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NextGen Group Plc.
Annual Report
for the year ended 31 December 2011

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Chief Executive Officer's Report

Strategic overview

NextGen Sciences, the Group's US based trading subsidiary offers researchers across pharma, biotech and clinical/translational settings, expertise in the field of protein biomarker discovery, quantitative assay development & validation and in qualification of biomarkers through testing of client samples. Services available from NextGen Sciences include the identification and characterization of clinically relevant proteins (putative biomarkers), multiplex and quantitative 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.

Following the strategic change requirements defined by the business in 2010, 2011 has been a year of implementation. The business has established an almost entirely new operational team and supported this with effective targeting and monitoring of its sales and marketing activities. As a core component of its strategy, the company successfully developed and launched two MRM (multiple reaction monitoring) quantitative, protein assays using mass spectrometry technology. These assays were developed for specific proteins (potential biomarkers) in human plasma and CSF (cerebrospinal fluid) and signalled a focusing of the business on the oncology and CNS (central nervous system) disease areas. The business has received revenue from customers for these products in 2011 and has further customers in the sales pipeline for 2012. The company has continued to work on the development of further assays and expects to release expanded versions in Q2 2012.

The company has also put considerable efforts into establishing a Good Laboratory Practice (GLP) working environment and expects to achieve these standards for its assay testing services in H2 2012.

The company has upgraded its website capabilities to support a more focused alignment of marketing and sales activities. The company has also implemented CRM and sales reporting structures to more effectively monitor its customer base and the productivity of its sales and marketing activities.

The company has integrated web-based (cloud) information management and customer management databases to more effectively support the integration of sales, marketing, operations and the customer experience. This integration is critical for a business with employees operating from diverse geographical locations.

The 2011 business model was focused on utilising protein mass spectrometry technical capabilities as a Contract Research Organisation (CRO) offering:

- 1 Protein Biomarker Discovery (*de novo* approaches through the GeLC-MS technology)
- 2 Protein Biomarker Assay Development (MRM technology)
 - i Own product human Plasma assay panels (**plasmadiscovery41**) for biomarker discovery and early stage biomarker qualification (targeting the Oncology segment and in particular Breast, Prostate and Pancreatic cancer)
 - ii Own product human CSF (cerebrospinal fluid) assay panels (**csfdiscovery43**) for biomarker discovery and early stage biomarker qualification (targeting the CNS segment and in particular Alzheimer's, Parkinson's and Multiple Sclerosis diseases)
- 3 Custom assay development for clients (plasma and CSF only)
- 4 Protein Biomarker Testing & Qualification (testing client samples against custom assays or our off-the-shelf **plasmadiscovery41** and **csfdiscovery43** assays)

Our customer segments have been and will continue to be large, medium and small pharma/biotech, key academic centres and translational medicine centres. We will use current and future **plasmadiscovery** and

csfdiscovery assays to enable focus on Oncology and CNS therapeutic areas. We are focusing on biomarker discovery and qualification for these major therapeutic areas which will serve as 'conversation starters' across all customer segments in these markets. Through targeting of the following segments our core marketing strategy is to become a centrally networked player in the biomarker space for Oncology and CNS disease. Key customer segments we are targeting and the rationale for this is explained below.

- 1 Key Academic Centres/Translational Medicine Centres – focus on key opinion leaders (KOLs) who lead the way in biomarker research in our disease areas of interest and who will have access to clinical samples to support their research activities. Our products will provide new approaches to enable biomarker discovery and qualification work with these clinical samples. Projects will be revenue generating.
- 2 Disease Foundations – disease specific organisations which both fund and undertake their own research. These groups are not only a source of potential project revenue but they are extremely well networked in their disease areas. These groups influence the activities of the pharma and biotech and are often collaborators with industry. They have access to patients and samples which is valuable to pharma and biotech and a resource from which NextGen Sciences can generate revenues through testing against our Plasma and CSF assay panels.
- 3 Small and Mid-Tier Pharma & Biotech – targeting specifically those involved in Oncology and CNS drug development. They will have minimal biomarker discovery and multiplex assay development capability but have the need to discover and qualify biomarkers. They will seek to outsource these elements and will in many cases have clinical samples to underpin these activities. Most opportunities will be in discovery and early clinical phases. Some projects may require GLP (GLP-like) working standards.
- 4 Large Pharma & Biotech – present two major routes. Firstly, as described above for the Small and Mid-Tier companies although going through all phases (pre-clinical and clinical). Secondly, some of these companies develop MRM assays internally and look to tech transfer the assay and sample analysis out to companies with the capabilities of Nextgen Sciences. Again some projects may require GLP (GLP-like) working standards.

In the second half of 2011 the company has continued to develop its business strategy with a view to establishing a 'diagnostics' business component. This would involve investment by the company in projects (sole, collaborative or partnership) that would lead to the creation of intellectual property (IP) and assay products that could be sold and/or licenced for revenues and royalties. A number of project opportunities have been developed within the CNS therapeutic area and are likely to focus on diseases such as Parkinson's, traumatic brain injury (TBI), multiple sclerosis (MS) and a number of disorders associated with cognitive decline.

The development of a diagnostics 'project engine' will be ongoing through 2012 and will focus on biomarkers for disease progression, patient stratification (supporting moves towards personalised medicines) and point-of-care diagnostics. Projects will be selected for evaluation based upon observed market opportunities and it is envisaged that a diversified portfolio of projects will be established with a range of commercial exploitation routes.

Projects would utilise the biomarker discovery, assay development and biomarker qualification capabilities that the company has demonstrated through 2011.

The Group's laboratory and sales operations are located in the Ann Arbor, Michigan, USA facility.

Trading Review

Group revenue from continuing operations for the year ended 31 December 2011 was \$1 828 million (2010 \$1 216 million), an increase of 50.3%.

Gross profit margin improved from a gross loss of 1.1% in the year ended 31 December 2010 to a gross profit of 29.7% in the year ended 31 December 2011. The other operating expenses decreased by 5.4% to \$3,020 million (2010: \$3,193 million). In addition, share-based payment in the form of fair value of options granted to managers and employees amounted to \$2,076 million (2010: \$nil). Furthermore, the fair value of the conversion rights and attached warrants to the convertible loans amounted to \$2,182 million (2010: \$nil).

After a net finance charge of \$2,499 million (2010: \$0,134 million), the Group reports a post-tax loss of \$7,052 million (2010: loss \$3,341 million). This result represents a basic loss per share of 0.10 cents (2010: loss 0.06 cents).

Biomarker services

The biomarker market is growing strongly, and is anticipated in a 2011 BCC Research report to be worth from \$25bn to \$79bn by 2016. Of this, nearly \$3bn is expected to be for protein-based biomarkers alone. For NextGen Sciences' areas of therapeutic focus, the global CNS biomarker market is expected to reach close to \$3.2 billion by 2015 (BCC Research, 2010), and the global oncology biomarker market is expected to grow to \$5.7 billion by 2014 (Goliath, 2010).

