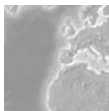


# NEXUS MANAGEMENT PLC

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# NEXUS MANAGEMENT PLC

## COMPANY INFORMATION

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### THE BOARD OF DIRECTORS

B. Adlam (Non-executive Chairman)  
R. A. Richardson (CEO)  
P. J. Weller (Finance Director)  
P. O. R. Paterson (Operations Director)  
M. S. J. Rappolt (Non-executive)  
G. C. Stoddart-Stones  
Dr J. F. Tryzelaar (Non-executive)



### COMPANY SECRETARY

P. J. Weller

### REGISTERED OFFICE

Heathrow Business Centre  
65 High Street  
Egham  
Surrey  
TW20 9EY



### REGISTERED NUMBER

3895363

### AUDITORS

Menzies  
Chartered Accountants  
& Registered Auditors  
Heathrow Business Centre  
65 High Street  
Egham  
Surrey  
TW20 9EY



### BANKERS

Barclays Bank PLC  
PO Box 166  
Heathrow Airport  
Hounslow  
Middlesex  
TW6 2RA

### SOLICITORS

Fladgate Fielder  
25 North Row  
London  
W1K 6DJ

### NOMINATED ADVISERS

HB Corporate  
40 Marsh Wall  
Docklands  
London  
E14 9TP

### BROKERS

Hoodless Brennan  
40 Marsh Wall  
Docklands  
London  
E14 9TP

### FINANCIAL PR

Threadneedle Communications  
107-111 Fleet Street  
London  
EC4A 2AB



# NEXUS MANAGEMENT PLC

## **CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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### **Dear Shareholder,**

The 18 months to September 2006 have been very significant for Nexus Management Plc. The Company has increased turnover, continued positive trading profits growth and successfully completed the merger of Nexus Management and its acquisition of FixIT Worldwide Ltd. Since Sept 2006, the further purchase of 24% of PD Financial ("PD") in the US has given Nexus the facility to make a substantial increase in revenues and profits in the year ahead.

### **18-month trading performance**

The long reporting period somewhat obscures the progress Nexus has made in the six months that was reported to the market in November. In addition, the completed mergers and acquisitions, and the use of merger accounting rules, all obfuscate the comparisons with prior years. However, in brief, Nexus grew revenues to £3.9m for the period (up from £2.5m for the previous 12 months) boosted gross profits to £1.6m for the 18 months, (up from £1.0m for the previous 12 months) and kept expenses down to £1.5m for the 18 month period (as against £1.2m for the previous 12 months). Goodwill, merger costs and foreign exchange losses all mean that Nexus is able to take forward a £44.5k loss to offset against future profits as against a loss of £187k for the previous 12 months. Cash also increased by £692k compared to an increase of £36k for the previous 12 months. In addition, the placing carried out by HB Corporate during the year contributed to strengthening the Group's balance sheet to £2.5m in September 2006 from a negative position in March 2005

### **Products & Technology**

During the period we successfully built and delivered our managed Email product (NexMail), as well as a voice over internet protocol (VOIP) system for H&K (part of the WPP Group). We also responded to our customers' demands and produced the NexVR digital voice recording product - software which targets the high growth market of compliance and best practice for call centres and many other businesses. Along with our existing portfolio of products and services such as automated desktop support, online back-up, remote server management, disaster recovery, data storage, help desk, hosting, wide area network management and monitoring, these ensured that we continued to deliver innovative products that meet the business needs of our clients world-wide.

### **Management**

Our management has been drawn from within Nexus and both our UK and US operations are now managed by key employees who have been with the company for over five years. This demonstrates externally that we have the talent pool to draw upon to meet our growth objectives, and internally that we reward success and loyalty and already have a structure in place that offers employees a fulfilling long term career.

# NEXUS MANAGEMENT PLC

## **CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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### **Outlook**

The outlook for the company has never looked brighter. This is partly due to the fact that in October the management acquired a 24% stake for a total consideration of \$3.2m and a seat on the board of a US marketing company - PD Financial Corp, Inc.. At the same time the company signed a marketing agreement enabling Nexus to scale up sales of its products quickly and efficiently and thus transform ourselves into a significant player in the industry, within a much reduced timescale.

### **Investment rationale for PD Financial**

A managed services provider such as Nexus, can offer customers reliable, cost effective services and this provides for steady on-going business. However, in order to grow the business to a substantial size within a reasonable time frame these services need to be marketed at a sufficiently high sales rate, which, undertaken directly by the Group would be prohibitively expensive.

Rapid customer acquisition is therefore the key to the successful growth of a quoted IT managed services company - and this is exactly what the relationship with PD Financial achieves. PD Financial has linked up with US financial firm GE MoneyBank ("GE") to offer financing to consumers and businesses that purchase PD's high end electronic items. GE is a market leader in consumer and business financing with 118 million customers, and PD Financial is able to leverage off its expertise and scale up its activities throughout the US rapidly and efficiently.

Rather than spending money on an expensive marketing and advertising budget, we proceeded with the PD Financial investment. PD can achieve the same marketing potential at a fraction of the cost of expanding our sales force and committing to a sizeable advertising budget as it combines the cost of the sale of the Nexus product with that of the hardware itself. Also, more importantly, if management had simply spent funds on sales personnel or advertising it would not have recouped any costs beyond product sales. With our 24% stake in PD Financial and our seat on the board, we receive 24% of the company's profits on a residual basis with minimal management overhead on our behalf, and we can consolidate this into our company.

In the three months from October to December 2006, PD's unaudited gross revenues were \$25.9m (£13.3m), 24% of which is £3.19m, not far short of Nexus's total revenues for the last 18 months. PD has exceeded forecasts by trading profitably, but the directors are understandably cautious in declaring this figure as PD is still at an early stage in its development. The benefit of the marketing agreement is that PD offers buyers of new computers the Nexus help desk service. The net result is that in the three months to December 06 we have over 2,500 new customers, each of them paying net to Nexus \$120 for 120 minutes of help desk service and we expect customer acquisition to continue at a similar rate in the near future.

