign translation reserve £000	Profit and loss account £000	2006 Total £000
At 1 June 2006	160	(9,180)	1,766	17,270	50	7	(659)	9,414
Profit for the period	-	-	-	-	-	-	958	958
Dividends paid	-	-	-	-	-	-	(400)	(400)
Share based payments	-	-	-	-	-	-	79	79
Foreign exchange on consolidation	-	-	-	-	-	20	-	20
Issue of shares (net of expenses)	21	-	3,445	-	-	-	-	3,466
At 30 November 2006	<u>181</u>	<u>(9,180)</u>	<u>5,211</u>	<u>17,270</u>	<u>50</u>	<u>27</u>	<u>(22)</u>	<u>13,537</u>

	Share Capital £000	Reverse acquisition reserve £000	Merger reserve £000	Share premium account £000	Capital redemption reserve £000	Foreign translation reserve £000	Profit and loss account £000	2006 Total £000
At 1 June 2005	119	(9,180)	-	12,510	50	-	(2,384)	1,115
Profit for the period	-	-	-	-	-	-	726	726
Dividends paid	-	-	-	-	-	-	(235)	(235)
Share based payments	-	-	-	-	-	-	34	34
Foreign exchange on consolidation	-	-	-	-	-	7	-	7
Issue of shares (net of expenses)	38	-	1,193	4,760	-	-	-	5,991
At 30 November 2005	157	(9,180)	1,193	17,270	50	7	(1,859)	7,638

	Share Capital £000	Reverse acquisition reserve £000	Merger reserve £000	Share premium account £000	Capital redemption reserve £000	Foreign translation reserve £000	Profit and loss account £000	2006 Total £000
At 1 June 2005	119	(9,180)	-	12,510	50	-	(2,384)	1,115
Profit for the year	-	-	-	-	-	-	2,096	2,096
Dividends paid	-	-	-	-	-	-	(469)	(469)
Share based payments	-	-	-	-	-	-	98	98
Foreign exchange on consolidation	-	-	-	-	-	7	-	7
Issue of shares (net of expenses)	41	-	1,766	4,760	-	-	-	6,567
At 31 May 2006	160	(9,180)	1,766	17,270	50	7	(659)	9,414

## 7. Dividends

An interim dividend of 1.8 pence per share for the year to 31 May 2007 will be paid on 10 May 2007 to shareholders on the register at 20 April 2007. In accordance with IAS 10 these have not been accrued for in the accounts.

## 8. Contingent Liabilities

The bank borrowings are covered by cross-guarantees relating to other companies in the Group. The potential liability at the period end was £7,800,000 (2006: £3,500,000).

There is a further maximum deferred consideration of £345,000 in connection with the acquisitions of QED Business Systems Limited and the trade and assets of Seabrook Research Limited which had not been recognised as the Directors do not believe that the conditions attaching to their payment will be met.



#### **9. Availability of Interim Report**

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

#### **10. Statutory Accounts**

These financial statements do not constitute statutory accounts. Although the information has been reviewed by the auditors, it is unaudited. The comparative figures for the year ended 31 May 2006 which are now presented under IFRS are not the statutory accounts for that year. The statutory accounts for the year ended 31 May 2006 were presented under UK GAAP, contained an unqualified audit report and are filed with the Registrar of Companies.

## Accounting policies

### a) Accounting convention

The financial statements are prepared under the historical cost convention.

### b) Basis of consolidation

The interim 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.

The results of subsidiaries acquired or disposed of during the period are included for the period during which the Group held an interest and exercises control.

### c) Acquisitions, disposals and goodwill

On the acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the Group's share of net assets. Reliably measurable intangibles are initially recognised at fair value. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill. This is capitalised and reviewed for impairment annually.

Negative goodwill arising on acquisition is recognised in the income statement when it arises.

### d) Business combinations completed prior to date of transition to IFRS

The Group has elected to apply IFRS 3 Business Combinations retrospectively to business combinations from 24 November 2004. Goodwill written off prior to this date remains in reserves. Goodwill previously written off to reserves is not written back to profit or loss on subsequent disposal.

### e) Intangible assets

#### Research and Development

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

Expenditure on development activities is capitalised if the product or process is technically feasible and the Group has sufficient resources to complete development. The cost comprises all directly attributable costs including employee costs and an appropriate proportion of overheads. Capitalised development expenditure is stated at cost less accumulated amortization and impairment losses.

#### 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 remaining
- Customer relationships – 3-10 years
- Development costs – 1-3 years

**f) Turnover and revenue recognition**

Turnover represents the value of work performed in the UK and overseas during the period plus the invoiced 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 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 a customer contract contains multiple elements these are recognised on delivery and invoicing of each element. Where the contract does not split the value into different elements the revenue is recognised based on percentage completion.

**g) 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 matching the revenue to which it relates. All staff costs are treated as an overhead with no allocation to cost of sales.

**h) Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation or any provision for impairment. Depreciation is provided on cost 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 and purchased development software	33 - 50% per annum
Motor vehicles	25% per annum

**i) 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, other intangible assets with an indefinite useful life, 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.

**j) Stocks**

Stocks, comprising stock for resale and short term work-in-progress, are stated 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.

**k) Deferred income**

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.

**l) Taxation**

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

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 and joint ventures 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.

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 the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

**m) 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 "Foreign 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.

**n) 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.

**o) Financial instruments**  
**Financial assets**

Financial assets are divided into 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 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. Trade receivables, prepayments and work in progress are classified as loans and receivables. 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 derecognised only where the contractual rights to the cash flows from the asset expire, or the financial asset is transferred and that transfer qualifies for derecognition. 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 derecognition 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.

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.



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.

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.

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

**p) 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 are recognised in the financial statements. IFRS 2 has been applied to grants before 7 November 2002 only where the group has disclosed publicly the fair value of those equity instruments, determined as at the grant date in accordance with IFRS 2.

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.

**q) 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.