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Report and Accounts 2007

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COMPANIES HOUSE

Directors

Klaus Gunter Erich Rosenau
Dr Michael Pisano
Frank Matthai
Dr Thomas Borcholte
Dr Jorg Neermann

Non Executive Chairman
Chief Executive Officer
Finance Director

Company secretary
Justin McCann

Registered office

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Company registration number
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Registrar

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Auditors

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Chairman's and Chief Executive Officer's report

Strategic overview

In 2007 the Group had three main product lines, electrophoresis equipment and consumables, molecular biology automation and software, and contract research services. Shortly after the appointment of Dr Michael Pisano as Chief Executive in September 2007, the Group started to invest in the development of a biomarker service business with the expansion of its service portfolio to include biomarker testing, discovery and assay development.

The Board initiated a strategy review during Q4 2007 as it was clear that despite considerable managerial and financial resources being invested in all the Group's business streams, not enough progress was being made.

This result of the review was published in April 2008 and confirmed that the Group's previous strategy was unsustainable. The Company did not have the scale or resources to be involved in so many lines of business in international markets and therefore NextGen should focus on a single core business.

The review identified that the key opportunity for NextGen's business is in biomarker services (discovery, assay development and testing) for pharmaceutical and biotechnology customers.

NextGen now intends to focus all of its resources on growing the biomarker service business and the existing US-based biomarker team will be strengthened with the addition of key personnel and operational infrastructure. The Board has started the process to divest and/or wind down its other operations. The Group's headquarters will be moved to its Ann Arbor, Michigan, USA facility. At the same time NextGen will change its reporting currency to the US dollar effective 1 July 2008 as all its businesses now will be operated in US dollars.

Trading review

Group turnover for the 12 months ended 31 December 2007 was £1.68 million (2006: £1.42 million), an increase of 18.5 per cent. Operating charges in the year included £0.4 million of exceptional costs relating to the wind down of operations at the UK site. Gross margin (before exceptional costs) increased from 67.8 per cent to 72.7 per cent (fell to 55.9 per cent after exceptional costs). Total operating charges before exceptional costs decreased by 5.9 per cent to £4.08 million (after exceptional costs by 9.4 per cent to £4.21 million) (2006: £3.85 million).

The operating loss before exceptional costs was £2.86 million (£3.27 million after exceptional costs) (2006: £2.89 million). After an interest charge of £0.045 million, the Group reported a pre-tax loss of £3.32 million (2006: loss £2.9 million) and a loss per share of 0.33p (2006: loss 0.37p).

On four separate occasions in 2007 the Company undertook a placing of Ordinary Shares that raised approximately £2.5 million after expenses.

Biomarker services

A biomarker is an entity used as an indicator of a biologic state. A biomarker can be objectively measured from a clinical sample, such as blood or urine, and evaluated as a gauge of normal biologic processes, pathogenic processes, or pharmacologic responses to therapeutic intervention. The pharmaceutical industry's interest in biomarkers is increasing as they can be used not only for diagnosis but also for understanding the mechanism of disease and for development of therapeutics. Biomarkers have been shown to play a key role in helping to reduce costs in the drug discovery and development process. Biomarkers will also be vital in the move towards personalised medicine.

NextGen's biomarker business includes the following services for customers:

- Biomarker discovery – the application of the Group's technology and know-how in the discovery of new putative biomarkers,
- Biomarker assay development – the development of assays to quantify biomarkers in biological samples, and
- Biomarker testing – the application of the assay to client samples.

The Group is already making good progress with its pharmaceutical and biotechnology customers with projects in therapeutic areas such as oncology and Alzheimer's disease.

Chairman's and Chief Executive Officer's report continued

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 optimisation and safety assessment of new compounds. The trend towards personalised medicine will also require the use of more biomarkers for the selection of sub-populations of patients and monitoring efficacy of therapies.

In January 2007 the US Food and Drug Administration (FDA) issued an update on its Critical Path Initiative to stimulate and facilitate a national effort to modernise the sciences through which FDA-regulated products are developed, evaluated and manufactured. Amongst several initiatives detailed in this update is a clear message to the industry to integrate the use of biomarkers in the development of new drugs. We believe by making the biomarker services NextGen's core business we will place the Group in a strong position to attain a significant market share in this emerging market.

Current trading and outlook

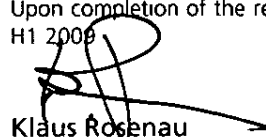
2008 will be a pivotal year for NextGen. The pharmaceutical industry has gone through a period of low productivity and a concomitant decreased expenditure in research, which has resulted in many large pharmaceutical companies entering a period of restructuring and downsizing.

NextGen has built an impressive reputation for the quality and scope of its contract research services for proteomics and biomarkers. The Board intends to take advantage of this reputation and build on the opportunity.

The far-reaching benefits to R&D of biomarkers are evident. Biomarkers have moved to the front-line of medical research. The undeniable need for classifying molecular markers based on the understanding of disease mechanisms has received immense emphasis owing to the significant challenges encumbering the drug development pipeline. It has been recognised that integration of biomarkers through the different phases of drug development can yield safer drugs with enhanced therapeutic efficacy in a cost-effective manner. 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.

The biomarker market is estimated to be about \$21 billion (COMMERCIAL OPPORTUNITIES FROM BIOMARKERS Transforming drug discovery, clinical development and molecular diagnostics by Dr C L Barton, 2006 Business Insights Ltd). The biomarker market is segmented into three main sections: biomarker discovery, molecular diagnostics and clinical trials. Of these, biomarker discovery for applications in drug discovery, preclinical studies of drug development and diagnostics research are the largest and accounted for nearly 48 per cent of the total market in 2007. This market segment is expected to grow to at a compounded average growth rate (CAGR) of 16.9 per cent year on year. The second largest segment was the use of biomarkers on molecular diagnostics applications which was estimated to be worth \$2.3 billion in 2007. It is predicted to grow at a CAGR of 17.5 per cent year on year. This market will provide the point-of-care and laboratory based diagnostic tools that enable a more informed ability to choose the right drug for a disease and patient. While currently the smallest business segment, having been valued at around \$612m in 2007, was the clinical trials market. This segment has been predicted to see the largest growth rate with a CAGR of 23.5 per cent.

The Group has already made good progress with its biomarker business, with projects in therapeutic areas such as oncology and Alzheimer's disease for pharmaceutical and biotechnology customers due for delivery in mid 2008. Upon completion of the restructuring plan the Group is targeting to be profitable and cash generating during H1 2009.



Klaus Rosenau
Chairman



Dr Michael Pisano
Chief Executive Officer

30 June 2008

Directors' report

The Directors present their report together with the financial statements for the year ended 31 December 2007

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

Results and dividends

There was a loss for the year after taxation of £3,318,596 (2006 loss £2,608,422). The Directors do not recommend the payment of a dividend to the ordinary shareholders.

Future developments

For information on the Group outlook, refer to the Chairman's and Chief Executive Officer's report on pages 2 and 3.

Business development

The integration of the PRS business in the US has enabled the Group to now offer a wider range of services, automation and software within the growing gene to protein market.

The latest addition to the services offered focuses on novel protein biomarker discovery and assay development which enables monitoring of these protein biomarkers in clinical samples. The Board has identified that the key opportunities for NextGen's business are in biomarker services for its pharmaceutical and biotechnology customers. In November 2007 NextGen expanded its service portfolio to include biomarker testing, discovery and assay development. Already the Group is making good progress with its pharmaceutical and biotechnology customers with projects in therapeutic areas such as oncology and Alzheimer's disease nearing delivery.

The Board now intends to focus all of NextGen's resources on growing the biomarker service business to exploit the market, which is predicted to grow to greater than \$21bn in the next five years, and the pharmaceutical industry's trend towards outsourcing research. The existing US-based biomarker team will be strengthened with the addition of key personnel and operational infrastructure. Consequently, the Group intends to either divest or wind down its software and instrumentation UK-based businesses and its protein production fee for service business unit over the next six months. The Group will move its headquarters to the USA and will change its reporting currency to the US dollar effective 1 July 2008.

Key financial performance indicators

The Group has made significant progress in achieving its goals in 2007, this can be highlighted through comparing the key performance indicators of 2007 to 2006.

