

NextGen Group Plc.

Interim Report 2009

NextGen Group PLC

Interim Results to 30 June 2009

NextGen Group plc, (AIM: NGG, 'the Group', 'NextGen'), a provider of biomarker testing services, announces its interim results for the six months ended 30 June 2009.

Highlights

- Transition to focus on biomarker market completed
- Biomarker services offerings include discovery, assay development and testing
- Multiple biomarker discovery and assay development projects delivered
- Recognized revenues for biomarker services increasing
- Divested of non-core businesses
- Closed UK facility
- Moved all operations to the US
- Substantially reduced cost base
- Formed a collaboration with ThermoFisher Scientific
- Sales in the period were \$ 1,626,394, including discontinued operations

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CEO's Statement

Overview and general information

In the first half of 2009 NextGen Sciences completed the divestment of non-core businesses and continued to develop the biomarker business. NextGen also continued the expansion of its service portfolio, including biomarker discovery, assay development and testing. The Group's headquarters and all operations are now located in the Ann Arbor, Michigan, USA facility. As its business is now operated in US dollars, the Group reports in US dollars.

These consolidated condensed interim financial statements have been approved for issue by the Board of Directors on 29th September 2009.

The financial information for the year ended 31st December 2008 set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The Group's statutory financial statements for the year ended 31st December 2008 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Section 237(2) or Section 237(3) of the Companies Act 1985.

Financial review

The loss before tax including the effect from discontinued operations was \$1,094,700 for the six months ended 30th June 2009 compared to \$2.4 million for the period ended 30th June 2008. After tax loss including the effect from discontinued operations was \$1,095,933 for the six months ended 30th June 2009 compared to an after tax loss including the effect of discontinued operations of \$2.4 million for the period ended 30th June 2008. This translates to a loss per share from continuing operations of \$0.0007 for the six month period ended 30th June 2009 compared to a loss per share of \$0.0010 for the period ended 30th June 2008. The loss after comprehensive income/expenses and including profit on discontinued operations was \$693,967 for the six months period ended 30th June 2009 compared to a loss after comprehensive income/expenses of \$2.4 million for the period ended 30th June 2008.

Group turnover (including turnover for discontinued operations) for the six months ended 30th June 2009 was \$1,626,394 (\$2.1 million for the period ended 30th June 2008), a decrease of 21%. Total operating charges including Cost of Goods decreased by 48% from \$4,570,376 (including operating charges for discontinued operations) for the period ended 30th June 2008 to \$2,500,904 for the six months ended 30th June 2009.

In the six months ended 30th June 2009 the Company has raised a total of £770,000 by way of a placing of new ordinary shares of 0.1 pence each raising £500,000 (\$0.8 million) and a convertible loan in the sum of £270,000 (\$0.4 million). This funding provided general working capital for the Company, which the Directors believe would be sufficient for its current requirements.

The Company has placed 500,000,000 ordinary shares of 0.1 pence each (the "Placing Shares") with an existing shareholder in the Company. The Placing Shares are to be issued at 0.1 pence per share to raise £500,000 before expenses. In addition, for every Placing Share issued pursuant to the Placing, the Company has granted a warrant over 1 ordinary share of 0.1 pence each (the "Ordinary Shares") with an exercise price of 0.1 pence per share. The Warrants shall be exercisable for 3 years from the date of grant.

The convertible loan has the option to be converted into shares at a price equal to the nominal value of the shares. In addition, when the loan is converted the company will issue the same number of warrants at an exercise price equal to the nominal value of the shares. The warrants must be exercised within a 3 year period before expiration date. The borrower also has the choice to be paid back the full value of the loan.

Biomarker business operating review

The Company is carrying out advanced work with respect to the development of assays targeting protein biomarkers in human tissues and bio-fluids. The company has the infrastructure and expertise necessary to develop and apply these assays in a commercial CRO setting. The Company now has a track record for delivering the highest quality data to the client while meeting deadlines and providing excellent support through all stages of the projects.

