

**June 2007**

**NEXUS MANAGEMENT PLC**  
("Nexus Management" or "the Company")  
**Interim Results for the six months ended 31<sup>st</sup> March 2007**

Nexus Management plc (LSE: NXS) a provider of specialist IT Managed Services is today announcing unaudited results for the 6 months ended 31<sup>st</sup> March 2007.

**Highlights:**

- Revenues for H1 2007 including share from associate (PD Financial) increased to £7.41m (H1 2006: £1.24m)
- Revenues for H1 2007 from Nexus operations increased to £1.52m (H1 2006: £1.24m)
- Operating profit including share from associate up to £265.4k (H1 2006: £35.5k) (Excluding non-cash items)
- Cash flow positive at half-year end, with net cash of £196k
- Purchase of 24% stake in PD Financial Corp, audited revenues of \$48m with EBIT of \$2.3m
- PD Financial has delivered 5,015 new customers for Nexus to March 2007

Revenues and profits for associate undertakings are disclosed under equity accounting rules.

**Commenting on the Results, Roger Richardson, CEO of Nexus Management, said,**

"The first half of 2007 has proved to be a highly successful period for the company. Revenues and operating profits have increased ahead of expectations and the strong cash flow generation is particularly pleasing. The outlook for the remainder of the year and beyond remains positive".

**For further information, please contact:**

<b>Nexus Management</b>	
Roger Richardson, Chief Executive Officer	+44 (0) 1862 812107
<b>Threadneedle Communications</b>	
Graham Herring / Josh Royston	+44 (0) 20 7936 9605
<b>Ambrian Partners</b>	
Tim Goodman	+44 (0) 20 7776 6421

**About Nexus Management plc**

Nexus Management is a growing specialist IT Managed Services Provider focusing on the SME market. Nexus 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, customer facing Help Desk services and Wide Area Network Management and Monitoring, providing Enterprise calibre technical support to SME's. Through its world-class data centre in Maine, Nexus's customers have access to highly secure and robust IT infrastructure.

In October 2006, Nexus acquired a 24% stake in PD Financial, a direct marketer of brand-name electronic products such as computers and flat screen TV's. PD Financial uses highly sophisticated consumer targeting and then offers a combination of brand name goods and attractive finance, provided by GE Money Bank, to these potential customers. 50% of PD's sales are computers and purchasers are offered the Nexus Help Desk Service as an add-on to each computer sale.

Nexus Management plc is listed on AIM, a market of the London Stock Exchange. For further information on the company, please visit [www.nexusmgmt.com](http://www.nexusmgmt.com)

## CEO Statement

### Financial Results

The board of Nexus is pleased with the performance of the business over the period October 2006 to March 2007, the first 6 months of the company's fiscal year. Total combined revenue for the period, bringing Peach figures into play, was £7.41m, a 497% increase over the same period last year and the trading profit was £265k, an increase in excess of 600%. Non-cash charges of £626,361 covering such items as amortization of goodwill, the one-off expensing of existing share options under new accounting rules and exchange rate losses, turned this operating profit into a book loss of £360,987. Cash flow is now positive – with cash reserves of £196k compared to a deficit of £286k at the end of March 2006, an increase of £482k.

The nature of the Nexus business model is that its fastest growing source of revenue is its help desk service, where payment is received upfront, but only one twelfth of the revenue is recognised in any month, including the resulting profit. As a result, revenue trails cash, and thus cash flow gives a better snap shot of the Company's performance. In the first half of the year, over £300k in cash was generated through the introduction of 5,015 help desk customers via the PD Financial sales channel.

The net loss for the period is due to non-cash items such as amortization of goodwill on acquisition, exchange rate losses and expensing of share options. Whilst having a disproportionate effect on the bottom line, the expensing of options reflects the fact that management has been compensated for the last few years in share options, and it is only the aggressive growth in the Company's stock in the last quarter of 2006 that resulted in these options being above their issue price and therefore expendable under the new accounting guidelines. The Company's revenues and costs are currency matched, i.e. dollar revenues have dollar costs, and therefore the Company is not overly exposed to currency swings. The exchange losses represent inter-company loans, which are not significant from an operational perspective.