(a) Turnover

The turnover for the Group increased from £1,421,504 in 2006 to £1,683,859 in 2007, which equates to an 18.46 per cent increase in turnover in the year, 100 per cent of this increase in turnover is through organic growth from its existing operations.

(b) Gross profit percentage

Gross profit percentage in 2006 was 67 per cent, this increased in 2007 to 72 per cent before exceptional items. The increase in gross profit percentage is due to higher sales volume in services which return higher margins.

Directors' report

continued

(c) Sales revenue generated per employee

	Turnover £	Employees No	Turnover Employee £
2007	1,683,859	42	40,092
2006	1,421,504	35	40,614

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 at varying stages of development with commencement of marketing activities initiated in early 2008. Marketing has only begun for these in early 2008. Marketing and sales are a primary focus for the Company as development continues to produce new services. The sales force is in flux as it migrates from a team selling capital equipment to a sales force 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 led to many large pharmaceutical and biotech companies to restructure and downsize. The Group's results are dependent on the levels of activity of 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 has 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 emerges competitive pricing in the market will arise. 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 at present but many more may be established as the market grows. The large pharmaceutical service contract research organisations are aware of the need in the biomarker services and could pose a significant threat should they decide to offer the service 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.

Directors' report

continued

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 on having sufficiently qualified and experienced personnel. These personnel are often times graduate and post graduate educated (B S , M S and Ph D). This also 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 various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are market risk, cash flow risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised in note 18 to the accounts.

Directors and their interests

The list of Directors (and their families) who served during the year ended 31 December 2007 are detailed in the Directors' remuneration report on pages 11 to 13.

Substantial shareholders

At 18 June 2008 the following had notified the Company of a disclosable interest in 3 per cent or more of the nominal value of the Company's ordinary shares.

Name	0 1p ordinary shares	Percentage
Fortis Banque Luxembourg	775,000,000	40.6
DZ Bank Luxembourg	180,000,000	9.4
Perfekt Beteiligungsmanagement GmbH	154,937,806	8.1
OAR Kommunikations-und Outsourcing-Beratungsgesellschaft GmbH	116,312,427	6.1
The Create East of England Partnership	112,930,756	5.9
Private Life Partners	76,202,668	4.0
Mr Christian Musolff	65,000,000	3.4

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 2007 was 33 days (2006: 40 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.

Directors' report

continued

Disabled employees

The Group recognises its obligations towards disabled people 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 of employees becoming 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 four separate occasions during the year the Company undertook a share placing of Ordinary Shares that raised approximately £2.5 million after expenses. Refer to Called up Share Capital note 20.

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 the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

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.

Research and development

The software development team have during the period introduced greater functionality on orchestrator IMS including a mutation summary capability. A number of new or improved biological processes were introduced on the expression workstation and expression factory as well as significant enhancements to the expression workstation Composer software to facilitate protocols that scale automatically from one to multiple reactions without redevelopment.

Directors' report

continued

No further work was performed on the a2DEOptimizer platform in 2007. The baculoworkstation platform was withdrawn from sale during the year.

A new area of research and development was begun in 2007, relating to the use of our mass-spectrometry capabilities applied to protein biomarker assay development and testing services.

Post balance sheet events

- (a) On 20 January 2008 2,892,726 Ordinary Shares of 0.1p each with an aggregate value of £2,893 were issued raising £21,000 after expenses.
- (b) On 1 April 2008 500,000,000 Ordinary Shares of 0.1p each with an aggregate value of £500,000 were issued raising approximately £1.4m after expenses.
- (c) On 23 April 2008 the Group announced that it intends to either divest or wind down its software and instrumentation UK-based businesses and its protein production fee for service business unit over the next six months. The Group will move its headquarters to the USA and will change its reporting currency to the US dollar effective 1 July 2008.
- (d) On 22 May 2008 13,333,334 Ordinary Shares of 0.1p each with an aggregate value of £13,333 were issued raising £40,000.

First time adoption of International Financial Reporting Standards

As an AIM-listed company, the Company is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) from 2007. The first financial statements prepared in accordance with IFRS was for the six months ending 30 June 2007.

As discussed in the principal accounting policies on page 16, this is the first time NextGen Group plc has prepared its annual consolidated accounts in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The results for the year to 31 December are prepared in accordance with the accounting policies discussed on pages 16 to 22. This also applies to the comparative figures for the period ended 31 December 2006 and the opening balance sheet of 1 January 2006, as changes became effective as of that date, which is referred to as the transition date.

Accounts in the opening balance sheet of 1 January 2006 have been changed in accordance with IFRS but were previously reported in accordance with UK GAAP (Generally Accepted Accounting Principles). The effects the changes from UK GAAP to IFRS has had on the financial position of the Group's financial position is shown in note 30 to the accounts.

Annual General Meeting

The Annual General Meeting will be held on 24 July 2008 at 10.00 am at the offices of Seymour Pierce Limited, 20 Old Bailey, London EC4M 7EN. Notice is sent to shareholders with this report together with an explanation of any special business to be considered at the meeting and are detailed on pages 51 to 53.

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 385 of the Companies Act 1985 will be proposed at the Annual General Meeting.

On Behalf of the Board

Dr Michael Pisano
Chief Executive Officer

30 June 2008



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 comprises 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 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 11 to 13.

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.

Corporate governance

continued

- 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 Klaus 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 per cent 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 three months' notice in writing and three months by the Company. The service agreement with Frank Matthai is terminable by the Director on not less than two months' notice in writing and two 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.

The service agreement with James Heffernan and David Wigley were terminable by the Director on not less than six months' notice in writing and twelve months by the Company. James Heffernan left the Company under a compromise agreement on 31 August 2007 and was paid a termination payment of £30,000. David Wigley left the Company under a compromise agreement on 5 September 2007 and was paid a termination payment of £42,000.

Directors' remuneration report

continued

AUDITED INFORMATION

Directors' remuneration

	Salary £	Compensation for loss of office £	Benefits £	2007 Total (excluding pension) £	2006 Total (excluding pension) £	2007 Pension £	2006 Pension £
P A Rhatigan (resigned 8 November 2007)	25,479	—	—	25,479	74,375	—	—
J G Heffernan (resigned 31 August 2007)	71,013	30,000	10,046	111,059	134,528	23,906	26,415
D J Wigley (resigned 5 September 2007)	54,751	42,000	474	97,225	80,580	14,020	21,337
F Matthäi	36,888	—	—	36,888	38,191	—	—
K G Rosenau	15,000	—	—	15,000	33,750	—	—
K O Donovan (resigned 8 November 2007)	15,287	—	—	15,287	15,000	—	—
S Barton (resigned 7 November 2007)	47,750	—	123	47,873	—	1,194	—
M Pisano (appointed 8 August 2007)	36,630	—	2,829	39,459	—	1,099	—
J Neerman (appointed 11 July 2007)	7,112	—	—	7,112	—	—	—
T Borcholte (appointed 11 July 2007)	7,112	—	—	7,112	—	—	—
	317,022	72,000	13,472	402,494	376,424	40,219	47,752

The remuneration for D J Wigley in 2006 has been restated. The £50,000 bonus provided in the 2006 accounts was not paid (due to another arrangement being reached under the subsequent compromise agreement) and reversed in the income statement charge in 2007.

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.

On 21 November 2007, D J Wigley exercised share options for 244,876 shares at the nominal value of £245. The market value of the shares on this date was £0.004p per share giving a gain of £784.

Directors' interests

The interests of the Directors and their families in the shares of the Company at 31 December 2007 were as follows:

	As at 31 December 2007	As at 31 December 2006
P A Rhatigan (resigned 8 November 2007) ⁽ⁱ⁾	35,957,445	35,957,445
J G Heffernan (resigned 31 August 2007)	332,978	332,978
D J Wigley (resigned 5 September 2007)	4,977,705	4,732,829
F Matthäi ⁽ⁱⁱ⁾	3,127,750	3,327,750
K G Rosenau ⁽ⁱⁱⁱ⁾	116,312,427	132,312,427
K O'Donovan (resigned 8 November 2007)	148,219	148,219
M Pisano (appointed 8 August 2007)	3,309,869	3,309,869

(i) 2,500,000 of these shares are held in the name of Oakley Securities Limited, a company owned and controlled by P A Rhatigan.