The Company has developed and continues to develop assays for pharmaceutical and biotechnology companies to verify protein biomarker panels that can be implemented immediately in their drug development process. These include: a biomarker panel in cerebrospinal fluid for Alzheimer's disease, a biomarker panel in urine for prostate cancer, a biomarker panel in plasma for colon cancer, a biomarker panel in urine for pancreatic cancer, a biomarker panel in tissue for breast cancer and biomarker panel in synovial fluid for osteoarthritis.

The Company has also taken an advanced technical approach to protein identification that has enabled the Company to publish catalogues of proteins from a variety of biological fluids, tissues and cell lines which accelerates and informs discussions with customers as to the proteins that are available for testing.

On 4th June 2009, the Company formed a collaboration with Thermo Fisher Scientific. Thermo Fisher Scientific (NYSE: TMO) is the world leader in serving science. The company enables its customers to make the world healthier, cleaner and safer by providing analytical instruments, equipment, reagents and consumables, software and services for research, analysis, discovery and diagnostics. Under the collaboration arrangement Thermo Fisher's Biomarker Research Initiatives in Mass Spectrometry and NextGen Sciences will work together to apply new technologies to NextGen Sciences' **biomarkerexpress**TM platform, the suite of biomarker services for developing, validating and applying targeted assays in bio-fluids and tissues.

In 2009, the Company also started to perform work in the areas of biologics and agriculture. This moves the Company's offerings into extended markets outside of drug development.

Seasonal fluctuations and the market

The biomarker market is estimated to be \$6 billion for the protein biomarker market and \$21 billion for the total biomarker market by 2013. The following areas: drug discovery, clinical development, molecular diagnostics and personalized medicine account for 48% of the total market. The market is expected to grow by approximately 17% per year. Concerning seasonal fluctuations; the demand for biomarker services increases in the second-half in comparison to the first-half.

NextGen Group products and services are directly sold to the pharmaceutical and biotech industry. The trend in declined productivity and decreased drug approval rates has lead to many large pharmaceutical and biotech companies to restructure, merge and/or downsize. The Group's results are dependent on the levels of outsourcing activities in this sector. This sector and the diversity of the Group's customer base provide a degree of protection in an ever changing market.

Competitive pressures

The Group operates in a market with differing pricing pressure characteristics. The pharmaceutical and biotech industry will accept high pricing for high value products and services but only after it has been proven as such. The principal Group's offerings add high value to the industry (i.e. high impact). The biomarker testing market is relatively new and NextGen is positioned as one of the early to market companies. As competition increases, competitive pricing in the market will emerge. NextGen will continue to offer a premium service so market pressures will not affect the company performance to any great extent.

The Group maintains tight control over its underlying cost base in order to be able to continue to offer competitive pricing.

There are a few direct competitors in the space at present but many more may be established as the market grows. The Group actively works with its customers to find new and innovative ways to meet their changing needs in order to remain at the forefront of its' chosen market. Our continued investment in people, technology and logistics is designed to support the Group's competitive position.

Governmental regulations

The Group's operations can be affected by various regulatory agencies, Particularly the FDA and EMEA.

While the Group is not currently working in a "regulated" environment it will be subject to the regulations that govern the industry in the near future. CLIA, GCP and GLP certification will be put in place in order to perform services for the element of drug submissions to the FDA and EMEA. This is part of our strategy as some competitors already have this capability.

Intellectual property trade secrets

The Company will seek to develop own IP or strong Trade Secrets in order to protect its inventions and to grow its businesses. There can of course be no assurance that competitors and future potential competitors have not or will not develop substantially equivalent or unique technologies and knowledge.

Human resources

NextGen's ability to provide leadership, products and services to customers is dependent upon having sufficiently qualified and experienced personnel. Such personnel often possess graduate and post graduate education (B.S., M.S. and PhDs). This places a requirement for relatively high salaried personnel.

