

PRESS RELEASE

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NEXTGEN ANNOUNCE PRELIMINARY RESULTS FOR THE YEAR TO 31st DECEMBER 2006
A year of new products, service introductions and an acquisition

HIGHLIGHTS

- Revenues increase by over 40%
- Gross margins improve by 15%
- First Sales of the **expression**workstationTM robotic liquid handling platform
- **orchestrator**IMSTM rules – based experimental design and instrument control software adopted internationally across several units of a major global pharmaceutical company
- **Contract**expressTM already contributing over 19% of revenues and growing
- Licensing of Gene Synthesis technology from Gene Oracle Inc., CA, USA with option to acquire
- The acquisition of Proteomic Research Services Inc. (PRS)
- US based field sales force built including the hiring of a new Vice President of global sales

NextGen Group is a provider of expert systems, services and reagents focussed on enabling enhanced access to, and understanding of, the role of proteins in diagnosis and drug discovery

Trading Review

Turnover for the consolidated Group for the 12 months ended 31st December 2006 increased just over 40% to £1,421,504 (£1,011,553 for 2005). Gross profit increased by 83% to £963,915 (£525,846 in 2005). This represents a 15% increase in gross margin percentage from 52% in 2005 to 67.8% in the year under review. This significant increase in gross margin was a result of the introduction of the **contract**expressTM fee-for-service business and the effect of the integration for two months of the revenues generated by PRS, both of which have significantly higher margins than those associated with equipment sales. As the revenues for PRS will be integrated fully in 2007, we would anticipate gross margins will improve further.

Total operating costs increased at a lower level than sales at 27.3% with total operating costs for the year being £3,859,255 (£3,031,326 for 2005) resulting in an increased operating loss for the year of £2,895,340 (£2,619,480 for 2005) when all operating charges were included.

During the year under review the Company has made significant progress towards the achievement of its three goals published in the 2005 Annual Report. They were:

1. To drive the commercialisation of developed products.
2. The further development and introduction of products and services to serve the drug discovery and diagnostics markets.
3. The establishment of a sales force in North America.

The Group, comprising the Company and its subsidiaries, NextGen Sciences Ltd, NextGen Sciences Inc. and PRS Inc. (for 2 months during 2006), achieved sales growth of more than 40% compared to 2005 despite the fact that the market that the Company serves changed significantly during 2006, with many pharmaceutical and biotech companies announcing and undergoing significant structural reorganisations. This has generated two major changes for the Group's prospects. Firstly, large pharmaceutical and biotech companies have expressed their desire to outsource more of their research pipelines to external fee-for-service providers such as NextGen. Secondly, there has been a slow down (and, in some cases, a moratorium) on the purchase of large capital expenditure items. The impact on the Group has been to increase the order pipeline for the **contract**expressTM service offering. However, this has been offset by slower than budgeted sales of its equipment and software platforms. The net result is that the Company continued to trade at a loss for the year. However the overall mix of revenues will favour the higher margin fee-for-service and PRS business going forward,

generating higher margin revenues and therefore moving the Company forward to achieving its objective of being cash positive.

With the acquisition of PRS, the Group sought to capitalise on the move of large pharmaceutical and biotech companies to increasingly look to outsource parts of their R&D process. As such the Group now increasingly focuses on the commercialisation of its fee-for-service business. Revenues from **contractexpress™** represented over 19% of turnover in 2006 and it is expected that this will rise to represent 50% of business during 2007. **Contractexpress™** is built on ensuring satisfactory completion of programs and providing exceptional service to clients. From project identification through fulfilment to the final output against the agreed deadline, there is constant communication and transparency with the client. This has resulted in repeat contracts at increasingly higher values, a trend which the Company is encouraged by and underpins the strategy to move into fee for contract services.