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."

Biomarkers (including genomic, proteomic and metabolomic) have enormous potential in diagnosis of disease and disease progression and are under intense investigation for their predictive ability in the drug development process.

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 as the key for better target selection, measurement of efficacy, measurement of toxicity and to ensure that drugs are targeted to the correct patient cohorts. Combined, this approach will enable the industry to reduce its current attrition rates. 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.

A 2007 Report '*Biomarkers: The Expanding Global Market*' from BCC Research (<http://www.bccresearch.com/>) divided the biomarker market into three main segments:

- 1 Biomarker discovery
- 2 Molecular diagnostics
- 3 Clinical trials

NGG will focus exclusively on products that can address all three segments of the market. This will place NGG and its technological capabilities at the centre of the personalized medicine business model for drug development, i.e. discovery of companion diagnostics and development of validated biomarker assays to drive and enable the appropriate selection of patient cohorts during clinical trials and post drug approval.

Current trading and outlook

In 2011, NextGen Sciences implemented its business strategy focused on biomarker discovery and biomarker qualification (through the development of MRM-based quantitative assays). The company

effectively focused its restructured operational and sales & marketing teams towards development and successful commercialisation of new products

During 2011 the company continued to offer and perform services for pharma, biotech and academic customers in the USA, EU and Japan

In Q1 and Q2 of 2011 the company launched two new 'off-the-shelf' biomarker assay panels (plasmadiscovery41 and csfdiscovery43) The company has attracted revenues for both these products.

The company has continued to develop these assays and released its expanded cerebrospinal fluid (CSF) multiple protein (multiplex) assay, csfdiscovery82 (since renamed as CSF assay-human A 1 0), for central nervous system (CNS) biomarker discovery and qualification in January 2012 The company is on target to release further assays in first half of 2012 The company has a growing pipeline of potential customers for both the new products in 2012

These assays will serve a number of purposes:

- 1 They will demonstrate to the market place that NextGen Sciences is able to develop technically validated, quantitative MRM assays for biomarker discovery and qualification This will attract revenue through custom assay development and testing projects or assay transfer projects (assays developed by the customers) from the customer to NextGen Sciences
- 2 They will enable NextGen Sciences to build market traction and brand awareness in the field of Oncology diseases through the human plasma assay This will bring near term revenues through testing of samples against the plasma assay This will also attract custom assay development projects and opportunities for NextGen Sciences to become involved in co-development opportunities in the Oncology disease area
- 3 They will enable NextGen Sciences to build market traction and brand awareness in the field of CNS disease through the human CSF assay This will also attract custom assay development projects and opportunities for NextGen Sciences to become involved in co-development opportunities in the CNS disease area
- 4 They will drive the growth of our biomarker discovery services since these services can be the first step in selecting potential biomarkers for which MRM assays can be developed to enable biomarker qualification

The company expects to be GLP ready for its assay testing services in H2 2012, currently estimating at 80% complete against its implementation plans

The company has upgraded its website architecture to enhance the information available to customers and to promote greater exposure of the business activities through search engines The company has commenced the implementation of detailed sales and marketing reporting structures will enable the company to better focus its client expansion and revenue generating activities in 2012

The company announced the establishment of a second subsidiary business (NextGen Sciences Dx), which will undertake its own diagnostic projects in the CNS therapeutic area The diagnostics business will utilise the technical expertise and capabilities of the NextGen Sciences CRO business to drive these projects

NextGen announced in March 2012 that it had filed a provisional patent for biomarkers that had shown the ability to identify patients with cognitive decline (early stage dementia)

The NextGen Sciences Dx business expects to create

- 1 Intellectual property and assays that can be sold/licenced for revenues, including follow through royalties
- 2 Assay products that can be made available to customers for biomarker discovery/qualification testing services for additional revenue generation
- 3 An international reputation as a protein biomarker company, primarily in the CNS therapeutic area

NextGen Sciences believes that it is vital for the growth of the business that it continues to deploy resources as available, to the development of therapeutically relevant assay panels (plasma and CSF) 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 Furthermore the company looks to deploy resources for the development of diagnostic projects and products that utilise the technical capabilities that have been established and demonstrated through 2011



Klaus Rosenau

Chief Executive Officer

30 March 2012

Directors' report

The Directors present their report together with the financial statements for the year ended 31 December 2011

Principal activities

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

Reporting currency

Approximately 83% of the Group's sales are to customers in the US, 7% to customers in Europe and 10% to customers in the rest of the world. The Group invoices all sales in US dollars and therefore reports the consolidated financial statements in US dollars to more accurately reflect its underlying performance. The functional currency of the Company remains Sterling and the Company financial statements are presented in Sterling.

Results and dividends

The loss for the year, after taxation, amounted to \$7 052 million (2010: loss \$3 341 million). As such, the directors do not recommend dividend payments to ordinary shareholders.

The reason for the increase in loss is the cost of share based payment to management and employees of \$2 076 million (2010: \$ nil) and the fair value of the conversion rights and warrants attached to the convertible loans of \$2 182 million (2010: \$ nil).

Future developments

For information on the Group outlook, please refer to the Chief Executive Officer's report on page 2.

Business Development

In 2011 the Group, through NextGen Sciences Inc., continued to develop and expand the biomarker services portfolio for biomarker discovery, assay development, and testing.

Key Financial Performance Indicators

The Group has made less than satisfactory progress towards achieving its goals in 2011 although revenues increased by 50%, this is highlighted by comparing the key performance indicators between 2011 and 2010 and is due to a change in the strategy with increased internal Research and Development activities regarding assay development and the necessary change and development of the organisation. Further details of the factors affecting key performance indicators are given in the Chief Executive Officer's Report.

The key performance indicators used by the Group are as follows:

Revenue

Revenue for the Group has increased from \$1 216 million in 2010 to \$1 828 million in 2011, this is a 50.3% increase in revenue for the year. The company has narrowed its focus to Biomarkers including Biomarker Assay Development, Biomarker Discovery and Biomarker Testing.

Gross profit margin

Gross profit margin has increased from a gross loss of 1.1% in 2010 to a gross profit margin of 29.7% in 2011.

Sales revenue generated per employee

	Revenue \$	Employees No.	Revenue: Employee \$
2011	1,827,658	10.0	182,766
2010	1,215,554	10.9	111,519

The employee's number above includes technical, scientific, marketing and sales people who are directly responsible for creation of revenue. Total employees in 2010 and 2011 were 15.7 and 14.2 respectively.

