5556404

nextgengroup

NextGen Group Plc.

Annual Report
for the year ended 31 December 2009

Company registration number	5556404
Directors	Klaus Gunter Erich Rosenau, Chairman and CEO Leif Hamø, Chief Financial Officer Dr Michael Pisano, Chief Scientific Officer Dr Thomas Borcholte
Company secretary	Thomas Przygoda
Registered Office	8th Floor Kildare House 3 Dorset Rise London EC4Y 8EN United Kingdom
Nominated Adviser	Seymour Pierce Limited 20 Old Bailey London EC4M 7EN
Broker	Dowgate Capital Stockbrokers Limited Talisman House Jubilee Walk Three Bridges Crawley West Sussex RH10 1LQ
Bankers	Barclays Bank Plc Mortlock House Vision Park Histon Cambridge CB4 9DE
Solicitors	Moorhead James LLP, Solicitors, Kildare House, 3 Dorset Rise, London EC4Y 8EN Clark Hill plc 500 Woodward Ave , Suite 3500 Detroit, MI 48226 USA
Patent Agents	Greaves Brewster Indigo House Cheddar Business Park Wedmore Road Cheddar Somerset BS27 3EB
Registrar	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA
Auditors	Grant Thornton UK LLP Registered Auditor and Chartered Accountants Byron House Cambridge Business Park Cambridge CB4 0WZ

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Chief Executive Officer's Report

Strategic overview

NextGen Sciences offers the highest quality protein analytical services with a strategic focus on protein biomarker discovery, assay development, validation, and testing that gives researchers the ability to characterize and measure proteins in biological samples with accurate, precise and robust assays Services available from NextGen Sciences include the identification and characterization of clinically relevant proteins (putative biomarkers), assay development, qualification, verification and validation of the protein biomarker (validated or known biomarker) and the monitoring of protein biomarkers during all phases of drug development.

NextGen Sciences' transition to focus on the biomarker market was completed with the divestiture of the non-core business, the closure of the facility in the UK, and the continued expansion of its service portfolio, which includes biomarker discovery, assay development and testing. The Group's laboratory and sales operations are located in the Ann Arbor, Michigan, USA facility

Efforts to put in place certification for GLP (Good Laboratory Practices) by Second Quarter 2010 have been initiated This allows us to perform services for the element of drug submissions to the FDA (US Food and Drug Administration) and EMEA (European Medicines Agency) Operating to appropriate quality standards is an important element in removing market barriers to the access of high value projects

Trading Review

Group revenue on continuing operation for the 12 months ended 31 December 2009 was $1 169 million (2008 $1 203 million), a decrease of 2 8%

Gross margin decreased from a gross loss of 39 1% (2008) to a gross loss of 13 2% due to the decrease in sales and an increase in total operating charges by 71 6% to $3 7 million (2008. $2 2 million)

After an interest charge of $97 thousand, the Group reported a pre-tax loss of $3 559 million (2008 loss $3 040 million) and a loss per share of 0 11 cents (2008 loss 0 16 cents)

Biomarker services

The official NIH (National Institute of Health) definition of a biomarker is "A characteristic that is objectively measured and evaluated as an indicator of normal biologic processes, pathogenic processes, or pharmacologic responses to a therapeutic intervention "

The pharmaceutical and biotechnology industry is under pressure to reduce the attrition rate of compounds through the development process The industry is looking towards biomarkers and better target selection as the best means of improving the attrition rate Industry and its regulators see these as key solutions to the drug development problem especially as related to efficacy and safety So much so, that the use of molecular biomarkers is becoming mandatory for drug development programs The role of biomarkers spans all aspects of drug discovery and development It has been recognized that integration of biomarkers through the different phases of drug development can yield safer drugs with enhanced therapeutic efficacy in a cost-effective manner Biomarkers also provide the critical link in translational medicine (bench to bedside) and are essential for the realization of personalized medicine

The ability to discover putative biomarkers increases every year with improved discovery platforms in multiple disciplines The bottleneck in biomarker development has been the lack of ability to develop assays in a time-frame acceptable to move viable candidates forward in line with the therapeutic compound NextGen Sciences' platform is a solution that greatly shortens the assay development time relative to more conventional platforms such as immunoassays

Biomarker projects are supported by NextGen Sciences' proprietary **biomarkerlibrary™** which contains catalogues of proteins from a variety of biological fluids, tissues and cell lines from pre-clinical models to human This knowledge accelerates the development of robust, accurate and precise multiplexed assays suitable during all phases of clinical development

NextGen Sciences' protein characterization services include advanced analytical methods leading to a better understanding of a therapeutic protein's characteristics In addition the assay development methods for protein biomarkers confer the ability to monitor therapeutic proteins and their characteristics through processing, scale up and in preclinical and clinical samples

NextGen Science's biomarker and target validation services offer a way to improve drug development for all therapeutic areas NextGen Sciences' platforms are used to develop protein biomarker assays for pharmaceutical and biotechnology companies This has helped relieve the bottleneck of assay development NextGen Sciences has demonstrated that the platform can be used to develop multiplex assays in the timelines required by the industry

Current trading and outlook

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

In 2009 NextGen Sciences signed service agreements with a number of pharmaceutical, biotechnology and diagnostic companies which delivered multiple projects to an expanding list of pharmaceutical and biotechnology clients in various therapeutic areas including oncology, inflammation and neuroscience and has completed multiple biomarker projects

In 2009 NextGen Sciences formed collaboration with ThermoFisher Scientific

NextGen Sciences believes that it is vital for the growth of the business that it deploys resources as available to the development of therapeutically relevant assay panels This will enable the company to focus on specific market segments to attract samples for biomarker testing as a highly scalable and profitable business element There are two additional benefits to this approach Firstly, releasing assays to the market validates the technology and so will help drive the sale of custom assay development projects Secondly, assays of therapeutic relevance will raise the overall profile of the company through "relevance" to large market segments At the same time working relationships with pharmaceutical biotechnology and diagnostic companies continues to expand and name branding has become solidified This is supported in the continued growth of our client list from around the globe and that our clients now reach into different life science sectors such as agriculture

Klaus Rosenau

Chief Executive Officer
21 April 2010

Directors' report

The Directors present their report together with the financial statements for the year ended 31 December 2009

Principal activity

The Group's principal activities are research and development services in the Biomarker arena for use within life science companies

Reporting currency

Approximately 52% of the Group's sales are denominated in US dollars Therefore the Group is reporting in US dollars to more accurately reflect its underlying performance The functional currency of the Company remained in Sterling

Results and dividends

Please note that the figures include discontinued operations, (see note 9 discontinued operations) There was a loss for the year after taxation of $ 3 559 million (2008. loss $ 3 039 million) As such the directors do not recommend dividend payments to ordinary shareholders

Future developments

For information on the Group outlook, please refer to the Chief Executive Officer's report on page 4

Business Development

In 2009 NextGen Sciences continued to develop and expand the biomarker services portfolio for biomarker discovery, assay development, and testing

Also during 2009 NextGen completed the sale of its electrophoresis equipment and consumables business and closed the UK facility

Key Financial Performance Indicators

The Group has made less than satisfactory progress towards achieving its goals in 2009, this is highlighted by comparing the key performance indicators between 2009 and 2008

Revenue

The revenue from continuing operations for the Group decreased from $1 203 million in 2008 to $1.169 million in 2009, this is a 2 8% decrease in revenue for the year The company is narrowing its' focus to Biomarkers including Biomarker Assay Development, Biomarker Discovery and Biomarker Testing

Gross profit percentage

Gross profit percentage ın 2008 was a loss margın of 39.1% and thıs has decreased ın 2009 to a loss margın of 13 2% The decrease ın gross profit percentage ıs due to lower sales and increase ın total operatıon charges

Sales revenue generated per employee

	Revenue $	Employees No.	Revenue: Employee $
2009	1,169,400	18 1	64,608
2008	1,203,343	30 0	40,111

Principal risks and uncertainties

There are a number of rısks and uncertaıntıes that are common to pharmaceutıcal servıces and bıotechnology companies whıch could have an ımpact on the Group's long-term performance Rısk assessment and evaluatıon is an essentıal part of the annual plannıng cycle