# NEXUS MANAGEMENT PLC

## **CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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### **2007**

The coming year will see a significant financial transformation within the group. As well as the progress described above, towards the end of the 2nd quarter of 2007 we will launch a range of Business to Business products marketed through PD Financial to small and medium enterprises - Nexus's traditional area of expertise. In addition to being sold hardware in the form of PCs, laptops, servers, printers, etc, businesses will be offered the opportunity to buy many SME products, including NexMail (corporate email), server management, data storage and recovery, voice over internet protocol (VOIP) and NexVR (digital voice recording system). The financing package provided by GE will make this a compelling proposition for SME businesses, as has proved the case for retail consumers.

In Europe, we expect to see steady progress in the UK as a result of the integration of FixIT which we acquired in May 2006, and the launch of our consumer help desk which started in January 2007.

A special thanks to the directors, managers and staff, whose hard work and enthusiasm has made 2006 a year to remember, and of course to you, our shareholders, whose long term trust in the success of the business has made all this possible.



Boris Adlam  
Chairman  
Nexus Management Plc

# NEXUS MANAGEMENT PLC

## **BOARD OF DIRECTORS**

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### **Boris Adlam (Age 40) Non - executive chairman**

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 financing 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.

### **Roger Richardson (Age 46) 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 (Age 37) 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.

### **Peter Paterson (Age 63) UK CEO Director**

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 to 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.

# NEXUS MANAGEMENT PLC

## **BOARD OF DIRECTORS**

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### **Mike Rappolt (Age 61) Non-executive director**

Mike has 35 years of international experience as a management consultant and manager in the IT, Energy and management consulting industries. He has undertaken a wide variety of strategic and technical consulting assignments involving all aspects of information technology and performance improvement at board level from major public companies to start up ventures. He has consulted widely in the public and private sectors largely in service and utility organisations both in the UK and overseas. He has served as an executive and non executive director in large and small organisations. These include an IT start up venture in software engineering, a "not for profit" trust, PA Consulting Group, where he was a main board director for 12 years. While with PA he served as a member, and then chairman, of the Audit Committee and was a member of the Systems Steering Committee. Mike retired from PA at the end of May 2002 after 29 years with the firm.

### **Graham Stoddart-Stones (Age 57) 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

### **Dr. Joan Tryzelaar (Age 63) Non-executive Director**

Joan has been a doctor for over 20 years specialising in Cardiovascular and Thoracic Surgery. During this period he has worked in the US (Virginia and Portland, Maine) and Bosnia. Joan has been a co-founder and executive of Nexus Management Limited, an IT service provider, since 1989. He joined the board of Nexus Management Plc on 5 November 2003.

# NEXUS MANAGEMENT PLC

## **DIRECTOR'S REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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The directors present their report and the financial statements of the group for the period ended 30 September 2006.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

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

A business review of the group is included in the Chairman's statement on page 2.

### **FUTURE DEVELOPMENTS**

The investment in PD Financial and the associated marketing agreement are the most exciting developments for Nexus in its history as a public company. This marketing channel affords us the opportunity to sell both our existing services and also to create new ones for this very large marketplace. The investment value in PD will also substantially boost our revenues and profits in the coming years.

### **RESULTS AND DIVIDENDS**

The directors are pleased with the trading performance of the group with both subsidiaries contributing well over the last 18 months.

The period shows a loss of £44.5k for the 18 months, but by removing 3 non-trading items, the £62k accounting adjustment reversed into a previous year, the £21k exchange rate loss and the £56k merger costs and amortization of goodwill, we get to a trading profit of £94.5 for the 18 months.

The trading results for the year and the group's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

# NEXUS MANAGEMENT PLC

## **DIRECTOR'S REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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### **THE DIRECTORS AND THEIR INTERESTS**

The directors who served the company during the period together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £0.0025 each At 30 September 2006	Ordinary Shares of £0.0025 each At 1 April 2005
B. Adlam (Non-executive Chairman)	37,543,317	6,464,047
R. A. Richardson (CEO)	41,666,667	41,666,667
P. J. Weller (Finance Director)	730,000	730,000
P. O. R. Paterson (Operations Director)	80,003,763	53,333,333
G. C. Stoddart-Stones	78,340,861	25,000,000
M. S. J. Rappolt (Non-executive)	1,000,000	1,000,000
J. Tryzelaar (Non-executive)	5,881,692	-

P. Paterson, G. Stoddart-Stones, and B. Adlam 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 23 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 percent of the share capital of the Company as at 30 September 2006:

	Ordinary Shares of £0.0025 each	Ordinary Shares of £0.0025 each
Pershing Keen Nominees Limited	45,313,999	(5.95%)

# NEXUS MANAGEMENT PLC

## **DIRECTOR'S REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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### **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 very small transactional currency exposures.

### **POLICY ON THE PAYMENT OF CREDITORS**

The Group applies a policy of agreeing payment terms with each of their main suppliers and the group aims to abide by these terms, subject to satisfactory performance by suppliers.

Creditor days at 30 September 2006 were 25 days (2005: 25 days).

### **AUDITORS**

The directors are satisfied that the auditors are independent.

A resolution to re-appoint Menzies as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:  
Heathrow Business Centre  
65 High Street  
Egham  
Surrey  
TW20 9EY

Signed by order of the directors



P. J. Weller  
Company Secretary

Approved by the directors on 19th January 2007.

# NEXUS MANAGEMENT PLC

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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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 company and of the group at the end of the year and of the group's profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on pages 27-28, 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 the going concern basis unless it is inappropriate to presume 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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.

# NEXUS MANAGEMENT PLC

## **CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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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. All non-executive directors are considered to be independent within the meaning of the New Combined Code. All have small shareholdings and benefit from options but this aligns them with shareholders.