To cope with the anticipated increase in demand for this service and to better address the major North American market, the Group plans to build a second centre of excellence based at the PRS facility in Ann Arbor, Michigan from which it will offer fee-for-service fulfilment to the growing list of US clients. This is necessary as, in certain instances, US based customers are reluctant to ship valuable biological samples around the world for fear of them being lost, delayed or perishing through inappropriate handling. Access to an expanded US client base has been one of the most exciting prospects through the continued involvement of PRS President, Dr Mike Pisano in establishing NextGen in the US. Development of **contractexpress™** has taken considerable investment from the Company during 2006 and will require additional investment during 2007 if the Group is to take full advantage of the opportunity to access and commercialise the US pharmaceutical and biotechnology research markets. Dr Pisano, who in addition to remaining as President of PRS, has taken on the role of Chief Scientific Officer of the Group, brings an existing client list covering a significant number of the major companies and institutes in the US research industry. With the anticipated increase in demand for outsourcing in the US, the Directors believe that the actions taken during 2006 mean that the Group will be well situated to satisfy that increasing demand during 2007.

Equipment

Despite the timelines for buying expensive capital equipment being long and unpredictable, the Group formally announced the launch of two significant new products early in 2006, the **baculoworkstation™** and the **expressionworkstation™**. At the close of the half year the Group announced that several **expressionworkstations** and associated software had been ordered and delivered. There have been other equipment sales in line with the revenues generated in 2005, but the key area of growth contributing to the more than 40% increase in turnover for the year has been in the fee-for-service business highlighted above.

Corporate – Acquisition of PRS

During the period under review the Company signed a formal commercial alliance agreement to access the services and facilities of PRS in the USA. PRS is a leading provider of proteomic services focussing on the identification and characterisation of proteins in biological samples, working predominantly with large pharmaceutical and biotechnology companies. The initial agreement worked to the benefit of both companies and so it was decided that the expansion of the fee-for-service business would be best served by the acquisition and full integration of PRS into the business. The technologies and services of PRS are now fully integrated into the **contractexpress™** product offering making the fee-for-service offering attractive to a wider range of potential clients. Clients are placing orders of increasing magnitude and the Directors believe that this demonstrates that they are beginning to fully appreciate the scope of the combined service of gene to fully characterised, soluble, active protein that the Group now offers.

Sales & Marketing

During the year the Group has strengthened its Sales and Marketing capabilities with a number of key appointments in the UK and the setting up of a Sales team in the US from scratch. The result of this, when coupled to the integration of PRS revenues, for the final two months of the year was that year on year sales increased by over 40%, which was divided into approximately 60:40 equipment & software: fee-for-service sales. Success in the fee-for-service business can only be achieved through frequent and lengthy discussions with the customer in order to fully appreciate their needs. In order to minimise unproductive travelling time, the Directors believe that it is essential for the Group to have a sales force located within reasonable proximity to the main customer centres of population. In 2007, it

plans to recruit a number of field sales specialists, backed by a telesales function and managed by Jake Orville, VP Global Sales. In Europe, the Group plans to strengthen its sales presence with the addition of a full time specialist located in Continental Europe, serving the German and French speaking communities, backed up by the existing UK based resources and managed by Ian Sanders, European Sales Manager.

New Products from NextGen

The Directors anticipate that, given the changing environment the Group is working within and with the increased demand for outsourced services, the Group will focus heavily on rapidly introducing new products and services into its existing portfolio. Following the US Food and Drug Administration's Critical Path Initiative, an update to which was announced in September 2006, it has become clear that biomarkers ("Any physiologically relevant property or entity which can be measured accurately and reproducibly in a biological sample") will play a significant and mandated role in the approvals process of any new pharmaceutical product. The Group is well positioned to introduce a protein biomarker monitoring service as part of the existing range of **contractexpress**TM services, and is already in advanced discussions with a number of potential customers, suppliers, technology leaders and the US Food and Drug Administration in regard to this major opportunity. Given this is, as yet, an untapped market, and that the Group via PRS is well to the fore in its discussions with the relevant groups, the Directors believe that this may yield significant additional revenue in 2007 and further revenue growth for the future.

On the gene to protein side of the business, the Group plans to broaden the available protein expression platform to include mammalian derived proteins as these more closely resemble human biology than the current bacterial and insect based systems. In addition, the Group has been requested by a number of customers to increase its capacity of protein production. While the Group has no intentions of becoming a bulk protein producer, the Directors believe there is a niche for a medium volume, high added value provider.

Further acquisitions

It is the Company's intention to grow not only through rapid organic growth of existing and new products but also to seek out and acquire new capabilities and companies whenever suitable opportunities are identified. The Company maintains an active portfolio of acquisition targets and it is possible that one or more of these may be brought to closure in 2007.