Commercial

NextGen Scıences' bıomarker services are ın full operatıon The Group contınues to evaluate ıts routes to market and has introduced more strıngent monıtorıng on sales & marketıng performance to ensure that resources and effort are alıgned wıth the market potentıal

Market conditions

NextGen Scıences products and servıces are dırectly sold to the pharmaceutıcal and bıotech ındustry The trend in declıned productıvity and decreased drug approval rates has led many large pharmaceutical and bıotech companıes to restructure, merge and/or downsıze. Thıs trend ıs likely to contınue over the next 5 years as many revenue drugs come off patent ın thıs time perıod The Group's results are dependent on the levels of outsourcing actıvıtıes ın thıs sector

NextGen Scıences has identıfied the small to medıum sızed pharmaceutıcal and bıotech companıes as a target market that does not experience the issues related to theır large counterparts Thıs sector and the dıversıty of the Group's customer base provıde a degree of protectıon Further, wıth the ıntroductıon of products wıth therapeutıc relevance the Group wıll be able to more effectıvely appeal to theır chosen market segments

Competitive pressures

NextGen Scıences operates in a market wıth dıfferıng prıcıng pressure characterıstıcs The pharmaceutıcal and bıotech ındustry wıll accept hıgh prıcıng for hıgh value products and services but only after they have been proven as such The prıncıpal offerıngs add high value to the industry (ı e high ımpact) In the bıomarker testıng market NextGen Scıences ıs posıtıoned as one of the early to market companıes As competıtıon ıncreases, competıtıve prıcıng ın the market wıll emerge NextGen Scıences wıll contınue to offer a premıum service, so market pressures wıll not affect the company performance to any great extent

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

At present there are few direct competitors in the space, but many more may surface as the market grows The large pharmaceutical service contract research organizations are aware of the need in the biomarker services and could pose a significant threat if/when they decide to offer the services

Continued investment in people, technology and logistics is designed to support the company's competitive position. NextGen Sciences actively works with its customers to find new and innovative ways to meet their changing needs in order to remain at the forefront of the market This is undertaken in areas where the Group can see clear financial or strategic benefits for growth

Governmental regulations

The Group's operations may be affected by various regulatory agencies, particularly by the FDA and EMEA While the Group is not currently working in a "regulated" environment it will be subject to the regulations that govern the industry in the near future CLIA, GCP and GLP certification will be put in place in order to perform services for the element of drug submissions to the FDA and EMEA This is part of our proactive strategy.

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 even unique competitive technologies and know-how.

Human resources

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

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

Financial Risk Management Objectives and Policies

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

The primary risks arising from the Group's financial instruments are credit risk and liquidity risk The directors review and agree on policies for managing each of these risks and they can be reviewed in note 25

Directors and their interests

The list of directors (and their families) who served during the year ended 31 December 2009 is detailed in the Directors' Remuneration Report on pages 13 and 14.

Substantial shareholders

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

Name	0.1p ordinary shares	%
Family Trust Select - FIS - Teilfonds Zeus	3,524,167,000	73 48
Perfekt Beteiligungsmanagement GmbH	291,770,806	6 08
DZ Bank Luxembourg	180,000,000	3 75

Supplier payment policy

Whilst it does not follow any specific published code or standard, the Group's policy concerning the payment of suppliers is to agree to terms of payment at the start of business with each supplier

Employee involvement

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

Disabled employees

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

Funding

On three separate occasions during the year the Company undertook a share placing of Ordinary Shares that raised approximately $3 43 million after expenses Refer to Statement of changes in equity page 21

Subsequent to year end the Company has entered into two convertible loan agreements with ALPHA 4 CONCEPTS GmbH pursuant to which the group has been provided with a total of $474 thousand and $680 thousand (€350 thousand and €500 thousand) The terms of the loan include a rate of 12% simple interest and the loan is repayable upon 7 days' notice Subject to the necessary resolutions being passed at the Company's 2010 Annual General Meeting to increase its share capital and to obtain the necessary authorities to allot shares, the loan (plus interest) shall be convertible, at the lender's option and within 2 business days following the AGM, into ordinary shares in the Company at a price of 0 1p per share plus one warrant for each share issued, with the warrants being exercisable for 3 years from the date of grant If the right of conversion is not exercised, then the other terms of the loan will continue to be in effect, unless otherwise agreed between the Company and the lender

Going concern

The nature and stage of the Group's business is such that there can be considerable unpredictable variations in the timing of cash inflows The Group's plans for growth may necessitate alternative funding levels and the directors constantly review the need for such additional funds. The directors have prepared projected cash flow information, which incorporates their best estimate of the timing and value of sales revenue and consequential external funding requirements The directors have commitment from the substantial shareholders for additional funding as needed according to these forecasted budgets On the basis of these forecasts the directors expect the Group to continue to meet its liabilities as they fall due

For this reason the Directors continue to adopt the going concern basis in preparing the financial statements This assumes that required levels of sales revenue and forecast external funding are achieved by the Group The financial statements do not include any adjustments that would result should the Group not generate forecasted sales revenue or raise adequate funding

Directors' responsibilities for the financial statements

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 International Financial Reporting Standards as adopted by the European Union (IFRS) The directors have 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 Group and the parent company and of the profit or loss of the Group for that period

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 IFRS for Group purposes and United Kingdom Accounting Standards for Company purposes have been followed subject to material departures disclosed and explained in the financial statements , and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business

The directors are responsible for keeping adequate 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 2006 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

In 2009, the biomarker products, services and processes were further developed and improved through internal R&D efforts. There were a number of projects that were collaboratively completed and generated data for marketing and literature.

Closure of UK site and business

In February 2009 the company sold its electrophoresis business unit and closed the UK facility.

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

Post Balance Sheet Event

The company has obtained a convertible loan from ALPHA 4 CONCEPTS GmbH of $474 thousand (€350 thousand) in March 2010 On 13 April 2010 the company has obtained an additional convertible loan from ALPHA 4 CONCEPTS GmbH of $680 thousand (€500 thousand)

Auditors

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

ON BEHALF OF THE BOARD

Klaus Rosenau
Chief Executive Officer
21 April 2010

Corporate governance

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

The Board

The Board comprised in 2009, three executive directors and one non-executive directors. At the AGM the Chairman was promoted to CEO of the Group 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 weekly and monthly and distributed to the Board members

Remuneration Committee

The Remuneration Committee comprises the non-executive director and the chairman Mr Klaus 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 director and the chairman Mr Klaus Rosenau. It meets at least twice a year to review the draft interim and full year accounts It discusses the scope and planning of the audit with the auditors before the audit and agrees to their remuneration

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

Directors' Remuneration

Details of the directors' remuneration policy and related disclosures are contained in the Directors' Remuneration Report on pages 13 through 14

Internal Control

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

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

- The Board has adopted a risk-based approach to establishing the system of internal control The risk management approach is used to focus available resources on the Group's most significant areas of risk and to determine key control objectives In particular the processes for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed and have been reviewed

- The executive directors are closely involved in the management of the business at a detailed level This is supported by reviews of daily, weekly and monthly detailed analyses of the performance of the business

- Detailed annual budgets are prepared, reviewed in detail and approved by the Board and variance analysis is conducted 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

The Group considers the combined corporate governance rules and recommendations as a dynamic set of rules as, to the extent necessary, they should be aligned to the future needs and demands of the shareholders and the rest of the stock market and to the needs originating from the Groups operations in the international markets Communications between the company and its shareholders should be as easily comprehensible and accessible as possible, based on the use of information technology such as an informative and interactive website.