To achieve its growth strategy and increase productivity, NextGen must continue to employ, train, motivate and retain technically experienced and highly educated personnel. NextGen is committed to developing its' employees and actively identifies employees with high potential and rewards strong performance.

Current Trading and Outlook

In 2009 NextGen has completed multiple biomarker projects and continues to develop a number of pre-defined assay panels which will fulfill certain needs in the market and allow easy entrance to biomarker testing to many of the Company's present and future customers.

However, because of the nature and stage of the Group's business and the services it seeks to provide, the timing of cash inflows continues to be unpredictable. This, together with the Group's plans for growth, may necessitate alternative funding levels and the directors constantly review the need for such additional funds.

During the period ending 30th June 2009, \$1.27 million was raised in order to strengthen the funds in the Company and to allow the Company to fulfill its' commercial strategies, by the issuance of 500 million shares equal to \$826,000 and through a convertible loan of \$454,000.

Consolidated income statement

	Unaudited 6 month to 30 June 2009	Unaudited 6 month to 30 June 2008	Audited Year to 31 December 2008
	\$	\$	\$
Continuing operations			
Revenue	807.769	674.523	1.751.170
Cost of sales	<u>(698.336)</u>	<u>(135.631)</u>	<u>(39.046)</u>
Gross profit	109.433	538.892	1.712.124
Distribution and Administrative costs	(1.802.568)	(2.227.520)	(4.908.411)
Finance costs	<u>(42.455)</u>	<u>(45.598)</u>	<u>(103.240)</u>
Loss before tax	(1.735.590)	(1.734.226)	(3.299.527)
Income tax expense	<u>(1.233)</u>	-	-
Loss for the period from continuing operations	(1.736.823)	(1.734.226)	(3.299.527)
Discontinued operations			
Profit/Loss for the period from discontinued operations	<u>640.890</u>	<u>(677.623)</u>	<u>259.956</u>
Loss for the period	<u>(1.095.933)</u>	<u>(2.411.849)</u>	<u>(3.039.571)</u>
Attributable to:			
Equity holders of the parent (Average Number)	2.546.978.644	1.779.568.997	1.859.147.898
Equity holders of the parent (AN Diluted)	<u>3.068.546.282</u>	<u>1.976.127.502</u>	<u>1.985.760.914</u>
Earnings per share:			
Basic loss per share from continuing operations	(0,0007)	(0,0010)	(0,0018)
Basic earnings/loss per share from discontinued operations	0,0003	(0,0004)	0,0001
Basic loss per share	(0,0004)	(0,0014)	(0,0016)

Consolidated statement of comprehensive income

	Unaudited 6 month to 30 June 2009	Unaudited 6 month to 30 June 2008	Audited Year to 31 December 2008
	\$	\$	\$
Loss for the period	(1.095.933)	(2.411.849)	(3.039.571)
Other comprehensive income			
Exchange differences on translating foreign operations	401.966	31.460	(804.202)
Total comprehensive income, net of tax	<u>(693.967)</u>	<u>(2.380.389)</u>	<u>(3.843.773)</u>

Consolidated statement of financial position

	Unaudited 6 month to 30 June 2009	Unaudited 6 month to 30 June 2008	Audited Year to 31 December 2008
	\$	\$	\$
Assets			
Non-current assets			
Property, plant and equipment	444.131	855.833	615.036
Goodwill	1.015.724	1.037.363	1.015.724
Investments	-	-	35
Total Non-current assets	<u>1.459.855</u>	<u>1.893.196</u>	<u>1.630.795</u>
Current assets			
Inventories	-	57.258	335.239
Trade and other receivables	429.377	1.315.599	474.093
Cash and cash equivalents	649.195	-	251.344
Total Current Assets	<u>1.078.572</u>	<u>1.372.857</u>	<u>1.060.676</u>
Total assets	<u>2.538.427</u>	<u>3.266.053</u>	<u>2.691.471</u>

