

# NEXUS MANAGEMENT PLC

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# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

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### 24 FINANCIAL INSTRUMENTS

The group's financial instruments consist principally of borrowings, cash, liquid resources and various other items such as trade debtors and trade creditors. At 30 September 2007 and at 30 September 2006 there were no material differences between the net book value and the fair value of the group's financial assets and liabilities. The group's main risks in respect of financial instruments are interest rate and liquidity risk.

#### Financial Liabilities

The interest rate risk and financial maturity of the group's financial liabilities, excluding short term trading items, are set out in note 15.

#### Financial assets

The interest rate risk profile of the group's financial assets, excluding short term trading items, are floating rate interest earnings of £nil (2006: £22,498).

#### Foreign Currency Risk

The Group enters into certain transactions in US Dollars. The risk of currency fluctuations was not considered sufficiently significant to take steps to mitigate the risk.

#### Undrawn Committed Borrowing Facilities

At the year end the group had an undrawn committed borrowing facility of £345,000 (2006: £65,918) in respect of its overdraft with the group's bankers.

### 25 RELATED PARTY TRANSACTIONS

Personal guarantees to the group's bankers in respect of the overdraft with Nexus Management Plc are as follows:

- P Paterson for £345,000 cross-guaranteed by the following:
- R Richardson for £100,000
- B Adlam for £100,000
- J Tryzelaar for £20,000
- G Stoddart-Stones for £15,000
- P Weller for £10,000

These guarantees were released in the post balance sheet period.

### 26 CAPITAL COMMITMENTS

As at 30 September 2007, the Group and company had capital commitments amounting to £nil (2006: £nil).

### 27 POST BALANCE SHEET EVENTS

On 1st February 2008 Nexus Management plc entered into a 'Preferred Stock Repurchase Agreement' with PD Financial Corp. On the execution of the agreement 72.2% of the total shares held by Nexus Management plc in PD Financial Corp. are to be transferred to an 'Agent' under an 'Irrevocable Proxy'. Under the 'Irrevocable Proxy' the voting rights associated with the shares will pass to the board of PD Financial Corp. On receipt of the full consideration as set out in the 'Preferred Stock Repurchase Agreement' the legal title on these shares will also pass to PD Financial Corp.

A legal claim was issued on 30 January 2008 against Nexus Management Plc and PC Medics Group Limited with regards to services provided in preparation for a merger which was subsequently aborted. The directors of Nexus Management Plc believe that all liabilities in regard to this matter have been settled and they intend to defend this matter fully.

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 21 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007 £	18 months to 30 Sept 2006 £ As restated
Operating loss	(180,270)	(300,169)
Reorganisation costs	-	(35,893)
Share based payment expense	33,311	321,137
Depreciation of tangible fixed assets	65,005	102,964
Amortisation	70,758	25,070
Decrease/(increase) in stocks	2,905	(3,642)
Decrease/(increase) in debtors	731,100	(24,900)
Increase/(decrease) in creditors	496,511	(165,081)
Currency exchange adjustment	30,599	(7,397)
Net cash inflow/(outflow) from operating activities	<u>1,249,919</u>	<u>(87,911)</u>

### 22 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2007 £	18 months to 30 Sept 2006 £ As restated
(Decrease)/increase in cash in the year	(134,254)	691,687
Bank loans repaid	45,271	21,357
Hire purchase debt repaid	8,836	8,662
Change in net debt in the year resulting from cash flows	<u>(80,147)</u>	<u>721,706</u>
Net debt at 1 October 2006 and 1 April 2005	520,882	(200,824)
Net debt at 30 September	<u>440,735</u>	<u>520,882</u>

### 23 ANALYSIS OF CHANGES IN NET DEBT

	1 October 2007 £	Cash flows £	30 Sept 2006 2007 £
Cash at bank and in hand	891,099	(406,610)	484,489
Bank overdraft	(279,082)	272,356	(6,726)
	<u>612,017</u>	<u>(134,254)</u>	<u>477,763</u>
Debt due within 1 year	(16,325)	16,325	-
Debt due after 1 year	(28,946)	28,946	-
Hire purchase agreements	(45,864)	8,836	(37,028)
	<u>520,882</u>	<u>(80,147)</u>	<u>440,735</u>

# NEXUS MANAGEMENT PLC

## DIRECTORS AND COMPANY INFORMATION

<b>Directors</b>	P O R Paterson (Non-executive Chairman) R A Richardson (CEO) P J Weller (Finance Director) B Adlam M S J Rappolt (Non-executive - resigned 15 May 2007) G C Stoddart-Stones Dr J F Tryzelaar (Non-executive - resigned 13 November 2007) R C Jaques (Non-executive - appointed 1 June 2007) J P Lister (Non-executive - appointed 13 November 2007)
<b>Secretary</b>	P J Weller
<b>Company number</b>	3895363
<b>Registered office</b>	The Diary House Roxby Place Rickett Street London SW6 1RS
<b>Auditors</b>	Menzies Heathrow Business Centre 65 High Street Egham Surrey TW20 9EY
<b>Bankers</b>	Barclays Bank PLC PO Box 166 Heathrow Airport Hounslow Middlesex TW6 2RA
<b>Solicitors</b>	Fladgate Fielder 25 North Row London W1K 6DJ
<b>Nominated advisers</b>	John East & Partners Ltd 10 Finsbury Square London EC2A 1AD
<b>Brokers</b>	Hybridan LLP 60 Lombard Street London EC3V 9EA
<b>Financial PR</b>	Bishopsgate Communications 2nd Floor, Henry Thomas House 5-11 Worship Street London EC2A 2BH

# NEXUS MANAGEMENT PLC

## CHAIRMAN'S STATEMENT

### Dear Shareholder

I am pleased to report the first full set of Results since my appointment as Chairman in March 2007. These results have exceeded management's expectations.

Since I took on the role of Chairman, the Company has appointed two new Independent Non-Executive Directors:

Richard Jaques brings a wealth of financial experience, having previously been Finance Director at Hill & Knowlton, part of the WPP group and Nexus's largest client.

Jeremy Lister brings considerable expertise to the Board having previously held IT positions to Director level at Wastelink Group Ltd and RMC Group plc. He has experience in programme and change management and has also worked in financial analysis and strategic planning.

I would like to take this opportunity to thank Joan Tryzelaar and Michael Rappolt, who stepped down from the Non-Executive Board positions during the year to pursue other business interests, for all their hard work to date.

In the last six months we have also changed our team of advisors and are now experiencing hugely enhanced support for our operations and ambitions. Our Nominated Adviser is now John East & Partners Limited, our broker is Hybridan LLP and our Financial PR is run by Bishopsgate Communications. I cannot overstate the benefit this change has given to the Company's sense of purpose.

Turnover from continuing operations, excluding its associate company, PD Financial Corp., for the first four months of the current financial year, shows a significant increase in revenue compared to the same period last year.

The period ahead will see continuing efforts by the Board to grow the business both organically and through complementary acquisitions.

Nexus is a company operating within a niche area of the IT market. The Board is committed to its ongoing growth and development and remains a large shareholder in the Company such that our interests are clearly aligned with all our shareholders.