The Group's shareholders, future shareholders and other stakeholders have different requirements in terms of corporate information and rely on the quality of such information

Openness and transparency are therefore pivotal for evaluating the company and its prospects And we seek to maintain the open communication through stock announcement and company presentations

The Group endeavours to ensure the timely convening of its general meetings, allowing its shareholders and others to consider the issues on the agenda for the general meeting It is of key importance to the Group that the Board of directors maintains an appropriate composition so that Board members with a professional background and expertise can act as a constructive, inspiring and controlling sounding board to the company's management

Members of the Board are elected for terms of one year by the shareholders at the annual general meeting upon the Board's recommendations Relevant knowledge and professional expertise are key parameters when recommending a Board member

Directors' remuneration report

Procedures for developing policy and fixing remuneration

The Committee consists of the non-executive director, and Chairman Mr. 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% 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 Klaus Rosenau is terminable by the Director on not less than 6 months notice in writing and 6 months by the Company The service agreement with Dr Michael Pisano is terminable by the Director on not less than 3 months notice in writing and 3 months by the Company The service agreement with Leif Hamø is terminable by the Director on not less than 6 months notice in writing and 6 months by the Company

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

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

DIRECTOR'S REMUNERATION

	Salary	Benefits	2009 Total (excl. pension)	2008 Total (excl. pension)	2009 Pension	2008 Pension
	$	$	$	$	$	$
Frank Matthäi	55,741	-	55,741	117,424	-	-
Klaus Rosenau (i)	207,760	-	207,760	40,998	-	-
Michael Pisano	246,896	-	246,896	241,288	9,876	8,792
Jorg Neermann	1,811	-	1,811	27,848	-	-
Thomas Borcholte	23,476	-	23,476	27,848	-	-
Leif Hamø (ii)	178,416	-	178,416	-	-	-
Total	**714,100**	-	**714,100**	**455,406**	**9,876**	**8,792**

(i) From 1 July 2009 contract of service is with OAR Kommunikations- und Outsourcing-Beratungsgesellschaft mbH.

(ii) From 1 July 2009 contract of service is with Hamø ApS

All of the Directors were paid by NextGen Group Plc with the exception of Dr Michael Pisano, who was paid by NextGen Sciences Inc

Jorg Neermann left the Board by the end of January 2009, Frank Matthäi left the board by end of July 2009 and Leif Hamø joined the Board beginning August 2009

Directors' Interests

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

	31 December 2009	31 December 2008
F Matthai (i)	NA	3,127,750
K G Rosenau (ii)	116,312,427	116,312,427
M Pisano	3,309,869	3,309,869
Leif Hamø	-	NA

(i) 1,877,750 of the ordinary shares are registered in the name of Frank Matthäi 1,450,000 ordinary shares are held on trust for an unrelated third party

(ii) These shares are registered in the name of OAR, a company which is wholly owned by Klaus Rosenau's mother and of which he is a director and includes 5,772,388 ordinary shares which are held in trust for a third party

Share options

Options and warrants to subscribe for Ordinary Shares of 0 1p each

	31 Dec 2009	Exercise Price	Expiry Date	Date granted
Klaus Rosenau	2,000,000	£0 030	10 Feb 2011	10 Feb 2006

Save as set out above, no share options, or warrants to subscribe for shares, in the Group or its subsidiaries, were granted to or exercised by a director or his immediate family in the year ended 31 December 2009

Independent auditor's report

Independent auditor's report to the members of NextGen Group plc

We have audited the group financial statements of NextGen Group plc for the year ended 31 December 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org.uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements·

- give a true and fair view of the state of the group's affairs as at 31 December 2009 and of the group's loss for the year ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter - Going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in Note 3 of the financial statements concerning the Group's ability to continue as a going concern and meet its liabilities as they fall due The Group incurred a loss after taxation for the year of $3 559 million As explained in Note 3, the financial statements have been prepared on a going concern basis, the validity of which depends on receipt of orders, and the related sales revenue or injection of funds into the business from further fundraising These conditions indicate the existence of material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Other matter

We have reported separately on the parent company financial statements of NextGen Group plc for the year ended 31 December 2009 That report is modified by the inclusion of an emphasis of matter on going concern.

Grant Thornton UK LLP

Alison Seekings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge, England

21 April 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009	Restated 2008
		$	$
Revenue	7	1,169,400	1,203,343
Cost of sales		(1,323,543)	(1,673,997)
Gross loss		**(154,143)**	**(470,654)**
Other operating expenses	8	(3,732,877)	(2,175,715)
Impairment on non financial assets	10	(507,862)	-
Operating loss		**(4,394,882)**	**(2,646,369)**
Finance income		34	101
Finance costs	12	(96,893)	(103,341)
Loss before taxation		**(4,491,741)**	**(2,749,609)**
Income tax expense	21	(802)	-
Loss after taxation		**(4,492,543)**	**(2,749,609)**
Profit/(loss) of discontinued operations	9	933,425	(289,962)
Net loss attributable to shareholders' equity		**(3,559,118)**	**(3,039,571)**
Basic loss per share	22	**0.11c**	**0.16c**
Basic loss per share from continuing operations	22	**0.13c**	**0.15c**

Consolidated statement of comprehensive income

For the year ended 31 December 2009

	Note	2009 $	2008 $
Net loss attributable to shareholders' equity		(3,559,118)	(3,039,571)
Currency retranslation gains/(losses)		190,659	(804,202)
Total recognized income and expense attributable to shareholders' equity		**(3,368,459)**	**(3,843,773)**

Consolidated statement of financial position

At 31 December 2009

	Note	2009	2008
		$	$
Non-current assets			
Goodwill	10	507,862	1,015,724
Property, plant and equipment	11	422,037	615,036
Investment	6	35	35
		929,934	1,630,795
Current assets			
Inventories	14	-	335,239
Trade and other receivables	15	296,192	474,093
Cash and cash equivalents	16	329,076	251,344
		625,268	1,060,676
Total assets		**1,555,202**	**2,691,471**
Equity			
Called up share capital	17	8,339,409	4,646,784
Share premium account		10,276,362	10,276,362
Merger reserve		10,026,450	10,026,450
Other reserves		938,329	938,329
Foreign currency translation reserve		(516,166)	(706,825)
Profit and loss account		(28,539,280)	(24,980,162)
Equity shareholders' funds		**525,104**	**200,938**
Liabilities			
Non-current liabilities			
Financial lease	12	41,920	291,257
Current liabilities			
Trade payables and other current liabilities	20	673,973	1,860,521
Financial lease	12	313,043	331,165
Provisions	19	1,162	7,590
		988,178	**2,199,276**
Total liabilities		**1,030,098**	**2,490,533**
Total equity and liabilities		**1,555,202**	**2,691,471**

The accompanying accounting policies and notes are an integral part of these financial statements The financial statements were approved by the Board of Directors on 21 April 2010

Klaus Rosenau
CEO

Leif Hamb
CFO

Company no 5556404

Consolidated statement of cash flow

For the year ended 31 December 2009

	Note	2009 $	2008 $
Cash flows from operating activities	23	(3,269,922)	(4,185,632)
Taxation (paid)/received		(802)	152,552
Net cash flow from operating activities		**(3,270,724)**	**(4,033,080)**
Cash flows from investing activities			
Interest received		34	490
Purchase of property, plant and equipment		(23,293)	(13,873)
Purchase of investment in associate undertaking		-	(35)
Sale of property, plant and equipment		-	189,943
Profit on disposal of business	9	380,800	-
Net cash flow from investing activities		**357,541**	**176,525**
Cash flows from financing activities			
Interest paid		(45,841)	(11,207)
Finance lease interest paid		(61,388)	(106,590)
Proceeds from borrowings	12	454,502	-
Repayment of borrowing	12	(454,502)	(31,033)
Capital element of finance lease rentals		(337,632)	(422,779)
Issue of shares/debentures		3,692,625	4,422,443
Share issue costs recognized in operating expenditure		(256,849)	-
Net cash flow from financing activities		**2,990,915**	**3,850,834**
Net increase/(decrease) in cash and cash equivalents		77,732	(5,721)
Cash and cash equivalents at the beginning of the year	16	251,344	257,065
Cash and cash equivalents at the end of the year	16	**329,076**	**251,344**