	Unaudited 6 month to 30 June 2009	Unaudited 6 month to 30 June 2008	Audited Year to 31 December 2008
	\$	\$	\$
Liabilities			
Current liabilities			
Trade and other payables	1.336.859	1.694.611	1.860.521
Current portion of long-term borrowings	438.673	786.840	331.165
Short-term provisions	-	145.479	7.590
Total current liabilities	<u>1.775.532</u>	<u>2.626.930</u>	<u>2.199.276</u>
Non-current liabilities			
Long-term borrowings	486.758	490.198	291.257
Total non-current liabilities	<u>486.758</u>	<u>490.198</u>	<u>291.257</u>
Total liabilities	<u>2.262.290</u>	<u>3.117.128</u>	<u>2.490.533</u>
Net assets and liabilities	<u>276.137</u>	<u>148.925</u>	<u>200.938</u>
Equity			
Equity attributable to equity holders of the parent			
Share capital	5.472.784	3.629.557	4.646.784
Share premium account	10.218.542	9.815.253	10.276.362
Merger reserve	10.026.450	10.026.450	10.026.450
Other reserves	939.315	1.001.848	938.329
Foreign currency translation reserve	(304.859)	128.837	(706.825)
Retained earnings	(26.076.095)	(24.453.020)	(24.980.162)
Total equity	<u>276.137</u>	<u>148.925</u>	<u>200.938</u>

Consolidated statement of changes in equity

	Share Capital	Share premium account	Merger reserve	Other reserves	Foreign currency translation	Retained earnings	Total equity
	\$	\$	\$	\$	\$	\$	\$
Balance at 31 December 2008	4.646.784	10.276.362	10.026.450	938.329	(706.825)	(24.980.162)	200.938
Share-based payments	-	-	-	986	-	-	986
Issue of share capital	826.000	(57.820)	-	-	-	-	768.180
Loss for the period	-	-	-	-	-	(1.095.933)	(1.095.933)
Exchange rate loss/gain	-	-	-	-	401.966	-	401.966
Balance at 30 June 2009	5.472.784	10.218.542	10.026.450	939.315	(304.859)	(26.076.095)	276.137

	Share Capital	Share premium	Merger reserve	Other	Foreign	Retained	Total equity
	\$	\$	\$	\$	\$	\$	\$
Balance at 31 December 2007	2.606.673	7.894.031	10.026.450	937.704	97.377	(22.041.171)	(478.936)
Share-based payments	-	-	-	64.144	-	-	64.144
Issue of share capital	1.022.884	1.921.222	-	-	-	-	2.944.106
Loss for the period	-	-	-	-	-	(2.411.849)	(2.411.849)
Exchange rate loss/gain	-	-	-	-	31.460	-	31.460
Balance at 30 June 2008	3.629.557	9.815.253	10.026.450	1.001.848	128.837	(24.453.020)	148.925

	Share Capital	Share premium	Merger reserve	Other	Foreign	Retained	Total equity
	\$	\$	\$	\$	\$	\$	\$
Balance at 31 December 2007	2.606.673	7.894.031	10.026.450	937.704	97.377	(22.041.171)	(478.936)
Share-based payments	-	-	-	625	-	100.580	101.205
Issue of share capital	2.040.111	2.382.331	-	-	-	-	4.422.442
Loss for the period	-	-	-	-	-	(3.039.571)	(3.039.571)
Exchange rate loss/gain	-	-	-	-	(804.202)	-	(804.202)
Balance at 31 December 2008	4.646.784	10.276.362	10.026.450	938.329	(706.825)	(24.980.162)	200.938