Future Prospects

2006 was a pivotal year in many respects for the Drug Discovery industry. NextGen's performance reflected this evolving marketplace with sales of equipment being slower than expected while the new fee-for-service business fared better with some large orders being received during the year.

P Anthony Rhatigan
Chairman

James Gerard Heffernan
Chief Executive Officer

12 June 2007

NEXTGEN GROUP PLC

Consolidated Profit and Loss Account For the year ended 31 DECEMBER 2006

	Note	2006 £	2005 Restated £
Turnover	5		
Existing operations		1,232,098	1,011,533
Acquisitions		189,406	-
		1,421,504	1,011,533
Cost of sales		(457,589)	(485,687)
Gross profit		963,915	525,846
Other operating charges		(3,859,255)	(3,031,326)
Other operating charges - exceptional items		-	(114,000)
Operating (loss) profit			
Existing operations		(2,924,155)	(2,619,480)
Acquisitions		28,815	-
		(2,895,340)	(2,619,480)
Interest receivable		15,905	12,221
Interest payable		(36,578)	(54,974)
Loss on ordinary activities before taxation		(2,916,013)	(2,662,233)
Tax on loss on ordinary activities	7	301,414	226,466
Loss for the financial year deducted from reserves		(2,614,599)	(2,435,767)
Basic Loss per share	6	0.4p	1.4p
Diluted Loss per share	6	0.4p	1.4p

All of the above relates to continuing operations.

NEXTGEN GROUP PLC

Consolidated Balance Sheet AT 31 DECEMBER 2006

	Note	2006 £	2005 Restated £
Fixed assets			
Intangible assets – Goodwill		515,563	-
Intangible assets – Licence		26,564	-
Tangible assets		241,634	207,481
		783,761	207,481
Current assets			
Stocks		472,154	188,779
Debtors: due within one year		672,659	2,669,095
Cash at bank and in hand		99,323	151,588
		1,244,136	3,009,462
Creditors: amounts falling due within one year		(1,729,725)	(1,458,985)
Net current (liabilities)/assets		(485,589)	1,550,477
Total assets less current liabilities		298,172	1,757,958
Creditors: amounts falling due after more than one year		(56,608)	(142,907)
		241,564	1,615,051
Capital and reserves			
Called up share capital	8	793,794	693,400
Share premium account	8	2,308,900	1,697,433
Merger relief reserve	8	63,544	-
Other reserve	8	930,421	464,714
Merger reserve	8	5,731,082	5,731,082
Profit and loss account	8	(9,586,177)	(6,971,578)
Shareholders' funds		241,564	1,615,051

NEXTGEN GROUP PLC**Consolidated Cash Flow Statement
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Note	2006 £	2005 Restated £
Net cash outflow from operating activities	9	(2,959,711)	(2,204,947)
Returns on investments and servicing of finance			
Interest received		15,905	12,221
Interest paid		(25,150)	(23,380)
Finance lease interest paid		(11,428)	(31,594)
Net cash outflow from returns on investments and servicing of finance		(20,673)	(42,753)
Taxation		185,177	226,466
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(45,186)	(81,693)
Purchase of intangible fixed assets		(26,564)	-
Net cash outflow from capital expenditure and financial investment		(71,750)	(81,693)
Acquisitions and disposals			
Purchase of subsidiary undertakings	4	(105,341)	-
Net cash outflow from acquisitions and disposals		(105,341)	-
Financing			
Repayment of borrowing		(63,000)	(62,500)
Capital element of finance lease rentals		(46,967)	(90,472)
Issue of convertible loan stock		-	95,413
Issue of shares/debentures		3,030,000	2,336,495
Expenses paid in connection with share issues		-	(622,567)
Net cash inflow from financing		2,920,033	1,656,369
Decrease in cash	10	(52,265)	(446,558)

NOTE 1 ACCOUNTING POLICIES

The preliminary announcement has been prepared in accordance with applicable United Kingdom accounting standards and under historical cost convention.

The principal accounting policies of the Group are set out in the Group's 2005 annual report and accounts. The policies have remained unchanged from the previous annual report with the exception of the adoption of FRS20 Share Based Payments as described in Note 3.