On behalf of the Board and all shareholders I would like to thank all our employees for their great efforts, good humour, efficient performance and the resultant contribution to the achievement of your Company's targets. I look forward to your continued support throughout the coming year, which I expect to be an exciting one for Nexus. Your Board has worked tirelessly to review the overall operations of the Company and continues to explore ways to further unlock shareholder value.



Peter Paterson  
Chairman  
Nexus Management Plc

15 March 2008

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 19 SHARE PREMIUM ACCOUNT AND RESERVES

	Merger reserve £	Share options reserve £	Share premium account £	Profit and loss account £
<b>Group</b>				
At 1 October 2006 as previously reported	793,949	-	3,058,294	(3,409,697)
Prior period adjustment	-	768,844	-	(768,844)
Balance at 1 October 2006 as restated	793,949	768,844	3,058,294	(4,178,541)
Currency exchange adjustment	-	-	-	3,098
Merger reserve	(274,305)	-	-	-
Premium in respect of shares issued in the year	-	-	1,007,851	-
Issue costs	-	-	(110,000)	-
Merger reserve adjustment	-	-	(519,644)	-
Share option movement in the year	-	33,311	-	-
Retained profit for the year	-	-	-	337,939
At 30 September 2007	<u>519,644</u>	<u>802,155</u>	<u>3,436,501</u>	<u>(3,837,504)</u>
<b>Company</b>				
At 1 October 2006 as previously reported	-	-	3,058,294	(2,690,506)
Prior period adjustment	-	768,844	-	(655,212)
Balance at 1 October 2006 as restated	-	768,844	3,058,294	(3,345,718)
Premium in respect of shares issued in the year	-	-	860,342	-
Issue costs	-	-	(110,000)	-
Share option movement in the year	-	33,311	-	-
Retained loss for the year	-	-	-	(209,555)
At 30 September 2007	-	<u>802,155</u>	<u>3,808,636</u>	<u>(3,555,273)</u>

As a result of the implementation of Financial Reporting Statement 20 "Shared Based Payments" the Group is now required to measure the fair value of the equity investments it has issued (in this case share options) which form part of equity-settled share based payments. The impact of this is that the profit and loss account has been charged £33,311 (£321,137 for the 18 months to 30 September 2006 and £447,707 to opening reserves at 1 April 2005). The charge has been taken to a share option reserve. The charge to the Company in the year was £18,090 (£207,505 for the 18 months to 30 September 2006 and £447,707 to opening reserves at 1 April 2005).

### 20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
<b>Group</b>		
Opening shareholders funds/(deficit) as previously reported	2,474,529	(103,059)
Issue of ordinary share capital	58,059	921,756
Ordinary share capital to be issued	36,762	129,580
Premium on issue of ordinary share capital	488,207	865,501
Issue costs	(110,000)	(83,341)
Merger reserve	(274,305)	793,949
Profit/(loss) for the year/period	337,939	(365,637)
Transfer to share options reserve	33,311	321,137
Foreign currency adjustment	3,098	(5,357)
Shareholders' funds at 30 September 2007	<u>3,047,600</u>	<u>2,474,529</u>

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 18 SHARE CAPITAL (continued)

vii) 4,849,169 options at 0.75p per share exercisable between 1/10/05 and 17/5/15 granted as follows:

J Tryzelaar	4,849,169
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viii) 2,380,953 options at 0.63p per share exercisable between 29/9/05 and 27/4/14 granted as follows:

M S J Rappolt	793,651
B Adlam	793,651
J Tryzelaar	793,651

ix) 58,105,263 options at 0.59p per share exercisable between 18/11/05 and 17/5/15 granted as follows:

R A Richardson	16,842,105
P O R Paterson	16,842,105
B Adlam	16,842,105
J Tryzelaar	3,368,421
G C Stoddart-Stones	2,526,316
P J Weller	1,684,211

x) 2,400,000 options at 0.49p per share exercisable between 31/5/06 and 31/5/15 granted to P J Weller.

xi) 5,172,414 options at 0.58p per share exercisable between 13/10/06 and 12/4/16 granted as follows:

M S J Rappolt	1,724,138
B Adlam	1,724,138
J Tryzelaar	1,724,138

xii) 2,400,000 options at 0.63p per share exercisable between 16/4/07 and 15/10/16 granted as follows:

B Adlam	800,000
J Tryzelaar	800,000
M S J Rappolt	800,000

xiii) 54,783 options at 0.75p per share exercisable between 16/4/07 and 15/10/16 granted to G C Stoddart-Stones.

xiv) 365,854 options at 1.64p per share exercisable between 1/8/07 and 31/1/17 granted as follows:

M S J Rappolt	182,927
J Tryzelaar	182,927

Further share options have been granted in the year to non-directors as follows:

i) 4,200,000 options at 0.63p per share exercisable between 16/4/07 and 15/10/16.

ii) 347,372 options at 0.75p per share exercisable between 16/4/07 and 15/10/16.

# NEXUS MANAGEMENT PLC

## CHIEF EXECUTIVE'S REPORT

I am pleased to report the Company has made significant progress in the year ended 30 September 2007.

### Financials

Group revenues, including £17.9m from its associate company, PD Financial Corp., in the year ended 30 September 2007 were £21 million (18 months to September 2006: £4 million) which is ahead of management's expectations. EBITDA for the period was £1.13 million (2006: loss £0.17 million) with PD Financial contributing £1.17 million. Profit before tax showed a dramatic increase to £794,000 (2006: loss £365,000). Basic earnings per share were 0.042p (2006: loss 0.05p).

The EBITDA loss reported by the core business in the year ended 30 September 2007 of £44,000 (2006: £172,000) was caused by two specific factors; an increase in our staff costs to re-align their salary levels with industry standards and the significant fall in the sterling/dollar exchange rate, which reduced our dollar derived earnings resulting in an exchange rate loss for the year.

At 30 September 2007, the Group's net assets had increased by £600,000 to £3 million, with cash balances of over £400,000.

The Directors consider that the Company's current financial and trading positions are in line with management expectations.

### Review of activities

Nexus is a growing specialist IT Managed Services Provider. The Company has two key markets: the UK and the US, where it can offer its customers 24 hour support. Nexus specialises in Remote Server Management, Disaster Recovery, Data Storage, Help-Desk, Desktop Support and Wide Area Network Management and Monitoring - providing Enterprise calibre technical support.

The results for the second half of the year ended 30 September 2007 have shown a marked improvement on the reported results for the six months to March 2007, which were generally in line with management's expectations.

### Post balance sheet events

On 1 February 2008 the Company announced that the board of PD was in advanced discussions with several alternative credit providers following the decision to terminate its existing credit arrangements. The Directors have been advised that these discussions have been advanced further and the board of PD remain confident that these discussions will come to fruition soon. The Company will make further announcements as required.

### Disposal of 16.3 percent interest in PD Financial Corp.

In February the Board announced that Nexus had disposed of a 16.3 percent interest in PD Financial Corp. This move allows the Board of Nexus to focus a greater amount of time to the continued growth and development of the core business activities of the Company.