Consolidated statement of changes in equity

	Share capital $	Share premium $	Merger reserve $	Other reserves $	Foreign currency translation reserve $	Profit and loss $	Total share-holders funds $
Balance at 1 January 2009	**4,646,784**	**10,276,362**	**10,026,450**	**938,329**	**(706,825)**	**(24,980,162)**	**200,938**
Issue of share capital	3,692,625	-	-	-	-	-	3,692,625
Share issue costs	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-
Transaction with owners	**3,692,625**	**-**	**-**	**-**	**-**	**-**	**3,692,625**
Total comprehensive income	-	-	-	-	190,659	(3,559,118)	(3,368,459)
Balance at 31 December 2009	**8,339,409**	**10,276,362**	**10,026,450**	**938,329**	**(516,166)**	**(28,539,280)**	**525,104**
Balance at 1January 2008	**2,606,673**	**7,894,031**	**10,026,450**	**937,704**	**97,377**	**(22,041,171)**	**(478,936)**
Issue of share capital	2,040,111	2,677,207	-	-	-	-	4,717,318
Share issue costs	-	(294,876)	-	-	-	-	(294,876)
Share based payments	-	-	-	625	-	100,580	101,205
Transaction with owners	**2,040,111**	**2,382,331**	**-**	**625**	**-**	**100,580**	**4,523,647**
Total comprehensive income	-	-	-	-	(804,202)	(3,039,571)	(3,843,773)
Balance at 31 December 2008	**4,646,784**	**10,276,362**	**10,026,450**	**938,329**	**(706,825)**	**(24,980,162)**	**200,938**

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

Notes to the consolidated accounts

1. Nature of operation

NextGen Group plc and its subsidiaries (together 'Group') offers the highest quality proteomic services with a strategic focus on protein biomarker discovery, assay development, validation and testing that gives researchers the ability to characterize and measure proteins in biological samples with accurate, precise and robust assays Services available from the Group include the identification and characterization of clinically relevant proteins (putative biomarkers), assay development, qualification, verification and validation of the protein biomarker (validated or known biomarker) and the monitoring of protein biomarkers during all phases of drug development

The Group's biomarker and target validation services offer a way to improve drug development for all therapeutic areas The Group' platforms are used to develop protein biomarker assays for pharmaceutical and biotechnology companies This has helped relieve the bottleneck of assay development The Group has demonstrated that the platform can be used to develop multiplex assays in the timelines required by the industry

The Group continues to develop a number of pre-defined assay panels which will fulfil certain needs in the market and allow easy entrance to biomarker testing to many of the Group's present and future customers At the same time working relationships with pharmaceutical biotechnology and diagnostic companies continues to expand and name branding has become solidified This is supported in the continued growth of our client list from around the globe and that our clients now reach into different life science sectors such as agriculture.

2. General information and statement of compliance with IFRS

NextGen Group Plc (NextGen) is the Group's ultimate parent company. The company is incorporated in the United Kingdom The address of NextGen Group's registered office and its principal place of business is 8th Floor, Kildare House 3, Dorset Rise, London EC4Y 8EN NextGen Group's shares are listed on the AIM Market of the London Stock Exchange

The consolidated financial statements of the Group have been prepared under the historic cost convention and in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and IFRIC interpretations issued and effective at the time of preparing these statements.

The Group financial statements consolidate the financial statements of NextGen Group Plc, NextGen Sciences Limited and NextGen Sciences Inc (collectively the 'Group'), drawn up to 31 December each year

The consolidated financial statements for the year ended 31 December 2009 (including comparatives) were approved and authorized for issue by the board of directors on 19 April 2010

3. 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 $3,559,118 and had an accumulated profit and loss account loss of $28,539,280 at 31 December 2009

The nature and stage of the Group's business are such that substantial losses have been incurred and there can be considerable unpredictable variations in the timing of cash inflows The directors have prepared projected cash flow information, which incorporates their best estimate of the timing and value of sales revenue and consequential external funding requirements The Directors are in the final stage of negotiations with the majority shareholders of Group to arrange further funding in order to support the continued operation and growth of the Group. The company has obtained convertible loans of €350,000 in March 2010, €500,000 in April 2010 The bridging funding discussions with investors gives the Directors confidence that additional funds will be available for the company to finance the operations and to pay back the convertible loans. On the basis of the anticipated additional funding and the forecast for 2010 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

4. Changes in accounting policies

4.1 Overall considerations

The accounting policies applied by the Group are consistent with the policies adopted in the last annual financial statements for the year to 31 December 2008 except for the adoption of IAS1 Presentation of Financial Statements (Revised 2007) and IFRS8 Operating segments.

- The adoption of IAS1 (Revised 2007) does not affect the financial position or profits of the Group, but gives rise to additional disclosures IAS1 (Revised 2007) affects the presentation of owner changes in equity and introduces a 'Statement of Comprehensive Income'

- The adoption of IFRS8 has not changed the segments that are disclosed in the financial statements, but classification within the segments has been amended. In the previous financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Under IFRS8 the accounting policy for identifying segments is now based on the internal management reporting information that is regularly reviewed by the chief operating decision maker. This is considered to give rise to the same segments as in the previous year

Of the other new Standards and Interpretations effective for the year ended 31 December 2009, there was no impact on the presentation of the financial statements of NextGen Group plc other than in disclosure The accounting policies have been applied consistently throughout the Group for the purposes of the preparation of these consolidated financial statements

The classification of operating costs in 2008 has been revisited and the comparatives restated accordingly In 2008 $1,634,951 has been added to cost of sales and deducted from other operating charges in order to be consistent with the 2009 classification of expenditure

4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group The Standards and Interpretations in issue but not yet effective for the year ended 31 December 2009 are listed below NextGen Group plc has not adopted these early

Number	Title	Effective
IFRS9	Financial Instruments	01 Jan 2013
IAS24 (Revised 2009)	Related Party Disclosures	01 Jan 2011
IAS27 (Revised 2008)	Consolidated and Separate Financial Statements	01 Jul 2009
Amendment to IAS39	Financial Instruments Recognition and Measurement - Eligible Hedged Items	01 Jul 2009
Amendment to IFRS2	Group Cash-settled Share-based Payment Transactions	01 Jan 2010
Improvements to IFRSs 2009	Improvements to IFRSs 2009	from 01 Jul 2009
IFRS3 (Revised 2008)	Business Combinations	01 Jul 2009
IFRIC 17	Distribution of Non-cash Assets to Owners	01 Jul 2009
IFRIC 18	Transfers of Assets from Customers	from 1 Jul 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	01 Jul 2010
Amendments to IFRIC14	Prepayments of a Minimum Funding Requirement	01 Jan 2011
Amendment to IFRS1	Additional Exemptions for First-time Adopters	01 Jan 2010
Amendment to IAS32	Classification of Rights Issues	01 Feb 2010

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. IFRS3 Business Combinations (Revised 2008) will apply to any future business combinations that the Group may undertake once it is in force The standards and interpretations are not expected to have any significant impact on Group's financial statements, in their periods of initial application.

5. Summary of accounting policies

5.1 Overall considerations

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all years presented, unless otherwise stated

5.2 Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2009. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies All subsidiaries have a reporting date of 31 December

Unrealized gains and losses on transactions between Group companies are eliminated. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

5.3 Foreign currency translation

Functional and presentational currency

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

Transactions, balances and foreign subsidiaries

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

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

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

5.4 Segment reporting

The operating segment is a component of an entity

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),

- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

- for which discrete financial information is available

The company's segments are the continuing business covering Proteomic/Biomarker Services and the discontinuing business consisting of the instrument business divested in 2008 and the Contract Express and Consumable business divested in 2009.