Consolidated statement of cash flows

	Unaudited 6 month to 30 June 2009	Unaudited 6 month to 30 June 2008	Audited Year to 31 December 2008
	\$	\$	\$
Cash flows from operating activities			
Loss after taxation	(1,095,933)	(2,411,849)	(3,039,571)
Adjustments for:		-	
Depreciation	170,428	236,183	472,094
Investment income		-	-
Interest expense	42,455	68,033	117,307
Taxation expense recognised in income statement	1,233	(163,276)	(152,552)
Increase in trade and other receivables	44,716	(702,458)	(32,832)
Decrease in inventories	335,239	99,575	(177,204)
Decrease in trade payables	(531,252)	(526,328)	(494,076)
Share option charge	986	63,874	101,205
Effect of exchange rate fluctuations	402,477	12,543	(801,108)
Loss/Profit on sale of property, plant and equipment	-	(23,844)	(178,895)
Cash generated from operations	(629,651)	(3,347,549)	(4,185,632)
Income taxes paid	(1,233)	-	152,552
Net cash from operating activities	(630,884)	(3,347,549)	(4,033,080)
Cash flows from investing activities			
Purchase of property, plant and equipment	-	(521)	(13,908)
Sale of property, plant and equipment	-	23,844	189,943
Interest received	-	372	490
Net cash used in investing activities	-	23,695	176,525
Cash flows from financing activities			
Proceeds from issue of share capital	768,180	2,944,106	4,422,443
Proceeds from long-term borrowings	454,502	-	-
Repayment of borrowings	-	(31,047)	(31,033)
Payment of finance lease liabilities	(151,492)	(215,790)	(422,779)
Interest	(42,455)	(68,404)	(117,797)
Net cash used in financing activities	1,028,735	2,628,864	3,850,834
Net increase in cash and cash equivalents	397,851	(694,990)	(5,721)
Cash and cash equivalents at beginning of period	251,344	251,344	257,065
Cash and cash equivalents at end of period	649,195	(443,646)	251,344

Notes to the Consolidated Financial Statements

1. Nature of operations and General information

In April 2008 the company announced its intent to either divest or wind down its software and instrumentation UK-based businesses and its protein production fee for service business unit which was in-line with its restructuring plan. In 2008 NextGen Sciences transitioned from a supplier of automation, consumables and services to focus all resources into the growing field of Biomarkers.

The company closed down its protein production fee-for-service business unit effective 30 June 2008. In December 2008 the company announced it had sold its non-core 'gene to protein' automation and software business to a management led spin-out, called eXeTek Ltd ('eXeTek'). The disposal involved an exclusive license of the technology and an asset and liability transfer that enabled NextGen to accept and recognize revenues from existing customer orders. As part of the deal NextGen acquired a 24% stake in eXeTek and will receive 5% royalty on sales for three years. The company also finalized the divestiture of its electrophoresis business unit in early 2009 and closed the UK facility on 28 February 2009.

All resources including the profit realised from these transactions are now focused on growing the biomarker services business in the USA. The existing US based biomarker team has been strengthened with the addition of key personnel and operational infrastructure.

The transition to a Biomarker and Proteomic Service company has resulted in US based operations that are much leaner and more focused in a business segment that has very large projected annual growth and therefore more competitive.

On 6th February 2009 the company sold its' electrophoresis business to Sigma Aldrich Corporation, Saint Louis, MO (NASDAQ: SIAL) for \$.056m in cash. \$.179m was in assets and NextGen is to receive an 8% royalty on global sales for three years from the date of sale. The rights, design and expertise for the electrophoresis technology were sold, however, the right to use this technology in NextGen's fee-for-service biomarker business and for its' own in-house research has been retained.

2. Segment analysis

NextGen's main business is within the Biomarker and Proteomic Services markets. The activities undertaken by this business segment includes the Biomarker and Analytical Services and Testing. The activities are carried out by the Company's internal Research and Development Group.

The accounting policy for identifying segments has changed. In the last annual and interim financial statements the segmentation was based on the regions UK and the USA. The management reporting system is now based solely on the Biomarker market globally (Proteomic Services).