The salient points from this disposal include:

- share re-purchase agreement entered into with PD Financial Corp. to allow the Company to sell for a cash consideration of up to \$5 million (approximately £2.5 million at current exchange rates). The total cash consideration equates to \$4.29 per share which represents a substantial premium to the average cost of acquisition of \$2.1 per share;
- the first instalment of \$300,000 has been received and the next instalment of \$2.7 million is due by 30 June 2008 with the balance of \$2 million due over the 12 months to 30 June 2009; and
- following completion of the share sale Nexus's stake equates to 8.3 per cent. of the issued share capital of PD Financial Corp. and with effect from 1 February 2008 PD Financial Corp. will no longer be treated as an associate for the purposes of the Company's consolidated accounts.

# NEXUS MANAGEMENT PLC

## CHIEF EXECUTIVE'S REPORT

Further to this profitable disposal, the Company was also granted an evergreen marketing agreement with PD Financial Corp. to market the Company's products, including helpdesk and back-up support. This replaces the existing agreement, which was due to expire in October 2009. In the year ended 30 September 2007, the existing marketing agreement has generated cash of approximately £700,000.

### New client wins

Significant new client wins in the past two months have been Blanc & Otus, with offices in four locations, as a full service client; IT Partners LLC/Catholic Charities for hosting and help desk services; and Interface Fabrics for hosting and help desk services.

Nexus continues to attract new clients to its services both through direct sales and through its partner network, of which IT Partners LLC is one.

### Focus and customer growth

Nexus remains committed to building its portfolio of business customers. As at 30 September 2007, the Company had 102 business customers which is a substantial increase from 81 at 30 September 2006. In addition to the PD marketing channel the Company is also investing in the marketing of its core products in both the US and the UK. The Company has a broad client base and is not unduly reliant on any one customer.

Since 14 January 2008, the Company's shares have been traded on the PLUS Markets platform. The Company's ordinary shares continue however to be quoted and traded on AIM and trading on PLUS is intended to enhance investor choice, improve liquidity for shareholders and provide greater access to investors.

### Outlook

In the latter stages of the year ended 30 September 2007 and in the current period the Board has seen an upturn in new contracts in our US operation. Nexus operates a premier Data Centre in northern New England, USA and is widely recognised by clients and potential clients across the region.

The Directors believe that the re-commencement of the PD USA business, once it has put in place new credit agreements, will also boost the Company's future trading performance.

The profitable disposal of part of our stake in PD Financial Corp. demonstrates the high level of activity during the period. The proceeds of our disposal will be reinvested in building a focused consolidator in the IT services market. We see good value when looking at companies to acquire compared with 12 months ago and continue to appraise a number of interesting targets.

As highlighted in the Chairman's statement, the employees and advisers of Nexus have worked hard to achieve these results and I would like to thank all of them for their continuing support and loyalty.



Roger Richardson  
Group CEO  
Nexus Management Plc

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 18 SHARE CAPITAL (continued)

The fair values were calculated using the Black-Scholes valuation method. The inputs to the model were as follows:

	2007	2006
Weighted average share price	1.27p	0.57p
Expected volatility	79	78
Expected life	10	10
Risk free rate (%)	4.60	4.60
Dividend yield (%)	-	-

At 30 September 2007 the following options were granted but not exercised to the directors of the company:

i) 3,850,000 options at 0.25p per share exercisable between 31/12/03 and 29/7/13 granted to P J Weller.

ii) 64,048,110 options at 0.6p per share exercisable between 2/8/04 and 1/2/14 granted as follows:

R A Richardson	16,666,667
P O R Paterson	16,666,667
B Adlam	23,214,776
J Tryzelaar	3,333,333
G C Stoddart-Stones	2,500,000
P J Weller	1,666,667

iii) 13,114,756 options at 0.61p per share exercisable between 1/7/04 and 1/2/14 granted as follows:

R A Richardson	3,278,869
P O R Paterson	3,278,869
G C Stoddart-Stones	3,278,869
P J Weller	3,278,869

iv) 2,459,016 options at 0.61p per share exercisable between 1/8/04 and 1/2/14 granted as follows:

M S J Rappolt	819,672
B Adlam	819,672
J Tryzelaar	819,672

v) 42,279,414 options at 0.68p per share exercisable between 9/12/04 and 8/6/14 granted as follows:

R A Richardson	12,254,903
P O R Paterson	12,254,903
B Adlam	12,254,903
J Tryzelaar	2,450,980
G C Stoddart-Stones	1,838,235
P J Weller	1,225,490

vi) 1,376,148 options at 1.09p per share exercisable between 1/2/05 and 1/8/14 granted as follows:

M S J Rappolt	458,716
B Adlam	458,716
J Tryzelaar	458,716

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 18 SHARE CAPITAL

	2007 £	2006 £
<b>Authorised</b>		
4,000,000,000 (2006: 4,000,000,000) Ordinary shares of £0.0025 each	<u>10,000,000</u>	<u>10,000,000</u>
<b>Allotted, called up and fully paid</b>		
836,016,881 (2006: 760,960,921) Ordinary shares of £0.0025 each	<u>2,090,042</u>	<u>1,902,403</u>
<b>Shares to be issued</b>		
14,707,773 (2006: 51,832,050) Ordinary shares of £0.0025 each	<u>36,762</u>	<u>129,580</u>
<b>Reconciliation - Allotted, called up and fully paid</b>		
At 1 October 2006		1,902,403
Shares issued in the year		124,463
Shares issued in the year and accrued for in previous period		63,176
At 30 September 2007		<u>2,090,042</u>
<b>Reconciliation - Shares to be issued</b>		
At 1 October 2006		129,580
Shares issued		(63,176)
Shares lapsed in the year		(29,642)
At 30 September 2007		<u>36,762</u>

### Share option schemes

On 6 April 2001 the company adopted an Enterprise Management Incentive Scheme. As set out below during the year the company has granted 7,368,009 options. Due to the value of these options or the tax status of the recipients, 5,268,009 of these options will be treated as if they were issued under an unapproved share option scheme. No provision is made for National Insurance on the options, which are exercisable at the balance sheet date due to a joint election in place between the company and the individual under which the individual has agreed to take on the company's National Insurance liability.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2007		2006	
	No.	WAEP Pence	No.	WAEP Pence
Outstanding at the beginning of the year	246,991,719	0.63	135,271,774	0.67
Granted during the year	7,368,009	0.69	118,864,275	0.62
Forfeited during the year	-	-	(7,144,330)	2.00
Exercised during the year	(793,259)	0.49	-	-
Outstanding at the end of the year	<u>253,566,469</u>	0.63	<u>246,991,719</u>	0.63
Exercisable at the end of the year	<u>246,366,469</u>	0.63	<u>238,191,719</u>	0.63

The weighted average share price at the date of exercise for share options exercised during the year was 1.43 p (2006: £nil).

# NEXUS MANAGEMENT PLC

## BOARD OF DIRECTORS

### Peter Paterson (Age 64) Non-executive Chairman

Peter started his computing career in 1965 in systems development. In 1968 he moved to Cummins Engine Company where he was involved with Arthur Andersen in the development of a fully integrated manufacturing industry system, one of the first in the UK. By 1976 he had moved to London and started work in software and hardware sales. In 1979 he first became acquainted with recruitment agency selling and in 1986 he started his own agency business supplying contract systems development staff. By 1991 he had bought another agency and this business was sold in 1996, after which he acquired a stake in Nexus Management Limited, an outsourced IT services company focussed on using the internet, which he determined would be the next major growth area in the IT sector.