There have been no changes from prior periods in the measurement methods IFRS 8.27(f) used to determine reported segment profit or loss but classification within the segments has been amended No asymmetrical allocations have been applied between segments

5.5 Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for services provided, excluding VAT and trade discounts Revenue is recognised upon the performance of services or transfer of risk to the customer, which means, along with the development of the work and when milestones are met Where completion of a sale is conditional upon customer acceptance, recognition is deferred until such acceptance is received

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

- The Group has reached project milestones
- The Group retains no continuing managerial involvement to the degree usually associated with ownership
- 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

5.6 Borrowing costs

Finance costs of debt are recognized in the income statement on the period in which they were incurred The Group does not have any qualifying asset under construction

5.7 Research and development expenditures

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

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

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

5.8 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 The periods generally applicable are

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

Material residual value estimates and estimates of useful life are updated as required, but at least annually, whether or not the asset is re-valued

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within 'other income' or 'other expenses'

5.9 Leased assets

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 elements 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

5.10 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

5.11 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

5.12 Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value

Financial assets and financial liabilities are measured subsequently as described below

Financial assets

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

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

Financial liabilities

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

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

Financial instruments

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

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

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

5.13 Inventories

Inventories are stated at the lower of cost and net realisable value Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses

5. 14 Income taxes

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 date

The group has not recognised a deferred tax asset because with the current restructure of the business, reallocation of the economic benefit of the Group's past trading losses is uncertain

5. 15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value

5. 16 Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital Transaction costs associated with the issuing of shares are deducted from share premium received, net of any related income tax benefits.

Merger reserves are reserved generated from mergers and acquisitions

Other reserves include e g share based payments

Foreign currency translation differences arising on the translation of the Group's foreign entities are included in the translation reserve

Retained earnings include all current and prior period retained profits

5. 17 Employment benefits

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

5 18 Share based employee remuneration

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

5.19 Provisions

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole Provisions are discounted to their present values, where the time value of money is material. Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset However, this asset may not exceed the amount of the related provision

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate

5.20 Significant management judgement in applying accounting policies

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements Critical estimation uncertainties are described in section 5 21

Revenue

The Group receives pre-payments on projects on certain project sizes The amount is recognized as revenue over the period during which the service is performed The nature of services provided depends on the specific project Therefore management needs to make significant judgement in determining when to recognize income from pre-payments In particular, this requires knowledge of the details in the development and level of finalization of the project

Research and development costs

Management monitors progress of internal research and development projects by using a project management system Significant judgement is required in distinguishing research from the development phase Development costs are recognized as an asset when all the criteria are met, whereas research costs are expensed as incurred

5.21 Estimation uncertainty

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below

Impairment

An impairment loss is recognized for the amount by which the asset's or cash- generating unit's carrying amount exceeds its recoverable amount To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows In the process of measuring expected future cash flows management makes assumptions about future operating results These assumptions relate to future events and circumstances The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year

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

5. 22 Discontinued operation

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

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

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

6. Investments

As of 31 December 2009 NextGen has a 24% investment in eXeTek Limited

	2009	2008
	$	$
Investment	35	35
Net book value	35	35

The associate, eXeTek Limited, has been excluded from the consolidation of the Group on the grounds that this entities results and financial position are not material to the Group

7. Segment reporting

NextGen's main operation is within the Biomarker and Proteomic Services markets The activities undertaken by this operating segment includes the Biomarker Discovery, Biomarker Assay Development and Analytical Services and Testing The activities are carried out by the Company's internal Research and Development Department The Groups reportable segments are the same as the operating segments

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

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

Operating Segments	Continuing		Discontinued		
	Proteomic/ Biomarker Services	Instrumen-tation	Contract Express	Consumables	Total
2009	$	$	$	$	$
Revenue from external customers	1,169,400				1,169,400
Revenue from discontinued operations		1,951,715	-	84,534	2,036,249
Segment revenue	**1,169,400**	**1,951,715**		**84,534**	**3,205,649**
Operating costs	(5,056,420)	(1,092,488)	-	-	(6,148,908)
Impairment of non-financial assets	(507,862)	-	-	-	(507,862)
Segment operating loss	**(4,394,882)**	**859,227**	-	**84,534**	**(3,451,121)**
Segment assets	**1,548,150**	**7,052**			**1,555,202**

Operating Segments	Continuing		Discontinued		
	Proteomic/ Biomarker Services	Instrumen-tation	Contract Express	Consumables	Total
2008	$	$	$	$	$
Revenue from external customers	1,203,343				1,203,343
Revenue from discontinued operations		1,766,701	400,459	272,465	2,439,625
Segment revenue	**1,203,343**	**1,766,701**	**400,459**	**272,465**	**3,642,968**
Operating costs	(3,849,712)	(2,076,970)	(470,788)	(320,314)	(6,717,784)
Impairment of non-financial assets	-	-	-	-	-
Segment operating loss	**(2,646,369)**	**(310,269)**	**(70,329)**	**(47,849)**	**(3,074,816)**
Segment assets	**1,153,959**	**1,537,512**	-	-	**2,691,471**

Proteomic services includes analytical services, biomarker discovery, biomarker testing and assay development work,

Instrumentation includes expression factory, expression workstation both including orchestrator IMS software and the optimizer product,
Contract express comprises a gene cloning and protein expression service,
Consumables include a range of reagents and optigels used in 2D gel electrophoresis work

	2009		2008	
Geographical Analysis	**Revenue**	**Non-current Assets**	**Revenue**	**Non-current Assets**
	$	$	$	$
USA	868,130	921,582	1,203,344	1,630,283
Europe	201,540	8,352	-	512
Rest of the World	99,730	-	-	-
Segment revenue	**1,169,400**	**929,934**	**1,203,344**	**1,630,795**

Reconciliation to financial statement	**2009**	**2008**
	$	$
Segment revenues		
Total segment revenue	3,205,649	3,642,968
Discontinued operation	(2,036,249)	(2,439,625)
Group revenues	**1,169,400**	**1,203,343**

	2009	**2008**
	$	$
Segment profit and loss		
Total segment loss	(3,194,272)	(3,074,816)
Profit/Loss from discontinued operation	(943,761)	428,447
Commission on share issue	(256,849)	-
Group operating loss	**(4,394,882)**	**(2,646,369)**

Finance	**2009**	**2008**
	$	$
Finance costs	(96,893)	(103,341)
Finance income	34	101
Group loss before taxation	**(4,491,741)**	**(2,749,609)**

Segment assets	**2009**	**2008**
	$	$
Total segment assets	1,555,202	2,691,471
Group assets	**1,555,202**	**2,691,471**

8. Operating expenses (continuing operations)

The operating loss on continued operations, is stated after charging

Operating expenses	2009	2008
	$	$
Staff Costs	(1,062,647)	(356,626)
Tenancy	(81,197)	(231,284)
Legal & Professional	(932,913)	(1,433,700)
Office Costs	(45,319)	(85,668)
Travel	(382,478)	(269,120)
Communications & IT	(64,602)	(54,958)
Marketing	(188,982)	(80,891)
Science, Engineering & Development	-	(239,750)
Share issue costs	(256,849)	-
Insurances	(29,279)	(34,770)
Other Expenses	(54,787)	79,210
Depreciation	(286,008)	(472,094)
Goodwill impairment	(507,862)	-
Exchange rate	(347,816)	1,003,936
Total operating Expenses	**(4,240,739)**	**(2,175,715)**

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

	2009	2008
	$	$
Fees payable to the company's auditor for the audit of the company's annual report	(47,778)	(41,771)
Fees payable to the company's auditors for other services		
Audit of the company's subsidiaries pursuant to legislation	(9,139)	(18,565)
Other services pursuant to legislation	-	(3,713)
Share based payment charge	-	(101,205)
Depreciation of property, plant and equipment	(285,988)	(472,094)
Amortisation of licenses	-	-
Research and development expenditures	-	(197,380)
Foreign exchange (gains)	41,350	1,003,936
Operating leases		
Plant and machinery	(342,340)	(254,743)
Land and building	(158,231)	(159,592)

Inventory expenses recognised within cost of sales in the year amounted to $335,239 (2008 $811,548)

9. Discontinued operations

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

Discontinued operations	Note	2009	2008
		$	$
Turnover		2,036,249	2,439,625
Cost of sales		(545,138)	(977,052)
Employee expenses		(66,202)	(1,014,172)
Depreciation and amortisation		-	-
Other operating costs		(481,148)	(876,848)
Operating result		**943,761**	**(428,447)**
Finance income		-	389
Finance costs	11	(10,336)	(14,456)
Profit before taxation		**933,425**	**(442,514)**
Income tax income / expense		-	152,552
Profit of discontinued operations		**933,425**	**(289,962)**

In February 2009 the Group divested the Optimizer business including A2DE Optimizer, Optigel, Control software and firmware for a $380,800 profit, which is included in the profit of discontinued operations for 2009