(ii) 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.

(iii) 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.

Directors' remuneration report

continued

Share options

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

	As at 31 December 2007	Exercise price	Expiry date	Date granted
D Wigley ⁽ⁱ⁾	53,882,348	£0.001	6 Jul 2010	22 June 2006
K G Rosenau ⁽ⁱ⁾	2,320,000	£0.030	31 Dec 2008	23 Dec 2005
J G Heffernan ⁽ⁱⁱ⁾	34,836,662	£0.023	30 Dec 2010	23 Dec 2005
K G Rosenau	2,000,000	£0.030	10 Feb 2011	10 Feb 2006
F Matthai	2,000,000	£0.030	10 Feb 2011	10 Feb 2006
J G Heffernan ⁽ⁱⁱ⁾	19,844,843	£0.008	30 Dec 2011	23 Dec 2006
F Matthai	2,000,000	£0.030	10 Feb 2011	12 Oct 2007

(i) these share options 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

(ii) these share options are fully vested, not subject to any performance criteria

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 2007

Independent auditor's report – Consolidated

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 2007, 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 also audited the information in the Directors' remuneration report that is described as having been audited.

We have reported separately on the parent Company financial statements of NextGen Group plc for the year ended 31 December 2007. 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 and the part of the Directors' remuneration report 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 Group financial statements give a true and fair view and whether the Group financial statements and the part of the Directors' remuneration report to be audited 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 Chairman's and 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 Directors' report, the unaudited part of the Directors' remuneration report, the Chairman's 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 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 judgements 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.

Independent auditor's report – Consolidated continued

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 2007 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

Separate opinion in relation to IFRS

As explained in the accounting policies, the Group in addition to complying with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 December 2007 and of its loss for the year then ended

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 meet its liabilities as they fall due. 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. If these sales revenues are not received or additional funds are not raised, the Group may be unable 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

Cambridge

30 June 2008

The maintenance and integrity of the NextGen Group plc website is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from the legislation in other jurisdictions.

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, which is also its principal place of business, is given on the inside front cover.

These financial statements are presented in pounds sterling (GBP) because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in the foreign currency accounting policies.

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. These are the Group's first annual consolidated accounts where IFRS has been applied.

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.

First time adoption of IFRS

These are the Group's first financial statements prepared in accordance with IFRS. Accordingly, IFRS 1 "First Time Adoption of International Financial Reporting Standards" has been applied. The Group's transition date to IFRS was 1 January 2006 and the Group prepared its opening balance sheet at that date in accordance with IFRS effective at 31 December 2007 except as specified below. First time adoption of IFRS in preparing the Group financial statements for the year ended 31 December 2007 has had no material effect upon the results and the financial position of the Group.

Exemptions to full retrospective restatement elected by the Group include:

Share based payments

The Group has elected to apply IFRS 2 only to awards of equity instruments made after 7 November 2002, which had not vested by 1 January 2005.

Cumulative translation differences

The Group has elected to set the previous cumulative translation differences arising from the translation of all foreign operations to nil at the date of transition to IFRS.

Business combinations

The Group has elected not to apply IFRS 3 retrospectively to business combinations prior to 1 January 2006.

Reconciliations and explanations of the effect of the transition from UK GAAP to IFRS on the Group's equity and its profit or loss are provided in note 30.

Basis of consolidation

The Group financial statements consolidate the financial statements of NextGen Sciences Limited, NextGen Sciences Inc. and Proteomic Research Services 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.

Principal accounting policies

continued

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 total 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 it is 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.

Principal accounting policies

continued

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.

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.

Principal accounting policies

continued

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.

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

Foreign currency

Functional and presentational currency

The Group's consolidated financial statements are presented in pounds sterling, 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 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.

Principal accounting policies

continued

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 reserve" represents accumulated losses.

"Merger relief reserve" represents excess raised over the nominal value of the share capital issued on acquisition of PRS.

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, trade payables and loans are classified as loans and receivables. Where the difference is material, these are measured subsequent to initial recognition 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.

Regular way purchases and sales are accounted for on trade date.

Principal accounting policies

continued

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 categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in the income statement. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

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.

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Income and expenditure arising on financial instruments is recognised on the accruals basis and credited or charged to the income statement in the financial period to which it relates.

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. To the extent that the final outcome differs from the tax that has been provided, adjustments will be made to income tax and deferred tax provisions held in the period the determination is made.

Principal accounting policies

continued

Provisions

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

New standards and interpretations currently in issue but not effective for accounting periods commencing on 1 January 2007 are

- IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)
- IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)
- Amendment to IAS 32 Financial Instruments – Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective 1 January 2009)
- Amendments to IFRS 1 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 (effective 1 January 2009)
- Improvements to IFRSs (effective 1 January 2009 other than certain amendments effective 1 July 2009)
- IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)
- IFRS 8 Operating Segments (effective 1 January 2009)
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective 1 March 2007)
- IFRIC 12 Service Concession Arrangements (effective 1 January 2008)
- IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008)
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)

Consolidated income statement

for the year ended 31 December 2007

	Note	2007 £	2006 £
Revenue	2	1,683,859	1,421,504
Cost of sales		(742,005)	(457,589)
Gross profit		941,854	963,915
Other operating charges		(4,214,674)	(3,853,078)
Operating loss	3	(3,272,820)	(2,889,163)
Finance income		362	15,905
Finance costs	4	(45,629)	(36,578)
Loss before taxation		(3,318,087)	(2,909,836)
Income tax expense/income	7	(509)	301,414
Net loss attributable to shareholders' equity		(3,318,596)	(2,608,422)
Basic loss per share	9	0 33p	0 37p

All of the above relates to continuing operations

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

Consolidated statement of recognised income and expense

for the year ended 31 December 2007

	Note	2007 £	2006 £
Currency retranslation gains/(losses) net of tax recognised directly in equity		(1,107)	7,954
Net loss attributable to shareholders' equity		(3,318,596)	(2,608,422)
Total recognised income and expense attributable to shareholders' equity	22	(3,319,703)	(2,600,468)

Consolidated balance sheet

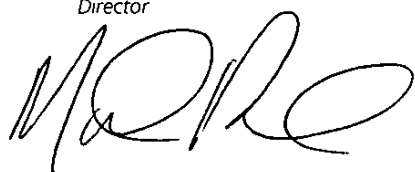
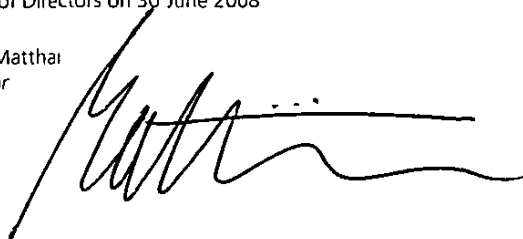
at 31 December 2007

	Note	2007 £	2006 £
Non-current assets			
Goodwill	10	519,877	519,877
Intangible assets	10	—	26,564
Property, plant and equipment	11	547,505	241,634
		1,067,382	788,075
Current assets			
Inventories	12	78,808	472,154
Trade and other receivables	13	223,617	556,422
Tax receivable		—	116,237
Cash and cash equivalents	14	129,432	99,323
		431,857	1,244,136
Total assets		1,499,239	2,032,211
Equity			
Called up share capital	22	1,394,753	793,794
Share premium account	22	4,187,559	2,308,900
Merger relief reserve	22	63,544	63,544
Merger reserve	22	5,731,082	5,731,082
Other reserves	22	571,057	930,421
Foreign currency translation reserve	22	6,847	7,954
Profit and loss account	22	(12,186,845)	(9,587,954)
Equity shareholders' funds		(232,003)	247,741
Liabilities			
Non-current liabilities			
Financial liabilities	16	341,132	56,608
Current liabilities			
Trade payables and other current liabilities	15	1,114,264	1,419,782
Financial liabilities	16	200,751	152,739
Provisions	17	75,095	155,341
		1,390,110	1,727,862
Total liabilities		1,731,242	1,784,470
Total equity and liabilities		1,499,239	2,032,211