### Roger Richardson (Age 47) Group CEO

Roger has led the International Operations of a number of US software firms over the past 10 years including Visionael Corporation, Serena Software, Legent BV and NV and Legent UK. Roger has held positions from Vice-President of International Operations to Sales Director and brings to Nexus Management Plc a range of senior level experience in sales and marketing. Roger joined Nexus Management Plc in 2002 as sales director and became group CEO in September 2003.

### Peter Weller FCCA (Age 38) Finance Director

Peter initially worked for Harvard International, now part of Alba Plc. He joined Coral Racing, part of Bass Plc, in 1987 where he remained for ten years, becoming assistant financial controller to both Coral Racing and Coral Stadia. Immediately prior to joining the Group, Peter was financial controller at Barkers Interiors, having qualified as a Certified Chartered Accountant in 1999. He joined Nexus Management Plc in October 2000 and was appointed finance director in January 2001.

### Graham Stoddart-Stones (Age 58) Director

Graham first started computer programming in 1968 and has over 35 years experience in the IT sector. After a career in the Royal Navy he returned to the UK in 1986 for the Channel Tunnel project, after which he established Nexus Management Limited and joined the board of Nexus Management Plc on 23 August 2002. He is responsible for client relationships and developing new business.

### Boris Adlam (Age 41) Director

Boris is an investment banker and venture capitalist by background with over 15 years of experience in international corporate finance. He left Oxford University in 1989 to join Lehman Brothers first in New York and later in London where he specialised in equity and debt origination and mergers and acquisitions. Subsequently, at Paribas Capital Markets he concentrated on giving financial advice to governments, larger European companies and institutions, a role that he continued at Nomura International Plc in London. In 2000 Boris co-founded Arcanum Partners Limited, a corporate finance advisory firm specialising in emerging technology companies and in 2002 he co-founded KNZ Partners LLP, a venture capitalist partnership focusing on early stage companies.

### Richard Jaques FCA (Age 44) Non-executive Director

Richard is currently a director of The Geta Network Ltd. In the past 5 years he has been a Director of The Partners, a subsidiary of WPP Group Plc.

### Jeremy Lister (Age 54) Non-executive Director

Jeremy is currently the Interim Managing Director of Rivington Street Software Ltd, a leading supplier of web based IT systems to not-for-profit organisations such as professional and chartered bodies, trades unions and associations.

# NEXUS MANAGEMENT PLC

## DIRECTOR'S REPORT

The Directors present their report together with the audited financial statements of the group for the year ended 30 September 2007.

### Principal Activities

The principal activity of the group was that of provision of IT solutions to small-medium sized businesses.

### Future Developments

We are always looking for as many new ways as possible to reach more potential clients and working through partners seems to be starting to pay dividends. As well as attracting more new clients we must be prepared to offer the latest technology to enhance our clients' businesses. Investment in the latest versions of Microsoft's products and investigating newer Microsoft technologies such as OCS (Office Communications Server) and DPM (Data Protection Manager), which we already have in production on behalf of a few of our clients, forms part of our planned future offerings.

### Business Review

A business review of the group is included in the Chairman's statement on page 4.

### Results and Proposed Dividend

The directors have not recommended a dividend.

### Directors and their interests

The Directors who held office for the whole year had the following interests in the ordinary shares of the Company as at 1 October 2006 and 30 September 2007:

	Ordinary shares of £0.0025 each	
	2007	2006
P O R Paterson (Non-executive Chairman)	80,003,763	80,003,763
R A Richardson (CEO)	41,666,667	41,666,667
P J Weller (Finance Director)	730,000	730,000
B Adlam	37,543,317	37,543,317
G C Stoddart-Stones	78,340,861	78,340,861
Dr J F Tryzelaar	5,881,692	5,881,692

P J Weller and R A Richardson retire by rotation in accordance with the Articles of Association and, being eligible, offer themselves for re-election.

Details of the share options held by the directors at the year-end are included in note 18 to the financial statements.

### Substantial Shareholdings

Apart from the interests of the directors referred to above, the Company has received the following notification of holdings of more than 3% of the share capital of the Company as at 30 September 2007:

	Ordinary shares of £0.0025 each	Ordinary shares of £0.0025 each
Barclayshare Nominees Limited	71,177,917	8.51%
TD Waterhouse Nominees (Europe) Limited	50,670,844	6.06%
LR Nominees Limited	44,350,943	5.31%
HSDL Nominees Limited	32,170,728	3.85%

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Bank loans	-	28,946	-	-
Amounts due under hire purchase contracts	19,049	26,061	-	-
	<u>19,049</u>	<u>55,007</u>	<u>-</u>	<u>-</u>

The above liabilities are secured by the company:

### 17 COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Amounts payable within 1 year	19,803	19,803	-	-
Amounts payable between 1 and 2 years	17,226	26,061	-	-
Amounts payable between 2 and 5 years	-	-	-	-
	<u>37,029</u>	<u>45,864</u>	<u>-</u>	<u>-</u>

### COMMITMENTS UNDER OPERATING LEASES

#### Operating leases

The Group had annual commitments under non-cancellable operating leases as follows:

	2007	2006
	£	£
Land and buildings		
In one year or less	-	-
Between one and five years	92,566	99,421
More than five years	-	-
	<u>92,566</u>	<u>99,421</u>

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 14 DEBTORS

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Trade debtors	243,228	155,476	-	-
Amounts owed by group undertakings	-	-	198,987	1,482,726
VAT recoverable	-	-	-	8,317
Other debtors	22,527	847,850	4,389	816,514
Prepayments and accrued income	29,369	22,898	20,441	7,840
	<u>295,124</u>	<u>1,026,224</u>	<u>223,817</u>	<u>2,315,397</u>

### 15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Bank loan and overdraft	6,726	295,407	-	279,082
Trade creditors	97,548	65,468	13,059	28,867
Amounts owed to subsidiary undertakings	-	-	25,000	25,000
Other creditors	163,916	70,098	-	-
Amounts due under hire purchase contracts	17,979	19,803	-	-
Accruals and deferred income	469,701	99,088	41,000	25,307
	<u>755,870</u>	<u>549,864</u>	<u>79,059</u>	<u>358,256</u>

The bank loans and the overdraft of the group are secured by personal guarantee provided by some of the directors of the company (note 25).

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Bank loan and overdraft	-	279,082	-	279,082
Amounts due under hire purchase contracts	17,979	19,803	-	-
	<u>17,979</u>	<u>298,885</u>	<u>-</u>	<u>279,082</u>

# NEXUS MANAGEMENT PLC

## DIRECTOR'S REPORT

### Financial Instruments

The Group's financial instruments comprise cash and other items, including trade debtors and trade creditors that arise directly from its operations. The Group seeks to reduce or eliminate financial risk and to invest cash assets safely and profitably. It operates within policies and procedures approved by the Board, which include strict controls on the use of financial instruments in managing the Group's risk. The Group has immaterial transactional currency exposures.