10. Goodwill and other intangible assets

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

	Goodwill	Licence	Total
Cost	$	$	$
At 1 January 2009	1,015,724	38,462	1,054,186
Exchange differences	-	-	-
At 31 December 2009	**1,015,724**	**38,462**	**1,054,186**
Amortisation			
At 1 January 2009	-	38,462	38,462
Impairment	507,862	-	507,862
Exchange differences	-	-	-
At 31 December 2009	**507,862**	**38,462**	**546,324**
Net book amount at 31 December 2009	**507,862**	**-**	**507,862**

	Goodwill	Licence	Total
Cost	**$**	**$**	**$**
At 1 January 2008	1,015,724	52,758	1,068,482
Exchange differences	-	(14,296)	(14,296)
At 31 December 2008	**1,015,724**	**38,462**	**1,054,186**
Amortisation			
At 1 January 2008	-	-	-
Amortisation in the year	-	52,758	52,758
Impairment	-	-	-
Exchange differences	-	(14,296)	(14,296)
At 31 December 2008	-	**38,462**	**38,462**
Net book amount at 31 December 2008	**1,015,724**	-	**1,015,724**

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

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

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

The goodwill has been entirely allocated to US operations of NextGen Sciences Inc, which was related to Analytical and Biomarker Services The goodwill associated with the Analytical CGU has been fully impaired in the year, based on ongoing losses and the consequent change in strategy to focus on Biomarker services

The key assumptions in the cash flow forecast are as follows

- Revenues are determined by management expectations of sales levels achievable based on their knowledge of current order levels, recent budget and forecasts for the next three years
- The forecast gross margin is based on existing manufacturing margins
- The expected increase in sales values is deliverable using the current infrastructure without significant investment in capital expenditure
- The pre-tax discount rate applied to the cash flow projections is 10% to reflect current market estimates of the value of money and the Groups weighted average cost of capital

The sensitivity analysis performed on the cash flow forecasts has confirmed that the carrying value of the goodwill allocated to the Biomarker Service CGU would still be exceeded by the net present value of the future cash flows, if there was a reasonably possible change in the above key assumptions

11. Property, plant and equipment

The Group's property, plant and equipment comprise plant & machinery, office equipment, IT equipment and other The carrying amount can be analysed as follows·

	Plant and machinery $	Office equipment fixtures and fittings $	Computer Equipment $	Motor-Vehicle $	Total $
Gross carrying amount					
Balance 1 January 2009	2,050,123	39,201	323,956	-	2,413,280
Additions	70,173	-	23,293	-	93,466
Disposals	(477)	-	-	-	(477)
Exchange differences	-	-	-	-	-
Balance 31 December 2009	**2,119,819**	**39,201**	**347,249**	**-**	**2,506,269**
Depreciation and impairment					
Balance 1 January 2009	1,455,217	37,354	305,673	-	1,798,244
Depreciation	285,232	-	756	-	285,988
Disposals	-	-	-	-	-
Reclassification	-	-	-	-	-
Exchange differences	-	-	-	-	-
Balance 31 December 2009	**1,740,449**	**37,354**	**306,429**	**-**	**2,084,232**
Carrying amount at 31 December 2009	**379,370**	**1,847**	**40,820**	**-**	**422,037**

	Plant and machinery $	Office equipment fixtures and fittings $	Computer Equipment $	Motor Vehicle $	Total $
Gross carrying amount					
Balance 1 January 2008	3,452,408	175,145	723,358	58,971	4,409,882
Additions	3,947	-	9,926	-	13,873
Disposals	(1,327,202)	(125,503)	(381,661)	(55,123)	(1,889,489)
Exchange differences	(79,030)	(10,441)	(27,667)	(3,848)	(120,986)
At 31 December 2008	**2,050,123**	**39,201**	**323,956**	**-**	**2,413,280**
Depreciation and impairment					
At 1 January 2008	2,524,538	160,973	602,264	34,707	3,322,482
Depreciation	421,600	6,799	43,695	-	472,094
Impairment	-	-	-	-	-
Disposals	(1,324,486)	(120,568)	(378,262)	(55,125)	(1,878,441)
Reclassification	(88,163)	-	63,897	24,266	-
Exchange differences	(78,272)	(9,850)	(25,921)	(3,848)	(117,891)
Balance 31 December 2008	**1,455,217**	**37,354**	**305,673**	**-**	**1,798,244**
Carrying amount at 31 December 2008	**594,906**	**1,847**	**18,283**	**-**	**615,036**

Included within Property, Plant and Equipment are assets held under finance leases with a carrying value of $365,844 (2008, $528,339)

12. Financial Assets and liabilities

Financial instruments in the Group comprise as follows

Classification and fair values of financial assets and liabilities

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

All financial assets are classified as loans and receivables and all financial liabilities are held at amortised cost

	2009 $	2008 $
Financial assets		
Trade receivables	208,650	198,610
Provision for doubtful receivables	(2,030)	(1,846)
Cash and cash equivalents	329,076	251,344
Total financials assets	**535,696**	**448,108**

	2009 $	2008 $
Financial liabilities		
Current liabilities		
Trade payables	343,915	662,300
Other payables	29,532	68,071
Accruals	29,864	209,131
Non-current liabilities	-	-
Total financial liabilities	**403,311**	**939,502**
Net financial assets/(liabilities)	**132,385**	**(491,394)**

Finance costs

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

	2009 $	2008 $
Interest on bank loans and overdrafts	13,374	11,207
Interest on loans	32,467	-
Interest on finance leases and hire purchase contracts	61,388	106,590
Total	**107,229**	**117,797**

Finance costs on discontinued operation amounted to $10,336 (2008 $14,456)

Borrowings

Borrowings during the year were as follows

Loan finance	**2009**	**2008**
	$	**$**
Carrying amount 1 January	-	31,033
New borrowings	454,502	-
Pay back of borrowings	454,502	31,033
Carrying amount 31 December	-	-

On 26 June 2009 the company announced that it had entered into a convertible loan in the sum of £270,000 or $454,502 The convertible loan was repaid in October 2009

Finance leases	**2009**	**2008**
	$	**$**
Current		
Finance leases	313,043	331,165
Total	**313,043**	**331,165**
Non-current		
Finance leases	41,920	291,256
Total finance leases	**354,963**	**622,421**

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

13. Deferred tax assets and liabilities

No deferred taxation is provided for at 31 December 2009 (2008. nil) Deferred taxation, which has not been provided for in the financial statements, is set out below

	2009	**2008**
	$	**$**
Tax losses carried forward	6,255,368	4,516,763
Unprovided deferred tax asset	**6,255,368**	**4,516,763**

14. Inventories

Inventories recognised in the statement of financial position can be analysed as follows

	2009	2008
	$	$
Finished goods	-	335,239
Inventories	**-**	**335,239**

15. Trade and other receivables

	2009	2008
	$	$
Trade receivables	208,650	198,610
Provision for doubtful receivables	(2,030)	(1,846)
VAT	14,329	2,979
Prepayments, accrued income and other receivables	75,243	274,350
Total trade and other receivables	**296,192**	**474,093**

The ageing analysis of trade receivables is as follows

	2009	2008
	$	$
Less than 3 months	120,576	186,437
3 to 6 months	82,010	10,327
Over 6 months	6,064	1,846
Total	**208,650**	**198,610**

The net carrying value of trade receivables is considered a reasonable approximation of fair value The receivables due more than 6 month are mostly University Hospital customer and other state institutions that normally pay, but much later than agreed

The entire Group's trade and other receivables have been reviewed for indications of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses has been recorded accordingly with other expenses The impaired trade receivables are due from customers in the business-to-business market that are experiences financial difficulties etc

16. Cash and cash equivalents

Below is shown the cash and cash equivalents·

	2009	2008
	$	$
Cash at bank and in hand	329,076	251,344

17. Equity

Share Capital, authorised and fully paid shares with par value of 0 1p All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholder's meeting of NextGen Group Plc

	2009	2008
	$	$
Value of authorised shares	15,129,700	3,441,600
Total value	**15,129,700**	**3,441,600**