Principal risks and uncertainties

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

a) Commercial

NextGen Sciences' biomarker services are in full operation. The Group continues to evaluate its routes to market and has introduced more stringent monitoring on sales & marketing performance to ensure that resources and effort are aligned with the market potential. The Company has developed its Plasma and expanded CSF assays as part of the new strategy and are now exploring the market. Employees are educated and trained for this new market in order to be able to meet the competition in the market.

b) Market conditions

NextGen Sciences products and services are directly sold to the pharmaceutical and biotech industry. The trend in declined productivity and decreased drug approval rates has led many large pharmaceutical and biotech companies to restructure, merge and/or downsize. This trend is likely to continue over the next 5 years as many revenue drugs come off patent in this time period. The Group's results are dependent on the levels of outsourcing activities in this sector.

NextGen Sciences is establishing a product development and market targeting approach which is based upon therapeutic areas (Oncology and CNS). The company is working towards positioning itself as a key biomarker player in each of these therapeutic areas through the creation of a customer and relationship

network involving key academic and clinical opinion leaders (KOLs), therapeutic foundations and therapeutically relevant small, mid and large pharma and biotech. The emphasis is thus on positioning its products to all stakeholders in the Oncology and CNS markets and providing products that can create value in the research and development paths for all these market segments.

With the launch of the plasma and CSF assays in 2011 and the release of its expanded CSF assay in January 2012 the Company is competitive in the market.

c) Competitive pressures

NextGen Sciences operates in a market with differing pricing pressure characteristics. The pharmaceutical and biotech industry will accept high pricing for high value products and services but only after they have been proven as such. The principal offerings add high value to the industry (i.e. high impact). In the biomarker testing market NextGen Sciences is positioned as one of the early to market companies. As competition increases, competitive pricing in the market will emerge. NextGen Sciences will continue to offer a premium service, to mitigate the effect of market pressures on 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.

d) 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.

e) 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. The company will seek IP protection on its assay developments.

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 Ph.Ds). 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 payables 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 23.

Directors and their interests

The list of directors who served during the year ended 31 December 2011 is detailed in the Directors' Remuneration Report on pages 16 and 17.

Substantial shareholders

At 31 December 2011 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	400,000,000	5.52
AAA Artemis Asset Allocation AG	3,271,577,000	45.16
ALPHA4 Concepts GmbH	1,300,000,000	17.94
Perfekt Beteiligungsmanagement GmbH	1,291,770,806	17.83

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. Trade payables of the Company at 31 December 2011 represent a supplier payment of 49 days.

Employee involvement

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

Disabled employees

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

Funding

On one occasion during the year the Company undertook a share placing of Ordinary Shares that raised approximately \$1.47 million. Refer to Statement of changes in equity page 24.

During the year the Company entered into two convertible loan agreements with ALPHA 4 Concepts GmbH pursuant to which the group has been provided with a total of \$611 thousand and \$881 thousand after expenses (€453 thousand and €650 thousand). The terms of the loans include a rate of 12% simple interest plus a monitoring fee of approximately 1.0% per month, and the loan is repayable upon 7 days' notice. The loan (plus interest) shall be convertible, at the lender's option, 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 and development 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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements for the Group financial statements in accordance with 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and 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 accounting 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 any 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 are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 each of the directors is aware

- there is no relevant audit information of which the Company's auditors are unaware, and
- the directors have taken all steps necessary 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 2011, 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.

Post Balance Sheet Event

The company entered in February 2012 into a new convertible loan agreement with ALPHA4 Concepts for €800 thousand and unchanged conditions compared to the loans obtained in 2011.

The company released its expanded CSF assay (csfdiscovery82) in January 2012. Furthermore the Company announced in March 2012 that its newly established subsidiary NextGen Sciences Dx has filed for intellectual property on a combination protein biomarkers with the potential for diagnosing changes in cognition for patients with early-stage dementia.

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.

Annual General Meeting (“AGM”)

The AGM will be held at the offices of Seymour Pierce Limited, 20 Old Bailey, London EC4M 7EN on 30 April 2012

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to be 'K. Rosenau', written over a horizontal line.

Klaus Rosenau
Chief Executive Officer

30 March 2012

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 2011, three executive directors and one non-executive directors. The Group recognises the benefit of non-executive directors who bring independent judgement on issues of strategy, resources, performance and standards of conduct. The Board meets regularly and has adopted a schedule of matters specifically reserved for its approval or review, including strategic operating plans, annual operating budgets, major capital expenditure and financial performance.

Management reports are produced bi-weekly and monthly and distributed to the Board members.

Remuneration Committee

The Remuneration Committee comprises the non-executive director and the chairman. 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. 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 16 through 17.

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. We seek to maintain open communication through stock announcements 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

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

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 Barry McAleer 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 Hamoe is terminable by the Director on not less than 6 months' notice in writing and 6 months by the Company.

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	2011 Total (excl. pension)	2010 Total (excl. pension)	2011 Pension	2010 Pension
	\$	\$	\$	\$	\$	\$
Klaus Rosenau (i)	366,160	-	366,160	352,518	-	-
Barry McAleer	228,879	-	228,879	96,017	-	-
Michael Pisano	-	-	-	174,617	-	12,430
Thomas Borcholte	24,061	-	24,061	23,192	-	-
Leif Hamoe (ii)	227,846	-	227,846	207,280	-	-
Total	846,946	-	846,946	853,624	-	12,430

(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 Hamoe ApS

All of the Directors were fully paid by NextGen Group Plc with the exception of Dr Michael Pisano, who was paid by NextGen Sciences Inc and Barry McAleer to whom \$120,453 was paid by NextGen Sciences Inc

Mike Pisano left the Board mid-September 2010

Details of related party transactions with directors are given in Note 22

Directors' Interests

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

	31 December 2011	31 December 2010
Klaus Rosenau (i)	116,312,427	116,312,427
Leif Hamoe	-	-
Barry McAleer	-	-
Thomas Borcholte	-	-

- (i) These shares are registered in the name of OAR GmbH, a German consultancy company which is wholly owned by Klaus Roseau'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

On 18 March 2011, the Group adopted a new option plan for management and employees as an incentive scheme with clear near term and long term goals as an important element of the Group's new biomarker business strategy. The total number of options over ordinary shares granted to management and the Board are as follows

	No. of options	Exercise price
Klaus Rosenau	273,685,139	0.1p
Klaus Rosenau (i)	33,715,804	0.1p
Leif Hamoe	117,293,631	0.1p
Barry McAleer	117,293,631	0.1p
Thomas Borcholte	10,500,000	0.1p

- (i) Granted to OAR GmbH

The fair value of the options granted to management amounts to \$1.725 million (2010: \$ nil)

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 2011 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 11-12, 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 and express an opinion on 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/private.cfm

Opinion on financial statements

In our opinion the group financial statements

- give a true and fair view of the state of the group's affairs as at 31 December 2011 and of the group's loss for the year then 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 on the group financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 3 to the group financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss of \$7.1 million during the year ended 31 December 2011 and, at that date, the group's current liabilities exceeded its total assets by \$4.0 million and it had net current liabilities of \$5.1 million. As explained in Note 3, the group 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 on injection of funds into the business from further fundraising. These conditions, along with the other matters explained in Note 3 to the group financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the

group's ability to continue as a going concern. The group 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 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 2011. That report includes an emphasis of matter relating to going concern.

