



nextgensciences

NEXTGEN GROUP PLC

**Report and Accounts
for the year ended 31 December 2008**

Company registration number	5556404
Directors	Klaus Günter Erich Rosenau, Non Executive Chairman Dr Michael Pisano, Chief Executive Officer Frank Matthäi, Finance Director Dr Thomas Borcholte Dr Jörg Neermann (resigned 29 January 2009)
Company secretary	Grant Cameron
Registered Office	Tower 42 Level 35 25 Old Broad Street London EC2N 1HQ
Nominated Adviser	Seymour Pierce Limited 20 Old Bailey London EC4M 7EN
Broker	Ellis Stockbrokers Limited Talisman House Jubilee Walk Three Bridges Crawley West Sussex RH10 1LQ
Bankers	Barclays Bank Plc Mortlock House Vision Park Histon Cambridge CB4 9DE
Solicitors	Orrick, Herrington & Sutcliffe Tower 42 Level 35 25 Old Broad Street London EC2N 1HQ Mills & Reeve Francis House 112 Hills Road Cambridge CB2 1PH
Patent Agents	Greaves Brewster Indigo House Cheddar Business Park Wedmore Road Cheddar Somerset BS27 3EB
Registrar	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA
Auditors	Grant Thornton UK LLP Registered Auditors and Chartered Accountants Byron House Cambridge Business Park Cambridge CB4 0WZ

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Chief Executive Officer's Report

Strategic overview

In 2008 NextGen Sciences mostly completed the divestment of the non-core businesses and continued to develop the biomarker business with the addition of key personnel, and investment in operational infrastructure. NextGen also continued the expansion of its service portfolio, including biomarker discovery, assay development and testing.

The Group's headquarters were moved to its Ann Arbor, Michigan, USA facility. As its business is now operated in US dollars, the Group reports in US dollars.

Trading Review

Please note that all figures include discontinued operations, see note 2(c).

Group revenue for the 12 months ended 31 December 2008 was \$3.6 million (2007: \$3.4 million), an increase of 7.8%. The Board had set a target that the Group would achieve revenue over \$3 million for 2008.

Gross margin increased from 56.2% to 72.2% due to higher volumes of services particularly biomarkers at higher margins and also sales of equipment subject to write down in 2007 in connection with the divestment of the instrumentation UK-based businesses. Total operating charges decreased by 20% to \$6.7 million (2007: \$8.5 million).

After an interest charge of \$0.09 million, the Group reported a pre-tax loss of \$3.19 million (2007: loss \$6.66 million) and a loss per share of 0.17 cents (2007: loss 0.66 cents).

Biomarker services

A biomarker is an entity used as an indicator of a biologic state. A biomarker can be measured objectively from a clinical sample, such as blood or urine, and evaluated as a gauge of normal biologic processes, pathogenic processes, or pharmacologic response to therapeutic intervention. The pharmaceutical industry's interest in biomarkers is increasing as they can be used to understand the mechanism of a disease, as well as aid the development of therapeutics, diagnostics and personalized medicine. Biomarkers are critical in helping to reduce costs in the drug discovery and development process.

In clinical applications, biomarkers can be used for patient selection in a drug trial, measuring drug efficacy, monitoring adverse events and studying alternative indications for a drug in development. They can also be used in translational medicine as prognostic indicators of the success of a lead compound in clinical trials. Pre-clinical applications include target discovery and validation, lead compound optimization and safety assessment of new compounds. Personalized medicine also requires the use of biomarkers for the selection of sub-populations of patients for selected therapies such as partner diagnostics.

In 2007 the US Food and Drug Administration's (FDA) Critical Path Initiative detailed a clear message to the industry to integrate the use of biomarkers in the development of new drugs. I believe by making the biomarker services NextGen Sciences core business we have placed the Group in a strong position to attain a significant market share in this emerging market.

NextGen Sciences' biomarker business, which utilizes the Group's technology and know-how, includes the following services for customers:

- Biomarker discovery – the discovery of new putative biomarkers
- Biomarker assay development – the development of assays for biomarker validation
- Biomarker testing – the application of the validated assay to clinical samples

Current trading and outlook

NextGen's biomarker services business includes discovery, assay development and importantly biomarker testing, a service which has real growth opportunities. NextGen has built an impressive reputation for the quality and scope of its contract research services for proteomics and biomarkers and has taken advantage of this reputation to establish itself in this emerging related market.

Biomarker discovery companies have delivered potentially interesting markers to their customers, however, they have failed to offer the ability to help develop these biomarkers through validation. NextGen differentiates itself from these other companies in offering the ability to very rapidly develop targeted assays that advance the markers to validation while offering methods and capacity to test clinical samples.

NextGen has, during the first quarter of 2009, already signed master service agreements with a number of major pharmaceutical companies and delivered multiple projects to an expanding list of pharmaceutical and biotechnology clients in various therapeutic areas including oncology, inflammation and neuroscience. In addition, discussions are underway for multi-year contracts with academic and government institutions around the world.

NextGen continues to develop new services and disease specific biomarker assays. At the same time working relationships with the major pharmaceutical companies and technology providers continues to expand and name branding is becoming solidified. This is supported in the continued growth of our client list, expressions of interest and orders coming from around the globe and that our clients now reach into different life science sectors such as veterinary medicine and agriculture.

The far-reaching benefits to R&D of biomarkers are clear and they have moved to the front-line of medical research. It has been recognized that integration of biomarkers through the different phases of drug development can yield safer drugs with enhanced therapeutic efficacy in a cost-effective manner. NextGen's biomarker services offer a way to vastly improve the biomarker pipeline for all applications.

Biomarker-based tests have been in existence for a few decades now but their relevance to drug development applications in particular has gained momentum only recently. This is apparent from the increased research interest, and patent and regulatory activity with regards to biomarkers.

With the closure of the last parts of the non core UK businesses during Q1 2009, the Board expects the Group to be profitable and cash generating in H1 2010.

Dr. Michael R. Pisano
Chief Executive Officer
29 June 2009

Directors' report

The Directors present their report together with the financial statements for the year ended 31 December 2008.

Principal activity

The Group's principal activities are research and development services in the protein research arena and the manufacture and sale of products and technology for use within the protein research industry.

Reporting currency

Over 65% of the Group's sales, operating profit and net assets are denominated in US dollars. Therefore the Group commenced reporting in US dollars to better reflect its underlying performance. The functional currency of the Company remained in Sterling.

Results and dividends

Please note that all figures include discontinued operations, see note 2 (c) discontinued operations. There was a loss for the year after taxation of \$ 3.04 million (2007: loss \$ 6.66 million). The directors do not recommend the payment of a dividend to the ordinary shareholders.

Future developments

For information on the Group outlook, refer to Chief Executive Officer's report on page 3.

Business Development

The result of the strategic review, published in April 2008, concluded that continuing to operate as four distinct business units was not sustainable and therefore the Group's strategy needed to be to focus on a single core business. The review identified the key opportunity for NextGen Sciences was in providing advanced biomarker services for pharmaceutical and biotechnology customers.

In 2008 NextGen Sciences continued to develop the biomarker services business with the expansion of its service portfolio to include biomarker discovery, assay development, and testing. Also during 2008 NextGen wound down or divested two of its businesses; the molecular biology automation and software and the protein production contract services. The protein production contract services operation ceased all operations by June 30, 2008. The 'gene to protein' automation and software business for molecular biology and protein expression was divested in December 2008 through the formation of a spin-out company (eXeTek, Ltd) of which the Group retained 24% ownership and will continue to receive royalty payments. At the same time operations in the UK wound down and resources were shifted to development and growth of the biomarker services business. As the operations in the UK wound down the existing US-based biomarker team was strengthened with the addition of key personnel and operational infrastructure.

Only the electrophoresis equipment and consumables business remained as it was in the final stages of negotiations for divestiture in the last months of 2008.

The Group's headquarters was moved to its Ann Arbor, Michigan, USA facility and all of its business is now operated in US dollars. NextGen also changed its reporting currency to the US dollar.

Key Financial Performance Indicators

Please note that all figures include discontinued operations, see note 2(c).

The Group has made significant progress in achieving its goals in 2008; this can be highlighted through comparing the key performance indicators of 2008 to 2007.

(a) Revenue

The revenue for the Group increased from \$3,377,148 in 2007 to \$3,639,030 in 2008, which equates to a 7.75% increase in revenue in the year; 100% of this increase in revenue is through organic growth from its existing operations.

(b) Gross profit percentage

Gross profit percentage in 2007 was 56%, this increased in 2008 to 72% before exceptional items. The increase in gross profit percentage is due to higher sales volume in services which return higher margins.

(c) Sales revenue generated per employee

	Revenue \$	Employees No.	Revenue: Employee \$
2008	3,639,030	30	121,301
2007	3,377,148	42	80,408

Principal risks and uncertainties

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.

Commercial

NextGen's biomarker services are in operation. Marketing began in May for these. Marketing and sales are a primary focus for the company as development continues to produce new services. The sales force migrated from a sales team selling capital equipment to a sales effort that is more technical and sells pharmaceutical services.