Value of allotted, called up and fully paid	8,339,409	4,646,784
Total value	**8,339,409**	**4,646,784**

Shares issued and fully paid.	**2009**	**2008**
	Number	**Number**
Beginning of the year	2,546,978,644	1,394,752,584
Shares issue	2,250,000,000	1,152,226,060
Total number	**4,796,978,644**	**2,546,978,644**

The Group issued 500,000,000 shares on 29 June 2009, 750,000,000 shares on 7 August 2009 and 1,000,000,000 on 1 October 2009 at par value Issue costs of new shares has been charged to the income statement amounted to $256,849 The new shares were issued with 1 warrant per each placing share at 0.1p per share (payable on exercise) for a period of 3 years from the date of grant

None of the parent's shares are held by any company of the Group

18. Employee Remuneration

18.1 Employee benefits expenses

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

	2009	2008
	$	$
Wages and salaries	1,956,594	2,793,651
Social security costs	149,247	110,993
Other pension costs	38,988	73,616
Share based remuneration charge	-	101,205
Total	**2,144,829**	**3,079,465**

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

	2009	2008
	Number	Number
Technical	9 5	18 0
Sales and marketing	3 5	5.0
Administration	5 1	7 0
Total number of employee	**18.1**	**30.0**

18.2 Share based payment expenses

The following share options were outstanding over 0 1p ordinary shares in respect of NextGen Group Plc share option schemes

Date of grant	Expiry date	No of options	Exercise price
12 Dec 2001	12 Dec 2011	290,000	£0.1034
16 Apr 2003	16 Apr 2013	253,750	£0 0010
16 Apr 2003	16 Apr 2013	952,969	£0 1034
16 Apr 2003	16 Apr 2013	253,750	£0.1724
23 Sep 2004	23 Sep 2014	1,590,041	£0.0276
9 Mar 2005	9 Mar 2015	1,448,550	£0 0276
6 Jul 2005	6 Jul 2010	53,882,348	£0 0010
10 Feb 2006	10 Feb 2011	2,000,000	£0.0300
10 Feb 2006	10 Feb 2011	6,917,647	£0.0425

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

At 31 December 2009, the Group had the following outstanding options and exercise prices

	2009 Average exercise price per share	2009 Options	2009 Weighted average remaining contractual life	2008 Average exercise price per share	2008 Options	2008 Weighted average remaining contractual life
Expiry dates	£	No.	Months	£	No.	Months
2010	0 00100	53,882,348	6	0 00119	53,983,674	18
2011	0 04170	9,207,647	14	0 04134	12,675,012	26
2013	0 09760	1,460,469	40	0 09698	1,687,336	52
2014	0 02760	1,590,041	58	0 03491	2,106,415	68
2015	0 02760	1,448,550	62	0 02760	1,448,550	74
Total	**0.00983**	**67,589,055**	**10**	**0.01204**	**71,900,987**	**23**

All options at the end of 2009 and at the end of 2008 had vested and were exercisable

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

	2009 Weighted average exercise price per share	2009 Options	2008 Weighted average exercise price per share	2008 Options
Outstanding at 1 January	0 01204	71,900,987	0 0245	73,467,116
Number lapsed		(4,311,932)		(1,566,129)
Outstanding at 31 December	**0.00983**	**67,589,055**	**0.01204**	**71,900,987**

18.3 Pension

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 $35,835 (2008, $73,616) Contributions totalling $5,299 (2008 $3,081) were payable to the fund at year end and are included in other payables

19. Provision

Provisions comprise warranty provisions due within one year as follows

	2009	2008
	$	$
At 1 January	7,590	149,147
Charged/(credited) to the income statement		
Additional provisions	-	127,578
Recognised against profits	(6,428)	(269,135)
At 31 December	**1,162**	**7,590**

20. Trade and other payables

Trade and other payables recognised in the statement of financial position can be analysed as follows

	2009	2008
	$	$
Trade payables	343,915	662,300
Social security and sundry taxes	12,855	21,804
Other payables	29,532	68,071
Accruals and deferred income	287,671	1,108,346
Total	**673,973**	**1,860,521**

The ageing analysis of trade payables is as follows

	2009	2008
	$	$
Less than 3 months	230,290	513,084
3 to 6 months	1,320	149,216
Over 6 months	112,305	-
Total	**343,915**	**662,300**

21. Taxation

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

	2009 $	2008 $
Loss before taxation: continued operations	(4,491,741)	(2,749,609)
Loss before taxation· discontinued operations	933,425	(442,514)
Total loss before taxation	**(3,558,316)**	**(3,192,123)**
Expected corporation tax on loss at 28% (2008 20 75%)	**(996,328)**	**(662,567)**
Effects of		
Expenses not deductible for tax purposes	271,610	51,987
Difference between capital allowances and depreciation	(2,198)	(18,311)
Tax losses carried forward	726,619	631,040
Other temporary differences	297	(2,149)
Research and development tax credit	-	(152,552)
Foreign tax	802	-
Total tax charge/(credit) for the year	**802**	**(152,552)**

Unrealised tax losses of approximately $20 992 million (2008· approximately $22 583 million) remain available to offset against future taxable trading profits A deferred tax asset of approximately $6,255,368 (2008 $4,516,763) calculated at 28% (2008. 20%) in respect of trading losses has not been recognised as an asset as the future benefit cannot be determined at 31 December 2009

22. Loss per share and dividends

22.1 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

	2009 $	2008 $
Loss attributable to ordinary shareholders: continued operations	(4,492,543)	(2,749,609)
Profit attributable to ordinary shareholders discontinued operations	933,425	(289,962)
Loss attributable to ordinary shareholders	**(3,559,118)**	**(3,039,571)**
Weighted average number of shares - basic	3,349,718,370	1,859,147,898
Basic (Total operations)	**(0.11 cents)**	**(0.16 cents)**
Continuing operating **Basic**	**(0.13 cents)**	**(0.15 cents)**
Discontinued operating **Basic**	**0.01 cents**	**(0.02 cents)**

22.2 Dividends

No dividends have been declared or paid in 2009 and 2008

23. Cash flow adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to loss before tax to arrive at operating cash flow·

	2009	2008
	$	$
Net loss	(3,559,118)	(3,039,571)
Taxation	802	(152,552)
Finance income	(34)	(490)
Finance cost	107,229	117,797
Depreciation of property, plant and equipment	285,988	472,094
Impairment of intangible assets	507,862	-
Loss/(Profit) on sale of property, plant and equipment	477	(178,895)
Profit from disposal of business	(380,800)	-
Share issue costs	256,849	-
Inventories	335,239	(177,204)
Trade and other current receivables	177,901	(32,832)
Provisions	(6,428)	-
Trade payables and other current liabilities	(1,186,548)	(494,076)
Changes in working capital	**(679,836)**	**(704,112)**
Share option charge	-	101,205
Effect of exchange rate fluctuations	190,659	(801,108)
Cash flow from operating activities	**(3,269,922)**	**(4,185,632)**

24. Related party transactions and transaction with Key management personnel

24.1 Related party transaction

Related party transactions during the period consisted of consultancy payments to Nanotecquity AG, a Company of which Klaus Rosenau is a director and OAR GmbH, a Company wholly owned by Klaus Rosenau's mother and of which he is a director

Within the income statement related party transactions costs are amounting to $557,983 (2008 $887,249)

	2009	2008
	$	$
OAR GmbH		
Loan commission	31,005	-
Funding fee etc	258,484	247,397
Expenses	248,894	113,063
Consultancy	-	526,789
Nanotecquity AG		
Monitoring fee	19,680	-
Total expenses	**558,063**	**887,249**

24.2 Transaction with key management personnel

Key management of the Group are members of the board of directors

Key managements remuneration is as follows

	2009	2008
	$	$
Emoluments	714,100	455,406
Pension contributions to money purchase pension schemes	9,876	8,792
Total remuneration	**723,976**	**464,198**
	Number	**Number**
The number of directors who were members of a money purchase pension scheme during the year (at the year end 1, 2008· 1)	1	1
Highest paid director - emoluments	246,896	241,288
- pension costs	9,876	8,792
Total remuneration	**256,772**	**250,080**