The financial statements were approved by the Board of Directors on 30 June 2008

Dr Michael Pisano
Director

Frank Matthai
Director

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

Consolidated cash flow statement

for the year ended 31 December 2007

	Note	2007 £	2006 £
Cash flows from operating activities	23	(2,234,441)	(2,959,711)
Taxation received		115,728	185,177
Net cash flow from operating activities		(2,118,713)	(2,774,534)
Cash flows from investing activities			
Interest received		362	15,905
Purchase of subsidiary undertakings		—	(105,341)
Purchase of property, plant and equipment		(174,803)	(45,186)
Sale of property, plant and equipment		12,465	—
Purchase of intangible assets		—	(26,564)
Net cash flow from investing activities		(161,976)	(161,186)
Cash flows from financing activities			
Interest paid		(22,756)	(25,150)
Finance lease interest paid		(22,873)	(11,428)
Repayment of borrowing		(62,000)	(63,000)
Capital element of finance lease rentals		(61,191)	(46,967)
Issue of shares/debentures		2,479,618	3,030,000
Net cash flow from financing activities		2,310,798	2,883,455
Net increase/(decrease) in cash and cash equivalents		30,109	(52,265)
Cash and cash equivalents at the beginning of the year		99,323	151,588
Cash and cash equivalents at the end of the year	14	129,432	599,323

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

Notes to the consolidated accounts

for the year ended 31 December 2007

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 £3,318,596 and had an accumulated profit and loss account loss of £12,186,845 at 31 December 2007. The Group liabilities exceeded the Group assets by £232,003 at 31 December 2007.

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. 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.

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 2007, 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.

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 £
2007			
Revenue	793,446	890,413	1,683,859
Operating loss	(2,686,176)	(586,644)	(3,272,820)
Net finance costs			(45,267)
Loss before taxation			(3,318,087)
Taxation			(509)
Net loss			(3,318,596)
2006			
Revenue	939,312	482,192	1,421,504
Operating loss	(2,795,182)	(93,981)	(2,889,163)
Net finance costs			(20,673)
Loss before taxation			(2,909,836)
Taxation			301,414
Net loss			(2,608,422)

Notes to the consolidated accounts

continued

for the year ended 31 December 2007

2. Segment information *continued*

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

	United Kingdom £	United States £	Total £
Assets			
2007			
Segment assets	235,326	1,134,481	1,369,807
Corporate assets			
Cash and cash equivalents			129,432
Tax receivable			—
Total assets			1,499,239
2006			
Segment assets	996,378	820,273	1,816,651
Corporate assets			
Cash and cash equivalents			99,323
Tax receivable			116,237
Total assets			2,032,211
Liabilities			
2007			
Segment liabilities	931,086	784,531	1,715,617
Corporate liabilities			
Borrowings			15,625
Total liabilities			1,731,242
2006			
Segment liabilities	1,165,124	541,721	1,706,845
Corporate liabilities			
Borrowings			77,625
Total liabilities			1,784,470
Capital expenditure			
2007			
	63,891	566,639	630,530
2006			
	67,506	—	67,506
Depreciation of property, plant and equipment			
2007			
	73,413	162,562	235,975
2006			
	127,020	37,768	164,788
Amortisation of finite-lived intangible assets			
2007			
	4,687	—	4,687
2006			
	—	—	—
Impairment of property, plant and equipment			
2007			
	86,370	—	86,370
2006			
	—	—	—
Impairment of finite-lived intangible assets			
2007			
	21,877	—	21,877
2006			
	—	—	—

Notes to the consolidated accounts

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for the year ended 31 December 2007

2 Segment information *continued*

(b) Secondary reporting format – business segments

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

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 includes a range of reagents and optigels used in 2D gel electrophoresis work

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

	Proteomic services £	Instrumentation £	Contract express £	Consumables £	Total £
Revenue					
2007	639,274	657,062	339,505	48,018	1,683,859
2006	183,685	1,089,583	83,311	64,925	1,421,504
Assets					
2007					
Segment assets	1,080,353	124,159	157,361	7,934	1,369,807
Corporate assets					
Cash and cash equivalents					129,432
Tax receivable					—
Total assets					1,499,239
2006					
Segment assets	769,275	898,564	95,269	53,543	1,816,651
Corporate assets					
Cash and cash equivalents					99,323
Tax receivable					116,237
Total assets					2,032,211
Capital expenditure					
2007	566,640	37,683	26,207	—	630,530
2006	—	33,753	33,753	—	67,506

Notes to the consolidated accounts

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for the year ended 31 December 2007

3 Operating loss

The operating loss is stated after charging

	2007 £	2006 £
Fees payable to the Company's auditors for the audit of the Company's annual report	26,000	10,000
Fees payable to the Company's auditors for other services		
Audit of the Company's subsidiaries pursuant to legislation	21,000	22,000
Other services	17,000	8,325
Share based payments charge	360,341	465,707
Depreciation of property, plant and equipment	235,975	164,788
Amortisation of licences	4,687	—
Research and development expenditure	342,283	466,401
Foreign exchange losses/(gains)	5,850	24,948
Operating leases		
Plant and machinery	2,340	3,508
Land and buildings	109,598	112,000
Operational exceptional and one-off costs		
Onerous lease provision	25,667	—
Write down of inventories	283,033	—
Impairment of property, plant and equipment	86,370	—
Impairment of licence	21,877	—
	416,947	—

Operational exceptional and one-off costs are costs in connection with the Group's intended divestment or wind down of its software and instrumentation UK-based businesses and its protein production fee for service business unit. The write down of inventories is included within cost of sales, the remaining costs are included within other operating charges.

Inventory expenses recognised within cost of sales in the year amounted to £468,354 (2006: £288,494).

4 Finance costs

	2007 £	2006 £
Interest on bank loans and overdrafts	22,756	25,150
Interest on finance leases and hire purchase contracts	22,873	11,428
	45,629	36,578

5 Staff costs

Staff costs during the year were as follows

	2007 £	2006 £
Wages and salaries	2,040,651	1,671,406
Social security costs	153,946	160,550
Other pension costs	56,622	132,723
Share based remuneration charge	360,341	465,707
	2,611,560	2,430,386

Notes to the consolidated accounts

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for the year ended 31 December 2007

5 Staff costs *continued*

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

	2007 Number	2006 Number
Technical	25	21
Sales and marketing	11	6
Administration	6	8
	42	35

6 Directors' remuneration

Remuneration in respect of Directors was as follows

	2007 £	2006 £
Emoluments	330,494	376,424
Compensation for loss of office	72,000	—
Pension contributions to money purchase pension schemes	40,219	47,752
	442,713	424,176

	Number	Number
The number of Directors who were members of a money purchase pension scheme during the year (at the year end nil, 2006 2)	4	2
	£	£
Highest paid director – emoluments	111,059	134,528
– emoluments	23,906	26,415
	134,965	160,943

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

7 Taxation

The tax charge/(credit) is based on the loss for the year and represents

	2007 £	2006 £
Loss before taxation	(3,318,087)	(2,909,836)
Expected corporation tax on loss at 19.75 per cent (2006 19 per cent)	(655,322)	(552,869)
Effects of		
Expenses not deductible for tax purposes	(21,884)	89,855
Difference between capital allowances and depreciation	22,559	(6,920)
Tax losses carried forward	810,150	470,092
Other timing differences	(157)	(158)
Research and development tax credit	(82,172)	(301,414)
Rate differences	(72,665)	—
Current tax charge/(credit) for the period	509	(301,414)

Notes to the consolidated accounts

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for the year ended 31 December 2007

7 Taxation continued

Unrelieved tax losses of approximately £10 million (2006 approximately £7 million) remain available to offset against future taxable trading profits. A deferred tax asset of approximately £1,952,643 (2006 £1,330,000) calculated at 20 per cent (2006 19 per cent) in respect of trading losses has not been recognised as an asset as the future benefit cannot be determined at 31 December 2007.

Factors affecting the future tax rate

Further to a proposed UK corporation tax rate change announced in the 2007 budget, UK corporation tax arising and deferring tax reversing after 1 April 2008 will be recognised at a rate of 20 per cent as opposed to the existing rate of 19 per cent.

8 Dividends

No dividends have been declared or paid in respect of 2007 and 2006.

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.