### Directors' responsibilities for the financial statements

Company law 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 Group and Company 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; and prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence 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 company'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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom concerning the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

The Group's public website, [www.nexusmgmt.com](http://www.nexusmgmt.com), provides current and historical financial information, news releases and investor information.

### Donations

During the year the Group made no charitable donations (2006: £nil).

### Creditor Payment Policy

The Group does not comply with any formal code or standard payment practice. The policy of the Group is to agree payment terms with individual suppliers. The average credit taken from suppliers based upon year end creditors was 34 days (2006: 25 days).

### Auditors

A resolution to reappoint Menzies as auditors will be put to the members at the forthcoming Annual General Meeting in accordance with section 385 of the Companies Act 1985.



ON BEHALF OF THE BOARD  
P J Weller  
Company Secretary

The Diary House  
Roxby Place  
Rickett Street  
London SW6 1RS

# NEXUS MANAGEMENT PLC

## CORPORATE GOVERNANCE REPORT

### Corporate Governance Report For the year ended 30 September 2007

In the Report and Accounts to 31st March 2004 the Board set out its commitment to best practice corporate governance appropriate to a company of its size. This has continued throughout the current financial year. The Company complies with this new Code except as noted below. Processes complying either with the previous Code or the current one have been followed throughout the year. They provide reasonable, although not absolute, assurance against material misstatement or loss.

#### The Board

The board currently consists of seven directors, three of whom are non-executive and four of whom are executive. The Chairman is non-executive but is not considered independent, having been an executive and by the virtue of his significant shareholding. The other non-executive directors are considered to be independent within the meaning of the New Combined Code.

The board meets regularly throughout the year to monitor the management accounts and performance of the Group and all major decisions are taken by the full board. The board in turn delegates the implementation of board policy and the day-to-day operational management of the Group to the Chief Executive and his team. All directors have access to the Company Secretary and any director needing independent advice in the furtherance of his duties may obtain this advice at the expense of the company.

The board met 12 times during the year. On one occasion, one member was absent otherwise all members attended.

#### The Audit Committee Membership

The Audit Committee during the year was composed of three Non-executive Directors - Mr Rappolt (Chairman), Mr Adlam and Dr Tryzelaar. Post year-end the committee is composed of three Non-executive Directors - Mr Jaques (Chairman), Mr Paterson and Mr Lister. The Finance Director and the Chief Executive attend as necessary.

#### Timetable

The Audit Committee meets at least twice a year to review the published financial information, the effectiveness of external audit and internal controls.

#### Terms of reference

The terms of reference of the Audit Committee are to assist the Directors in discharging their individual and collective legal responsibilities for ensuring that:

- the Group's financial and accounting systems provide accurate and up to date information on its current financial position;
- the Group's published financial statements represent a true and fair reflection of this position and;
- the external audit which the law requires in order to provide independent confirmation that these legal responsibilities are being met, is conducted in a thorough, efficient and effective manner.

In order to meet these terms of reference the Audit Committee will:

- a) Consider the appointment of external auditors, the audit fee and any questions of resignation or dismissal of the auditors.
- b) Discuss with the auditors the nature and scope of the audit before it commences.

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 13 FIXED ASSETS INVESTMENTS

Group	Net assets of associate £	Goodwill of associate £	Total £
At 1 October 2006	-	-	-
Assets at acquisition	383,826	-	383,826
Goodwill arising on acquisition	-	1,364,744	1,364,744
Share of associate's results	1,170,996	-	1,170,996
Associate's share of interest payable	(16,582)	-	(16,582)
Amortisation of goodwill	-	(136,474)	(136,474)
Taxation on results of associate	(456,044)	-	(456,044)
Exchange adjustments	(27,498)	-	(27,498)
Depreciation	(14,303)	-	(14,303)
<b>At 30 September 2007</b>	<b>1,040,395</b>	<b>1,228,270</b>	<b>2,268,665</b>

#### Company

Company investments in Group undertakings:	Investments in Associates £	Subsidiary Undertakings £	Total £
<b>Cost and net book amount</b>			
At 1 October 2006 as previously stated	-	442,630	442,630
Prior year adjustment (note 19)	-	113,632	113,632
At 1 October 2006 as restated	-	556,262	556,262
Additions	1,748,571	357,713	2,106,284
<b>At 30 September 2007</b>	<b>1,748,571</b>	<b>913,975</b>	<b>2,662,546</b>

The Company directly owns 100% of the issued share capital of the following subsidiary undertakings:

Subsidiary undertaking	Country of incorporation	Principal activity
Nexus Management (EMEA) Limited	England and Wales	IT Support services
FixIT Worldwide Limited	England and Wales	IT Support services
PC Medics Group Limited	England and Wales	Holding Company
Nexus Management Inc *	USA	IT Support services

\* Investment held via PC Medics Group Limited

The Company owned 24% of the ordinary issued share capital of PD Financial Corp., a company incorporated in the USA, as at 30 September 2007. A further 0.6% was added after the balance sheet date. PD Financial Corp.'s principal activity is direct marketing.

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 11. INTANGIBLE FIXED ASSETS

Group	Goodwill on consolidation £	Purchased Goodwill £	Total £
<b>Cost</b>			
At 1 October 2006	945,086	5,000	950,086
Adjustments to prior period estimates	(303,949)	-	(303,949)
At 30 September 2007	<u>641,137</u>	<u>5,000</u>	<u>646,137</u>
<b>Amortisation</b>			
At 1 October 2006	20,900	4,170	25,070
Provided in the year	69,928	830	70,758
At 30 September 2007	<u>90,828</u>	<u>5,000</u>	<u>95,828</u>
<b>Net Book Value</b>			
At 30 September 2007	<u>550,309</u>	<u>-</u>	<u>550,309</u>
At 30 September 2006	<u>924,186</u>	<u>830</u>	<u>925,016</u>

### 12. TANGIBLE FIXED ASSETS

Group	Short Leasehold Improvements £	Fixtures Fittings £	Computer Equipment £	Total £
<b>Cost</b>				
At 1 October 2006	246,396	27,876	469,113	743,385
Additions	-	-	70,957	70,957
Currency exchange adjustment	(20,373)	-	(39,761)	(60,134)
At 30 September 2007	<u>226,023</u>	<u>27,876</u>	<u>500,309</u>	<u>754,208</u>
<b>Accumulated Depreciation</b>				
At 1 October 2006	74,049	24,624	411,293	509,966
Provided in the year	14,228	2,130	48,647	65,005
Currency exchange adjustment	(6,957)	-	(37,001)	(43,958)
At 30 September 2007	<u>81,320</u>	<u>26,754</u>	<u>422,939</u>	<u>531,013</u>
<b>Net Book Value</b>				
At 30 September 2007	<u>144,703</u>	<u>1,122</u>	<u>77,370</u>	<u>223,195</u>
At 30 September 2006	<u>172,347</u>	<u>3,252</u>	<u>57,820</u>	<u>233,419</u>

Included in the total net book value of £223,195 is £69,226 (2006: £52,121) in respect of assets held under hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets is £23,268 (2006: £62,226).