Grant Thornton UK LLP

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

30 March 2012

Consolidated income statement

For the year ended 31 December 2011

	Note	2011 \$	2010 \$
Revenue	7	1,827,658	1,215,554
Cost of sales		(1,283,970)	(1,229,460)
Gross profit/(loss)		543,688	(13,906)
Other operating expenses	8	(3,020,296)	(3,193,424)
Share based payments	17	(2,075,969)	-
Operating loss		(4,552,577)	(3,207,330)
Finance income		-	3,482
Finance costs	11	(2,499,033)	(137,120)
Loss before taxation		(7,051,610)	(3,340,968)
Income tax expense	19	(25)	(196)
Loss after taxation		(7,051,635)	(3,341,164)
Net loss attributable to equity shareholders of the parent		(7,051,635)	(3,341,164)
Basic and diluted loss per share	20	0.10c	0.06c

Consolidated statement of comprehensive income

For the year ended 31 December 2011

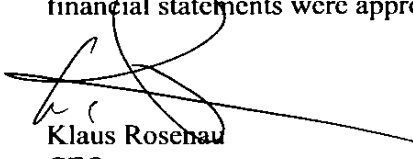
	2011 \$	2010 \$
Net loss attributable to equity shareholders	(7,051,635)	(3,341,164)
Currency retranslation losses	(74,470)	(80,625)
Total comprehensive loss attributable to equity shareholders	(7,126,105)	(3,421,789)

Consolidated statement of financial position

At 31 December 2011

	Note	2011 \$	2010 \$
Non-current assets			
Goodwill	9	507,862	507,862
Property, plant and equipment	10	605,086	742,440
Investment	6	-	35
		1,112,948	1,250,337
Current assets			
Trade and other receivables	14	69,580	308,829
Cash and cash equivalents	15	70,461	21,255
		140,041	330,084
Total assets		1,252,989	1,580,421
Equity			
Called up share capital	16	12,081,563	10,615,514
Share premium account		10,283,781	10,276,362
Merger reserve		10,026,450	10,026,450
Other reserves		3,014,298	938,329
Foreign currency translation reserve		(671,261)	(596,791)
Profit and loss account		(38,932,079)	(31,880,444)
Equity shareholders' funds		(4,197,248)	(620,580)
Liabilities			
Non-current liabilities			
Finance lease	12	188,368	296,131
Current liabilities			
Trade payables and other current liabilities	18	384,469	770,639
Finance lease	12	161,236	147,693
Loans	12	2,534,193	986,538
Derivative financial liabilities	12	2,181,971	-
		5,261,869	1,904,870
Total liabilities		5,450,237	2,201,001
Total equity and liabilities		1,252,989	1,580,421

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 30 March 2012.


Klaus Rosenau
CEO


Leif Hamoc
CFO

Company no 5556404

Consolidated statement of cash flows

For the year ended 31 December 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities	21	(2,301,998)	(2,666,477)
Taxation (paid)/received		(25)	(196)
Net cash flow from operating activities		(2,302,023)	(2,666,673)
Cash flows from investing activities			
Interest received		-	3,482
Purchase of property, plant and equipment		(26,523)	(136,009)
Net cash flow from investing activities		(26,523)	(132,527)
Cash flows from financing activities			
Interest paid	11	(14,741)	(13,363)
Finance lease interest paid	11	(41,159)	(40,387)
Loan interest paid and monitoring fee	11	(152,097)	(31,890)
Proceeds from borrowings	12	1,492,394	1,370,500
Repayment of borrowing	12	-	(475,300)
Capital element of finance lease rentals		(164,891)	(336,353)
Issue of shares		1,462,049	2,276,105
Share issue costs recognized in operating expenditure		(207,803)	(257,933)
Net cash flow from financing activities		2,377,752	2,491,379
Net (decrease)/increase in cash and cash equivalents		49,206	(307,821)
Cash and cash equivalents at the beginning of the year	15	21,255	329,076
Cash and cash equivalents at the end of the year	15	70,461	21,255

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 2011	10,615,514	10,276,362	10,026,450	938,329	(596,791)	(31,880,444)	(620,580)
Issue of share capital	1,466,049	7,419	-	-	-	-	1,473,468
Share-based payments	-	-	-	2,075,969	-	-	2,075,969
Transaction with owners	1,466,049	7,419	-	2,075,969	-	-	3,549,437
Total comprehensive income	-	-	-	-	(74,470)	(7,051,635)	(7,126,105)
Balance at							
31 December 2011	12,081,563	10,283,781	10,026,450	3,014,298	(671,261)	(38,932,079)	(4,197,248)
Balance at							
1 January 2010	8,339,409	10,276,362	10,026,450	938,329	(516,166)	(28,539,280)	525,104
Issue of share capital	2,276,105	-	-	-	-	-	2,276,105
Transaction with owners	2,276,105	-	-	-	-	-	2,276,105
Total comprehensive income	-	-	-	-	(80,625)	(3,341,164)	(3,421,789)
Balance at							
31 December 2010	10,615,514	10,276,362	10,026,450	938,329	(596,791)	(31,880,444)	(620,580)

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's 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 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.

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 2011 (including comparatives) were approved and authorized for issue by the Board of Directors on 30 March 2012.

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 \$7,051,635 and had an accumulated profit and loss account deficit of \$38,932,079 at 31 December 2011.

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 remain in discussion with the majority shareholders of the Group to arrange further funding in order to support the continued operation.

and growth of the Group. In addition to a placing and advance of convertible loans in the year, the Group raised a further €800,000 by way of a convertible loan agreement on 2 February 2012. This loan and the discussions with investors give 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 additional funding and the forecast for 2012 and 2013 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 2010.

Of the new Standards and Interpretations effective for the year ended 31 December 2011, there was no impact on the presentation of the financial statements of NextGen Group plc. The accounting policies have been applied consistently throughout the Group for the purposes of the preparation of these consolidated financial statements.

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, expected to be relevant to the Group, but not yet effective for the year ended 31 December 2011 are listed below. NextGen Group plc has not adopted these early.

Number	Title	Effective
IFRS 9	Financial Instruments	01 Jan 2015
IFRS 10	Consolidated Financial Statements	01 Jan 2013
IFRS 12	Disclosure of Interests in Other Entities	01 Jan 2013
IFRS 13	Fair Value measurements	01 Jan 2013
Deferred Tax	Recovery of Underlying Assets – Amendments to IAS 12 Income Taxes	01 Jan 2012
Amendment IAS 1	Presentation of items of Other Comprehensive Income – Amendments to IAS 1	01 Jan 2012

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. 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 2011. 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. The functional and presentational currency for the parent Company is Sterling as the parent Company does not trade and key transactions originate in the UK.