### PD Financial Corp

The most significant event of the recent accounting period was the acquisition of a 24% stake in PD Financial Corp, ("PD") the US targeted marketer of electronic items. As described above, the growth in Nexus's US business has been significant with customer acquisition far exceeding expectations as a result of PD's growth being well ahead of target.

Profitability for PD is running ahead of forecasts, and it is clear that growth is being constrained by capital considerations which it will seek to remedy in the short term. Under UK GAAP accounting, \$48m sales were recognized for the period, although there were additional sales of \$6m in March, which could not be recognized in the accounts as the goods, as at the end of March had not been shipped to the customers.

### Products

Nexus continued its innovation of developing and adapting additional products during the period to market to its new customer base. Most significant of these is a new automatic back-up product which will be sold along with the help desk service, and this accounted for most of the increased costs for the US business, including the upgrading of existing equipment to meet the high standards of customer service. This new product will enable any subscriber to have their most important documents and files saved on a bi-weekly basis as they are automatically encrypted and stored in the safety of our Brunswick, Maine data facility. These copies can be immediately accessed on demand by the customer, such as in the case of a hardware failure leading to data loss. This product has all the characteristics to produce successful incremental revenues: it is automatic – requiring little operational oversight; it is cost effective – customers save their data for cents a day; and it is scalable – Nexus does the work once and is remunerated for the life time of the customer's use.

### Sales and Marketing

During the period we began to use PD Financial as the key mechanism for acquiring new customers, with great success. The major benefit of this strategy is that marketing costs are significantly reduced and almost entirely performance driven – no sale, no cost. This is a major departure from our traditional way of acquiring customers which relied on establishing a sales team which had basic costs regardless of whether or not their sales targets were met. This marketing channel has proved so successful that it will be expanded to include business customers, with initial trials due to begin during the second half of the year.

### Geographical Diversity

Much of the revenue growth has occurred in the US. Management took the view that recent weakness in the US Dollar provided the ideal opportunity to expand in the US market, in order to make significant gains when exchange rates return closer to historic norms. The growth surge in the US also enables the Company to overcome seasonality issues in the UK, where the predominantly business focused service slows down during both the calendar year end as well as the financial year end, when corporate IT spending budgets have already reached their limits.

## **NEXUS MANAGEMENT PLC**

### **Outlook**

The decision to market our Nexus help desk product more aggressively to PD customers has already started to pay off. In May alone, over 1,700 customers have been acquired, more than twice the previous monthly average. A further increase in sales is expected over the coming 6 months, and PD themselves have increased volume through the addition of online marketing, and thus are expecting a significantly higher revenue and profit performance in the coming two quarters. The new personal backup service should also impact revenue in the fourth quarter.

Both of the Company's subsidiary operations performed well in April 2007 and the management remains confident that both operations will make a significant contribution to profits over the coming 6 months. The un-audited results for April suggest a record month in terms of revenue, cash flow generation and profits, which further underscore the management's optimism.

The management remains committed to grow aggressively both organically and through acquisition as befits a Company of our small size. It will continue to do so with the overall objective of delivering value to its shareholders.