Market conditions

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.

The Group has identified the small to medium sized pharmaceutical and biotech companies as a customer base that does not have the issues related to their large counterparts. This sector and the diversity of the Group's customer base provide a degree of protection.

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 large pharmaceutical service contract research organizations are aware of the

need in the biomarker services and could pose a significant threat when they decide to offer the services and become direct competition. Continued investment in people, technology and logistics is designed to support the Group's competitive position. 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.

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 the strategy as some competitors already have this capability.

Intellectual property and trade secrets

There can be no assurance that competitors and future potential competitors have not or will not develop substantially equivalent technologies and know how or unique competitive technologies and know how.

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.

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.

The primary risks arising from the Group's financial instruments are credit risk and liquidity risk. The directors review and agree on policies for managing each of these risks and they can be found in note 19.

Directors and their interests

The list of directors (and their families) who served during the year ended 31 December 2008 is detailed in the Directors' Remuneration Report on pages 14 and 15.

Substantial shareholders

At 31 March 2009 the following had notified the Company of a disclosable interest in 3% or more of the nominal value of the Company's ordinary shares.

Name	0.1p ordinary shares	%
Fortis Banque Luxembourg	1,274,167,000	50.0
Perfekt Beteiligungsmanagement GmbH	291,770,806	11.5
DZ Bank Luxembourg	180,000,000	7.1
OAR Kommunikations- und Outsourcing-Beratungsgesellschaft mbH	116,312,427	4.6
The Create East of England Partnership	112,930,756	4.4

Supplier payment policy

Whilst it does not follow any specific published code or standard, the Group and Company's policy concerning the payment of suppliers is to agree terms of payment at the start of business with each supplier. The number of days' purchases outstanding for payment at 31 December 2008 was 38 days (2007: 33 days)

Employee involvement

The Group recognises its responsibilities towards keeping employees informed of matters affecting the Group and their role as employees including significant initiatives and economic factors affecting the performance of the Group. To this end consultations take place at appropriate times throughout the year with employees.

Disabled employees

The Group recognises its obligations towards disabled individuals and endeavours to provide employment where possible having regard to the physical demands of the Group's operations and the abilities of the disabled persons. In the event employees become disabled, every effort is made to retrain them in order that their employment with the Group may continue. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

Funding

On three separate occasions during the year the Company undertook a share placing of Ordinary Shares that raised approximately \$4.44 million after expenses. Refer to Called up Share Capital notes pages 42 - 43.

Subsequent to the year end the Company has entered into a convertible loan agreement with Peter Ertel pursuant to which the group is to be provided with a total of £270,000. The terms of the loan include a coupon of 12% pa and the loan is repayable on 7 days' notice. Subject to the necessary resolutions being passed at the Company's 2009 Annual General Meeting to increase its share capital and to obtain the necessary authorities to allot shares, the loan (plus interest) shall be convertible, at the lender's option and within 2 business days following the AGM, into ordinary shares in the Company at a price of 0.1p per share plus one warrant for every share issued, with the warrants being exercisable for 3 years from the date of grant. If the conversion right is not exercised, then the other terms of the loan will continue, unless otherwise agreed between the Company and the lender.

The Company has also placed 500,000,000 ordinary shares of 0.1 pence each (the "Placing Shares") with an existing shareholder in the Company (the "Placing"). 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 will grant a warrant over 1 ordinary share of 0.1 pence each (the "Ordinary Shares") with an exercise price of 0.1 pence per share. Accordingly, warrants over 500,000,000 Ordinary Shares will be granted pursuant to the Placing. The Warrants shall be exercisable for 3 years from the date of grant.

Following the Placing, the Company will have in issue 3,046,978,644 Ordinary Shares. The Placing Shares will represent 16.41 per cent of the enlarged issued share capital immediately following the issue of the Placing Shares and will rank pari passu in all respects with the existing Ordinary Shares. The Placing Shares are being subscribed for by Family Trust Select - FIS - Teilfonds Zeus, a Luxembourg fund managed Family Trust Management S.a.r.l. (the "Family Trust Select"). On completion of the Placing, Family Trust Select will hold 58.23% of the then issued share capital of the Company and if Family Trust Select was to immediately exercise all of the warrants it holds after the Placing, it would hold 63.1% of the then issued share capital of the Company.

As the Company is not centrally managed and controlled in the UK, Channel Islands or Isle of Man, it is not subject to the City Code on Takeovers and Mergers ("City Code"). Accordingly the Placing is not subject to the City Code. Investors should be aware that they are not afforded the protections of the City Code.

Application has been made for the Placing Shares to be admitted to trading on the AIM market of the London Stock Exchange and admission of the shares is expected to be on 3 July 2009. The warrants will not be admitted to trading on AIM. The Placing Shares and any new Ordinary Shares to be issued upon exercise of the warrants will rank pari passu with the existing Ordinary Shares of the Company.

Going concern

The nature and stage of the Group's business are such that there can be considerable unpredictable variations in the timing of cash inflows. The Group's plans for growth may necessitate alternative funding levels and the directors constantly review the need for such additional funds. The directors have prepared projected cash flow information, which incorporates their best estimate of the timing and value of sales revenue and consequential external funding requirements. The directors have commitment from the substantial shareholders for additional funding as needed according to these forecasted budgets. On the basis of these forecasts the directors expect the Group to continue to meet its liabilities as they fall due. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements. This assumes that required levels of sales revenue and forecast external funding are achieved by the Group. The financial statements do not include any adjustments that would result should the Group not generate forecast sales revenue or raise adequate funding.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Directors' responsibilities for the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements for the Group accounts under IFRS as adopted by the EU and elected to prepare the financial statements for the Company in accordance

with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the Group and of the profit or loss of the Group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable International Financial Reporting Standards for Group purposes and United Kingdom Accounting Standards for Company purposes have been followed subject to material departures disclosed and explained in the financial statements ; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business:

Research and development

In 2008, the biomarker products, services and processes were further developed and continuously improved through internal R&D efforts. There were also numerous projects that were collaboratively completed in order to generate data for marketing and literature.

Closure of UK site and business

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.

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 licence of the technology and an asset and liability transfer that enabled NextGen to accept and recognise revenues from existing customer orders. This allowed revenue recognition for the Group of £0.3m in 2008 with an ongoing project which is expected to recognise a further £0.9m in H1 2009. eXeTek will receive £0.2m in cash in the liability and asset transfer leaving the Nextgen with a £0.6m net cash profit. As part of the deal NextGen acquired a 24% stake in eXeTek and will receive 5% royalty on sales for three years. The automation and software business unit in 2007 recognised a total of £424,000 with a gross margin of 49%. eXeTek is led by two former NextGen employees, Stephen Woodall and Stuart Hill.

The company also finalized the divestiture of its electrophoresis business unit in early 2009.

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

The company moved its headquarters from the UK to its Ann Arbor, Michigan, USA facility and changed its reporting currency to the US dollar.

Post Balance Sheet Event

On February 6, 2009 the company sold its electrophoresis business to Sigma Aldrich Corporation, St. Louis, Missouri (NASDAQ: SIAL) for \$0.56m in cash, of which \$0.179m was assets and an 8% royalty on global sales for three years payable in cash. The rights, design and expertise for the electrophoresis technology was sold, however, the right to use this technology in its fee-for-service biomarker business and for its own in-house research was retained.

The results for the electrophoresis business unit are included in discontinued operations.

Auditors

The auditors, Grant Thornton UK LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment as auditors in accordance with section 489 of the Companies Act 2006 will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD

Dr. Michael R. Pisano
Chief Executive Officer
29 June 2009

Corporate governance

The Board take their corporate governance responsibilities seriously, and the following statements set out the principles and methods to which they adhere.

The Board

The Board comprised throughout 2008, two executive directors and three non-executive directors. The Group recognises the benefit of non-executive directors who bring independent judgement on issues of strategy, resources, performance and standards of conduct. The Board meets regularly and has adopted a schedule of matters specifically reserved for its approval or review, including strategic operating plans, annual operating budgets, major capital expenditure and financial performance.

Management reports are produced monthly and distributed in advance of the Board meetings and include strategy papers and summaries of the key features of the Group's financial position and operating performance.

Remuneration Committee

The Remuneration Committee comprises the non-executive directors and is under the chairmanship of Mr K Rosenau. It meets and approves the remuneration and terms and conditions of employment for the executive directors. Share option scheme plans are reviewed and approved by the committee.

Audit Committee

The audit committee comprises the non-executive directors and is under the chairmanship of Mr K Rosenau. It meets at least twice a year to review the draft interim and full accounts. It discusses the scope and planning of the audit with the auditors before the audit and agrees to their remuneration.

Specific responsibilities also include the reviewing of effectiveness of internal controls; reviewing the scope and results of the external audit; and the reviewing of key management judgements and risk assessments.

Directors' Remuneration

Details of the directors' remuneration policy and related disclosures are contained in the Directors' Remuneration Report on pages 14 to 15.