The board meets regularly throughout the year to monitor the monthly 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.

Since March 2005, the board met 12 times. There were 6 meetings where all directors attended each meeting and 6 meetings where there was one director absent.

### **The Audit Committee**

- **Membership**

The Audit Committee is composed of three Non-executive Directors - Mr Rappolt, Chairman, Mr Adlam and Dr Tryzelaar. 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.

# NEXUS MANAGEMENT PLC

## **CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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- **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 required 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.
- 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 six times during the last financial year where it approved the final accounts for 2004/2005, reviewed financial timetables, reviewed internal policies and reviewed due diligence procedures. All members attended every meeting.

# NEXUS MANAGEMENT PLC

## **CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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### **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 consists of three non-executive directors - Mr Adlam, Chairman, Dr Tryzelaar and Mr Rappolt - with the Chief Executive in attendance where appropriate.

The Remuneration Committee met four times during the year and reviewed bonus plans, salary levels and overdraft guarantee rewards.

As a result:

- Executive bonus scheme was reviewed. The new scheme offers, modest cash payments and options at a 15% premium to mid price if profit targets are met.
- Options were granted to the Executive Directors for the guarantee of the banking facility. 37,894,737 were issued in total at a 15% premium to the mid market price.
- Options were granted to the Non Executive Directors for the guarantee of the banking facility. 20,210,526 were issued in total at a 15% premium to the mid market price.
- Options were granted to the Non Executive Directors in exchange for sacrificing 20 months' worth of fees. 2,517,789 shares were issued to each director, a total of 7,553,367 at the mid market price.

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.

### **Compliance with the New Combined Code**

On 9th May 2006, Nexus Management Plc acquired the share capital of FixIT Worldwide Limited. FixIT has been integrated into the processes of Nexus Management. Nexus complies with all aspects of the New Combined Code except as stated below:

<b>Combined Code Reference</b>	<b>Description</b>	<b>Action/Reason</b>
<b>The Board</b>		
A.1.3	Independent directors to meet once a year without executive directors present and once without Chairman present	Not considered necessary for a company of our size

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# NEXUS MANAGEMENT PLC

## **CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2006**

<b>Combined Code Reference</b>	<b>Description</b>	<b>Action/Reason</b>
<b>Board balance and independence</b>		
A.3.3	Appointment of senior independent director	Considered inappropriate for company of our size
<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 Board	In order to save the Company cash, non-executive directors agreed to forgo their salaries in exchange for share options. This was considered to be in the interest of the company and its shareholders. The options are exercisable after 6 months owing to the salary sacrifice and will be reviewed when we are again able to pay non-execs salaries. Both executive and non-executive directors are rewarded in share options for the risk taken in guaranteeing the overdraft for the Group. It has been agreed that in the calendar year 2007, as the cash position of the Company improves, Non-Executive Directors will transition from option remuneration to cash remuneration.
<b>Procedure</b>		
B2.4	Shareholders to approve long term incentive schemes	No such schemes introduced
<b>Accountability and Auditing</b>		
C.3.5	Internal Audit function	Not considered appropriate for a company of our size

# NEXUS MANAGEMENT PLC

## **CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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<b>Combined Code Reference</b>	<b>Description</b>	<b>Action/Reason</b>
<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

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# NEXUS MANAGEMENT PLC

## **CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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### **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 brought to the Boards attention. Sales and cash projections are reviewed at each Board meeting.

# NEXUS MANAGEMENT PLC

## **CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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### **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



M S J Rappolt  
Director

# NEXUS MANAGEMENT PLC

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NEXUS MANAGEMENT PLC FOR THE YEAR ENDED 30 SEPTEMBER 2006**

---

We have audited the group and parent company financial statements ("the financial statements") of Nexus Management PLC for the year ended 30 September 2006 on pages 22 to 45 which have been prepared on the basis of the accounting policies set out on pages 27 to 28.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 12.

Our responsibility is to audit the financial statements in accordance with relevant legal and 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, and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

# NEXUS MANAGEMENT PLC

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NEXUS MANAGEMENT PLC FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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### **BASIS OF AUDIT 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 group's and 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.

### **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 the group's and the parent company's affairs as at 30 September 2006 and of the group's loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Heathrow Business Centre  
65 High Street  
Egham  
Surrey  
TW20 9EY

MENZIES  
Chartered Accountants  
& Registered Auditors

# NEXUS MANAGEMENT PLC

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Note	18 Mths to Sept 2006 £	Pro forma 12 Mths to Mar 2005 £
<b>TURNOVER</b>			
Continuing Operations		3,723,889	2,468,862
Acquisitions		220,333	-
<b>GROUP TURNOVER</b>	2	3,944,222	2,468,862
Cost of sales	3	2,370,336	1,479,371
<b>GROSS PROFIT</b>		1,573,886	989,491
Administrative expenses		1,552,918	1,155,942
<b>OPERATING PROFIT/(LOSS)</b>			
Continuing Operations		10,312	(166,451)
Acquisitions		10,656	-
<b>GROUP OPERATING PROFIT/(LOSS)</b>	4	20,968	(166,451)
Reorganisation Costs	7	(35,893)	-
		(14,925)	(166,451)
Interest receivable		22,498	232
Interest payable and similar charges	8	(52,073)	(27,614)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(44,500)	(193,833)
Tax on loss on ordinary activities	9	-	-
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>	10	(44,500)	(193,833)
Earnings per share (pence)	11	(0.0061)	(0.052)
Earnings per share - fully diluted (pence)	11	(0.0061)	(0.052)

All of the activities of the group are classed as continuing.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

# NEXUS MANAGEMENT PLC

## **GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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	<b>18 Mths to Sept 2006</b>	Pro forma 12 Mths to Mar 2005
	£	£
Loss for the financial year attributable to the shareholders of the parent company	(44,500)	(193,833)
Currency exchange adjustment	(5,357)	7,015
Total gains and losses recognised since the last annual report	<u>(49,857)</u>	<u>(186,818)</u>