NEXUS MANAGEMENT PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE SIX MONTHS ENDED 31 MARCH 2007

	Continuing operations 31.3.07	Acquisitions 31.3.07	6 month period ended 31.3.07 Un-audited	6 month period ended 31.3.06 Un-audited (As restated)	18 month period ended 30.9.06 Audited (As restated)
	£	£	£	£	£
<b>Turnover including share of Associate</b>	1,521,015	5,890,884	7,411,899	1,240,418	3,944,222
Less share of associate	-	(5,890,884)	(5,890,884)	-	-
<b>Group turnover</b>	1,521,015	-	1,521,015	1,240,418	3,944,222
Cost of sales	(869,375)	-	(869,375)	(715,553)	(2,370,336)
<b>Gross profit</b>	651,640	-	651,640	524,865	1,573,886
Administration expenses excl share options	7 (772,657)	-	(772,657)	(458,770)	(1,552,918)
Share options expense	(454,817)	-	(454,817)	(74,458)	(320,002)
<b>Loss on ordinary activities</b>	(575,834)	-	(575,834)	(8,363)	(299,034)
Share of profit in Associate	-	286,914	286,914	-	-
Less: Amortisation of goodwill in Associate	-	(63,926)	(63,926)	-	-
Interest receivable and similar income	4,270	-	4,270	-	22,498
Interest payable and similar charges	(12,411)	-	(12,411)	(21,174)	(52,073)
Reorganisation costs	-	-	-	-	(35,893)
<b>(Loss)/ Profit on ordinary activities before taxation</b>	(583,975)	222,988	(360,987)	(29,537)	(364,502)
Taxation on Associate profit on ordinary activities	2		(114,766)	-	-
Loss for the financial period	6		(475,753)	(29,537)	(364,502)
Basic loss per share	3		(0.062p)	(0.0075p)	(0.050p)
Fully diluted loss per share	3		(0.062p)	(0.0075p)	(0.050p)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	6 month period ended 31.3.07	6 month period ended 31.3.06 (As restated)	18 month period ended 30.9.06 (As restated)
	£	£	£
Loss for the period	(475,753)	(29,537)	(364,502)
Currency exchange adjustment	(8,072)	(23,320)	(5,357)
Prior period adjustment as explained in note 6	-	(427,282)	(427,282)
	(483,825)	(480,139)	(797,141)

NEXUS MANAGEMENT PLC

CONSOLIDATED BALANCE SHEET  
31 MARCH 2007

	31.3.07 Un-audited £	31.3.06 Un-audited (As restated) £	30.9.06 Audited (As restated) £
<b>Fixed assets</b>			
Goodwill	868,862	22,881	925,016
Tangible	226,038	257,657	233,419
Investments in associates	1,214,621	-	-
- Goodwill	570,818	-	-
- share of net assets	570,818	-	-
	2,880,339	280,538	1,158,435
<b>Current assets</b>			
Stock	3,642	-	3,642
Debtors	357,112	199,943	1,026,224
Cash at bank and in hand	195,663	31,594	891,099
	556,417	231,537	1,920,965
<b>Creditors:</b> Amounts falling due within			
One year	(558,803)	(634,767)	(549,864)
	(2,386)	(403,230)	1,371,101
Net current (liabilities)/assets	(2,386)	(403,230)	1,371,101
Total assets less current liabilities	2,877,953	(122,692)	2,529,536
<b>Creditors:</b> Amounts falling due after one year	-	-	(55,007)
<b>Net assets/(Liabilities)</b>	2,877,953	(122,692)	2,474,529
<b>Capital and reserves</b>			
Called up share capital	2,154,463	980,647	2,031,983
Share premium account	3,368,246	2,240,251	3,058,294
Other reserves	793,949	61,954	793,949
Share option reserve	1,202,101	724,780	747,284
Profit and loss account	(4,640,806)	(4,130,324)	(4,156,981)
<b>Equity shareholders' funds</b>	2,877,953	(122,692)	2,474,529

NEXUS MANAGEMENT PLC

CONSOLIDATED CASH FLOW  
FOR THE SIX MONTHS ENDED 31 MARCH 2007

	Note	6 months to 31.3.07 Un-audited		6 months to 31.3.06 Un-audited (as restated)		18 months to 30.9.06 Audited (as restated)	
		£	£	£	£	£	£
<b>Net cash inflow/ (outflow) from operating activities</b>	4		128,549		(42,482)		(52,019)
<b>Return on investment servicing of finance</b>							
Interest received		4,270		-		22,498	
Interest paid		(12,066)		(21,174)		(27,876)	
Interest element of finance lease payments		(345)		-		(24,197)	
<b>Net cash outflow from returns on investment and servicing of finance</b>			(8,141)		(21,174)		(29,575)
<b>Capital expenditure and financial investment</b>							
Reorganisation costs		-		-		(35,892)	
Purchase of tangible fixed assets, net		(29,140)		(23,686)		(72,755)	
Sale of tangible fixed assets		-		-		(5,000)	
<b>Net cash outflow for capital expenditure and financial investment</b>			(29,140)		(23,686)		(113,647)
<b>Cash inflow/(outflow) before use of liquid resources and financing</b>			91,268		(87,342)		(195,241)
<b>Acquisitions and Disposals</b>							
Cash paid to acquire subsidiary		-		-		(23,428)	
Net cash acquired with subsidiary		-		-		60,803	
Loan to acquire associate stake		-		-		(789,445)	
Cash paid to acquire associate		(887,773)		-		-	
<b>Net cash outflow from acquisitions and disposals</b>			(887,773)		-		(752,070)
Carried forward			(796,505)		(87,342)		(947,311)