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 profit or loss in the period in which they arise.

The assets and liabilities in the financial statements of foreign operations 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 foreign operations are recognised in other comprehensive income and 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

An 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 Group considers that it has a single operating segment being Biomarker services, which includes Biomarker Discovery, Biomarker Assay Development and Biomarker Testing.

5.5 Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for services provided, excluding sales tax, VAT and trade discounts. Revenue is recognised upon the performance of services in line with the development of the work and when significant acts set out in the contract 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 significant acts as set out in the contract
- 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 and to be incurred in respect of the transaction can be measured reliably

In cases where economic benefits cannot be estimated reliably, revenue is only recognised to the extent that the expenses incurred are recoverable.

Where a discount is provided to a customer for the cost of materials and that the company can subsequently use on its own research or for the purpose of marketing and/or generating intellectual property, revenue is recognised based on the fair value of the services provided, being the gross fee and the discount element is recorded as a cost in the income statement.

5.6 Borrowing costs

Finance costs of debt are recognized in the income statement in the period in which they were incurred.

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 to 5 years
Fixtures and fittings	3 to 5 years
Computer equipment	3 to 5 years

The periods for plant, machinery, office equipment, and computer equipment have been increased to 5 years from 2011 because machinery and computer equipment is considered to have a longer useful life than before

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 the Income Statement within 'other income' or 'other operating 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 may be 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 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 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 share based payments) 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 the economic benefit of the Group's trading losses is uncertain.

5. 14 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. 15 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 reserves generated from the application of merger relief on past business combinations.

Other reserves include share based payments.

Foreign currency translation differences arising on the translation of the Group's entities, which report in Sterling, are included in the translation reserve.

Profit and loss account includes all current and prior period results.

5. 16 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. 17 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. The key factors in the model is shown in Note 17.2.

5. 18 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. 19 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 5.20.

Revenue

The Group receives payments in advance on larger projects. 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 prepayments. In particular, this requires knowledge of the development detail and the level of completion on a 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. There are no such development costs in the year.

5.20 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 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 are 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. Further details are given in Note 9.

6. Investments

	2011	2010
	\$	\$
Investment (cXeTek)	-	35
Net book value	-	35

The directors have been notified that cXeTek Limited has stopped trading and have therefore written off the investment.

7. Segment reporting

NextGen provides Biomarker and Proteomic Services. 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 resources are reviewed on the basis of a single operating segment.

The key segmental measure is operating result, which is the loss before impairment, finance costs and taxation and is as set out in the consolidated income statement.

The group's revenue from external customers and its non-current assets arise from the following geographical areas:

Geographical Analysis by destination	2011		2010	
	Revenue	Non-current Assets	Revenue	Non-current Assets
	\$	\$	\$	\$
USA	1,517,973	1,110,741	676,992	1,245,161
Europe	123,223	2,207	252,826	5,176
Rest of the World	186,462	-	285,736	-
	1,827,658	1,112,948	1,215,554	1,250,337

8. Operating expenses (continuing operations)

The operating loss on continued operations is stated after charging:

Operating expenses	2011	2010
	\$	\$
Staff Costs	(321,515)	(519,567)
Tenancy	(70,462)	(115,154)
Legal & Professional	(1,088,550)	(1,006,419)
Office Costs	(79,181)	(28,328)
Travel	(122,399)	(115,904)
Communications & IT	(24,929)	(44,876)
Marketing	(839,597)	(822,108)
Share issue costs	(102,364)	(159,327)
Loan arrangement costs	(105,439)	(98,606)
Insurances	(38,731)	(19,603)
Other Expenses	(99,002)	(159,201)
Depreciation	(236,411)	(303,880)
Exchange differences	108,284	136,483
Profit on disposal on property, plant and equipment	-	63,066
Total operating Expenses	(3,020,296)	(3,193,424)

The operating loss is stated after charging

	2011 \$	2010 \$
Fees payable to the company's auditor for the audit of the company's annual report	55,642	46,413
Fees payable to the company's auditors for other services		
- Audit of the company's subsidiaries pursuant to legislation	-	7,264
- Tax services	1,615	9,117
- Advise on share based payments, review of the interim report	7,271	-
Operating lease charges		
- Land and building	150,823	161,531
Research and development	579,291	210,918

9. Goodwill and other intangible assets

Intangible assets represent goodwill arising on the consolidation of former Proteomic Research Services Inc now NextGen Sciences Inc

	Goodwill	Licence	Total
Cost	\$	\$	\$
At 1 January 2011	1,015,724	38,462	1,054,186
Eliminated	-	(38,462)	(38,462)
At 31 December 2011	1,015,724	-	1,015,724

Amortisation and Impairment

At 1 January 2011	507,862	38,462	546,324
Eliminated	-	(38,462)	(38,462)
At 31 December 2011	507,862	-	507,862

Net book amount at 31 December 2011	507,862	-	507,862
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	Goodwill	Licence	Total
Cost	\$	\$	\$
At 1 January 2010	1,015,724	38,462	1,054,186
Additions	-	-	-
At 31 December 2010	1,015,724	38,462	1,054,186

Amortisation and Impairment

At 1 January 2010	507,862	38,462	546,324
At 31 December 2010	507,862	38,462	546,324

Net book amount at 31 December 2010	507,862	-	507,862
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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

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 carrying value of goodwill of \$507,862 has been entirely allocated to the biomarker services operations of NextGen Sciences Inc.

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 five years.
- The expected increase in sales values is deliverable using the current infrastructure as adjusted for any additional investment in capital expenditure.
- The pre-tax discount rate applied to the cash flow projections is 24% to reflect current market estimates of the value of money and the Group's weighted average cost of capital.

The Group acknowledges that future revenues depend on both successful assay developments and market traction, and are not yet supported by a secure order book and pipeline.

The sensitivity analysis performed on the cash flow forecasts shows 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 the discount rate is increased to 30%. If profit forecasts are reduced by 25 % then the value of goodwill would exceed the net present value of future cash flows forecast to 2016.