Internal Control

The directors are responsible for the system of internal control and reviewing its effectiveness. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The key elements of the Group's system of internal control are as follows:

- The Board has adopted a risk-based approach to establishing the system of internal control. The risk management approach is used to focus available resources on the Group's most significant areas of risk and to determine key control objectives. In particular the processes for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed and have been reviewed.
- The executive directors are closely involved in the management of the business at a detailed level. This is supported by reviews of daily, weekly and monthly detailed analyses of the performance of the business.
- Detailed annual budgets are prepared, reviewed in detail and agreed by the Board and actual performance is reported against these budgets on a regular basis. Major commercial, technological and financial risks are assessed as part of this process.
- The Group has established controls and procedures over the security of the data held on its computer systems.

The Group has in place an organisational structure with clearly defined lines of responsibility, delegation of authority and reporting requirements.

Directors' remuneration report

Procedures for developing policy and fixing remuneration

The Committee consists of the non-executive directors, and is chaired by Mr K Rosenau.

Policy on executive directors' remuneration

The Group's policy is to attract, motivate and retain high calibre individuals and to reward them for enhancing shareholder value.

The implementation of this policy is achieved by:

- An annual review of the salaries for the executive directors.
- Periodic review of other benefits such as the provision of company cars and medical insurance.
- Where considered appropriate, the participation in an annual bonus scheme based on the achievement of profit and individual performance targets.
- Where considered appropriate, the provision of share options.
- A contribution of 5% of basic salary to the company pension scheme or a personal pension scheme held by the relevant executive director.

Service contracts

The service agreement with Dr Michael Pisano is terminable by the Director on not less than 3 months notice in writing and 3 months by the Company. The service agreement with Frank Matthäi is terminable by the Director on not less than 2 months notice in writing and 2 months by the Company.

In addition to his salary, Dr Michael Pisano is entitled to private medical cover and pension contributions outlined above.

The Non-executive Directors' contracts for provision of services are terminable based on two months notice by either party. Their level of remuneration is determined by the Board based on the level of fees paid to non-executive directors of similar companies.

DIRECTOR'S REMUNERATION

	Salary	Benefits	2008 Total (exc.pension)	2007 Total (exc.pension)	2008 Pension	2007 Pension
	\$	\$	\$	\$	\$	\$
F Matthäi	117,424	-	117,424	73,983	-	-
K G Rosenau	40,998	-	40,998	30,084	-	-
M Pisano	230,911	10,377	241,288	79,139	8,792	2,204
J Neerman	27,848	-	27,848	14,264	-	-
T Borcholte	27,848	-	27,848	14,264	-	-
P A Rhatigan (resigned 8 November 2007)				51,101		-
J G Heffernan (resigned 31 August 2007)				222,741		47,946
D J Wigley (resigned 5 September 2007)				194,996		28,119
K O'Donovan (resigned 8 November 2007)				30,660		-
S Barton (resigned 7 November 2007)				96,015		2,395
	445,029	10,377	455,406	807,246	8,792	80,664

All of the Directors were paid by NextGen Group PLC with the exception of M Pisano who was paid by NextGen Inc. The charges of the Directors are borne by the Company who makes the payment.

Directors' Interests

The interests of the directors and their families in the shares of the Company were as follows:

	31 Dec 2008	31 Dec 2007
F Matthäi (i)	3,127,750	3,127,750
K G Rosenau (ii)	116,312,427	116,312,427
M Pisano	3,309,869	3,309,869

- (i) 1,877,750 of the ordinary shares are registered in the name of Frank Matthäi. 1,450,000 ordinary shares are held on trust for an unrelated third party.
- (ii) These shares are registered in the name of OAR, a company which is wholly owned by K G Rosenau's mother and of which he is a director and includes 5,772,388 ordinary shares which are held on trust for a third party.

Share options

Options and warrants to subscribe for Ordinary Shares of 0.1p each

	31 Dec 2008	Exercise Price	Expiry Date	Date granted
K G Rosenau	2,000,000	£0.030	10 Feb 2011	10 Feb 2006
F Matthäi	2,000,000	£0.030	10 Feb 2011	10 Feb 2006
F Matthäi	2,000,000	£0.030	10 Feb 2011	12 Oct 2007

Save as set out above, no share options or warrants to subscribe for shares in any other body corporate in the Group were granted to or exercised by a director or his immediate family in the year ended 31 December 2008.

Independent auditor's report

To the members of NextGen Group plc

We have audited the Group financial statements (the “financial statements”) of NextGen Group plc for the year ended 31 December 2008, which comprise the principal accounting policies, Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of NextGen Group plc for the year ended 31 December 2008. That report is modified by the inclusion of an emphasis of matter.

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 auditors

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group 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 Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chief Executive Officer's Report that is cross referred from the future developments section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chief Executive Officer's Report, the Directors' Report, the Corporate Governance Statement and the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

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 Group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group'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 Group 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 Group financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Group financial statements.

Emphasis of matter - Going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the Group's ability to continue as a going concern and meet its liabilities as they fall due. The Group incurred a loss after taxation for the year of \$3,039,571. As explained in Note 1, the financial statements have been prepared on the going concern basis, the validity of which depends on receipt of orders and the related sales revenue or injection of funds into the business from further fundraising. These conditions indicate the existence of material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

**GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

29 June 2009

Principal accounting policies

General information

Nextgen Group plc is incorporated in the United Kingdom under the Companies Act 1985. The Company is domiciled in the United Kingdom. The address of the registered office of the Company is given on page 1. The functional currency of the Company has not changed from Sterling to US dollars.

Basis of Preparation

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and with the Companies Act 1985.

The accounts are prepared under the historical cost convention. A summary of the significant Group accounting policies adopted in the preparation of the financial statements is set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Going concern

The Group financial statements have been prepared on a going concern basis, as explained in Note 1.

Basis of consolidation

The Group financial statements consolidate the financial statements of Nextgen Group Plc, Nextgen Sciences Limited and Nextgen Sciences Inc. (collectively the “Group”), drawn up to 31 December each year.

Acquisitions of subsidiaries are dealt with by the acquisition method of accounting. All inter-company balances and transactions have been eliminated on consolidation.

Net results from discontinued operations

A discontinued operation is a component of the entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

The results from discontinued operations, including prior year components of profit or loss, are presented in a single amount in the income statement.

Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding VAT and trade discounts. Revenue is recognised upon the performance of services or transfer of risk to the customer, that is, when the contracted services have been fulfilled. Where completion of a sale is conditional upon customer acceptance, recognition is deferred until such acceptance is received.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods which is generally when goods are shipped,
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the Group, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue for product services is recognised over the period during which the service is provided. Where service and upgrades are included in the price of the product, they are unbundled and treated separately for purposes of revenue recognition. Revenue for product services is recognised either at completion of the service or upon reaching a specific stage of completion that has been agreed in advance.

Research and development

Research costs are recognised as expenses in the period in which they are incurred.

Development costs are also expensed in the period in which they are incurred unless they satisfy the criteria as set out in IAS 38 “Intangible Assets”, in which case they are capitalised as an intangible asset. The Group capitalises development costs upon demonstration of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete the intangible asset and use or sell it.
- Its ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate resources to complete the development and to use the asset.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Goodwill

Goodwill (being the difference between the fair value of consideration paid for new interests in group companies and the fair value of the Group’s share of their net identifiable assets and contingent liabilities at the date of acquisition) is capitalised. Goodwill is not amortised, but is subject to an annual review for impairment (or more frequently if necessary). Any impairment is charged to the income statement as it arises.

Property, plant and equipment

Property, plant and equipment are stated at historical cost, net of depreciation and impairment. Depreciation is calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life as follows:

Plant, machinery and office equipment	3 years
Fixtures and fittings	1 to 5 years
Computer equipment	3 years
Motor Vehicles	3 years

Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment testing of goodwill, other intangible assets and property, plant and equipment

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Lease and hire purchase commitments

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as property, plant and equipment and are depreciated over the shorter of the term of the lease and their expected useful lives. The capital element of future lease obligations are recorded as liabilities, while the finance element is charged to the income statement over the period of the lease so as to produce a constant rate of charge on the balance of the capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful economic lives.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises actual cost paid or payable. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow moving or defective items where appropriate.

Pension and similar obligations

The Group operates a defined contribution scheme under which the amount charged to the income statement is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as payables in the balance sheet.

Current and deferred taxation

Current tax is the tax currently payable or receivable on the result for the period.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Current and deferred taxation (continued)

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Foreign currency

Functional and presentational currency

The Group's consolidated financial statements are presented in US dollars, the functional currency of the Group, being the currency of the primary economic environment in which the Group operates.

Transactions, balances and foreign subsidiaries

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise.

The assets and liabilities in the financial statements of foreign subsidiaries and related goodwill are translated into the group presentational currency at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the actual rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to the "Foreign currency translation reserve" in equity. On disposal of a foreign operation the cumulative translation differences (including, if applicable, gains and losses on related hedges) are transferred to the income statement as part of the gain or loss on disposal.