# NEXUS MANAGEMENT PLC

## CORPORATE GOVERNANCE REPORT

### Terms of Reference (continued)

- c) Review half and full year financial statements and accounts, focusing particularly on:
  - any changes in accounting policies and practices;
  - major judgmental areas;
  - significant adjustments arising from the audit;
  - the going concern assumptions;
  - compliance with accounting and legal standards and requirements.
- d) Discuss any problems and reservations arising from the half year and full year audits and any other matters the auditors may wish to discuss.
- e) Keep under review the effectiveness of internal control systems and risk management systems and to review the auditor's management letter and management's response to it.
- f) Consider any other matter at the request of the Board.

The Committee will provide a formal report to the Board at least once a year .

The Audit Committee met formally three times during the last financial year where it approved the final accounts for 2005/2006, reviewed financial timetables, reviewed internal policies and reviewed due diligence procedures. All members attended every meeting.

### The Remuneration and Appointments Committee

The Remuneration and Appointments Committee ensures that all remuneration and other rewards, and their structure, for executive directors and other senior managers, fully satisfy performance and other criteria and approves them. It also approves all senior management and director level appointments, if necessary meeting the candidates.

The committee consisted of three Non-executive Directors - Mr Adlam (Chairman), Dr Tryzelaar and Mr Rappolt - with the Chief Executive in attendance where appropriate. Post year-end the committee consists of three Non-executive Directors - Mr Paterson (Chairman), Mr Lister and Mr Jaques.

The Remuneration Committee met twice during the year and reviewed Executive Pay, Bonus Schemes and Performance Appraisals. As a result:

- Options were issued to the Non Executive Directors as per their contracts. 2,765,854 options over shares were issued at the mid market price (see note 18).

These changes saved the Company significant cash resources at a time when the Company was running an overdraft and ties all Directors more closely to the fortunes of the Company's share price.

# NEXUS MANAGEMENT PLC

## CORPORATE GOVERNANCE REPORT

### Compliance with the New Combined Code

Nexus complies with all aspects of the New Combined Code except as stated below:

Combined Code Reference	Description	Action/Reason
<b>Remuneration</b>		
B.1.3	Remuneration for directors should not include share options and, if exceptionally issued, should not be exercisable until one year after leaving the Board.	Executive directors may be rewarded with options as part of their package subject to audit and remuneration committee approval.
<b>Procedure</b>		
B.2.4	Shareholders to approve long term incentive schemes.	No such schemes introduced.
<b>Accountability and auditing</b>		
C.3.5	Internal audit function	Considered inappropriate for a company of our size.
<b>Relations with Shareholders</b>		
D.1.1	Chair to discuss governance and strategy with major shareholders.	Not currently appropriate for a company of our size.
D.1.2	State how members of the Board, in particular non-executive directors, develop understanding of views of major shareholders.	The Chair and Chief Executive will feed back shareholders' views to the Board. More than this not considered appropriate for a company of our size.

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 9 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007	18 months to 30 Sept 2006
	£	£
The tax charge comprises:		
Current UK taxation	-	-
Taxation on associate's results	456,044	-
	<u>456,044</u>	<u>-</u>

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2007	2006
	£	£
Profit/(loss) on ordinary activities before tax	793,983	(365,637)
Theoretical tax charge at 30% (2006: 19%)	238,194	(69,471)
Effects of:		
Expenses (including goodwill) not deductible for tax purposes	20,978	
Depreciation in excess of capital allowances	2,014	255
Other tax adjustments	39,905	69,216
Effect of associate's results	(301,091)	-
Current tax charge for the year	<u>-</u>	<u>-</u>

### Factors that may affect future tax charges

At 30 September 2007 the Group has tax losses of approximately £250,739 (2006: £171,798) to set against future profits of the same trade.

A deferred tax asset of £75,222 (2006: £32,641) arising from the tax losses in place has not been recognised. Although the directors ultimately expect sufficient taxable profits to arise, there is currently insufficient evidence to support the recognition of a deferred tax asset in these financial statements.

### 10 EARNINGS PER SHARE

	Earnings 2007	2007 Weighted average number of shares	Earnings 2006	2006 Weighted average number of shares
	£		£	
Basic EPS calculation	337,939	803,311,934	(365,637)	735,429,362
Diluted EPS calculation	337,939	1,056,842,712	(365,637)	735,429,362

The weighted average number of the Group's ordinary shares used in the calculation of diluted earnings per share has been adjusted for the effect of potentially dilutive share options granted under the Group's share option schemes.

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 6 EMPLOYEES

The average number of employees of the Group (including directors) during the year/period was:

	2007 Number	18 months to 30 Sept 2006 Number
Management and administration	9	7
Technicians	48	45
Sales	3	3
	<u>60</u>	<u>55</u>

Staff costs during the year/period were as follows:

	2007 £	18 months to 30 Sept 2006 £
Wages and salaries	2,302,328	2,364,904
Social security costs	122,188	147,044
Other pension costs	12,433	39,669
Share based payment expense	33,311	321,137
	<u>2,470,260</u>	<u>2,872,754</u>

For 12 month comparison purposes, wages and salaries for 2007 were £2,302,328 and the average for a 12 month period for 2006 was £1,576,603.

### 7 DIRECTORS

	2007 £	18 months to 30 Sept 2006 £
Emoluments of Directors included in staff costs were as follows:		
Directors' remuneration (including benefits in kind)	341,700	374,880
Company pension fund contributions to money purchase schemes	18,000	27,000
Share based payment expense	16,755	207,505
	<u>376,455</u>	<u>609,385</u>

#### Highest paid director

Remuneration for management services	91,050	93,720
Company pension fund contributions to money purchase scheme	6,000	9,000
Share based payment expense	-	48,659
	<u>97,050</u>	<u>151,379</u>

The number of directors for whom retirement benefits are accruing under money purchase schemes amounted to 3 (2006: 3).

On 15 May 2007 M S J Rappolt resigned as a non-executive director. After this date he received final payments totalling £5,500.

### 8 REORGANISATION COST

	2007 £	18 months to 30 Sept 2006 £
Merger costs	-	<u>35,893</u>

# NEXUS MANAGEMENT PLC

## CORPORATE GOVERNANCE REPORT

### Internal Control

The Directors acknowledge their responsibility for the Group's system of internal control which is designed to ensure adherence to the Group's policies whilst safeguarding the assets of the Group, in addition to ensuring the completeness and accuracy of the accounting records. On the basis that such a system can only provide reasonable but not absolute assurance against material misstatement or loss and that it relates only to the needs of the business at the time, the system as a whole was found by the Directors at the time of approving these financial statements to be generally appropriate to the size of the business.

The key features of internal control that operated throughout the period covered by these financial statements are described under the following headings:-

### Control Environment

There is a clear organisational structure within which individual responsibilities are identified and can be monitored.

### Identification and Evaluation of Business Risks and Control Objectives

The Board has the primary responsibility for identifying major business risks facing the Group and developing appropriate policies to manage these risks. The risk management approach used is to identify the Group's most significant areas of risk and determine key control objectives. A more formal procedure of risk analysis, assessment and mitigation has been introduced this year.

### Performance Review

The Directors monitor the Group's performance through the preparation of monthly management accounts which are compared with budgets and other performance targets on a regular basis. Significant variances from targets are analysed and reviewed. There are also monthly reviews of sales and cash projections by the CEO and FD and if variances are significant they are brought to the Boards attention. Sales and cash projections are reviewed at each Board meeting.