	2007	2006
Loss attributable to ordinary shareholders	£3,318,596	£2,608,422
Weighted average number of shares	1,004,555,014	712,082,411
Loss per share	0.33p	0.37p

As identified in Note 29 post balance sheet events 516,226,060 Ordinary Shares were issued in January, April and May 2008. These issues will affect future earnings/loss per share calculations.

The average number of shares amounting to 116,291,134 (2006 118,313,752) that existed in the year could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share since they are antidilutive for both years.

10 Intangible assets

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

	Goodwill £	Licence £	Total £
Additions	—	26,564	26,564
Acquisition of business	519,877	—	519,877
At 31 December 2006	519,877	26,564	546,441
Amortisation in the year	—	(4,687)	(4,687)
Impairment	—	(21,877)	(21,877)
At 31 December 2007	519,877	—	519,877

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.

Notes to the consolidated accounts

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for the year ended 31 December 2007

10 Intangible assets *continued*

The Group tests goodwill annually for impairment. Goodwill is allocated to cash generating units and a discounted cash flow analysis is computed to compare discounted estimated future operating cash flows to the net carrying value of the business. The analysis is based on forecast cash flows and any impairments identified are charged to the income statement. The test is dependent on management estimates and judgements, in particular in relation to the forecasting of future cash flows and the discount rate applied to these cash flows. The Goodwill is allocated to the entire PRS business. The key assumptions in this analysis are based on Directors' expectations of future revenues of the PRS business based on recent budgets and forecasts for the next three years. No discounting has been applied to these cash flows.

The impairment of the license is as a result of the Group's intended divestment or wind down of its software and instrumentation UK-based businesses and its protein production fee for service business unit.

It is not possible to split software purchased along with hardware on a reasonable and consistent basis and therefore all software is reported under property, plant and equipment.

11 Property, plant and equipment

	Plant and machinery £	Office equipment, fixtures and fittings £	Computer equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2007	1,393,920	68,074	173,553	29,692	1,665,239
Additions	584,915	4,517	41,098	—	630,530
Disposals	(64,630)	—	(1,342)	—	(65,972)
Reclassification	(167,979)	15,594	150,902	—	(1,483)
Exchange differences	(7,941)	—	—	—	(7,941)
At 31 December 2007	1,738,285	88,185	364,211	29,692	2,220,373
Depreciation					
At 1 January 2007	1,217,856	64,233	131,272	10,244	1,423,605
Provided in the year	182,310	3,749	42,685	7,231	235,975
Impairment	86,370	—	—	—	86,370
Disposals	(64,630)	—	(224)	—	(64,854)
Reclassification	(144,058)	13,068	129,507	—	(1,483)
Exchange differences	(6,745)	—	—	—	(6,745)
At 31 December 2007	1,271,103	81,050	303,240	17,475	1,672,868
Net book amount at 31 December 2007	467,182	7,135	60,971	12,217	547,505

The impairment of the property, plant and equipment is as a result of the Group's intended divestment or wind down of its software and instrumentation UK-based businesses and its protein production fee for service business unit. These costs are included in other operating charges in the income statement.

Notes to the consolidated accounts

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for the year ended 31 December 2007

11 Property, plant and equipment *continued*

The net book amount of property, plant and equipment includes £521,783 (2006 £132,245) in respect of assets held under finance lease or hire purchase contracts

	Plant and machinery £	Office equipment, fixtures and fittings £	Computer equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2006	608,300	65,726	131,434	29,692	835,152
Additions	23,039	2,348	42,119	—	67,506
Acquisition of PRS	810,329	—	—	—	810,329
Disposals	(47,748)	—	—	—	(47,748)
At 31 December 2006	1,393,920	68,074	173,553	29,692	1,665,239
Depreciation					
At 1 January 2006	450,300	61,586	112,772	3,013	627,671
Provided in the year	136,410	2,647	18,500	7,231	164,788
Acquisition of PRS	650,775	—	—	—	650,775
Disposals	(19,629)	—	—	—	(19,629)
At 31 December 2006	1,217,856	64,233	131,272	10,244	1,423,605
Net book amount at 31 December 2006	176,064	3,841	42,281	19,448	241,634

12 Inventories

	2007 £	2006 £
Raw materials and consumables	—	122,095
Work in progress	—	65,101
Finished goods	78,808	284,958
	78,808	472,154

13 Trade and other receivables

	2007 £	2006 £
Trade receivables	97,036	419,368
Provision for doubtful receivables	(12,607)	(3,101)
VAT	2,768	5,718
Prepayments, accrued income and other receivables	136,420	134,437
	223,617	556,422

The ageing analysis of trade receivables is as follows

	2007 £	2006 £
Less than 3 months	50,609	412,686
3 to 6 months	42,277	3,682
Over 6 months	4,150	—
	97,036	419,368

Notes to the consolidated accounts

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for the year ended 31 December 2007

14 Cash and cash equivalents

	2007 £	2006 £
Cash at bank and in hand	129,432	99,323

15 Trade and other payables

	2007 £	2006 £
Trade payables	254,540	235,619
Social security and sundry taxes	33,005	156,340
Other payables	229,503	153,478
Accruals and deferred income	597,216	874,345
	1,114,264	1,419,782

The ageing analysis of trade payables is as follows

	2007 £	2006 £
Less than 3 months	225,022	169,508
3 to 6 months	23,055	66,111
Over 6 months	6,463	—
	254,540	235,619

Bank loan

See note 18 for details of the bank loan

16 Financial liabilities

	2007 £	2006 £
Current		
Bank loans	15,625	62,500
Finance leases	185,126	90,239
	200,751	152,739
Non-current		
Bank loans	—	15,125
Finance leases	341,132	41,483
	341,132	56,608
Total financial liabilities	541,883	209,347

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

Notes to the consolidated accounts

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for the year ended 31 December 2007

17 Provisions

Provisions comprise warranty provisions due within one year as follows

	£
At 1 January 2007	155,341
Charged/(credited) to the income statement	
Additional provisions	152,664
Released against profits	(232,910)
At 31 December 2007	75,095

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

18 Financial instruments and treasury risk management

Financial instruments in the Group comprises borrowings as follows

Bank loan

The bank loan was issued under the Small Firms Loan Guarantee Scheme and £250,000 was drawn down on 17 April 2003. It is being repaid in 48 equal monthly instalments, which commenced in April 2004. The amount outstanding at 31 December 2007 was £15,625 (2006 £77,625) of which £15,625 (2006 £62,500) is shown as falling due within one year (note 16). Interest is payable at 7.6 per cent per annum and the loan is secured by a debenture guaranteeing

- (a) legal mortgage and first fixed charge over all freehold and leasehold property of the Company together with all plant and machinery from time to time thereon,
- (b) first fixed charge over all book debts now and from time to time owing to the Company, and
- (c) first floating charge over the undertaking and assets of the Company

Borrowing facility

An overdraft facility of £200,000 was available at 31 December 2007 (2006 £200,000). The interest rate is 4 per cent per annum above the Barclays base rate. The amount drawn down on this facility at 31 December 2007 was £nil (2006 £nil). The facility is secured over trade receivables of the Group.

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 per cent (2006 7.6 per cent). For obligation under finance leases, the weighted average fixed interest rate is 10.1 per cent (2006 8.8 per cent), and the weighted average period for which the rate is fixed is 2.74 years (2006 1.71 years). The income statement sensitivity to changes in interest rates on the variable rate overdraft facility (say 1 per cent) is £1,498 (2006 £nil). The income statement sensitivity to changes in interest rates on the variable rate bank deposits (say 1 per cent) is £nil (2006 £6,266).

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.

Notes to the consolidated accounts

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for the year ended 31 December 2007

18 Financial instruments and treasury risk management *continued*

The carrying values of financial instruments represent the fair values of those instruments. At 31 December 2007 the Group owed £15,125 (2006 £77,625) under the bank loan detailed in note 18. In addition the Group also owed £526,258 (2006 £131,722) under ongoing finance lease agreements, which have fixed interest rates.

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 US dollars at 31 December 2007 amounted to £436,102 (2006 £48,756). The income statement sensitivity to changes in US exchange rates (say 5 per cent) is £21,860 (2006 £2,444).