The revenues and net result generated by each of NextGen's business segments are summarized as follows:

6 months to 30 June 2009, Unaudited	Proteomic Services	Instrumentation	Contract express	Consumables	Total
Revenue from external customers	807.769	759.643		58.982	1.626.394
Profit/Loss before tax	(1.735.590)	680.590	-	(39.700)	(1.094.700)
6 months to 30 June 2008, Unaudited	Proteomic Services	Instrumentation	Contract express	Consumables	Total
Revenue from external customers	674.523	1.035.022	288.816	45.681	2.044.043
Loss before tax	(1.734.226)	(512.117)	(142.903)	(22.603)	(2.411.849)
12 months to 31 December 2008, Audited	Proteomic Services	Instrumentation	Contract express	Consumables	Total
Revenue from external customers	1.191.940	1.588.558	420.711	438.621	3.639.830
Loss before tax	(995.372)	(1.326.583)	(351.330)	(366.286)	(3.039.571)

3. Shares in issue

During the period ending 30th June 2009, 500 million shares were issued in order to strengthen the funds in the Company and to allow the Company to fulfill its' commercial strategies. Shares issued and authorized for the period to 30 June 2009 may be summarized as follows:

6 months to 30 June 2009	Number	\$
At 1 January 2009	2,546,978,644	4,646,784
Issue of shares	<u>500,000,000</u>	<u>826,000</u>
At 30 June 2009	3,046,978,644	5,472,784
6 months to 30 June 2008	Number	\$
At 1 January 2008	1,394,752,584	2,606,673
Issue of shares	<u>516,226,060</u>	<u>1,022,884</u>
At 30 June 2008	1,910,978,644	3,629,557
Year to 31 December 2008	Number	\$
At 1 January 2008	1,394,752,584	2,606,673
Issue of shares	<u>1,152,226,060</u>	<u>2,040,111</u>
At 31 December 2008	2,546,978,644	4,646,784

The share issue yielded \$826,000 in cash and increased equity by £500,000. The share price at the placing was of nominal value.

4. Loss per share

Basic loss per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average of ordinary share in issue during the period.

A number of shares existed in the period that could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share since they are anti-dilutive for all periods.

	Unaudited 6 month to 30 June 2009	Unaudited 6 month to 30 June 2008	Audited Year to 31 December 2008
	\$	\$	\$
Continuing operations			
Loss after tax and earnings attributable to ordinary shareholders	(1.736.823)	(1.734.226)	(3.299.527)
Weighted average number of shares (used for basic earnings per share)	2.546.978.644	1.779.568.997	1.859.147.898
Diluted weighted average number of shares (used for diluted earnings per share)	3.068.546.282	1.976.127.502	1.985.760.914
Basic and diluted loss per share	(0,0007)	(0,0010)	(0,0018)
Discontinued operations			
Profit after tax and earnings attributable to ordinary shareholders	640.890	(677.623)	259.956
Weighted average number of shares (used for basic earnings per share)	2.546.978.644	1.779.568.997	1.859.147.898
Diluted weighted average number of shares (used for diluted earnings per share)	3.068.546.282	1.976.127.502	1.985.760.914
Basic earnings/loss per share	0,0003	(0,0004)	0,0001
Total operations			
Profit after tax and earnings attributable to ordinary shareholders	(1.095.933)	(2.411.849)	(3.039.571)
Weighted average number of shares (used for basic earnings per share)	2.546.978.644	1.779.568.997	1.859.147.898
Diluted weighted average number of shares (used for diluted earnings per share)	3.068.546.282	1.976.127.502	1.985.760.914
Basic loss per share	(0,0004)	(0,0014)	(0,0016)

5. Financial Risk Management Objectives and Policies

The Group uses various financial instruments including loans, cash and other items, such as trade receivables and trade payable that arise directly from its operations. The main purpose of these financial instruments is to finance the Group's operations.

There are a number of risks and uncertainties that are common to pharmaceutical services and biotechnology companies which could have an impact on the Group's long-term performance. Risk assessment and evaluation is an essential part of the annual planning cycle.