# NEXUS MANAGEMENT PLC

## GROUP BALANCE SHEET 30 SEPTEMBER 2006

	Note	18 Mths to Sept 2006		Pro forma 12 Mths to Mar 2005	
		£	£	£	£
<b>FIXED ASSETS</b>					
Intangible assets	12		925,016		-
Tangible assets	13		233,419		257,930
			<u>1,158,435</u>		<u>257,930</u>
<b>CURRENT ASSETS</b>					
Stock		3,642		-	
Debtors	15	1,026,224		211,879	
Cash at bank		891,099		26,721	
			<u>1,920,965</u>	<u>238,600</u>	
<b>CREDITORS: Amounts falling due within one year</b>	16	549,864		521,865	
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			<u>1,371,101</u>		<u>(283,265)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			2,529,536		(25,335)
<b>CREDITORS: Amounts falling due after one year</b>					
	17		(55,007)		(77,724)
<b>TOTAL NET ASSETS</b>			<u>2,474,529</u>		<u>(103,059)</u>
<b>CAPITAL AND RESERVES</b>					
Called-up equity share capital	23		2,031,983		980,647
Share premium account	24		3,058,294		2,276,134
Other Reserves	24		793,949		-
Profit and loss account	24		(3,409,697)		(3,359,840)
<b>SHAREHOLDERS' FUNDS/(DEFICIENCY)</b>	25		<u>2,474,529</u>		<u>(103,059)</u>

These financial statements were approved by the directors on the 19th January 2007 and are signed on their behalf by:



P.J. Weller  
Director



R. Richardson  
Director

# NEXUS MANAGEMENT PLC


## BALANCE SHEET 30 SEPTEMBER 2006

	Note	18 Mths to Sept 2006		12 Mths to Mar 2005	
		£	£	£	£
<b>FIXED ASSETS</b>					
Investments	14		442,630		1
<b>CURRENT ASSETS</b>					
Debtors	145	2,315,397		564,860	
Cash at bank		-		-	
			<u>2,315,397</u>	<u>564,860</u>	
<b>CREDITORS: Amounts falling due within one year</b>					
	16	<u>358,256</u>		<u>182,235</u>	
<b>NET CURRENT ASSETS</b>			<u>1,957,141</u>	<u>382,625</u>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>2,399,771</u>	<u>382,626</u>	
<b>CAPITAL AND RESERVES</b>					
Called-up equity share capital	23		2,031,983	747,281	
Share premium account	24		3,058,294	2,276,134	
Profit and loss account	24		(2,690,506)	(2,640,789)	
<b>SHAREHOLDERS' FUNDS</b>			<u>2,399,771</u>	<u>382,626</u>	

These financial statements were approved by the directors on the 19th January 2007 and are signed on their behalf by:



P.J. Weller  
Director



R. Richardson  
Director

# NEXUS MANAGEMENT PLC

## GROUP CASH FLOW STATEMENT PERIOD ENDED 30 SEPTEMBER 2006

	Note	18 Mths to Sept 2006		Pro forma 12 Mths to Mar 2005	
		£	£	£	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	27		(87,911)		(112,505)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	27		(29,575)		(27,382)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	27		(77,755)		(51,244)
ACQUISITIONS AND DISPOSALS					
Cash paid to acquire subsidiary		(23,428)		-	
Net cash acquired with subsidiary		60,803		-	
Loan to acquire associate stake		(789,445)		-	
			(752,070)		-
CASH OUTFLOW BEFORE FINANCING			(947,311)		(191,131)
FINANCING	27		1,638,998		227,363
INCREASE/(DECREASE) IN CASH	27		691,687		36,232

# NEXUS MANAGEMENT PLC

## **NOTES TO THE FINANCIAL STATEMENTS PERIOD ENDED 30 SEPTEMBER 2006**

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### **1. 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 consolidated financial statements incorporate the results of the company and all its subsidiary undertakings as if they were a single entity.

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

The merger between PC Medics Group Plc and Nexus Management Limited on the 1st April 2005 is consolidated under merger accounting. Therefore the pro forma results declared for 2005 are reported as if the group was previously merged and not the actual filed results for the PC Medics Group alone, in line with merger accounting.

The acquisition of FixIT Worldwide Limited during May 2006 has been consolidated into the accounts using the acquisition method of accounting.

#### **Turnover**

Turnover represents the invoiced amount of goods sold and services provided and is stated net of VAT. Income from maintenance contracts and service contracts is spread evenly over the contract term.

#### **Amortisation**

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 20 years

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS PERIOD ENDED 30 SEPTEMBER 2006

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### 1. ACCOUNTING POLICIES *(continued)*

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost less provision for depreciation.

Depreciation 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:

Computer equipment	Over 3 years
Office equipment	Over 3 years
Short leasehold improvements	Over the term of the lease

#### **Leasing and hire purchase commitments**

Assets under hire purchase contracts and finance leases are capitalised in the balance sheet and depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the contract and represents a constant proportion of the balance of capital payments outstanding. Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

#### **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.

#### **Deferred taxation**

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

#### **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 on 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 have been translated using the average rate for the year. Assets and liabilities of foreign subsidiaries are translated at the rate ruling at the balance sheet date. Exchange differences arising are dealt with through reserves.

#### **Investments**

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

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS PERIOD ENDED 30 SEPTEMBER 2006

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### 2. TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the group.