10. Property, plant and equipment

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

	Plant and machinery \$	Office equipment fixtures and fittings \$	Computer Equipment \$	Total \$
Gross carrying amount				
Balance 1 January 2011	1,661,640	41,794	29,924	1,733,358
Additions	88,409	-	10,648	99,057
Balance 31 December 2011	1,750,049	41,794	40,572	1,832,415
Depreciation and impairment				
Balance 1 January 2011	929,888	37,343	23,687	990,918
Depreciation	229,520	2,672	4,219	236,411
Balance 31 December 2011	1,159,408	40,015	27,906	1,227,329
Carrying amount at 31 December 2011	590,641	1,779	12,666	605,086

	Plant and machinery \$	Office equipment fixtures and fittings \$	Computer Equipment \$	Total \$
Gross carrying amount				
Balance 1 January 2010	2,119,819	39,201	347,249	2,506,269
Additions	660,464	-	-	660,464
Disposals	(1,126,232)	-	(307,143)	(1,433,375)
Reclassification	7,589	2,593	(10,182)	-
Balance 31 December 2010	1,661,640	41,794	29,924	1,733,358
Depreciation and impairment				
Balance 1 January 2010	1,740,449	37,354	306,429	2,084,232
Depreciation	291,176	3,125	9,585	303,886
Disposals	(1,090,299)	-	(306,901)	(1,397,200)
Reclassification	(11,438)	(3,136)	14,574	-
Balance 31 December 2010	929,888	37,343	23,687	990,918
Carrying amount at 31 December 2010	731,752	4,451	6,237	742,440

Included within Property, Plant and Equipment are assets held under finance leases with a carrying value of \$574,197 (2010, \$702,360). The depreciation charge for equipment held under finance lease was \$168,331 (2010, \$268,410).

11. 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 except derivatives are held at amortised cost.

	2011 \$	2010 \$
Financial assets		
Trade receivables	30,173	210,343
Provision for doubtful receivables	(20,725)	(20,725)
Cash and cash equivalents	70,461	21,255
Total financial assets	79,909	210,873

	2011	2010
	\$	\$
Financial liabilities		
Trade payables	224,824	450,775
Other payables	10,853	11,318
Accruals	107,297	37,181
Loans	2,534,193	986,538
Financial liabilities, held at amortised cost	2,877,167	1,485,812
Derivative liabilities at fair value	2,181,971	-
Total financial liabilities	5,059,138	1,485,812
Net financial assets/(liabilities)	(4,979,229)	(1,274,939)

Finance costs

Finance costs during the year were as follows

	2011	2010
	\$	\$
Interest on bank loans and overdrafts	14,741	13,363
Interest on loans	261,162	83,370
Interest on finance leases and hire purchase contracts	41,159	40,387
Fair value of derivative liabilities	2,181,971	-
Total	2,499,033	137,120

12. Borrowings

Borrowings during the year were as follows

Loan finance	2011	2010
	\$	\$
Carrying amount 1 January	986,538	-
New borrowings	1,548,612	1,457,729
Exchange rate adjustment	(957)	-
Pay back of borrowings	-	(471,191)
Carrying amount 31 December	2,534,193	986,538

	2011	2010
	\$	\$
Derivative liability	2,181,971	-

The company has in 2011 announced two convertible loans from Alpha 4 Concepts GmbH of \$611 thousand (€453 thousand) and \$881 thousand (€650 thousand)

The loans bear interest at 12% per annum and may be repaid in cash or satisfied by the allotment of shares and warrants. Upon conversion, the number of ordinary shares to be issued will equate to the loan converted at par value of the shares based on the exchange rate at the conversion date. The two loans outstanding are repayable on 30 September 2012 and 31 October 2012 unless the repayment of the loans is requested by the lender. Loans have been classified as current liabilities as the holders can require repayment at 7 days' notice.

The company has entered into convertible agreements in 2010 and 2011 of in total €1,803,000 and the fair value of the conversion rights and the attached warrants amounts to \$2,181,971, which is included as a financial liability

The fair value is based on the Black Scholes valuation model and includes the following key factors

- Conversion price on shares and exercise price on warrants are 0.1p
- The volatility is calculated for the conversion rights and the warrants to 124.51% and 121.60% respectively. The volatility is based 1 year for the conversion rights and 3 years for the warrants
- The risk free rate is 3.58% and no dividend is expected

Finance leases	2011	2010
	\$	\$
Current		
Finance leases	161,236	147,693
Total	161,236	147,693
Non-current		
Finance leases	188,368	296,131
Total	188,368	296,131
Total finance leases	349,604	443,824

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.

Maturity profile

The following table summarises the maturity profile of the Group's financial obligations in respect of loan finance and finance leases based on contractual undiscounted payments

	2011	2010
	\$	\$
Within 6 month	798,633	70,830
6 – 12 month	1,930,400	789,586
1 – 2 years	154,674	422,709
2 – 5 years	90	147,237
Total contractual obligation on Loans and Leases	2,883,797	1,430,362

13. Deferred tax assets and liabilities

The following deferred tax assets are unprovided at 31 December

	2011	2010
	\$	\$
Property, plant and equipment	594	1,133
Other	1,131	1,388
Tax losses carried forward	7,506,614	6,321,172
Unprovided deferred tax asset	7,508,339	6,323,693

14. Trade and other receivables

	2011	2010
	\$	\$
Trade receivables	30,173	210,343
Provision for doubtful receivables	(20,725)	(20,725)
VAT	16,131	37,758
Prepayments, accrued income and other receivables	44,001	81,453
Total trade and other receivables	69,580	308,829

The ageing analysis of trade receivables past due, but not impaired, is as follows

	2011	2010
	\$	\$
Less than 3 months	-	109,024
3 to 6 months	-	28,100
Over 6 months	5,288	20,125
Total	5,288	157,849

The net carrying value of trade receivables is considered a reasonable approximation of fair value. The receivables due more than 6 months are mostly University/ Hospital customers 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 but the allowance for credit losses previously recorded is considered to be adequate.

15. Cash and cash equivalents

Below is shown the cash and cash equivalents

	2011	2010
	\$	\$
Cash at bank and in hand	70,461	21,255

16. Equity

Share Capital, authorised and fully paid shares comprises ordinary 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

At the AGM on 28 June 2011 it was approved to increase the general authority to allot shares up to 25,000,000,000 ordinary shares from 13,700,000,000 ordinary shares Of this authority, 6,460,000,000 shares will be reserved for issue pursuant to the exercise of existing conversion rights and warrants of the company 2,000,000,000 shares will be reserved for issue pursuant to funding opportunities. 2,000,000,000 shares will be reserved to cover options for employees and 14,540,000,000 shares will be available for issue in the future including the issue of shares as consideration for any acquisition opportunities that may arise

	2011	2010
	\$	\$
Value of authorised shares	38,640,000	20,885,850
Total value	38,640,000	20,885,850

Value of allotted, called up and fully paid	12,081,563	10,615,514
Total value	12,081,563	10,615,514

Shares issued and fully paid.	2011	2010
	Number	Number
Beginning of the year	6,316,978,644	4,796,978,644
Shares issue	929,810,000	1,520,000,000
Total number	7,246,788,644	6,316,978,644

The Group issued 927,410,000 shares on 27 January 2011 at par value Issue costs of new shares has been charged to the income statement amounted to \$102,364 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