The Group has taken advantage of the exemption in IFRS 1 and has deemed cumulative translation differences for all foreign operations to be nil at the date of transition to IFRS. The gain or loss on disposal of these operations excludes translation differences that arose before the date of transition to IFRS and includes later translation differences.

Share based payments

The group operates an equity-settled share-based compensation plan. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.

The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

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

Equity

Equity comprises the following:

“Share capital” represents the nominal value of equity share.

“Share premium” represents the excess over nominal value of the fair value of the consideration received for equity shares, net of expenses of the share issue.

“Merger reserve” is a reserve arising from the merger accounting of NextGen Sciences Limited on acquisition by NextGen Group Plc.

“Foreign currency translation reserve” represents the differences arising from translation of investments in overseas subsidiaries.

“Other reserves” includes equity-settled share based employee remuneration until such share options are exercised and gains.

“Profit and loss account” represents accumulated losses.

“Merger Relief Reserve” represents excess raised over the nominal value of the share capital issued on acquisition of the US business, PRS Inc.

Financial Assets

Financial assets are divided into the following categories: loans and receivables; financial assets at fair value through profit or loss; available-for-sale financial assets; and held-to-maturity investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables and cash balances are classified as loans and receivables. These are measured, subsequent to initial recognition at fair value, at amortised cost using the effective interest rate method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision is made against trade receivables where there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities include borrowings, trade and other payables which are measured initially at fair value and subsequently at amortised cost using the effective interest method.

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

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the income statement. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where contractual terms of a financial instrument do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Provisions

Provisions are recognised when either a legal or constructive obligation, as a result of a past event, exists at the balance sheet date and where the amount of the obligation can be reliably estimated.

Estimation techniques

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated accounts are disclosed below. These estimates and judgements are regularly reviewed and updated as necessary.

Income taxes

In determining the Group provisions for income tax and deferred tax it is necessary to consider transactions in a small number of key tax jurisdictions for which the ultimate tax determination is uncertain. The group has not recognised a deferred tax asset because with the current restructure of the business, reallocation of the economic benefit of the Group's past trading losses is uncertain.

Inventory

Inventories are stated at the lower of cost and net realisable value, with due allowance for excess, obsolete or slow moving items which are dependent on estimates of future revenues and margins of the inventories.

Trade receivables

Trade receivables are stated after deducting an adequate provision for doubtful debts which is dependent on estimates of the recoverability of the receivables.

Share options

The fair value of options is measured using a Black-Scholes option valuation model which requires estimates including factors such as the volatility of share price, dividend yield and the risk free interest rate.

Impairment of non-current assets

Impairment reviews in respect of goodwill is performed at least annually. More regular reviews are performed on all non-current assets if events indicate that this is necessary. Examples of such triggering events would include a significant planned restructuring, a major change in market conditions or technology, expectations of future operating losses, or negative cash flows.

The recoverable amounts of cash-generating units are determined based on the higher of realisable value and value-in-use calculations. These calculations require the use of estimates.

Deferred consideration

Goodwill is calculated with regard to the value of consideration of an acquisition. Deferred consideration is calculated on an earn-out basis subject to meeting certain revenue targets. This calculation requires estimates of whether the revenue targets will be met which are, by their nature, uncertain.

Recent accounting developments

The Standards and Interpretations in issue but not yet effective for the year ending 31 December 2008 are listed below. The Group has not adopted these early.

Number	Title	Effective
IAS 1	Presentation of Financial Statements (revised 2007) - Statement of Changes in Equity will no longer be presented as a primary statement	1 January 2009
IAS 23	Borrowing Costs (revised 2007)	1 January 2009
IAS 32 (Amendment)	Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial instruments and Obligations Arising on Liquidation	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (revised 2007)	1 July 2009
IFRS 2 (Amendment)	Share-based Payment - Vesting Conditions and Cancellations	1 January 2009
IFRS 1 (Amendment)	First-time Adoption of international Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements - Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
IAS 39 (Amendment)	Financial Instruments: Recognition and Measurement - Eligible Hedged Items	1 July 2009
IFRS 3	Business Combinations (revised 2008)	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16	Hedges of a Net Investment in a foreign Operation	1 October 2008
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009
IFRIC 18	Transfers of Assets from Customers	From 1 July 2009

The only impact on the preparation of the financial standards of the Group is expected to be from the adoption of IAS 1.

IAS 1, Presentation of Financial Statements (revised 2007), will result in changes to the presentation of the Group's financial statements as the format currently adopted for the Statement of Recognised Income and Expense will no longer be permitted. Instead, the Group will present a Statement of Comprehensive Income combining the existing Income Statement with other income and expenses currently presented as part of the Statement of Recognised Income and Expense. In addition, the Group will present a separate Statement of Changes in Equity showing owner changes in equity.

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 \$	2007(i) \$
Revenue			
	2	1,751,170	1,785,813
Cost of sales		(39,046)	(228,823)
Gross profit		1,712,124	1,556,990
Other operating charges		(4,908,411)	(3,929,665)
Operating loss	3	(3,196,287)	(2,372,675)
Finance income		101	328
Finance costs	4	(103,341)	(29,482)
Loss before taxation		(3,299,527)	(2,401,829)
Income tax income / expense	7	-	(1,021)
Loss after taxation		(3,299,527)	(2,402,850)
Profit/Loss of discontinued operations	2	259,956	(4,253,587)
Net loss attributable to shareholders' equity		(3,039,571)	(6,656,437)
Basic loss per share	9	0.16c	0.66c
Basic loss per share from continuing operations	9	0.18c	0.24c

(i) Comparative period figures have been restated following a change in presentational currency from UK pounds to US dollars with effect from 1 July 2008. See note under principal accounting policies on page 18.

Consolidated statement of recognised income and expense

For the year ended 31 December 2008

	Note	2008 \$	2007(i) \$
Currency retranslation gains/(losses) recognised directly in equity		(804,202)	(59,189)
Net loss attributable to shareholders' equity		(3,039,571)	(6,656,437)
<hr/>			
Total recognised income and expense attributable to shareholders' equity	23	(3,843,773)	(6,715,626)

(i) Comparative period figures have been restated following a change in presentational currency from UK pounds to US dollars with effect from 1 July 2008. See note under principal accounting policies on page 18.

Consolidated Balance Sheet

At 31 December 2008

	Note	2008 \$	2007(i) \$
Non-current assets			
Goodwill	10	1,015,724	1,015,724
Property plant and equipment	11	615,036	1,087,400
Investment	12	35	-
		<u>1,630,795</u>	<u>2,103,124</u>
Current assets			
Inventories	13	335,239	158,035
Trade and other receivables	14	474,093	441,261
Cash and cash equivalents	15	251,344	257,064
		<u>1,060,676</u>	<u>856,360</u>
Total assets		<u>2,691,471</u>	<u>2,959,484</u>
Equity			
Called up share capital	23	4,646,784	2,606,673
Share premium account	23	10,276,362	7,894,031
Merger relief reserve	23	109,385	109,385
Merger reserve	23	9,917,065	9,917,065
Other reserves	23	938,329	937,704
Foreign currency translation reserve	23	(706,825)	97,377
Profit and loss account	23	(24,980,162)	(22,041,171)
Equity shareholders' funds		<u>200,938</u>	<u>(478,936)</u>
Liabilities			
Non-current liabilities			
Financial liabilities	17	291,257	677,522
Current liabilities			
Trade payables and other current liabilities	16	1,860,521	2,213,039
Financial liabilities	17	331,165	398,712
Provisions	18	7,590	149,147
		<u>2,199,276</u>	<u>2,760,898</u>
Total liabilities		<u>2,490,533</u>	<u>3,438,420</u>
Total equity and liabilities		<u>2,691,471</u>	<u>2,959,484</u>

(i) Comparative period figures have been restated following a change in presentational currency from UK pounds to US dollars with effect from 1 July 2008. See note under principal accounting policies on page 18.

The accompanying accounting policies and notes are an integral part of these financial statements. The financial statements were approved by the Board of Directors on 29 June 2009.

Dr Michael Pisano
Director

Frank Matthäi
Director

Consolidated cash flow statement

For the year ended 31 December 2008

	Note	2008 \$	2007(i) \$
Cash flows from operating activities	24	(4,185,632)	(4,542,735)
Taxation received		152,552	221,571
Net cash flow from operating activities		(4,033,080)	(4,321,164)
Cash flows from investing activities			
Interest received		490	727
Purchase of property, plant and equipment		(13,873)	(321,529)
Purchase of investment in associate undertaking		(35)	-
Sale of property, plant and equipment		189,943	25,001
Net cash flow from investing activities		176,525	(295,801)
Cash flows from financing activities			
Interest paid		(11,207)	(45,639)
Finance lease interest paid		(106,590)	(45,875)
Repayment of borrowing		(31,033)	(122,608)
Capital element of finance lease rentals		(422,779)	(146,564)
Issue of shares/debentures		4,422,443	5,033,387
Net cash flow from financing activities		3,850,834	4,672,701
Net (decrease)/increase in cash and cash equivalents		(5,721)	61,736
Cash and cash equivalents at the beginning of the year		257,065	195,329
Cash and cash equivalents at the end of the year	15	251,344	257,065

(i) Comparative period figures have been restated following a change in presentational currency from UK pounds to US dollars with effect from 1 July 2008. See note under principal accounting policies on page 18.