An analysis of turnover, loss before taxation and net assets is given below:

	<b>18 Mths to Sept 2006</b>	Pro forma 12 Mths to Mar 2005
	£	£
United Kingdom	1,322,991	837,500
North America	2,621,231	1,631,362
	<hr/>	<hr/>
	3,944,222	2,468,862
	<hr/>	<hr/>
Loss before taxation to Mar 2005	<b>18 Mths to Sept 2006</b>	Pro forma 12 Mths to Mar 2005
	£	£
United Kingdom	(33,873)	(7,881)
North America	(10,627)	(185,952)
	<hr/>	<hr/>
	(44,500)	(193,833)
	<hr/>	<hr/>
Net assets/(liabilities) to Mar 2005	<b>18 Mths to Sept 2006</b>	Pro forma 12 Mths to Mar 2005
	£	£
United Kingdom	2,885,882	302,125
North America	(411,353)	(405,184)
	<hr/>	<hr/>
	2,474,529	(103,059)
	<hr/>	<hr/>

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS PERIOD ENDED 30 SEPTEMBER 2006

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

	Continuing Operations £	Acquired Operations £	Total £
18 Mth Period to 30 September 2006			
Cost of Sales	2,212,468	157,868	2,370,336
Administrative Expenses	1,500,770	52,148	1,552,918
Total Operating Expenses	<u>3,713,238</u>	<u>210,016</u>	<u>3,923,254</u>
	Continuing Operations	Acquired Operations	Total
Pro forma 12 Mth Period to 31 March 2005			
Cost of Sales	1,479,371	-	1,479,371
Administrative Expenses	1,155,941	-	1,155,942
Total Operating Expenses	<u>2,635,312</u>	<u>-</u>	<u>2,635,313</u>

### 4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:

	18 Mths to Sept 2006 £	Pro forma 12 Mths to Mar 2005 £
Depreciation of owned fixed assets	102,967	67,955
Amortisation	25,070	-
Auditors' remuneration		
- as auditors	30,754	22,678
- for other services	15,180	31,999
Operating lease costs:		
Land and buildings	123,343	55,862
Net loss on foreign currency translation	21,420	18,143

#### Auditors' fees

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

	18 Mths to Sept 2006 £	Pro forma 12 Mths to Mar 2005 £
Audit	31,104	22,678
Accountancy	4,964	30,149
Taxation	1,800	1,850
Business consultancy	8,066	-
	<u>46,934</u>	<u>54,677</u>

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

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### 5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the group during the financial period amounted to:

	<b>18 Mths to Sept 2006</b>	Pro forma 12 Mths to Mar 2005
	No	No
Management and administration	7	7
Technicians	45	41
Sales	3	4
	<hr/>	<hr/>
	55	52

The aggregate payroll costs of the above were:

	<b>18 Mths to Sept 2006</b>	Pro forma 12 Mths to Mar 2005
	£	£
Wages and salaries	2,364,904	1,668,693
Social security costs	147,044	76,849
Other pension costs	39,669	31,196
	<hr/>	<hr/>
	2,551,617	1,776,738

### 6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	<b>18 Mths to Sept 2006</b>	Pro forma 12 Mths to Mar 2005
	£	£
Emoluments receivable	374,880	254,565
Value of company pension contributions to money purchase schemes	27,000	18,000
	<hr/>	<hr/>
	401,880	272,565

Emoluments of highest paid director:

	<b>18 Mths to Sept 2006</b>	Pro forma 12 Mths to Mar 2005
	£	£
Total emoluments (excluding pension contributions)	93,720	67,388
Value of company pension contributions to money purchase schemes	9,000	6,000
	<hr/>	<hr/>
	102,720	73,388

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS PERIOD ENDED 30 SEPTEMBER 2006

### 6. DIRECTORS' EMOLUMENTS *(continued)*

The number of directors who accrued benefits under company pension schemes was as follows:

	<b>18 Mths to Sept 2006</b>	Pro forma 12 Mths to Mar 2005
	No	No
Money purchase schemes	<u>3</u>	<u>3</u>

### 7. REORGANISATION COST

	<b>18 Mths to Sept 2006</b>	Pro forma 12 Mths to Mar 2005
	£	£
Merger Costs	<u>35,893</u>	<u>-</u>

### 8. INTEREST PAYABLE AND SIMILAR CHARGES

	<b>18 Mths to Sept 2006</b>	Pro forma 12 Mths to Mar 2005
	£	£
Interest payable on bank borrowing	27,876	24,670
Finance charges	24,197	2,944
	<u>52,073</u>	<u>27,614</u>

### 9. TAXATION ON ORDINARY ACTIVITIES

#### Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 19% (2005 - 19%).

	<b>18 Mths to Sept 2006</b>	Pro forma 12 Mths to Mar 2005
	£	£
Loss on ordinary activities before taxation	<u>(44,500)</u>	<u>(193,833)</u>
Profit/(loss) on ordinary activities by rate of tax	(8,455)	(20,189)
Depreciation (less than)/in excess of capital allowances	255	(170)
Other tax adjustments	8,200	20,140
Expenses not deductible for tax	-	219
Total current tax	<u>-</u>	<u>-</u>

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS PERIOD ENDED 30 SEPTEMBER 2006

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### 9. TAXATION ON ORDINARY ACTIVITIES *(continued)*

#### Factors that may affect future tax charges

At 30 September 2006 the group has tax losses of approximately £171,798 (2005 - £127,298) to set against future profits of the same trade.

A deferred tax asset of £32,641 (2005 - £24,187) arising from the tax losses in place has not been recognised. Although the directors ultimately expect sufficient tax profits to arise, there is currently insufficient evidence to support the recognition of a deferred tax asset in these financial statements.