Financial assets denominated in US dollars at 31 December 2007 amounted to £16,372 (2006 £16,566). The income statement sensitivity to changes in US exchange rates (say 5 per cent) is £821 (2006 £830).

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.

19 Deferred taxation

No deferred taxation is provided for at 31 December 2007 (2006 nil). Deferred taxation, which has not been provided for in the financial statements, is set out below.

	2007 £	2006 £
Tax losses carried forward	1,952,643	1,330,000
Unprovided deferred tax asset	1,952,643	1,330,000

20 Called up Share capital

	2007 £	2006 £
Authorised		
2,000,000,000 Ordinary Shares of 0.1p each	2,000,000	2,000,000
Allotted, called up and fully paid		
1,394,752,584 (2006 793,793,708) Ordinary Shares of 0.1p each	1,394,753	793,794

(a) Share placing

On 1 March 2007 35,714,000 Ordinary Shares with an aggregate nominal value of £35,714 were issued raising £0.25m after expenses.

On 12 April 2007 90,000,000 Ordinary Shares with an aggregate nominal value of £90,000 were issued raising £0.45m after expenses.

Notes to the consolidated accounts

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for the year ended 31 December 2007

20 Called up Share capital *continued*

On 17 July 2007 200,000,000 Ordinary Shares with an aggregate nominal value of £200,000 were issued raising £0.75m after expenses

On 31 October 2007 275,000,000 Ordinary Shares with an aggregate nominal value of £275,000 were issued raising £1.05m after expenses

(b) Exercise of options

On 21 November 2007 244,876 Ordinary Shares with an aggregate nominal value of £245 were issued to D Wigley

(c) Warrants

The Warrants are exercisable at any time before 31 December 2008. The Warrants that are in issue give the warrant holders collectively the right to subscribe for 53,929,164 Ordinary Shares at 3p per share. The Warrants are freely transferable. The Warrants may be exercised in whole or in part at any time before 31 December 2008.

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 above warrants do not meet this criteria.

21 Share options

The following share options were outstanding over 0.1p Ordinary Shares in respect of NextGen Group plc share option schemes:

Employee			
Date of grant	Expiry date	No. of options	Exercise price
12 Dec 2001	12 Dec 2011	633,157	£0.1034
16 Apr 2003	16 Apr 2013	324,249	£0.0010
16 Apr 2003	16 Apr 2013	1,046,291	£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	2,106,705	£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
23 Dec 2005	30 Dec 2010	34,836,662	£0.0230
10 Feb 2006	10 Feb 2011	4,000,000	£0.0300
10 Feb 2006	10 Feb 2011	9,471,365	£0.0425
23 Dec 2006	30 Dec 2011	19,844,843	£0.0080
12 Oct 2007	10 Feb 2011	2,000,000	£0.0300

IFRS 2 has been applied to share options granted on 10 February 2006. 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 2007 was 0.365p (2006: 1.025p). The market price ranged from 1.02p to 0.25p during year (2006: 1.025p to 3.000p).

Notes to the consolidated accounts

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21 Share options *continued*

At 31 December 2007, the Group had the following outstanding options and exercise prices

Expiry dates	2007 Average exercise price per share £	2007 Options No	2007 Weighted average remaining contractual life Months	2006 Average exercise price per share £	2006 Options No	2006 Weighted average remaining contractual life Months
2010	0 00119	53,983,674	30	0 00955	88,820,336	44
2011	0 04169	16,104,522	38	0 02512	41,378,759	55
2013	0 09701	1,694,789	64	0 09502	2,269,163	76
2014	0 03449	2,235,581	80	0 03321	3,540,262	92
2015	0 02760	1,448,550	86	0 02760	1,450,000	98
Total	0 012711	75,467,116	35	0 01645	137,458,520	50

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

	2007 Weighted average exercise price per share	2007 Options	2006 Weighted average exercise price per share	2006 Options
Outstanding at 31 December 2006	0 0164	137,458,520	0 0148	100,256,775
Number granted	0 0300	2,000,000	0 0240	40,716,602
Number lapsed	0 0067	(63,991,404)	0 0552	(3,514,857)
Outstanding at 31 December 2007	0 0245	75,467,116	0 0165	137,458,520

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

	2007	2006
Share price	£0 01	£0 01
Exercise price	£0 0077-0 0425	£0 0077-0 0425
Expected volatility (per cent)	65 00	65 00
Expected life	3 years	3 years
Risk-free rate (per cent)	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.

Notes to the consolidated accounts

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for the year ended 31 December 2007

22 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 2006	693,400	1 697 433	—	5 731,082	464,714	—	(6 971 578)	1 615,051
Allotments during the year	93 333	636,667	—	—	—	—	—	730,000
Share issue costs	—	(25,200)	—	—	—	—	—	(25,200)
Share issue to acquire PRS	7 061	—	63,544	—	—	—	—	70,605
Share based payments	—	—	—	—	465 707	—	—	465 707
Total recognised income and expense for the year	—	—	—	—	—	7,954	(2 608 422)	(2 600 468)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(7 954)	(7 954)
At 31 December 2006	793,794	2 308,900	63 544	5 731 082	930 421	7,954	(9,587 954)	247 741
Allotments during the year	600,959	1,999,284	—	—	—	—	—	2 600,243
Share issue costs	—	(120 625)	—	—	—	—	—	(120 625)
Share based payments	—	—	—	—	(359,364)	—	719 705	360,341
Total recognised income and expense for the year	—	—	—	—	—	(1,107)	(3,318 596)	(3 319 703)
At 31 December 2007	1 394 753	4,187,559	63,544	5,731 082	571 057	6,847	(12,186 845)	(232,003)

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

23 Notes to the cash flow statement

	2007 £	2006 £
Net loss	(3,318,596)	(2,608,422)
Taxation	509	(301,414)
Finance income	(362)	(15,905)
Finance cost	45,629	36,578
Depreciation of property, plant and equipment	235,975	164,788
Impairment of property, plant and equipment	86,370	—
Profit on sale of property, plant and equipment	(11,347)	—
Amortisation of intangible assets	4,687	—
Impairment of intangible assets	21,877	—
Inventories	393,346	(255,256)
Trade and other current receivables	332,805	(185,827)
Trade payables and other current liabilities	(385,675)	(259,960)
Changes in working capital	340,476	(701,043)
Share option charge	360,341	465,707
Cash flow from operating activities	(2,234,441)	(2,959,711)

Notes to the consolidated accounts

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for the year ended 31 December 2007

24 Related party transactions

Related party transactions during the period consisted of consultancy payments to 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 £50,000 (2006 £nil) There were no balances with related parties at the year end (2006 £nil)

25 Capital commitments

The Group had no capital commitments at 31 December 2007 or 31 December 2006 for the acquisition of property, plant and equipment or intangible assets

26 Contingent liabilities

Other than the deferred consideration that may become payable in respect of the acquisition made during 2006 the Group had no contingent liabilities at 31 December 2007 or 31 December 2006

On 3 November 2006, the Group acquired the entire issued common stock of Proteomic Research Services Inc a full provider of proteomic laboratory, training and consulting services The consideration for the acquisition was made up of an initial payment on completion of £175,945 and up to a further £610,953 (\$1,201,500) payable by the issue of Nextgen Group plc shares on an earn out basis subject to the meeting of specific revenue targets over the next two years Given uncertainty as to whether these revenue targets will be achieved no provision for deferred consideration has been made

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 £56,622 (2006 £132,723) Contributions totalling £8,209 (2006 £9,004) were payable to the fund at the year end and are included in payables

28 Leasing commitments

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

	At 31 December 2007 £	At 31 December 2006 £
Expiring in		
In one year or less	95,775	109,598
Between one and five years	141,592	203,284
In five years or more	—	34,083
	<hr/> 237,367	<hr/> 346,965

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

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for the year ended 31 December 2007

29 Post balance sheet events

- (a) On 20 January 2008 2,892,726 Ordinary Shares of 0 1p each with an aggregate value of £2,893 were issued raising £21,000 after expenses
- (b) On 1 April 2008 500,000,000 Ordinary Shares of 0 1p each with an aggregate value of £500,000 were issued raising £1 4m after expenses
- (c) On 23 April 2008 the Group announced that it intends to either divest or wind down its software and instrumentation UK-based businesses and its protein production fee for service business unit over the next six months. The Group will move its headquarters to the USA and will change its reporting currency to US dollars effective 1 July 2008
- (d) On 22 May 2008 13,333,334 Ordinary Shares of 0 1p each with an aggregate value of £13,333 were issued raising £40,000