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

Notes to the consolidated accounts

1. GOING CONCERN

The financial statements have been prepared on a going concern basis, which assumes that the Group will continue to trade for the foreseeable future. During the year the Group incurred losses after taxation of \$3,039,571 and had an accumulated profit and loss account loss of \$24,980,162 at 31 December 2008.

The nature and stage of the Group's business are such that substantial losses have been incurred and there can be considerable unpredictable variations in the timing of cash inflows. Significant steps have been taken to reduce the cost base of the company, including the closure of the UK operation and disposal of non-core businesses. The directors have prepared projected cash flow information, which incorporates their best estimate of the timing and value of sales revenue and consequential external funding requirements. The Directors are in the final stage of negotiations with the majority shareholders of Group to arrange further funding in order to support the continued operation and growth of the Group. The response of the investors in providing a convertible loan of \$400k since the year end gives the Directors confidence that these funds will be available and the group would receive these when necessary. On the basis of the anticipated additional funding and these forecasts the directors expect the Group to continue to meet its liabilities as they fall due. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements. This assumes that required levels of sales revenue and forecast external funding are achieved by the Group. The financial statements do not include any adjustments that would result should the Group not generate forecast sales revenue or raise adequate funding.

2. SEGMENT INFORMATION

(a) Primary reporting format – geographical segments

The Group determines its reportable segments based on the structure of the internal financial reports that are used by senior management for decision-making purposes and its primary segment reporting format is by geographical segment.

At 31 December 2008, the Group is organised into two main geographical segments which the directors consider are the most appropriate to explain the Group's activities. The segments are the United Kingdom and the United States of America.

2. SEGMENT INFORMATION(CONTINUED)

The analysis of revenue below is based on the country in which the customer is located.

The segment results are as follows:

	United Kingdom	United States	Total
2008	\$	\$	\$
Revenue	-	1,751,170	1,751,170
Operating loss	(1,607,076)	(1,589,211)	(3,196,287)
Net finance costs	(6,583)	(96,657)	(103,240)
Loss before taxation	(1,613,659)	(1,685,868)	(3,299,527)
Taxation			
Net loss			(3,299,527)
2007			
Revenue	-	1,785,813	1,785,813
Operating loss	(1,243,455)	(1,129,220)	(2,372,675)
Net finance costs		(29,154)	(29,154)
Loss before taxation	(1,243,455)	(1,158,374)	(2,401,829)
Taxation			(1,021)
Net loss			(2,402,850)

Total assets and capital expenditure are allocated based on where the assets are located.

Assets	United Kingdom	United States	Total
2008	\$	\$	\$
Segment assets	472,897	1,967,230	2,440,127
Corporate assets:			
Cash and cash equivalents			251,344
Total assets			2,691,471
2007			
Segment assets	467,381	2,235,039	2,702,420
Corporate assets:			
Cash and cash equivalents			257,064
Total assets			2,959,484

2. SEGMENT INFORMATION(CONTINUED)

Liabilities	United Kingdom \$	United States \$	Total \$
2008			
Segment liabilities	1,524,214	966,319	2,490,533
Corporate liabilities:			
Borrowings			-
Total liabilities			2,490,533
2007			
Segment liabilities	1,849,230	1,558,157	3,407,387
Corporate liabilities:			
Borrowings			31,033
Total liabilities			3,438,420
Capital expenditure			
2008	393	13,480	13,873
2007	128,140	1,125,402	1,253,542
Depreciation of property, plant and equipment			
2008	31,239	440,855	472,094
2007	147,237	322,864	470,101
Amortisation of finite-lived intangible assets			
2008	-	-	-
2007	9,400	-	9,400
Impairment of property, plant and equipment			
2008	-	-	-
2007	173,224	-	173,224
Impairment of finite-lived intangible assets			
2008	-	-	-
2007	43,877	-	43,877

(b) Secondary reporting format – business segments

The Group business segments operate in four main business segments, principally Proteomic services, Instrumentation, Contract express and Consumables.

Revenues for instrumentation are recognized after the instrument has been shipped, installed and accepted. Services revenue are recognized after the completion of services which is noted by the delivery of a report. Consumables revenue are recognized after shipment of the order. Contract express revenues are recognized after the delivery of the recombinant proteins and the report.

Proteomic services includes analytical services, biomarker discovery and assay development work;
Instrumentation includes expressionfactory, expressionworkstation both including orchestrator IMS software and the optimizer product;

Contract express comprises a gene cloning and protein expression service;

Consumables include a range of reagents and optigels used in 2D gel electrophoresis work.

2. SEGMENT INFORMATION(CONTINUED)

The business segment that will continue to operate is the Proteomic services business. This includes Analytical services and Biomarker services.

Revenue, assets and capital expenditure are allocated based on where the operations and assets are located.

	Proteomic services	Instrument- ation	Contract express	Consumables	Total
Revenue	\$	\$	\$	\$	\$
2008	1,191,940	1,588,558	420,711	438,621	3,639,830
2007	1,282,128	1,317,804	680,911	96,305	3,377,148
Assets	Proteomic services	Instrument- ation	Contract express	Consumables	Total
2008	\$	\$	\$	\$	\$
Segment assets	902,615	1,537,512	-	-	2,440,127
Corporate assets:					
Cash and cash equivalents					251,344
Tax receivable					
Total assets					2,691,471
2007					
Segment assets	2,128,832	245,296	312,535	15,757	2,702,420
Corporate assets:					
Cash and cash equivalents					257,064
Total assets					2,959,484
Capital expenditure					
2008	13,480	393			13,873
2007	1,125,404	75,577	52,561	-	1,253,542

(c) Third reporting format – discontinued operations

The Group decided to sell their software and automation UK-based business to close its protein production fee for service business unit and to wind down the a2d business.

Discontinued operations	2008	2007
	\$	\$
Turnover: discontinuing operations	1,891,798	1,591,335
Cost of sales	(973,114)	(1,250,058)
Gross profit	(914,746)	341,277
Operating costs: discontinuing operations	(793,275)	(4,533,232)
Operating loss	3 121,471	(4,191,955)
Finance income	389	399
Finance costs	4 (14,456)	(62,032)
Loss before taxation	107,404	(4,253,588)
Income tax income / expense	152,552	-
Loss of discontinued operations	259,956	(4,253,587)

3. OPERATING LOSS

The operating loss, including discontinued operations, is stated after charging:

	2008	2007
	\$	\$
Fees payable to the company's auditors for the audit of the company's annual report	41,771	52,145
Fees payable to the company's auditors for other services:		
Audit of the company's subsidiaries pursuant to legislation	18,565	42,118
Other services pursuant to legislation	3,713	34,095
Share based payments charge	101,205	722,700
Depreciation of property, plant and equipment	472,094	470,101
Amortisation of licences	-	9,400
Research and development expenditure	197,380	686,483
Foreign exchange losses/(gains)	1,003,940	10,722
Operating leases:		
Plant and machinery	254,743	4,693
Land and buildings	159,592	219,809

Inventory expenses recognised within cost of sales in the year amounted to \$811,548 (2007:\$939,331)

4. FINANCE COSTS

Finance costs during the year, including discontinued operations, were as follows:

	2008	2007
	\$	\$
Interest on bank loans and overdrafts	11,207	45,639
Interest on finance leases and hire purchase contracts	106,590	45,875
	117,797	91,514

5. STAFF COSTS

Staff costs during the year, including discontinued operations, were as follows:

	2008	2007
	\$	\$
Wages and salaries	2,793,651	4,092,730
Social security costs	110,993	308,754
Other pension costs	73,616	113,561
Share based remuneration charge	101,205	722,700
	3,079,465	5,237,745

The average number of employees of the Group during the year was:

	2008	2007
	Number	Number
Technical	18	25
Sales and marketing	5	11
Administration	7	6
	30	42

6. DIRECTORS' REMUNERATION

Remuneration in respect of directors was as follows:

	2008	2007
	\$	\$
Emoluments	455,406	662,839
Compensation for loss of office	-	144,403
Pension contributions to money purchase pension schemes	8,792	80,663
	464,198	887,905

	Number	Number
The number of directors who were members of a money purchase pension scheme during the year (at the year end 1; 2007: 1)	1	4
Highest paid director - emoluments	241,288	222,740
- pension costs	8,792	47,946
	250,080	270,686

Further details of the Directors' Remuneration and share options are given in the Directors' Remuneration Report.