### 10. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent company was £49,717. (2005- £nil).

### 11. EARNINGS PER SHARE

The calculation of the basic loss per share is based on the loss for the period after tax of (£44,500) (2005 - £193,833) and on 735,429,362 ordinary shares (2005 - 375,714,467 ordinary shares), being the weighted average number of ordinary shares in issue during the period. For the period to 30 September 2006, 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"

### 12. INTANGIBLE ASSETS

Group	Goodwill on Consolidation £	Purchased Goodwill £	Total £
<b>COST</b>			
At 1 April 2005	-	-	-
Additions in the year	945,086	5,000	950,086
<b>At 30 September 2006</b>	<b>945,086</b>	<b>5,000</b>	<b>950,087</b>
<b>AMORTISATION</b>			
At 1 April 2005	-	-	-
During the year	20,900	4,170	25,070
<b>At 30 September 2006</b>	<b>20,900</b>	<b>4,170</b>	<b>25,070</b>
<b>NET BOOK VALUE</b>			
At 30 September 2006	924,186	830	925,016
At 31 March 2005	-	-	-

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS PERIOD ENDED 30 SEPTEMBER 2006

### 13. TANGIBLE FIXED ASSETS

Group	Short leasehold improvements £	Fixtures, Fittings and office equipment £	Computer equipment £	Total £
<b>COST</b>				
At 1 April 2005	239,292	-	403,831	643,123
Additions	5,742	4,000	63,013	72,755
On acquisition	-	23,876	-	23,876
Currency exchange adjustment	1,362	-	2,269	3,631
<b>At 30 September 2006</b>	<b>246,396</b>	<b>27,876</b>	<b>469,113</b>	<b>743,385</b>
<b>DEPRECIATION</b>				
At 1 April 2005	44,937	-	340,256	385,193
Charge for the period	28,856	4,408	69,703	102,967
On acquisition	-	20,216	-	20,216
Currency exchange adjustment	256	-	1,334	1,590
<b>At 30 September 2006</b>	<b>74,049</b>	<b>24,624</b>	<b>411,293</b>	<b>509,966</b>
<b>NET BOOK VALUE</b>				
<b>At 30 September 2006</b>	<b>172,347</b>	<b>3,252</b>	<b>57,820</b>	<b>233,419</b>
At 31 March 2005	194,355	-	63,575	257,930

Included within the net book value of £233,419 is £52,121 (2005 - £114,317) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets is £62,226 (2005 - £62,226).

### 14. INVESTMENTS

Company	Group companies £
<b>COST</b>	
At 1 April 2005	1
Additions	442,629
<b>At 30 September 2006</b>	<b>442,630</b>
<b>NET BOOK VALUE</b>	
<b>At 30 September 2006</b>	<b>442,630</b>
At 31 March 2005	1

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS PERIOD ENDED 30 SEPTEMBER 2006

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### 14. INVESTMENTS (continued)

#### FixIT Worldwide Limited

On 9th May 2006 the group acquired FixIT Worldwide Limited.

Analysis of the acquisition of FixIT Worldwide Limited:

	Fair value £
Cash	81,985
Tangible fixed assets	3,152
Stock	2,901
Debtors	77,807
Creditors falling due within 1 year	(107,720)
Provision for deferred tax	-
	<hr/> 58,125 <hr/>
Goodwill	<hr/> 945,086 <hr/>
Satisfied by:	
Shares	<hr/> 1,003,211 <hr/>

FixIT Worldwide Limited had a retained loss of £44,752 in the period ended 30 September 2006 (31 December 2005 - profit of £56,255), of which a profit of £10,656 arose in the period from May 2006 to September 2006, the date of acquisition.

As previously announced, the acquisition of FixIT is over an earn out period of 2 years based on turnover and average share price.

The summarised profit and loss account for this period is as follows:

	£
Turnover	<hr/> 220,333 <hr/>
Operating profit	10,656
Profit before tax	10,656
Taxation	-
Dividend	-
Retained profit	<hr/> 10,656 <hr/>

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS PERIOD ENDED 30 SEPTEMBER 2006

### 14. INVESTMENTS (continued)

#### PC Medics Group Limited

On 1st April 2005 the group acquired the entire share capital of PC Medics Group Limited in a share for share exchange. This investment has been accounted for using the merger accounting principles and consequently comparatives have been included for the previous accounting period of PC Medics Group Limited.

The comparative split of the summarised profit and loss account for the combining entities is as follows:

	<b>Nexus Plc</b>	<b>PCMG</b>	<b>Total</b>
	£	£	£
Turnover	1,157,597	1,311,265	2,468,862
Operating loss	(89,775)	(76,675)	(166,451)
Loss before tax	(106,257)	(87,576)	(193,833)
Taxation	-	-	-
Dividend	-	-	-
	<hr/>	<hr/>	<hr/>
Retained profit	(106,257)	(87,576)	(193,833)

The net assets of the combining entities at the merger date are as follows: -

Net assets	24,003	(127,062)	(103,059)
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The combined net assets have been adjusted to reflect the shares issued in respect of the merger of £223,366.

The company holds 100% of the share capital in the following companies:

	<b>Country of incorporation</b>	<b>Nature of business</b>
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

PC Medics Group Limited holds 100% of the share capital in the following companies:

	<b>Country of incorporation</b>	<b>Nature of business</b>
Nexus Management Inc (formerly PC Medics Inc)	USA	IT Support Services

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS PERIOD ENDED 30 SEPTEMBER 2006

### 15. DEBTORS

	Group		Company	
	18 Mths to Sept 2006 £	Pro forma 12 Mths to Mar 2005 £	18 Mths to Sept 2006 £	12 Mths to Sept 2005 £
Trade debtors	155,476	110,194	-	-
Amounts owed by group undertakings	-	-	1,482,726	558,499
VAT recoverable	-	-	8,317	1,848
Other debtors	847,850	74,256	816,514	-
Prepayments and accrued income	22,898	27,429	7,840	4,513
	<u>1,026,224</u>	<u>211,879</u>	<u>2,315,397</u>	<u>564,860</u>

Other debtors include the loan to PD Financial which during October 2006 converted into an equity stake.

### 16. CREDITORS: Amounts falling due within one year

	Group		Company	
	18 Mths to Sept 2006 £	Pro forma 12 Mths to Mar 2005 £	18 Mths to Sept 2006 £	12 Mths to Sept 2005 £
Bank loans and overdrafts	295,407	120,201	279,082	106,389
Trade creditors	65,468	107,940	28,867	7,674
Amounts owed to group undertakings	-	-	25,000	-
Hire Purchase Agreements	19,803	29,618	-	-
Other creditors	70,098	194,661	-	50,471
Accruals and deferred income	99,088	69,445	25,307	17,700
	<u>549,864</u>	<u>521,865</u>	<u>358,256</u>	<u>182,234</u>

The bank loans and the overdraft of the group are secured by personal guarantees provided by the directors of the company.