30 First time adoption of International Financial Reporting Standards

As discussed in the principal accounting policies, this is the first time the Group has prepared its annual consolidated accounts in accordance with International Financial Reporting Standards (IFRS)

The accounts for the year 2007 are prepared in accordance with the accounting policies disclosed in these accounts. This also applies to the comparative figures for the period ended 31 December 2006 and the opening balance sheet of 1 January 2006, as changes became effective as of that date, which is referred to as the transition date

Accounts in the opening balance sheet of 1 January 2006 have been changed in accordance with IFRS but were previously reported in accordance with UK GAAP (Generally Accepted Accounting Principles). The following tables and notes show the effects the changes from UK GAAP to IFRS has had on the financial position of the Group's financial position

UK GAAP permitted the amortisation of goodwill. This is not permitted by IAS 38 "Intangible Assets". Goodwill was recognised on acquisition of PRS as a 100 per cent subsidiary in November 2006. Under IFRS 3 any goodwill is written back to the profit and loss

Reconciliation of equity at the transition date 1 January 2006

	£
Shareholders' equity (UK GAAP and IFRS)	1,615,051

Reconciliation of loss for the period ended 31 December 2006

	£
Loss after tax (UK GAAP)	(2,614,599)
Write back of amortisation of goodwill	4,314
Other	1,863
Loss after tax (IFRS)	(2,608,422)

Notes to the consolidated accounts

continued

for the year ended 31 December 2007

30 First time adoption of International Financial Reporting Standards *continued*

Reconciliation of equity at 31 December 2006

	£
Shareholders' funds (UK GAAP)	241,564
Write back of amortisation of goodwill	4,314
Other	1,863
Shareholders' equity (IFRS)	247,741

Cash flow

The transition from UK GAAP to IFRS has no effect upon the cash flows generated by the Group. The IFRS cash flow statement is presented in a different format from that required by UK GAAP, with cash flows split into three categories of activities – operating activities, investing activities and financing activities. The reconciling items between the UK GAAP presentation and the IFRS presentation have no net impact on the cash flows generated.

Independent auditor's report – Company

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 2007, which comprise the Company balance sheet, the accounting policies and notes II to VIII. These parent Company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

We have reported separately on the Group financial statements of NextGen Group plc for the year ended 31 December 2007. 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 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 and the part of the Directors' remuneration report 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 and the part of the Directors' remuneration report 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 unaudited part of 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 and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements 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 and the part of the Directors' remuneration report to be audited 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.

Independent auditor's report – Company continued

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 2007 and of its loss for the year then ended,
- the parent Company financial statements and the part of the Directors' remuneration report to be audited 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 1 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 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

30 June 2008

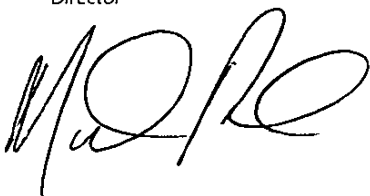
Company balance sheet

at 31 December 2007

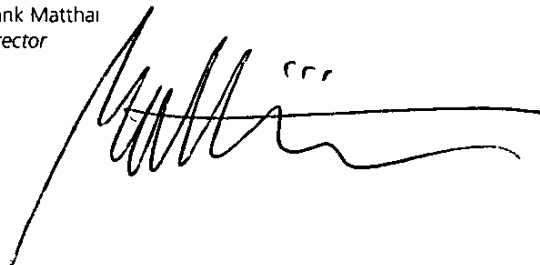
	Note	2007 £	2006 £
Fixed assets			
Intangible assets	III	—	26,564
Investments	IV	874,886	823,264
		874,886	849,828
Current assets			
Debtors due within one year	V	4,066,792	2,140,166
Cash at bank and in hand		63,477	42,606
		4,130,269	2,182,772
Creditors amounts falling due within one year	VI	(293,525)	(205,394)
Net current assets		3,836,744	1,977,378
Total assets less current liabilities		4,711,630	2,827,206
Capital and reserves			
Called up share capital	VII	1,394,753	793,794
Share premium account	VIII	4,187,559	2,308,900
Merger relief reserve	VIII	63,544	63,544
Other reserve	VIII	571,057	930,421
Profit and loss account	VIII	(1,505,283)	(1,269,453)
Shareholders' funds	VIII	4,711,630	2,827,206

The financial statements were approved by the Board of Directors on 30 June 2008

Dr Michael Pisano
Director



Frank Matthai
Director



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

Notes to the Company accounts

for the year ended 31 December 2007

I Accounting policies

Going concern

The financial statements for the Company and the Group have been prepared on a going concern basis, which assumes that the Company and the Group will continue to trade for the foreseeable future. During the year the Group incurred losses after taxation of £3,318,596 and had an accumulated profit and loss account loss of £12,186,845. The nature and stage of the Company's business are such that there can be considerable unpredictable variations in the timing of cash inflows. The Company'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. On the basis of these forecasts the Directors expect the Company 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 Company. The financial statements do not include any adjustments that would result should the Company 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 1985/2006.

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.

Notes to the Company accounts

continued

for the year ended 31 December 2007

II Net operating charges

Auditors' remuneration for the statutory audit of the Company was £4,000 (2006 £4,000)

The Directors' remuneration paid by NextGen Group plc, is disclosed on page 12

The average number of staff employed by the Company including Directors was 7 (2006 6)

III Intangible assets

	Licence £
At 1 January 2007	26,564
Amortisation in the year	(4,687)
Impairment	(21,877)
At 31 December 2007	—

The impairment of the license is as a result of the Group's intended divestment or wind down of its software and instrumentation UK-based businesses and its protein production fee for service business unit

IV 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	Percentage 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
Proteomic Research Services Inc	United States of America	Common stock	100	Sales and service of products for the protein research industry

The loss for the financial year dealt with in the financial accounts of the Company was £955,535 (2006 £1,060,967 – as restated) As provided by section 230 of the Companies Act 1985, no Company profit and loss account is presented in respect of the Company

Notes to the Company accounts

continued

for the year ended 31 December 2007

IV Investments *continued*

Subsidiary undertakings

	£
Cost	
At 1 January 2007	823,264
Share based payments	51,622
At 31 December 2007	874,886
Provision for impairment	
At 1 January 2007 and at 31 December 2007	—
Net book amount at	
At 31 December 2007	874,886
At 31 December 2006	823,264

V Debtors

	2007 £	2006 £
Amounts falling due within one year		
Amounts owed by Group undertakings	4,057,649	2,123,800
VAT	3,063	11,948
Prepayments and accrued income	6,080	4,418
	4,066,792	2,140,166

VI Creditors

	2007 £	2006 £
Trade creditors	133,247	47,334
Amounts owed to Group undertaking	57,903	—
Accruals and deferred income	102,375	158,060
	293,525	205,394

VII Share capital

Full details of the Company share capital is given in note 20 to the consolidated financial statements

Notes to the Company accounts

continued

for the year ended 31 December 2007

VIII 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 2007	£	£	£	£	£	£
	793,794	2,308,900	63,544	930,421	(1,269,453)	2,827,206
Allotment during the year	600,959	1,999,284	—	—	—	2,600,243
Share issue costs	—	(120,625)	—	—	(120,625)	(120,625)
Share based payments	—	—	—	(359,364)	719,705	360,341
Loss for the year	—	—	—	—	(955,535)	(955,535)
At 31 December 2007	1,394,753	4,187,559	63,544	571,057	(1,505,283)	4,711,630

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of NextGen Group plc will be held at Seymour Pierce Limited, 20 Old Bailey, London EC4M 7EN at 10 00 a.m. on 24 July 2008 to consider and, if thought fit, pass the following Resolutions of which Resolutions 1 to 6 (inclusive) will be proposed as ordinary resolutions and of which Resolution 7 will be proposed as a special resolution