### General Procedures and Monitoring

Operating controls are detailed in board minutes and compliance with these procedures is covered by the Group's external auditors only to the extent necessary to form their opinion of the truth and fairness of the financial statements. The Audit Committee will review the operation and effectiveness of this framework.

### Going Concern

The Directors, after having made appropriate enquiries, have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board



# NEXUS MANAGEMENT PLC

## REPORT OF THE AUDITORS

### Independent Auditors' Report to the Shareholders of Nexus Management Plc

We have audited the financial statements of Nexus Management Plc for the year ended 30 September 2007 which comprise the consolidated Profit & Loss Account, the Balance Sheets, the consolidated Cash Flow Statement and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Company's shareholders as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken for no purpose other than to draw to the attention of the Company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the Company, and 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 described in the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the board's statements on internal control cover all the risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

### Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 4 OPERATING PROFIT/(LOSS)

The profit/(loss) on ordinary activities before taxation is stated after charging:

	2007	18 months to 30 Sept 2006
	£	£
Depreciation on tangible fixed assets owned	41,737	40,741
Depreciation on tangible fixed assets held under hire purchase agreements	23,268	62,226
Amortisation	70,758	25,070
Auditors remuneration:		
- as auditors	58,418	30,754
- for other services	5,945	15,180
Net loss on foreign currency translation	11,400	21,420
Land and buildings operating lease costs	94,151	123,343

### Auditors fees

The fees charged by the auditors can be further analysed under the following headings for services rendered:

	2007	18 months to 30 Sept 2006
	£	£
Audit	58,418	31,104
Accountancy	-	4,964
Taxation	4,475	1,800
Business consultancy	1,470	8,066
	<u>64,363</u>	<u>45,934</u>

The audit charge for the year includes the costs of £29,918 incurred in the interim audit of PD Financial Corp., a company associated to Nexus Management Plc.

The overseas subsidiary was audited by Macdonald Page and Co. LLC. The fees charged were £7,174 (2006: £7,456).

The loss attributable to the parent company profit and loss account for the year was £209,555 (18 months to 30 Sept 2006: £257,222 restated).

### 5 INTEREST PAYABLE AND SIMILAR CHARGES

	2007	18 months to 30 Sept 2006
	£	£
On bank loans and overdrafts	24,986	27,876
Hire purchase interest	4,397	24,197
	<u>29,383</u>	<u>52,073</u>

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 2 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit/(loss) before taxation are attributable to the one principal activity of the group. An analysis of turnover, profit/(loss) before taxation is given below:

	2007 £	18 months to 30 Sept 2006 £
		As restated
<b>Turnover</b>		
United Kingdom	1,314,863	1,322,991
North America	2,041,273	2,621,231
	<u>3,356,136</u>	<u>3,944,222</u>
<b>Profit/(loss) before taxation (excluding associate)</b>		
United Kingdom	(242,481)	(271,621)
North America	32,828	(94,016)
	<u>(209,653)</u>	<u>(365,637)</u>
<b>Profit before taxation in associate</b>		
North America	1,003,636	-
	<u>793,983</u>	<u>(365,637)</u>
<b>Net assets by location (excluding associate)</b>		
United Kingdom	2,347,168	2,885,882
North America	(339,963)	(411,353)
	<u>2,007,205</u>	<u>2,474,529</u>
<b>Net assets in associate</b>		
North America	1,040,395	-
	<u>3,047,600</u>	<u>2,474,529</u>

### 3 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

12 month period to 30 September 2007	Continuing operations £	Acquired operations £	Total £
Cost of sales	1,723,850	-	1,723,850
Administrative expenses	1,812,556	-	1,812,556
	<u>3,536,406</u>	<u>-</u>	<u>3,536,406</u>
18 month period to 30 September 2006	Continuing operations £	Acquired operations £	Total As restated £
Cost of sales	2,212,468	157,868	2,370,336
Administrative expenses	1,821,907	52,148	1,874,055
	<u>4,034,375</u>	<u>210,016</u>	<u>4,244,391</u>

# NEXUS MANAGEMENT PLC

## REPORT OF THE AUDITORS

### Independent Auditors' Report to the Shareholders of Nexus Management Plc

#### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company and the Group at 30 September 2007 and of the Group's profit for the year then ended and have been prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

*Menzes*

MENZIES  
Chartered Accountants  
and Registered Auditors

Heathrow Business Centre  
65 High Street  
Egham  
Surrey TW20 9EY

# NEXUS MANAGEMENT PLC

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

### For the year ended 30 September 2007

	Note	Continuing operations 2007 £	Acquisitions 2007 £	Total 2007 £	18 months to 30 Sept 2006 £
					As restated
<b>Turnover</b>	<b>2</b>				
Turnover including share of associate		3,356,136	17,909,474	21,265,610	3,944,222
Less: share of associate		-	(17,909,474)	(17,909,474)	-
		<u>3,356,136</u>	<u>-</u>	<u>3,356,136</u>	<u>3,944,222</u>
Cost of sales	<b>3</b>	<u>(1,723,850)</u>	<u>-</u>	<u>(1,723,850)</u>	<u>(2,370,336)</u>
<b>Gross profit</b>		1,632,286	-	1,632,286	1,573,886
Operating expenses		(1,779,245)	-	(1,779,245)	(1,552,918)
Share based payment expense		<u>(33,311)</u>	<u>-</u>	<u>(33,311)</u>	<u>(321,137)</u>
<b>Administrative expenses</b>	<b>3</b>	<u>(1,812,556)</u>	<u>-</u>	<u>(1,812,556)</u>	<u>(1,874,055)</u>
<b>Loss on ordinary activities</b>		(180,270)	-	(180,270)	(300,169)
Share of associate's results		-	1,156,693	1,156,693	-
Less: amortisation of goodwill in associate		-	(136,475)	(136,475)	-
Reorganisation costs		-	-	-	(35,893)
Interest receivable		-	-	-	22,498
Interest payable and similar charges	<b>5</b>	(29,383)	-	(29,383)	(52,073)
Interest payable by associate		-	(16,582)	(16,582)	-
<b>(Loss)/profit on ordinary activities before taxation</b>		<u>(209,653)</u>	<u>1,003,636</u>	<u>793,983</u>	<u>(365,637)</u>
Tax on associate's profit on ordinary activities	<b>9</b>			(456,044)	-
<b>Retained profit/(loss) for the year/period</b>	<b>19</b>			<u>337,939</u>	<u>(365,637)</u>
<b>Earnings per share</b>					
Basic	<b>10</b>			0.042 p	(0.050 p)
Diluted	<b>10</b>			0.032 p	(0.050 p)

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

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1 PRINCIPAL ACCOUNTING POLICIES (continued)

#### Pension costs

The Group makes defined contributions to its employees' personal plans. The pension costs charged in the financial statements represents the contributions payable by the Group during the period.