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

	Group		Company	
	18 Mths to Sept 2006 £	Pro forma 12 Mths to Mar 2005 £	18 Mths to Sept 2006 £	12 Mths to Sept 2005 £
Bank loans and overdrafts	295,407	120,201	279,082	106,389
Hire purchase agreements	19,803	29,618	-	-
	<u>315,210</u>	<u>149,819</u>	<u>279,082</u>	<u>106,389</u>

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS PERIOD ENDED 30 SEPTEMBER 2006

### 17. CREDITORS: Amounts falling due after more than one year

	Group		Company	
	18 Mths to Sept 2006 £	Pro forma 12 Mths to Mar 2005 £	18 Mths to Sept 2006 £	12 Mths to Sept 2005 £
Bank Loans	28,946	52,816	-	-
Hire Purchase Commitments	26,061	24,908	-	-
	<u>55,007</u>	<u>77,724</u>	<u>-</u>	<u>-</u>

The bank loans and overdraft are secured by personal guarantees provided by the directors of the company.

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

	Group		Company	
	18 Mths to Sept 2006 £	Pro forma 12 Mths to Mar 2005 £	18 Mths to Sept 2006 £	12 Mths to Sept 2005 £
Bank Loans	28,946	52,816	-	-
Hire Purchase Commitments	26,061	24,908	-	-
	<u>55,007</u>	<u>77,724</u>	<u>-</u>	<u>-</u>

### 18. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	Group		Company	
	18 Mths to Sept 2006 £	Pro forma 12 Mths to Mar 2005 £	18 Mths to Sept 2006 £	12 Mths to Sept 2005 £
Amounts payable within 1 year	19,803	29,618	-	-
Amounts payable between 1 and 2 years	26,061	24,908	-	-
Amounts payable between 3 and 5 years	-	-	-	-
	<u>45,864</u>	<u>54,526</u>	<u>-</u>	<u>-</u>

### 19. COMMITMENTS UNDER OPERATING LEASES

At 30 September 2006 the group had annual commitments under non-cancellable operating leases as set out below.

Group	Land and buildings	
	2006 £	2005 £
Operating leases which expire:		
Within 1 year	-	12,500
Within 2 to 5 years	99,421	-
After more than 5 years	-	41,313
	<u>99,421</u>	<u>53,813</u>

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS PERIOD ENDED 30 SEPTEMBER 2006

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### 20. CONTINGENCIES

On 1 August 2003 new executive service agreements were introduced between the group and P. Weller, P. Paterson, R. Richardson and G. Stoddart-Stones. The remuneration clause of the agreements had been structured such that each of the directors would be paid a salary of £60,000 per annum; however their actual salary entitlement was higher. This additional salary will only be payable once the Board, acting properly, considers that the group has made sufficient profits (without reference to the company's Remuneration committee).

At 30 September 2006 £15,000 (2005 - £15,000) of the amounts due to the directors remains unpaid. There is uncertainty as to whether this amount will become payable given the group's current trading results and the liability at the period end, inclusive of Employers' National Insurance is £16,920 (2005 - £16,920).

### 21. RELATED PARTY TRANSACTIONS

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

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

Boris Adlam, a director, held 75,000 shares (1.5%) in PD Financial and had control of a further 3%. Subsequent to Nexus converting its loan to equity in PD Financial, B Adlam converted his PD Financial stake into Nexus Management Plc equity.

### 22. ULTIMATE CONTROLLING PARTY

The directors are of the opinion that no one party has sufficient interest in the share capital of the company to be able to control the group.

### 23. SHARE CAPITAL

Authorised share capital:		2006		2005
		£		£
4,000,000,000 Ordinary shares of £0.0025 each		<u>10,000,000</u>		<u>10,000,000</u>
Allotted, called up and fully paid:		2006		2005
	shares	£	shares	£
Ordinary shares of £0.0025 each	<u>760,960,921</u>	<u>1,902,402</u>	<u>298,912,415</u>	<u>747,281</u>
Shares to be issued:		2006		2005
	shares	£	shares	£
Ordinary shares of £0.0025 each	<u>51,832,050</u>	<u>129,580</u>	<u>89,346,400</u>	<u>223,366</u>

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS PERIOD ENDED 30 SEPTEMBER 2006

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### 23. SHARE CAPITAL *(continued)*

On 1 April 2005 93,346,506 0.25p shares were issued at a value of 0.25p per share.

On 2 May 2006 21,791,440 0.25p shares were issued at a value of 0.50p per share.

On 15 June 2006 226,200,000 0.25p shares were issued at a value of 0.50p per share.

On 15 June 2006 120,000,000 0.25p shares were issued at a value of 0.50p per share.

On 20 September 2006 710,560 0.25p shares were issued at a value of 0.50p per share.

#### 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 118,864,275 options. Due to the value of these options or the tax status of the recipients 18,421,048 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.

At 31 March 2005 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 31.12.2003 and 29.07.2013 granted to P. J. Weller.

ii) 64,048,110 options at 0.6p per share exercisable between 02.08.2004 and 01.02.2014 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 01.07.2004 and 01.02.2014 granted as follows:-

R. A. Richardson	3,278,689
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 01.08.2004 and 01.02.2014 granted as follows:-

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

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS PERIOD ENDED 30 SEPTEMBER 2006

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### 23. SHARE CAPITAL (continued)

v) 42,279,414 options at 0.68p per share exercisable between 09.12.2004 and 08.06.2014 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 01.02.2005 and 01.08.2014 granted as follows:-

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

vii) 4,849,169 options at 0.75p per share exercisable between 01.10.2005 and 17.05.2015 granted as follows:-

J. Tryzelaar	4,849,169
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viii) 2,380,953 options at 0.63p per share exercisable between 29.09.2005 and 27.04.2015 granted as follows:-

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

ix) 58,105,263 options at 0.49p per share exercisable between 18.11.2005 and 17.05.2015 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 31.05.2006 and 31.05.2015 granted to P. J. Weller.

xi) 5,172,414 options at 0.58p per share exercisable between 13.10.2006 and 12.04.2016 granted as follows:-

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

In addition further share options have been granted to non directors as follows:-

i) 1,000,000 options at 0.6p per share exercisable between 04.10.2004 and 03.04.2014.