Ordinary Resolutions

- 1 That the Directors' report, the audited statement of accounts and independent auditor's report for the financial period that commenced on the date of incorporation and ended on 31 December 2007 are hereby received and approved
- 2 That Klaus Rosenau who is retiring in accordance with the Articles of Association of the Group and being eligible is re-elected as a Director
- 3 That Frank Matthai who is retiring in accordance with the Articles of Association of the Group and being eligible is offering himself for re-election
- 4 That Grant Thornton UK LLP be and are hereby re-appointed as auditors to the Company and that the Directors be and are hereby authorised to determine the auditors' remuneration for the ensuing year. It is resolved that the principal terms (as defined in section 536(4) Companies Act 2006) of a liability limitation agreement (as defined in section 534 of Companies Act 2006) for the financial period ending 31 December 2008 proposed to be entered into by the Company and Grant Thornton UK LLP be approved
- 5 That the authorised share capital of the Company be increased to £3,000,000 from £2,500,000 by the creation of 500,000,000 Ordinary Shares of £0.001 each in the capital of the Company
- 6 That
 - (a) the Directors shall be authorised generally and unconditionally pursuant to section 80 of the Companies Act 1985 (the "Act") (in substitution for all other existing authorities pursuant to section 80 of the Act to the extent not utilised at the date this Resolution is passed) to exercise all the powers of the Company to allot relevant securities, (as defined in section 80(2) of the Act) provided that this authority shall be limited to the allotment of relevant securities of the Company up to an aggregate nominal amount of £1,089,021.356, to such persons at such times and generally on such terms and conditions as the Directors may determine, and
 - (b) the authority hereby conferred shall (unless previously revoked, varied or renewed) expire at the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2009 and the date that is 15 months after the passing of this Resolution provided that the Company may prior to such expiry make an offer or agreement which would, or might, require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the power conferred hereby had not expired

Special Resolution

- 7 That subject to the passing of ordinary resolution 7 above, the Directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (as defined in section 94(2) to 94(3A) of the Act) of the Company (in substitution for all other authorities pursuant to section 95 of the Act to the extent not utilised at the date this Resolution is passed) for cash pursuant to the authority conferred by Resolution 7 above as if section 89(1) of the Act or any pre-emption provisions contained in the Company's Articles of Association (the "Articles") did not apply to such allotment, provided that this power shall be limited to
 - (a) any allotment of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of equity securities in proportion (as nearly as practicable) to their existing holdings of such securities but subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or desirable in relation to fractional entitlements or legal or practical problems arising in, or pursuant to, the laws of any territory, or the requirements of any regulatory body or stock exchange in any territory or otherwise howsoever, and

Notice of Annual General Meeting

continued

- (b) otherwise than pursuant to paragraphs (a) above for cash up to aggregate nominal amount of £1,910,978 644 and such authority shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company following the date of the passing of this resolution and the date that is 15 months after the passing of this resolution save that the Company may prior to such expiry make an offer or agreement which would or might require securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if power conferred hereby had not expired

By Order of the Board
Justin McCann
Company Secretary

30 June 2008

Building 56
Alconbury North Airfield
Alconbury
Huntingdon
Cambridgeshire
PE28 4DA

Notice of Annual General Meeting

continued

Notes

- 1 Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, only those Shareholders registered in the register of members of the Company as at 6 00 p m on 22 June 2008 shall be entitled to attend and vote at this Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after such time shall be disregarded in determining the rights of any person to attend or vote at this Annual General Meeting.
- 2 Any shareholder who is entitled to attend and vote at this Annual General Meeting is entitled to appoint one or more proxies to exercise all or any of his/her rights to attend, speak and vote at the meeting. To appoint more than one proxy, additional Forms of Proxy may be obtained by contacting the Registrars or you may photocopy the form. If you appoint more than one proxy, each proxy must be appointed to exercise the rights attached to a different share or shares held by you. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. A proxy need not be a shareholder of the Company. Completion and return of the Form of Proxy will not preclude a shareholder from attending and voting at this Annual General Meeting. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
- 3 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
- 4 If you submit more than one valid proxy appointment in respect of the same shares, the appointment received last before the latest time for the receipt of proxies will take precedence.
- 5 In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- 6 A Form of Proxy is attached which to be effective must be completed, signed and received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, no later than 48 hours before the time of the Annual General Meeting. You can only appoint a proxy using the procedures set out in these notes and in the notes to the attached Form of Proxy.
- 7 In order to facilitate voting by corporate representatives at this Annual General Meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions, and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate Shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

For your notes

Form of Proxy

Annual General Meeting

I/We _____
(FULL NAMES IN BLOCK CAPITALS)

of _____
(ADDRESS IN BLOCK CAPITALS)

being (a) member(s) of the above named Company, hereby appoint the Chairman of the meeting or (see Note 1 below)

Name of Proxy	Number of Ordinary Shares proxy is appointed over

To act as my/our proxy and to attend, speak and vote as directed (or in the event that no direction is given to vote at his or her discretion) on my/our behalf at the Annual General Meeting of the Company to be held at 10 00 a.m. on 24 July 2008 at the offices of Seymour Pierce Limited at 20 Old Bailey, London EC4M 7EN or at any adjournment thereof

I/we direct my/our proxy to vote on the resolutions set out in the Notice of Annual General Meeting as follows (for each resolution mark "X" in the appropriate box below)

Ordinary Resolutions	For	Against	Vote withheld *
1 To receive the Directors' report and the audited accounts for the period ended 31 December 2007 and the report of the Auditors			
2 To elect Klaus Rosenau as a Director			
3 To elect Frank Matthäi as a Director			
4 To re-appoint Grant Thornton UK LLP as auditors of the Group and to authorise the Directors to fix their remuneration			
5 That the authorised capital of the Company be increased from £2,500,000 to £3,000,000 by the creation of 500,000,000 Ordinary Shares			
6 To authorise the directors of the Company to allot relevant securities pursuant to section 80 of the Companies Act 1985			
Special Resolution			
7 To authorise the directors of the Company to allot equity securities for cash as if section 89(i) of the Companies Act 1983 or any preemption provisions contained in the Articles of Association did not apply			

Unless otherwise instructed above, the proxy will exercise his or her discretion both as to how he or she votes and as to whether or not he or she abstains from voting on any resolutions proposed at the meeting. The "Vote withheld" option is to enable you to abstain on any of the specified resolutions. Please note that a "Vote withheld" has no legal effect and will not be counted in the votes "For" and "Against" a resolution.

If you wish to appoint multiple proxies please see note 1 below. ☐ Please also tick here if you are appointing more than one proxy.

Signature _____

Date _____ 2008

(see Note 3 below or Common Seal (see Note 4 below))

Notes

- 1 A shareholder of the Company entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to exercise all or any of his/her rights to attend, speak and to vote at the Meeting. A shareholder has the right to strike out the words "the Chairman of the Meeting or" and to insert, in block capitals, the full name of a person of his/her own choice in the box provided to act as his/her proxy, initialling the alteration. To appoint more than one proxy, an additional Form of Proxy may be obtained by contacting the Registrars or you may photocopy this form. If you appoint more than one proxy, each proxy must be appointed to exercise the rights attached to a different share or shares held by you. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. A proxy need not be a shareholder of the Company. The completion and return of the Form of Proxy will not preclude a shareholder from attending the Annual General Meeting or at any adjournment thereof and voting in person if they so wish.
- 2 Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual.
- 3 In the case of joint holders, the signature of any one of them on the Form of Proxy will suffice, but the names of all should be shown. If more than one of the joint holders is present at the Annual General Meeting, whether in person or by proxy, that one of the joint holders whose name stands first on the Register of Members shall alone be entitled to vote.
- 4 In the case of a corporation, the Form of Proxy must be given under its Common Seal or under the hand of a duly authorised officer or attorney.
- 5 To be valid, the Form of Proxy, duly completed and signed, together with the power of attorney or other authority (if any) under which it is signed (or a notationally certified copy of such power of authority) must be sent to the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received no later than 48 hours before the time fixed for holding the Annual General Meeting or any adjournment thereof.
- 6 Any alterations made to the Form of Proxy must be initialed.



Second fold

Business Reply
Licence Number
MB 122



Capita Registrars
(PROXIES)
PO Box 25
BECKENHAM
Kent
BR3 4BR

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Third fold and tuck in



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