The Group issued 2,400,000 shares on 18 March 2011 at market value

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

17. Employee Remuneration

17.1 Employee benefits expenses

Staff costs during the year were as follows

	2011	2010
	\$	\$
Wages and salaries	1,318,090	1,421,597
Social security costs	99,333	93,144
Other pension costs	11,481	29,388
Share based payments	2,075,969	-
Total	3,504,873	1,544,129

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

	2011 Number	2010 Number
Technical	6 0	6 9
Sales and marketing	4 0	4 0
Administration	4 2	4 8
Total number of employees	14.2	15.7

17.2 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
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
18 March 2011	18 March 2021	580,399,336	£0 0010
18 March 2011	18 March 2021	62,150,000	£0 0033

Share options of 580,399,336 at an exercise price of £0 001 were granted in the year on 18 March with an expiry date of 18 March 2021 and share options of 62,150,000 at an exercise price of £0 0033 were granted in the year on 18 March with an expiry date of 18 March 2021

The right to exercise share options is subject in all cases to service conditions as specified in the detailed scheme rules

At 31 December 2011, the Group had the following outstanding options and exercise prices

	2011 Weighted average exercise price per share	2011 Options	2011 Weighted average exercise price remaining contractual life	2010 Average exercise price per share	2010 Options	2010 Weighted average exercise price remaining contractual life
Expiry dates	£	No.	Months	£	No.	Months
2011	-	-	-	0 04170	9,207,647	2
2013	0 09760	1,460,469	16	0 09760	1,460,469	32
2014	0 02760	1,590,041	33	0 02760	1,590,041	45
2015	0 02760	1,448,550	39	0 02760	1,448,550	51
2021	0,00122	642,549,336	112			
Total	0.00156	647,048,396	112	0.04453	13,706,707	10

At the end of 2011 all options except 3,750,000 had vested and were exercisable and at the end of 2010 all options had vested and were exercisable

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

	2011 Weighted average exercise price per share	2011 Options	2010 Weighted average exercise price per share	2010 Options
Outstanding at 1 January	0.04453	13,706,707	0.00983	67,589,055
Number granted	0.00122	642,549,336	0.01980	85,401,751
Number lapsed	0.10012	(9,207,647)	0.00718	(139,284,099)
Outstanding at 31 December	0.00156	647,048,396	0.04453	13,706,707

Key factors on option valuation

	2011	2010
Exercise price	£0.0010-0.0033p	£0.0010
Expected volatility	78.79%	67.92%
Expected life	3-10 years	3 years
Risk free rate	3.58%	3.11%
Dividends	Nil	Nil

17.3 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 \$11,481 (2010: \$29,388). Contributions totalling \$ nil (2010: \$ nil) were payable to the fund at year end and are included in other payables.

18. Trade and other payables

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

	2011 \$	2010 \$
Trade payables	224,824	450,775
Social security and sundry taxes	8,252	3,634
Other payables	10,853	11,318
Accruals and deferred income	140,540	304,912
Total	384,469	770,639

The ageing analysis of trade payables is as follows

	2011 \$	2010 \$
Less than 3 months	157,377	361,087
3 to 6 months	5,688	-
Over 6 months	61,759	89,688
Total	224,824	450,775

All trade payables are contractually due for settlement within 6 months

19. Taxation

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

	2011 \$	2010 \$
Loss before taxation	(7,051,610)	(3,340,968)
Expected corporation tax on loss at 26 % (2010 28%)	(1,833,419)	(935,471)
Effects of		
Expenses not deductible for tax purposes	647,210	69,863
Depreciation in excess of capital allowances	792	819
Tax losses carried forward	1,185,442	865,058
Other short term timing differences	-	(269)
Foreign tax	-	196
Total tax charge for the year	25	196

Unrealised tax losses of \$27 980 million (2010 \$23 421 million) remain available to offset against future taxable trading profits, subject to restrictions that may arise from any changes in trade. A deferred tax asset of \$7 275 million (2010 \$6 321 million) calculated at 26% (2010 27%) in respect of these trading losses has not been recognised as an asset due to the uncertainty that exists at 31 December 2011 over the value of the future benefit of these losses.

20. Loss per share and dividends

20.1 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. Diluted loss per share is the same as basic loss per share.

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

	2011 \$	2010 \$
Loss attributable to ordinary shareholders	(7,051,635)	(3,341,164)
Weighted average number of shares - basic	7,180,226,836	5,510,677,274
Basic and diluted (Total operations)	(0.10 cents)	(0.06 cents)

20.2 Dividends

No dividends have been declared or paid in 2011 and 2010

21. 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

	2011	2010
	\$	\$
Net loss	(7,051,635)	(3,341,164)
Taxation	25	196
Finance income	-	(3,482)
Finance cost	317,062	137,120
Depreciation of property, plant and equipment	236,411	303,886
Loss/(Profit) on sale of property, plant and equipment	-	(63,066)
Share issue costs and loan commission	207,803	257,933
Trade and other current receivables	239,249	(12,637)
Provisions	-	(1,162)
Trade payables and other current liabilities	(386,171)	96,666
Changes in working capital	(146,922)	82,867
Share option charge	2,075,969	-
Fair value on warrants	2,181,971	
Effect of exchange rate fluctuations	(122,682)	(40,767)
Cash flow from operating activities	(2,301,998)	(2,666,477)

22. Related party transactions and transactions with Key management personnel

22.1 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 and Hamø ApS, a company owned by Leif Hamoc

Within the income statement related party transactions costs are amounting to \$576,171 (2010 \$585,065)

	2011	2010
	\$	\$
OAR GmbH		
Loan commission	106,836	98,606
Funding fee etc	104,133	159,327
Expenses	211,003	241,546
Nanotecquity AG		
Monitoring fee	154,199	85,586
Total expenses	576,171	585,065

22.2 Transaction with key management personnel

Key management of the Group are members of the board of directors (including the period prior to Board appointment) Further details of directors' remuneration and interests are given in the Directors' remuneration report on pages 16 and 17

Key managements remuneration is as follows

	2011	2010
	\$	\$
Emoluments	846,946	921,584
Share based payments	1,724,796	-
Pension contributions to money purchase pension schemes	-	6,196
Total remuneration	2,571,742	927,780

	Number	Number
The number of directors who were members of a money purchase pension scheme during the year	0	1
Highest paid director - emoluments	366,160	352,518
- pension costs	-	-
Total remuneration	366,160	352,518

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

23. Financial Instrument Risk

23.1 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, specifically to currency risk and interest rate risk, which result from its operating activities

23.2 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 obligations under convertible loan notes, the fixed rate interest rate is 12.0 % (2010 12.0%), excluding the 1% per month monitoring fee For obligation under finances leases, the weighted average fixed interest rate is 9.72% (2010 11.5%), and the weighted average period for which the rate is fixed is 1.82 years (2010 0.49 years)

23.3 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

23.4 Currency risk

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

Other loan finance, including convertible loans, has been secured in euro and Placing Finance from the issue of share capital is in sterling