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS PERIOD ENDED 30 SEPTEMBER 2006

### 24. RESERVES

Group	Merger Reserve	Share premium account	Profit and loss account
	£	£	£
Balance brought forward	-	2,276,134	(3,359,840)
Loss for the period	-	-	(44,500)
Currency exchange adjustment	-	-	(5,357)
New equity share capital subscribed	-	865,501	-
Issue costs	-	(83,341)	-
Merger reserve	793,949	-	-
	<u>793,949</u>	<u>3,058,294</u>	<u>(3,409,697)</u>
Balance carried forward			
Company		Share premium account	Profit and loss account
		£	£
Balance brought forward		2,276,134	(2,640,789)
Loss for the period		-	(49,717)
New equity share capital subscribed		865,501	-
Issue costs		(83,341)	-
		<u>3,058,294</u>	<u>(2,690,506)</u>
Balance carried forward			

### 25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006		2005	
	£	£	£	£
Loss for the financial year		(44,500)		(193,833)
New equity share capital subscribed	921,756		85,842	
New equity to be issued	129,580		-	
Premium on new share capital subscribed	865,501		151,554	
Issue costs	(83,341)		-	
Merger reserve	<u>793,949</u>		<u>-</u>	
		<u>2,627,445</u>		<u>237,396</u>
		<u>2,582,945</u>		<u>43,563</u>
Foreign currency translation		(5,357)		7,116
Net addition/(reduction) to shareholders' equity deficit		<u>2,577,588</u>		<u>50,679</u>
Opening shareholders' equity deficit		(103,059)		(153,738)
		<u>2,474,529</u>		<u>(103,059)</u>
Closing shareholders' equity funds/(deficit)				

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS PERIOD ENDED 30 SEPTEMBER 2006

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### 26. 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 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 16.

#### Financial Assets

The interest rate risk profile of the group's financial assets, excluding short term trading items, are floating rate interest earnings £22,498 (2005 - £22).

#### 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 period end the group had an undrawn committed borrowing facility of £65,918 in respect of its overdraft with the group's bankers.

### 27. NOTES TO THE STATEMENT OF CASH FLOWS

#### RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2006	2005
	£	£
Operating loss	(14,925)	(166,450)
Depreciation	102,964	67,955
Amortisation	25,070	-
Decrease in stocks	(3,642)	-
Increase in debtors	(24,900)	144,879
Decrease in creditors	(165,081)	(172,338)
Currency exchange adjustment	(7,397)	13,449
Net cash outflow from operating activities	(87,911)	(112,505)

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS PERIOD ENDED 30 SEPTEMBER 2006

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### 27. NOTES TO THE STATEMENT OF CASH FLOWS *(continued)*

#### RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2006 £	2005 £
Interest received	22,498	232
Interest paid	(27,876)	(24,670)
Interest element of finance leases and similar	(24,197)	(2,944)
	<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance	(29,575)	(27,382)

#### CAPITAL EXPENDITURE

	2006 £	2005 £
Payments to acquire tangible fixed assets	(72,755)	(51,459)
Receipts from sale of fixed assets	(5,000)	215
	<hr/>	<hr/>
Net cash (outflow)/inflow from capital expenditure	(77,755)	(51,244)

#### FINANCING

	2006 £	2005 £
Issue of equity share capital	1,155,121	85,842
Share premium on issue of equity share capital	865,501	151,554
Share issued costs	(83,341)	-
Non-cash share issue on acquisition	(56,255)	-
Non-cash share issue on merger	(233,366)	-
Capital element of finance leases and similar	(8,662)	(10,033)
	<hr/>	<hr/>
Net cash inflow from financing	1,638,998	227,363

# NEXUS MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS PERIOD ENDED 30 SEPTEMBER 2006

### 27. NOTES TO THE STATEMENT OF CASH FLOWS *(continued)*

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

	2006		2005	
	£	£	£	£
Increase in cash in the period	691,687		36,232	
Net cash outflow from bank loans	21,357		25,654	
Cash outflow in respect of finance leases and similar	8,662		10,033	
		<u>721,706</u>		<u>71,919</u>
Change in net debt		721,706		71,919
Net debt at 1 April 2005		<u>(200,821)</u>		<u>(272,741)</u>
Net debt at 30 September 2006		<u>520,885</u>		<u>(200,822)</u>

#### ANALYSIS OF CHANGES IN NET DEBT

	At 1 Apr 2005 £	Cash flows £	At 30 Sep 2006 £
Net cash:			
Cash in hand and at bank	26,721	864,381	891,102
Overdrafts	(106,388)	(172,694)	(279,082)
	<u>(79,667)</u>	<u>691,687</u>	<u>612,020</u>
Debt:			
Debt due within 1 year	(13,812)	(2,513)	(16,325)
Debt due after 1 year	(52,816)	23,870	(28,946)
Hire purchase agreements	(54,526)	8,662	(45,864)
	<u>(200,821)</u>	<u>721,706</u>	<u>520,885</u>

### 28. POST BALANCE SHEET EVENTS

As detailed in the Chairman's statement, on 16 October 2006 the group acquired a financial stake in an associated undertaking, PD Financial. Both debtors and cash reduced during October 2006 with the acquisition of our stake in PD Financial.