7. TAXATION

The tax credit is based on the loss for the year and represents:

	2008	2007
	\$	\$
Loss before taxation: continued operations	(3,299,527)	(2,401,829)
Loss before taxation: discontinued operations	107,404	(4,253,587)
Total loss before taxation	(3,192,123)	(6,655,416)
Expected corporation tax on loss at 20.75% (2007:19.75%)	(662,567)	(1,314,445)
Effects of:		
Expenses not deductible for tax purposes	51,987	(43,891)
Difference between capital allowances and depreciation	(18,311)	45,244
Tax losses carried forward	631,040	1,624,837
Other temporary differences	(2,149)	(183)
Research and development tax credit	(152,552)	(164,804)
Rate differences	-	(145,737)
Total tax (credit)/charge for the year	(152,552)	1,021

Unrealised tax losses of approximately \$22,583 million (2007: approximately \$20 million) remain available to offset against future taxable trading profits. A deferred tax asset of approximately \$4,516,763 (2007: \$3,878,144) calculated at 20% (2007: 20%) in respect of trading losses has not been recognised as an asset as the future benefit cannot be determined at 31 December 2008.

8. DIVIDENDS

No dividends have been declared or paid in 2008 and 2007.

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

Reconciliation of the loss and weighted average number of shares used in the calculations are set out below:

	2008	2007
	\$	\$
Loss attributable to ordinary shareholders: continued operations	(3,229,327)	(2,401,829)
Loss attributable to ordinary shareholders: discontinued operations	259,956	(4,253,587)
Loss attributable to ordinary shareholders	(2,969,371)	(6,655,416)
Weighted average number of shares - basic	1,859,147,898	1,004,555,014
Weighted average number of shares - diluted	1,985,760,914	1,163,846,996
Basic	(0.16 cents)	(0.66 cents)
Continuing operating:		
Basic	(0.18 cents)	(0.24 cents)
Discounting operating:		
Basic	0.14 cents	(0.42 cents)
Diluted	0.13 cents	-

10. INTANGIBLE ASSETS

Intangible assets represent goodwill arising on the consolidation of former Proteomic Research Services Inc. now NextGen Sciences Inc. and a licence with Gene Oracle.

Cost	Goodwill	Licence	Total
	\$	\$	\$
At 1 January 2008	1,015,724	52,758	1,068,482
Exchange differences	-	(14,296)	(14,296)
At 31 December 2008	1,015,724	38,462	1,054,186
Amortisation			
At 1 January 2008	-	52,758	52,758
Impairment	-	-	-
Exchange differences	-	(14,296)	(14,296)
At 31 December 2008	-	38,462	38,462
Net book amount at 31 December 2008	1,015,724	-	1,015,724
Cost			
	\$	\$	\$
At 1 January 2007	1,015,724	52,241	1,067,965
Exchange differences	-	517	517
At 31 December 2007	1,015,724	52,758	1,068,482
Amortisation			
At 1 January 2007	-	-	-
Amortisation in the year	-	9,400	9,400
Impairment	-	43,877	43,877
Exchange differences	-	(519)	(519)
At 31 December 2007	-	52,758	52,758
Net book amount at 31 December 2007	1,015,724	-	1,015,724

Goodwill amortisation and impairment are included in other operating charges in the income statement.

Goodwill on the acquisition of Proteomic Research Services Inc. is represented by the assembled workforce, the synergies that the Group considers it gained by acquiring PRS, the speed to market that the Group gained by acquiring PRS rather than establishing its own similar operations and the modus operandi which generates profits.

10. INTANGIBLE ASSETS (CONTINUED)

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The goodwill arose on acquisition of Proteomic Research Services Inc (PRS), which is now operating as NextGen Sciences Inc. The goodwill is represented by the assembled workforce, the synergies that the Group considers it gained by acquiring PRS, the speed to market that the Group gained by acquiring PRS rather than establishing its own similar operations and the modus operandi which generates profits.

In assessing whether a write-down of goodwill is required, the carrying value of the cash generative unit (CGU) is compared with its recoverable amount. The recoverable amount of goodwill has been determined on a value in use calculation using cash flow forecasts based on projected future trading, discounted to arrive at a net present value.

The goodwill has been entirely allocated to US operations of NextGen Sciences Inc, which is the CGU. The cash flow forecasts are not based on a conventional growth forecast model because management expects revenues to grow rapidly in the short-term, based on current anticipated order levels.

The key assumptions in the cash flow forecast are as follows:

- Revenues are determined by managements expectations of sales levels achievable based on their knowledge of current order levels, recent budget and forecasts for the next three years
- The forecast gross margin is based on existing manufacturing margins
- The expected increase in sales values is deliverable using the current infrastructure without significant investment in capital expenditure
- The pre-tax discount rate applied to the cash flow projections is 19% to reflect current market estimates of the value of money and the Groups weighted average cost of capital.

The sensitivity analysis performed on the cash flow forecasts has confirmed that the carrying value of the goodwill would still be exceeded by the net present value of the future cashflows if there was a reasonably possible change in the above key assumptions.

11. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery \$	Office equipment fixtures and fittings \$	Computer Equipment \$	Motor Vehicle \$	Total \$
Cost					
At 1 January 2008	3,452,408	175,145	723,358	58,971	4,409,882
Additions	3,947	-	9,926	-	13,873
Disposals	(1,327,202)	(125,503)	(381,661)	(55,123)	(1,889,489)
Exchange differences	(73,030)	(10,441)	(27,667)	(3,848)	(120,986)
At 31 December 2008	2,050,123	39,201	323,956	-	2,413,280
Depreciation					
At 1 January 2008	2,524,538	160,973	602,264	34,707	3,322,482
Provided in the year	421,600	6,799	43,695	-	472,094
Disposals	(1,324,486)	(120,568)	(378,262)	(55,125)	(1,878,441)
Reclassification	(88,163)	-	63,897	24,266	-
Exchange differences	(78,272)	(9,850)	(25,921)	(3,848)	(117,891)
At 31 December 2008	1,455,217	37,354	305,673	-	1,798,244
Net book amount at 31 December 2008	594,906	1,847	18,283	-	615,036
2007					
	Plant and machinery \$	Office equipment fixtures and fittings \$	Computer Equipment \$	Motor Vehicle \$	Total \$
Cost					
At 1 January 2007	2,741,283	133,874	341,309	58,392	3,274,858
Additions	1,162,211	9,023	82,308	-	1,253,542
Disposals	(128,362)	-	(2,692)	-	(131,054)
Reclassification	(333,593)	30,971	299,706	-	(2,916)
Exchange differences	10,869	1,277	2,727	579	15,452
At 31 December 2007	3,452,408	175,145	723,358	58,971	4,409,882
Depreciation					
At 1 January 2007	2,395,035	126,321	258,159	20,146	2,799,661
Provided in the year	362,722	7,484	85,393	14,502	470,101
Impairment	173,224	-	-	-	173,224
Disposals	(128,362)	-	(449)	-	(128,811)
Reclassification	(286,083)	25,955	257,212	-	(2,916)
Exchange differences	8,002	1,213	1,949	59	11,223
At 31 December 2007	2,524,538	160,973	602,264	34,707	3,322,482
Net book amount at 31 December 2007	927,870	14,172	121,094	24,264	1,087,400

12. INVESTMENT

On 1 December 2008 a 24% investment into eXeTek Limited was made.

	2008
	\$
Cost	35
<hr/>	
Net book value	35

13. INVENTORIES

	2008	2007
	\$	\$
Finished goods	335,239	158,035
<hr/>		
	335,239	158,035

14. TRADE AND OTHER RECEIVABLES

	2008	2007
	\$	\$
Trade receivables	198,610	192,723
Provision for doubtful receivables	(1,846)	(25,039)
VAT	2,979	5,498
Prepayments, accrued income and other receivables	274,350	268,079
<hr/>		
	474,093	441,261

The ageing analysis of trade receivables is as follows:

	2008	2007
	\$	\$
Less than 3 months	186,437	100,514
3 to 6 months	10,327	83,967
Over 6 months	1,846	8,242
<hr/>		
	198,610	192,723

15. CASH AND CASH EQUIVALENTS

	2008	2007
	\$	\$
Cash at bank and in hand	251,344	257,064

16. TRADE AND OTHER PAYABLES

	2008	2007
	\$	\$
Trade payables	662,300	505,542
Social security and sundry taxes	21,804	65,551
Other payables	68,071	455,816
Accruals and deferred income	1,108,346	1,186,130
	1,860,521	2,213,039

The ageing analysis of trade payables is as follows:

	2008	2007
	\$	\$
Less than 3 months	513,084	446,916
3 to 6 months	149,217	45,790
Over 6 months	-	12,836
	662,300	505,542

17. FINANCIAL LIABILITIES

	2008	2007
	\$	\$
Current		
Bank loans	-	31,033
Finance leases	331,165	367,679
	331,165	398,712
Non-current		
Finance leases	291,256	677,522
	622,422	1,076,234

All non-current finance leases mature between two and five years from the balance sheet date.

There are no material differences between the total of the future minimum lease payments and their present values of the finance leases at either year end.

The finance leases do not contain any unusual clauses or arrangements such as purchase options.

18. PROVISIONS

Provisions comprise warranty provisions due within one year as follows:

	\$
At 1 January 2008	149,147
Charged/(credited) to the income statement:	
Additional provisions	127,578
Recognised against profits	(269,135)
At 31 December 2008	7,590

The Group has not applied discounting to the calculation of the provision.