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

23.5 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

24. Capital management policies and procedures

	2011	2010
	\$	\$
Total shareholder funds	(4,197,248)	(620,579)
Cash and bank	70,461	21,255
Loans	2,534,193	986,537
Total	(1,592,594)	387,213

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

25. Post-reporting date events

The company entered in February 2012 into a new convertible loan agreement with ALPHA4 Concepts for €800 thousand and unchanged conditions compared to the loans obtained in 2011

The company released its expanded CSF assay (csfdiscovery82) in January 2012

Furthermore the Company announced in March 2012 that its newly established subsidiary NextGen Sciences Dx has filed for intellectual property on a combination of protein biomarkers with the potential for diagnosing changes in cognition for patients with early-stage dementia

26. Commitments

26.1 Capital Commitments

The Group had no capital commitments at 31 December 2011 or 31 December 2010 for the acquisition of property, plant and equipment or intangible assets

26.2 Leasing Commitments

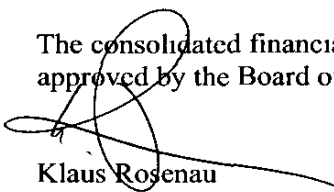
The Group has operating lease commitments for the US facilities ending 30 November 2012

	2011 \$	2010 \$
Operating lease commitments:		
One year or less	144,033	155,050
Between two and five years	-	144,033
Total	144,033	299,083

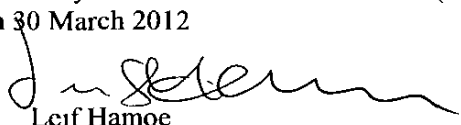
The operation lease does not contain any unusual clauses or arrangements

27. Authorization of financial statement

The consolidated financial statement for the year ended 31 December 2011 (including comparatives) was approved by the Board of Directors on 30 March 2012



Klaus Rosenau
Chairman and CEO



Leif Hamoe
Board Member and CFO

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 2011 which comprise the 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 pages 11-12, 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 and express an opinion on 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/ukp.cfm

Opinion on financial statements

In our opinion the parent company financial statements

- give a true and fair view of the state of the parent company's affairs as at 31 December 2011
- 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 on the parent company financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note I of the parent company's financial statements concerning the Company's ability to continue as a going concern. The company incurred a net loss of £2.5 million during the year ended 31 December 2011. As explained in Note I, the financial statements have been prepared on a going concern basis, the validity of which depends on the group's funding requirements, which depends upon receipt of orders, and the related sales revenue or injection of funds into the business from further fundraising. These conditions, along with other matters explained in Note I to the parent company financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The parent company's 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 2011. That report includes an emphasis of matter on going concern

Grant Thornton UK LLP

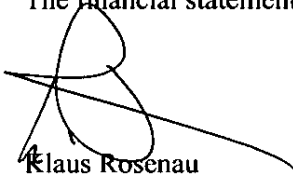
Alison Seckings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge, England
30 March 2012


Company Balance Sheet

At 31 December 2011

	Note	2011 £	2010 £
Fixed Assets			
Tangible assets	III	1,424	3,323
Investments	IV	175,945	175,945
		177,369	181,167
Current assets			
Debtors due within one year	V	5,339,667	4,643,625
Cash at bank and in hand		24,742	1,420
		5,364,409	4,645,045
Creditors amounts falling due within one year	VI	(1,774,647)	(792,492)
Net current assets		3,589,762	3,852,553
Total assets less current liabilities		3,767,131	4,031,821
Capital and reserves			
Called up share capital	VII	7,246,789	6,316,979
Share premium account	VIII	5,396,206	5,391,406
Merger relief reserve	VIII	63,544	63,544
Other reserve	VIII	1,902,024	571,394
Profit and loss account	VIII	(10,841,432)	(8,311,502)
Shareholders' funds	VIII	3,767,131	4,031,821

The financial statements were approved by the Board of Directors on 30 March 2012


Klaus Rosenau
Chairman and CEO


Leif Hamoc
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 Directors remain in discussions with the majority shareholders of Group to arrange further funding in order to support the continued operation and growth of the Group. In addition to a placing and advance of convertible loans in the year, the Group raised a further €800,000 in February 2012 by way of convertible loan. This funding and the discussions with investors give 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 additional funding and these forecasts for 2012 and 2013, 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 impairment 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 Inc are recharged to that entity

Profit and loss

As permitted by section 408 of the Companies Act 2006, no separate profit and loss account 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

IT equipment	3 years
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Related party Transaction

The Company has taken advantage of the exemption from disclosing transactions with entities that are wholly owned by 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 22 of the Group financial statements.

II NET OPERATING CHARGES

The Directors' remuneration paid by NextGen Group Plc, is disclosed on page 16.
The average number of staff employed by the Company including directors was 3.2 (2010: 3.5).

III TANGIBLE FIXED ASSETS

The costs of fixed assets are £5,697 in 2011 (2010: £5,697). This consists of IT equipment purchased for management. Depreciation charged was £1,899 (2010: £1,899) resulting in a net book value of £1,424 (2010: £3,323).

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%	Non trading
NextGen Sciences Inc	United States of America	Common stock	100%	Sales and service of products within Biomarker Discovery, Development and Testing

The loss for the financial year dealt with in the financial accounts of the Company was £2,529,930 (2010 £1,090,177) As provided by section 408 of the Companies Act 2006, no Company profit and loss account is presented in respect of the Company

The reason for the increase in loss was a share based option program with a value of £1,330,630

Subsidiary undertakings	2011 £	2010 £
Cost		
At 1 January	912,579	912,579
At 31 December	912,579	912,579
Provision for impairment		
At 31 December	(736,634)	(736,634)
Net book amount at:		
At 31 December	175,945	175,945

V DEBTORS

	2011 £	2010 £
Amounts falling due within one year		
Amounts owed by group undertakings	5,326,443	4,598,640
VAT	10,438	-
Other debtors	2,786	44,985
	5,339,667	4,643,625

VI CREDITORS

	2011	2010
	£	£
Loan finance	1,639,618	637,669
Trade creditors	75,986	120,760
Social security and sundry taxes	5,339	2,349
Accruals and deferred income	53,704	31,714
	1,774,647	792,492

Full details of the loan financing are provided in Note 12

VII SHARE CAPITAL

Full details of the Company share capital is given in Note 16 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	shareholders' Total funds
	£	£	£	£	£	£
At 1 January 2011	6,316,979	5,391,406	63,544	571,394	(8,311,502)	4,031,821
Allotment during the year	929,810	4,800	-	-	-	934,610
Share based payments	-	-	-	1,330,630	-	1,330,630
Loss for the year	-	-	-	-	(2,529,930)	(2,529,930)
At 31 December 2011	7,246,789	5,396,206	63,544	1,902,026	(10,841,432)	3,767,131