NEXUS MANAGEMENT PLC

CONSOLIDATED CASH FLOW (continued)  
FOR THE SIX MONTHS ENDED 31 MARCH 2007

	Note	6 months to 31.3.07 Un-audited		6 months to 31.3.06 Un-audited (as restated)		18 months to 30.9.06 Audited (as restated)	
		£	£	£	£	£	£
Brought forward			(796,505)		(87,342)		(947,311)
<b>Financing</b>							
Issue of equity share capital		122,480		-		1,155,121	
Premium on issue of share capital		414,952		-		865,501	
Expenses adjustment in connection with share issue		(105,000)		(39,760)		(83,341)	
Non cash share issue on acquisition		-		-		(56,255)	
Non cash reserves Movement		-		61,954			
Non cash share issue on merger						(233,366)	
Loan repayment		(45,271)		(9,828)			
Capital element of finance lease rental payments		<u>(7,013)</u>		<u>(11,921)</u>		<u>(8,662)</u>	
Net cash inflow from financing			<u>380,148</u>		<u>445</u>		<u>1,638,998</u>
<b>(Decrease)/increase in cash</b>	<b>5</b>		<u><u>(416,357)</u></u>		<u><u>(86,897)</u></u>		<u><u>691,687</u></u>

**NEXUS MANAGEMENT PLC**

**CONSOLIDATED CASH FLOW  
FOR THE SIX MONTHS ENDED 31 MARCH 2007**

	Note	6 months to 31 3.07 Un-audited £	6 months to 31.3.06 Un-audited (as restated) £	18 months to 30.9.06 Audited (as restated) £
<b>Reconciliation of net cash flow to movement in net funds/(debt)</b>				
(Decrease)/increase in cash in the period		(416,357)	(86,897)	691,687
Net cash outflow from bank loan		45,271	-	21,357
Cash outflow in respect of finance leases and similar		7,013	-	8,662
<b>Movements in funds in the period</b>		<u>(364,073)</u>	<u>(86,897)</u>	<u>721,706</u>
Opening net funds/(debt)		520,885	(199,454)	(200,821)
<b>Closing net funds/(debt)</b>	<b>5</b>	<u><u>156,812</u></u>	<u><u>(286,351)</u></u>	<u><u>520,885</u></u>

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31 MARCH 2007

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### 1 Basis of preparation

The interim financial information has been prepared on the basis of the accounting policies adopted for the audited accounts for the period ended 30 September 2006.

The financial information has been drawn up on the going concern basis, which the directors consider appropriate given their continued support and the continued support of the Group's bankers.

### 2 Taxation

The taxation charge for the period relates to the share of total tax charge in the associate undertaking PD Financial.

### 3 Profit/(loss) per share

The basic loss per share for the period is based on the loss after taxation of £475,753 (31.03.06: £29,537) (30.09.06: £364,502) and the weighted average number of ordinary shares of 25p each in issue 773,521,854 (31.03.06: 392,258,921) (30.09.06: 735,429,362). For the period to 31 March 2007, the weighted average number of ordinary shares for the purpose of calculating the diluted loss per share is identical to that used for the basic loss per share. This is because the adjustment for dilutive potential ordinary shares would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of FRS 14, 'Earnings per share'.