#### Leased assets

Assets held under hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. Outstanding future lease obligations are shown in creditors. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease. Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

#### Foreign currencies

Transactions in foreign currencies are translated into sterling at rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. The translation differences are dealt with in the profit and loss account. The results of foreign subsidiaries and associates have been translated using the average rate for the year. Assets and liabilities of foreign subsidiaries and associates are translated at the rate ruling at the balance sheet date. Exchange differences origin are dealt with through reserves.

#### Deferred taxation

In accordance with FRS 19 deferred tax is recognised as a liability or asset if transactions or events that give the company the obligation to pay more tax in future or a right to pay less tax in future have occurred by the balance sheet date.

#### Investments

Fixed asset investments are stated at cost less provision for diminution in value.

#### Financial instruments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate.

Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the profit and loss account in the financial period to which it relates.

#### Share-based payments

The Group has applied the requirements of IFRS Share-Based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled share-based payments to certain employees, including share options with non-market based vesting conditions. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of a Black-Scholes model for the majority of share options in issue. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1 PRINCIPAL ACCOUNTING POLICIES

#### Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards. The financial statements have been prepared on a going concern basis which the directors consider appropriate given their continued support and the continued support of the Group's bankers.

#### Basis of consolidation

The Group accounts consolidate the accounts of Nexus Management Plc and all its subsidiary and associate undertakings drawn up to 30 September each year. No profit and loss account is presented for Nexus Management Plc as permitted by section 230(3) of the Companies Act 1985.

The accounts have been consolidated using a combination of merger and acquisition methods of accounting.

#### Associates

The Group's share of profits less losses of associated undertakings is included in the consolidated profit and loss account, and the Group's share of their net assets is included in the consolidated balance sheet. These amounts are taken from the latest audited accounts of the undertakings concerned.

#### Revenue recognition

Revenue is taken on fee income in the period to which it relates. Project income is recognised in the period in which the project is worked on. For projects which fall over the financial year end income is recognised to reflect the partial performance of the contractual obligations in accordance with UITF 40.

Third party costs and associated income relating to bought in costs directly rechargeable to clients are recognised in the period to which they relate. In previous periods third party costs, incurred for clients not yet billed, were included in the balance sheet at the lower of cost and net realisable value.

#### Goodwill and intangible fixed assets

Goodwill arising from the acquisition of subsidiary undertakings, representing the difference between the purchase consideration given together with the cost of acquisition and fair value of net assets acquired, has been capitalised. Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill arising on consolidation                      Over 10 years

#### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write down their cost to their estimated residual values by equal annual instalments over the period of their estimated useful economic lives, which are considered to be:

Fixtures & Fittings    3 years  
Office & Computer Equipment                              3 years  
Leasehold Improvements                                      Over the remaining term of the lease

# NEXUS MANAGEMENT PLC

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

### For the year ended 30 September 2007

	Note	2007 £	18 months to 30 Sept 2006 £ As restated
Profit/(loss) for the financial year attributable to the shareholders of the parent company		337,939	(365,637)
Currency exchange adjustment		3,098	(5,357)
Prior period adjustment	19	-	(447,707)
Total gains and losses recognised since the last financial period		<u>341,037</u>	<u>(818,701)</u>

# NEXUS MANAGEMENT PLC

## BALANCE SHEET

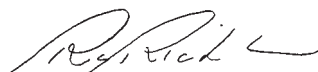
At 30 September 2007

	Note	Group		Company	
		2007 £	2006 £ As restated	2007 £	2006 £ As restated
<b>Fixed assets</b>					
Intangible assets	11	550,309	925,016	-	-
Tangible assets	12	223,195	233,419	-	-
Investments	13	-	-	2,662,546	556,262
<b>Investments:</b>					
share of associate's net assets	13	<u>2,268,665</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>3,042,169</u>	<u>1,158,435</u>	<u>2,662,546</u>	<u>556,262</u>
<b>Current assets</b>					
Stock		737	3,642	-	-
Debtors	14	295,124	1,026,224	223,817	2,315,397
Cash at bank and in hand		484,489	891,099	375,018	-
		<u>780,350</u>	<u>1,920,965</u>	<u>598,835</u>	<u>2,315,397</u>
<b>Creditors:</b>					
amounts falling due within one year	15	<u>(755,870)</u>	<u>(549,864)</u>	<u>(79,059)</u>	<u>(358,256)</u>
<b>Net current assets</b>		<u>24,480</u>	<u>1,371,101</u>	<u>519,776</u>	<u>1,957,141</u>
<b>Total assets less current liabilities</b>		<u>3,066,649</u>	<u>2,529,536</u>	<u>3,182,322</u>	<u>2,513,403</u>
<b>Creditors:</b>					
amounts falling due after more than one year	16	<u>(19,049)</u>	<u>(55,007)</u>	<u>-</u>	<u>-</u>
		<u>3,047,600</u>	<u>2,474,529</u>	<u>3,182,322</u>	<u>2,513,403</u>
<b>Capital and reserves</b>					
Called up share capital	18	2,126,804	2,031,983	2,126,804	2,031,983
Share premium	19	3,436,501	3,058,294	3,808,636	3,058,294
Other reserves	19	519,644	793,949	-	-
Share options reserve	19	802,155	768,844	802,155	768,844
Profit and loss account	19	<u>(3,837,504)</u>	<u>(4,178,541)</u>	<u>(3,555,273)</u>	<u>(3,345,718)</u>
<b>Shareholders' funds</b>		<u>3,047,600</u>	<u>2,474,529</u>	<u>3,182,322</u>	<u>2,513,403</u>

The financial statements were approved by the Board on 15 March 2008 and signed on its behalf by:



P J Weller  
Director



R Richardson  
Director

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

# NEXUS MANAGEMENT PLC

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2007

	Note	2007 £	18 months to 30 Sept 2006 £ As restated
<b>Net cash inflow from operating activities</b>	21	<u>1,249,919</u>	<u>(87,911)</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		-	22,498
Interest paid		(24,986)	(27,876)
Finance lease interest paid		<u>(4,397)</u>	<u>(24,197)</u>
		<u>(29,383)</u>	<u>(29,575)</u>
<b>Taxation</b>		<u>-</u>	<u>-</u>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(70,957)	(72,755)
Non-cash currency exchange adjustment		16,176	-
Receipts from sales of fixed assets		-	(5,000)
		<u>(54,781)</u>	<u>(77,755)</u>
<b>Acquisitions</b>			
Purchase of subsidiary/associate undertakings		(1,644,786)	(137,060)
Non-cash element of acquisitions		-	113,632
Net cash acquired with subsidiaries		-	60,803
Loan to acquire associate stake		-	(789,445)
Net cash outflow from acquisitions		<u>(1,644,786)</u>	<u>(752,070)</u>
<b>Financing</b>			
Issue of ordinary share capital		124,463	1,155,121
Share premium on issue of equity share capital		488,207	865,501
Share issue costs		(110,000)	(83,341)
Non-cash share issue on acquisition		(103,786)	(56,255)
Non-cash share issue on merger		-	(233,366)
Repayment of loans		(45,271)	-
Capital element of finance leases and similar		<u>(8,836)</u>	<u>(8,662)</u>
<b>Net cash outflow from financing</b>		<u>344,777</u>	<u>1,638,998</u>
<b>(Decrease)/increase in cash in the year</b>	22	<u>(134,254)</u>	<u>691,687</u>

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