19. FINANCIAL INSTRUMENTS AND TREASURY RISK MANAGEMENT

Financial instruments in the Group comprise borrowings as follows:

Borrowing facility

An overdraft facility was not available at 31 December 2008 (2007: \$397,220). The interest rate was 4 per cent per annum above the Barclays base rate. The amount drawn down on this facility at 31 December 2007 was nil. The facility was secured over trade receivables of the Group.

Classification and fair values of financial assets and liabilities

The table sets out the Group's accounting classification of each class of financial asset and financial liability. The directors consider that the carrying value of financial assets and liabilities represent their fair value.

\$	Loans and receivables	
	2008	2007
Financial assets		
Trade receivables	198,610	192,723
Provision for doubtful receivables	(1,846)	(25,039)
Cash and cash equivalents	251,344	257,064
Total financial assets	448,108	424,748
	Other financial liabilities	
	2008	2007
Financial liabilities		
Current liabilities		
Trade payables	662,300	505,542
Other payables	68,071	455,816
Accruals	209,131	649,099
Bank loans	-	31,033
Total financial liabilities	939,502	1,641,490
Net financial liabilities	(491,394)	(1,216,742)

Treasury risk management

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and currency risk. The directors review and agree policies for managing each of these risks and they are summarised below:

Interest rate risk – the Group finances its operations through a mixture of bank borrowings and leasing. The Group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities. For obligation under a bank loan, the fixed rate interest rate is 7.6% (2007: 7.6%). For obligation under finances leases, the weighted average fixed interest rate is 10.1% (2007: 10.1%), and the weighted average period for which the rate is fixed is 1.88 years (2007: 2.74 years). The income statement sensitivity to changes in interest rates on the variable rate overdraft facility (say 1%) is \$1,559 (2007: \$2,975). The income statement sensitivity to changes in interest rates on the variable rate bank deposits (say 1%) is \$271.21 (2007: \$nil).

19. FINANCIAL INSTRUMENTS AND TREASURY RISK MANAGEMENT(CONTINUED)

Liquidity risk – the Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Surplus cash is invested in overnight deposit accounts.

Currency risk – the Group is exposed to translation and transaction foreign exchange risk primarily from inter-company transactions between its UK and US companies. The note below shows the extent to which Group companies have monetary assets and liabilities other than their local currency. Foreign exchange differences on retranslation of those assets and liabilities are taken to the income statement of the Group companies and the Group.

Net foreign currency monetary (liabilities)/assets:

Financial liabilities, in the form of finance leases, denominated in pounds sterling (GBP) at 31 December 2008 amounted to \$38,311 (2007: \$179,059). The income statement sensitivity to changes in US exchange rates (Approx. 5%) is \$(1,916) (2007: \$(8,953)).

Credit risk - The principal credit risk arises from the Group's trade receivables. In order to manage credit risk the directors review the potential customer's organisation type, for example; pharmaceutical company, university or research company and the prospect of cash collection within the agreed payment terms.

The credit risk for liquid funds is considered negligible since the counterparties are reputable banks with high credit ratings.

20. DEFERRED TAXATION

No deferred taxation is provided for at 31 December 2008 (2007: nil). Deferred taxation, which has not been provided for in the financial statements, is set out below.

	2008	2007
	\$	\$
Tax losses carried forward	4,516,763	3,878,144
Unprovided deferred tax asset	4,516,763	3,878,144

21. CALLED UP SHARE CAPITAL

	2008	2007
	\$	\$
Authorised		
2,000,000,000 Ordinary Shares of 0.1p each	3,441,600	3,441,600
Allotted, called up and fully paid		
2,546,978,644 (2007: 1,394,752,584) Ordinary Shares of 0.1p each	4,646,784	2,606,673

21. CALLED UP SHARE CAPITAL(CONTINUED)

Share Placing

On 20 January 2008 2,892,726 ordinary shares with an aggregate nominal value of \$5,658 were issued raising \$41,072 after expenses.

On 1 April 2008 500,000,000 ordinary shares with an aggregate nominal value of \$991,000 were issued raising \$2,824,350 after expenses.

On 22 May 2008 13,333,334 ordinary shares with an aggregate nominal value of \$26,226 were issued raising \$78,684 after expenses.

On 17 October 2008 210,000,000 ordinary shares with an aggregate nominal value of \$362,250 were issued raising \$516,206 after expenses.

On 1 December 2008 426,000,000 ordinary shares with an aggregate nominal value of \$654,975 were issued raising \$982,463 after expenses.

22. SHARE OPTIONS

The following share options were outstanding over 0.1p ordinary shares in respect of NextGen Group Plc share option schemes.

	Date of grant	Expiry date	No of options	Exercise price
12 Dec 2001		12 Dec 2011	580,000	£0.1034
16 Apr 2003		16 Apr 2013	324,249	£0.0010
16 Apr 2003		16 Apr 2013	1,038,838	£0.1034
16 Apr 2003		16 Apr 2013	324,249	£0.1724
3 Feb 2004		3 Feb 2014	60,407	£0.0010
3 Feb 2004		3 Feb 2014	68,469	£0.2759
23 Sep 2004		23 Sep 2014	1,977,539	£0.0276
9 Mar 2005		9 Mar 2015	1,448,550	£0.0276
31 Mar 2005		29 Mar 2010	57,449	£0.1034
6 Jul 2005		6 Jul 2010	53,882,348	£0.0010
7 Jul 2005		7 Jul 2010	43,877	£0.1034
10 Feb 2006		10 Feb 2011	2,000,000	£0.0300
10 Feb 2006		10 Feb 2011	8,095,012	£0.0425
12 Oct 2007		10 Feb 2011	2,000,000	£0.0300

IFRS 2 has been applied to share options granted on 10 February 2006 and 12 October 2007. All other options vested prior to 1 January 2006.

The right to exercise share options is subject in all cases to service conditions as specified in the detailed scheme rules. The market price of the 0.1p ordinary shares at 31 December 2008 was 0.14p (2007: 0.365p). The market price ranged from 0.4p to 0.08p during year (2007: 1.02p to 0.25p).

22. SHARE OPTIONS (CONTINUED)

At 31 December 2008, the Group had the following outstanding options and exercise prices:

	2008 Average exercise price per share	2008 Options	2008 Weighted average remaining contractual life	2007 Average exercise price per share	2007 Options	2007 Weighted average remaining contractual life
Expiry dates	£	No.	Months	£	No.	Months
2010	0.00119	53,983,674	18	0.00119	53,983,674	30
2011	0.04134	12,675,012	26	0.04169	14,104,522	38
2013	0.09698	1,687,336	52	0.09701	1,694,789	64
2014	0.03491	2,106,415	68	0.03449	2,235,581	80
2015	0.02760	1,448,550	74	0.02760	1,448,550	86
Total	0.01204	71,900,987	23	0.01271	73,467,116	35

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2008 Weighted average exercise price per share	2008 Options	2007 Weighted average exercise price per share	2007 Options
Outstanding at 31 December 2007	0.0245	73,467,116	0.0164	137,458,520
Number granted	-	-	-	-
Number lapsed	0.04363	(1,566,129)	0.0067	(63,991,404)
Outstanding at 31 December 2008	0.01204	71,900,987	0.01271	73,467,116

The inputs into the Black-Scholes option pricing model are as follows:

	2008 £	2007 £
Share price	0.01	0.01
Exercise price	0.0077-0.0425	0.0077-0.0425
Expected volatility	65.00%	65.00%
Expected life	3 years	3 years
Risk-free rate	4.17%	4.17%
Expected dividends	Nil	Nil

Expected volatility was determined by calculating the historical volatility of the new to AIM competitor companies. The expected life used in the model has been adjusted, based upon management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

23. STATEMENT OF CHANGES IN EQUITY

	Share capital \$	Share premium \$	Merger relief reserve \$	Merger reserve \$	Other reserves \$	Foreign currency translation reserve \$	Profit and loss \$	Total share- holders funds \$
At 1 January 2007	1,383,548	4,083,769	109,385	9,917,065	1,658,444	156,566	(16,828,174)	480,603
Allotments during the year	1,223,125	4,055,800	-	-	-	-	-	5,278,925
Share issue costs	-	(245,538)	-	-	-	-	-	(245,538)
Share based payments	-	-	-	-	(720,740)	-	1,443,440	722,700
Total recognised income and expense for the year	-	-	-	-	-	(59,189)	(6,656,437)	(6,715,626)
At 31 December 2007	2,606,673	7,894,031	109,385	9,917,065	937,704	97,377	(22,041,171)	(478,936)
Allotments during the year	2,040,111	2,677,207	-	-	-	-	-	4,717,318
Share issue costs	-	(294,876)	-	-	-	-	-	(294,876)
Share based payments	-	-	-	-	625	-	100,580	101,205
Total recognised income and expense for the year	-	-	-	-	-	(804,202)	(3,039,571)	(3,843,773)
At 31 December 2008	4,646,784	10,276,362	109,385	9,917,065	938,329	(706,825)	(24,980,162)	(200,938)

The share based payment amounts relate to a non-cash charge recorded against operating loss in respect of the fair value of options granted to employees.