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

25. Financial Instrument Risk

25.1 Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk
The Group's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options The most significant financial risks to which the Group is exposed are described below

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities

25.2 Interest rate risk

The Group finances its operations through a mixture of loans 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 convertible loan, the fixed rate interest rate is 12 0 % (2008 7 6% for bank loans) For obligation under finances leases, the weighted average fixed interest rate is 10 2 (2008 10 1%), and the weighted average period for which the rate is fixed is 0 88 years (2008 1 88 years)

25.3 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

25.4 Currency risk

The Group is exposed to translation and transaction foreign exchange risk primarily from inter-company transactions between its UK and US companies

All leasing arrangements are placed in the US and denominated in USD

Financial liabilities, in the form of finance leases, denominated in pounds sterling (GBP) at 31 December 2009 amounted to $38,311

25.5 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

26. Capital management policies and procedures

The Group's capital management objectives are

- to ensure the Group's ability to continue as a going concern, and
- to provide an adequate return to shareholders

by pricing products and services commensurately with the level of risk and securing the necessary equity and loan finance to meet the expected cash-flow requirements

27. Post-reporting date events

The company has obtained a convertible loan from ALPHA 4 CONCEPTS GmbH of $474 thousand (€350 thousand) in March 2010 On 13 April 2010 the company has obtained an additional convertible loan from ALPHA 4 CONCEPTS GmbH of $680 thousand (€500 thousand)

28. Commitments

28.1 Capital Commitments

The Group had no capital commitments at 31 December 2009 or 31 December 2008 for the acquisition of property, plant and equipment or intangible assets

28.2 Leasing Commitments

The Group has operating lease commitments for the US facilities for 4 years ending 30 November 2012

	2009	2008
	$	$
Expiring in:		
One year or less	161,531	157,565
Between two and five years	321,215	482,746
Total	**482,746**	**640,311**

The operation lease does not contain any unusual clauses or arrangements

29. Authorization of financial statement

The consolidated financial statement for the year ended 31 December 2009 (including comparatives) was approved by the Board of Directors on 21 April 2010

Klaus Rosenau
Chairman and CEO

Leif Hamø
Board Member and CFO

Company Financial Statements,

Independent auditor's report to the members of NextGen Group Plc.

We have audited the parent company financial statements of NextGen Group plc for the year ended 31 December 2009 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the parent company financial statements.

- give a true and fair view of the state of the company's affairs as at 31 December 2009
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter - Going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in Note I of the Company's financial statements concerning the Company's ability to continue as a going concern and meet its liabilities as they fall due. The financial statements have been prepared on a going concern basis, the validity of which depends on the Group's funding requirements which will be satisfied on receipt of orders and the related sales revenue or injection of funds into the business from further fundraising These conditions indicate the existence of material uncertainty which may cast significant doubt over the Company's ability 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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Other matter

We have reported separately on the group financial statements of NextGen Group plc for the year ended 31 December 2009 That report is modified by the inclusion of an emphasis of matter on going concern

Grant Thornton UK LLP

Alison Seekings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge, England
21 April 2010

Company Balance Sheet

At 31 December 2009

	Note	2009 £	2008 £
Fixed Assets			
Tangible assets	III	5,222	-
Investments	IV	175,945	299,279
		181,167	**299,279**
Current assets			
Debtors due within one year	V	3,545,670	2,808,549
Cash at bank and in hand		-	17,293
		3,545,670	**2,825,842**
Creditors amounts falling due within one year	VI	(124,839)	(165,649)
Net current assets		**3,420,831**	**2,660,193**
Total assets less current liabilities		**3,601,998**	**2,959,472**
Capital and reserves			
Called up share capital	VII	4,796,979	2,546,979
Share premium account	VIII	5,391,406	5,391,406
Merger relief reserve	VIII	63,544	63,544
Other reserve	VIII	571,394	571,394
Profit and loss account	VIII	(7,221,325)	(5,613,851)
Shareholders' funds	VIII	**3,601,998**	**2,959,472**

The financial statements were approved by the Board of Directors on 21 April 2010

Klaus Rosenau
Chairman and CEO

Leif Hamø
Director and CFO

Company no 5556404

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

Notes to the Company accounts

I ACCOUNTING POLICIES

Going Concern

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

The nature and stage of the Group's business are such that substantial losses have been incurred and there can be considerable unpredictable variations in the timing of cash inflows The directors have prepared projected cash flow information, which incorporates their best estimate of the timing and value of sales revenue and consequential external funding requirements The company has obtained convertible loans of €350,000 in March 2010, €500,000 in April 2010 The bridging funding discussions with investors gives the Directors confidence that additional funds will be available for the company to finance the operations and to pay back the convertible loans The Directors are in the final stage of negotiations with the majority shareholders of Group to arrange further funding in order to support the continued operation and growth of the Group. On the basis of the anticipated additional funding and these forecasts the directors expect the Group to continue to meet its liabilities as they fall due For this reason the Directors continue to adopt the going concern basis in preparing the financial statements This assumes that required levels of sales revenue and forecast external funding are achieved by the Group The financial statements do not include any adjustments that would result should the Group not generate forecast sales revenue or raise adequate funding

Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 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 and NextGen Sciences Inc are debited to the cost of the investment in subsidiary in the parent company balance sheet

Profit and loss

As permitted by section 408 of the Companies Act 2006, no separate income statement is presented in respect of the parent company

Tangible Fixed Asset

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 The periods generally applicable are

Plant, machinery and office equipment	3 years
Computer equipment	3 years

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 All related party transactions are as disclosed in note 24 of the Group financial statements

II NET OPERATING CHARGES

The Directors' remuneration paid by NextGen Group Plc, is disclosed on page 13
The average number of staff employed by the Company including directors was 2 5 (2008 5)

III TANGIBLE FIXED ASSETS

The cost of fixed assets are £5,697 in 2009 (2008 Nil).This consists of new IT equipment purchased for management Depreciation charged was £475 (2008· Nil) resulting in a net book value of £5,222 (2008 Nil)

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	Proportion held by the company	Nature of business
NextGen Sciences Ltd.	England and Wales	Ordinary	100%	Sale of products for the protein research industry
NextGen Sciences Inc.	United States of America	Common stock	100%	Sales and service of products within Biomarker Discovery, Development and Testing

The trade of NextGen Sciences Limited has been substantially discontinued as at 31 December 2009

The loss for the financial year dealt with in the financial accounts of the Company was £1,607,474 (2008 £4,162,745) As provided by section 408 of the Companies Act 2006, no Company profit and loss account is presented in respect to the Company

Subsidiary undertakings	2009	2008
	£	£
Cost		
At 1 January	912,579	874,886
Share based payments	-	37,693
At 31 December	**912,579**	**912,579**
Provision for impairment		
At 31 December	(736,634)	(613,300)
Net book amount at:		
At 31 December	**175,945**	**299,279**

V DEBTORS

	2009	2008
Amounts falling due within one year	**£**	**£**
Amounts owed by group undertakings	3,540,423	2,790,818
VAT	4,847	2,902
Other debtors	400	-
Prepayments and accrued income	-	14,829
	3,545,670	**2,808,549**

Due to all activities in NextGen Sciences Ltd having been divested, no further income is expected and NextGen Sciences Ltd is not expected to be able to pay back the loan from Plc completely £228,139 has therefore been written off

VI CREDITORS

	2009	2008
	£	£
Trade creditors	76,088	96,227
Amounts owed to group undertaking	-	-
Accruals and deferred income	48,751	69,422
	124,839	**165,649**

VII SHARE CAPITAL

Full details of the Company share capital is given in Note 17 to the consolidated financial statements

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 2009	2,546,979	5,391,406	63,544	571,394	(5,613,851)	2,959,472
Allotment during the year	2,250,000	-	-	-	-	2,250,000
Share issue costs	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-
Loss for the year	-	-	-	-	(1,607,474)	(1,607,474)
At 31 December 2009	**4,796,979**	**5,391,406**	**63,544**	**571,394**	**(7,221,325)**	**3,601,998**