### 4 Reconciliation of operating loss to net Cash inflow/(outflow) from operating activities

	<b>6 Mths to 31.3.07</b>	<b>6 Mths to 31.3.06</b>	<b>18 Mths to 30.9.06</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Loss on ordinary activities	(575,834)	(8,363)	(299,034)
Depreciation of tangible fixed assets	36,521	33,288	102,964
Amortisation	56,154	21,847	25,070
Loss on share option granted	454,817	74,458	320,002
Increase in debtors	(120,333)	(47,412)	(24,900)
Increase/(decrease)in creditors	285,299	(80,388)	(165,081)
Currency exchange adjustment	(8,075)	(35,912)	(7,397)
Decrease in stocks	-	-	(3,643)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>128,549</b>	<b>(42,482)</b>	<b>(52,019)</b>

**NEXUS MANAGEMENT PLC**

**NOTES TO THE FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 31 MARCH 2007**

**5 Analysis of net funds/(debt)**

	<b>At 30.9.06 £</b>	<b>Cash £</b>	<b>non-cash £</b>	<b>At 31.3.07 £</b>
Net Cash:				
Cash at bank and in hand	891,102	(695,439)	-	195,663
Overdrafts	(279,082)	279,082	-	-
	<u>612,020</u>	<u>(416,357)</u>	<u>-</u>	<u>195,663</u>
<b>Debt due within 1 year</b>	(16,325)	16,325	-	-
<b>Debt due after 1 year</b>	(28,946)	28,946	-	-
<b>Hire purchase agreements</b>	(45,864)	7,013	-	(38,851)
<b>Total</b>	<u><u>520,885</u></u>	<u><u>(364,073)</u></u>	<u><u>-</u></u>	<u><u>156,812</u></u>

**6 Statement of movements on reserves**

	<b>Other Reserve £</b>	<b>Share option reserve £</b>	<b>Share premium account £</b>	<b>Profit and loss account £</b>
Balance at 1 October 2006 as previously reported	793,949	-	3,058,295	(3,409,697)
Prior year adjustment	-	747,284	-	(747,284)
Balance at 1 October 2006 as restated	<u>793,949</u>	<u>747,284</u>	<u>3,058,294</u>	<u>(4,156,981)</u>
Retained loss for the year	-	-	-	(475,753)
Currency exchange adjustment	-	-	-	(8,072)
Share option movement in period	-	454,817	-	-
Share premium movement in period	-	-	309,952	-
Balance at 31 March 2007	<u><u>793,949</u></u>	<u><u>1,202,101</u></u>	<u><u>3,368,246</u></u>	<u><u>(4,640,806)</u></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 £1,202,101 (£454,817: six months to 31 March 2007, £320,002 for the eighteen months to 30 September 2006 and £427,282 to opening reserves at 1 April 2005). The charge has been taken to a share option reserve.

## NEXUS MANAGEMENT PLC

### NOTES TO THE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31 MARCH 2007

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7	<b>Administration Expenses</b>	<b>6 Mths to 31.3.07 £</b>	<b>6 Mths to 31.3.06 £</b>	<b>18 Mths to 30.9.06 £</b>
	Amortization of goodwill from non-associate acquisitions	56,154	21,847	25,070
	Exchange rate losses/(gains)	30,948	(9,418)	8,114
	Other administration expenses	685,555	446,341	1,519,734
		<u>772,657</u>	<u>458,770</u>	<u>1,552,918</u>

8	<b>Creditors: amounts falling due within one year</b>	<b>6 Mths to 31.3.07 £</b>	<b>6 Mths to 31.3.06 £</b>	<b>18 Mths to 30.9.06 £</b>
	Bank overdraft	-	317,945	279,082
	Deferred income	237,259	13,475	23,883
	Trade creditors	104,204	72,526	65,468
	Other creditors	217,340	230,821	181,431
		<u>558,803</u>	<u>634,767</u>	<u>549,864</u>

9 There are no recognised gains or losses other than those recorded in the profit and loss account.

10 The interim financial information is unaudited and was approved by the directors on 13<sup>th</sup> June 2007. The interim financial information does not comprise full financial statements within the meaning of Section 240 of the Companies Act 1985.

11 The Directors do not recommend the payment of a dividend.