24. NOTES TO THE CASH FLOW STATEMENT

	2008	2007
	\$	\$
Net loss	(3,039,571)	(6,656,437)
Taxation	(152,552)	1,021
Finance income	(490)	(727)
Finance cost	117,797	91,514
Depreciation of property, plant and equipment	472,094	470,101
Impairment of property, plant and equipment	-	173,224
Loss (Profit) on sale of property, plant and equipment	(178,895)	(22,758)
Amortisation of intangible assets	-	9,400
Impairment of intangible assets	-	43,877
Inventories	(177,204)	770,503
Trade and other current receivables	(32,832)	652,999
Trade payables and other current liabilities	(494,076)	(733,698)
Changes in working capital	(704,112)	689,804
Share option charge	101,205	722,700
Effect of exchange rate fluctuations	(801,108)	(64,454)
Cash flow from operating activities	(4,185,632)	(4,542,735)

25. RELATED PARTY TRANSACTIONS

Related party transactions during the period consisted of consultancy payments to Nanotecquity AG, a Company wholly owned by Klaus Rosenau and of which he is a director and OAR GmbH, a Company wholly owned by Klaus Rosenau's mother and of which he is a director. Within the income statement are related party transactions costs amounting to \$887,249 (2007: \$100,280). The amount of \$887,249 was divided in consultancy \$526,789, Travel & expenses \$113,063 and commission \$247,397. There were no balances with related parties at year-end (2007: £nil).

26. CAPITAL COMMITMENTS

The Group had no capital commitments at 31 December 2008 or 31 December 2007 for the acquisition of property, plant and equipment or intangible assets.

27. PENSIONS

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amount to \$73,616 (2007: \$113,561). Contributions totalling \$3,081 (2007: \$16,304) were payable to the fund at the year end and are included in payables.

28. LEASING COMMITMENTS

The Group has several non-cancellable operating lease agreements for various plant and machinery and land and buildings. The future aggregate minimum lease payments under these agreements are:

	2008	2007
	\$	\$
Expiring in:		
In one year or less	112,601	190,217
Between one and five years	340,986	281,217
	453,587	471,434

The operating leases do not contain any unusual clauses or arrangements such as purchase options

Company financial statements

Independent auditor's report

To the members of NextGen Group plc

We have audited the parent company financial statements of NextGen Group plc for the year ended 31 December 2008, which comprise the Company Balance Sheet, the accounting policies and notes II to VII. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of NextGen Group plc for the year ended 31 December 2008. That report is modified by the inclusion of an emphasis of matter.

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 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 auditors

The directors' responsibilities for preparing the Annual Report and the parent company 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.

Our responsibility is to audit the parent company financial statements to be audited 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 parent company financial statements give a true and fair view and whether the parent company financial statements to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements.

In addition we 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 read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Directors' Report, the Directors' Remuneration Report, the Chairman and Chief Executive Officer's report and the Corporate Governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

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 parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company 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 parent company financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

Emphasis of matter - Going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note I of the parent financial statements concerning the Company's ability to meet its liabilities as they fall due. The financial statements have been prepared on the going concern basis, the validity of which depends the Groups funding requirements which will be satisfied by the on receipt of orders and the related sales revenue or injection of funds into the business from further fundraising. If these sales revenues are not received or additional funds are not raised, the Company may be unable to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

GRANT THORNTON UK LLP
REGISTERED AUDITORS,
CHARTERED ACCOUNTANTS,
Cambridge

29 June 2009

Company balance sheet

At 31 December 2008

	Note	2008 £	2007 £
Fixed assets			
Investments	III	299,279	874,886
		299,279	874,886
Current assets			
Debtors: due within one year	IV	2,808,549	4,066,792
Cash at bank and in hand		17,293	63,477
		2,825,842	4,130,269
Creditors: amounts falling due within one year	V	(165,649)	(293,525)
Net current assets		2,660,193	3,836,744
Total assets less current liabilities		2,959,472	4,711,630
Capital and reserves			
Called up share capital	VI	2,546,979	1,394,753
Share premium account	VII	5,391,406	4,187,559
Merger relief reserve	VII	63,544	63,544
Other reserve	VII	571,394	571,057
Profit and loss account	VII	(5,613,851)	(1,505,283)
Shareholders' funds	VII	2,959,472	4,711,630

The financial statements were approved by the Board of Directors on 29 June 2009

Dr Michael Pisano
Director

Frank Matthäi
Director

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

Notes to the Company accounts

I ACCOUNTING POLICIES

Going Concern

The financial statements for the Company have been prepared on a going concern basis, which assumes that the Company will continue in business for the foreseeable future. The company has funded the operations of the Group which generated losses in the year.

The nature and stage of the Group's business are such that substantial losses have been incurred and there can be considerable unpredictable variations in the timing of cash inflows. Significant steps have been taken to reduce the cost base of the company, including the closure of the UK operation and disposal of non-core businesses. The directors have prepared projected cash flow information, which incorporates their best estimate of the timing and value of sales revenue and consequential external funding requirements. The Directors are in the final stage of negotiations with the majority shareholders of Group to arrange further funding in order to support the continued operation and growth of the Group. The response of the investors gives the Directors confidence that these funds will be available and the group would receive these when necessary. On the basis of the anticipated additional funding and these forecasts the directors expect the Group to continue to meet its liabilities as they fall due. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements. This assumes that required levels of sales revenue and forecast external funding are achieved by the Group. The financial statements do not include any adjustments that would result should the Group not generate forecast sales revenue or raise adequate funding.

Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 1985.

They have been prepared under the historical cost convention and in accordance with applicable accounting standards and laws in the United Kingdom. As required under FRS 18 ("Accounting Policies") the Board has reviewed the accounting policies adopted in the accounts and consider them to be the most appropriate for the Company.

Investments

Investments in subsidiary undertakings are stated at cost, less any provision for diminution in value.

Share based payments

The Company operates an equity-settled share-based compensation plan. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

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

Equity-settled share based payments issued by NextGen Group Plc relating to the employees of the subsidiary, NextGen Sciences Ltd are debited to the cost of the investment in subsidiary in the parent company balance sheet.

Profit and loss

As permitted by section 230 of the Companies Act 1985, no separate income statement is presented in respect of the parent company.

Related Party Transactions

The Company has taken advantage of the exemption from disclosing transactions with entities that are part of the group headed by Nextgen Group plc as it is a parent Company publishing consolidated financial statements.

II NET OPERATING CHARGES

Auditors' remuneration for the statutory audit of the Company was £4,000 (2007: £4,000).

The Directors' remuneration paid by NextGen Group plc, is disclosed on page 15.

The average number of staff employed by the Company including directors was 5 (2007: 7).

III INVESTMENTS

Principal group investments

The parent company and the group have investments in the following subsidiary undertakings:

Company	Country of incorporation	Class of share capital held	Proportion held by the company	Nature of business
NextGen Sciences Ltd.	England and Wales	Ordinary	100%	Development, manufacture and sale of products for the protein research industry
NextGen Sciences Inc.	United States of America	Common stock	100%	Sales and service of products for the protein research industry

The trade of NextGen Sciences Limited has been substantially discontinued as at 31 December 2008.

The loss for the financial year dealt with in the financial accounts of the Company was £4,162,745 (2007: £955,535). As provided by section 230 of the Companies Act 1985, no Company profit and loss account is presented in respect of the Company.

Subsidiary undertakings	£
Cost	
At 1 January 2008	874,886
Share based payments	37,693
At 31 December 2008	912,579
Provision for impairment	
At 31 December 2008	(613,300)
Net book amount at:	
At 31 December 2008	299,279
At 31 December 2007	874,886

IV DEBTORS

	2008	2007
	£	£
Amounts falling due within one year		
Amounts owed by group undertakings	2,790,818	4,057,649
VAT	2,902	3,063
Prepayments and accrued income	14,829	6,080
	2,808,549	4,066,792

V CREDITORS

	2008	2007
	£	£
Trade creditors	96,227	133,247
Amounts owed to group undertaking	-	57,903
Accruals and deferred income	69,422	102,375
	165,649	293,525

VI SHARE CAPITAL

Full details of the Company share capital is given in note 21 to the consolidated financial statements.

VII RECONCILIATION OF SHAREHOLDERS FUNDS AND MOVEMENT ON RESERVES

	Share capital	Share premium	Merger relief reserve	Other reserve	Profit and loss	Total shareholders' funds
	£	£	£	£	£	£
At 1 January 2008	1,394,753	4,187,559	63,544	571,057	(1,505,283)	4,711,630
Allotment during the year	1,152,226	1,362,774	-	-	-	2,515,000
Share issue costs	-	(158,927)	-	-	-	(158,927)
Share based payments	-	-	-	337	54,177	54,514
Loss for the year	-	-	-	-	(4,162,745)	(4,162,745)
At 31 December 2008	2,546,979	5,391,406	63,544	571,394	(5,613,851)	2,959,472

The share based payment amounts relate to a non-cash charge recorded in the profit and loss account in respect of the fair value of options granted to employees.