NOTE 2 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 £2,614,599 and had an accumulated profit and loss account loss of £9,586,177 at 31 December 2006.

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

NOTE 3 PRIOR YEAR ADJUSTMENT

As disclosed in the accounting policies section, a new accounting standard FRS 20 Share-Based Payment was adopted in the year. The financial effect of this has been analysed below.

In the prior year equity-settled share-based payment arrangements were accounted for under UITF Abstract 17. Under that Abstract, the intrinsic value of the options granted, measured at the date of grant, was expensed to the profit and loss account. Charges under UITF Abstract 17 were £428,496. FRS 20 has been adopted for the first time during the current year. FRS 20 has been applied retrospectively to all equity instruments granted after 7 November 2002 that were unvested as of 1 January 2006.

For the year ended 31 December 2005, the change in accounting policy has resulted in a net decrease in the loss for the year of £43,789. The balance sheet at 31 December 2005 has been restated to reflect a share options reserve of £464,714.

For the year ended 31 December 2006, the change in accounting policy has resulted in a net increase in the loss for the year of £465,707. The balance sheet at 31 December 2006 has been restated to reflect a share options reserve of £930,421.

NOTE 4 ACQUISITION

On 3 November 2006, the Company acquired the entire issued common stock of Proteomic Research Services Inc. a full provider of proteomic laboratory, training and consulting services. The consideration for the acquisition was made up of an initial payment on completion of £175,945 and up to a further £610,953 (\$1,201,500) payable by the issue of NextGen Group Plc shares (valued the higher of 3 pence per share or the market price for NextGen Group Plc shares calculated as the 10 day average share price) on an earn out basis subject to the meeting of specific revenue targets over the next 3 years. Given uncertainty as to whether these revenue targets will be achieved no provision for deferred consideration has been made.

The most recent financial information in relation to Proteomic Research Services Incorporated showed the following profit and loss account information:

	Period from 1 January 2006 to 2 November 2006 £	Year to 31 December 2005 £
Turnover	368,091	609,533
Operating charges	<u>(540,403)</u>	<u>(720,980)</u>
Operating Loss	(172,312)	(111,447)
Interest received	513	1,730
Interest paid	<u>(11,283)</u>	<u>(28,856)</u>
Loss on ordinary activities before taxation	(183,082)	(138,573)
Tax on loss on ordinary activities	<u>-</u>	<u>-</u>
Loss for the financial period	<u>(183,082)</u>	<u>(138,573)</u>

The following table sets out the book value of the identifiable assets and liabilities acquired and their fair value to the group:

	Book and fair value £
Fixed assets	
Tangible	159,554
Current assets	
Debtors	<u>101,500</u>
Total assets	<u>261,054</u>
Creditors: amounts falling due within one year	210,054
Deferred revenue	<u>394,932</u>
Total liabilities	<u>604,986</u>
Net liabilities	(343,932)
Goodwill	<u>519,877</u>
	<u>175,945</u>
Satisfied by	
Shares issued	70,605
Cash	<u>105,340</u>
	<u>175,945</u>

The business combination has been accounted for using the acquisition method of accounting.

The acquisition during the year made a net cash outflow of £10,322 from operating activities which is included within the Group cash flows.

In relation to the acquisition, continuing operations for the year ended 31 December 2006 include other operating charges of £160,591.

NOTE 5 TURNOVER

The turnover is attributable to geographical area as follows:

	2006 £	2005 £
United Kingdom	337,741	158,910
United States of America	932,666	629,732

Rest of World	<u>151,097</u>	<u>222,891</u>
	<u>1,421,504</u>	<u>1,011,533</u>

Turnover generated by Proteomic Research Services Inc. is wholly from the United States of America.

NOTE 6 LOSS PER SHARE

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

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

	2006	2005
Loss attributable to ordinary shareholders	£2,614,599	£2,435,767
Weighted average number of shares	712,082,411	178,102,563
Loss per share	0.4p	1.4p

By virtue of the loss incurred in 2006 and 2005, a diluted loss per share calculation is not appropriate.

NOTE 7 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax credit for the year is £301,414 in relation to research and development tax credits (2005: £226,466). The tax credit is based on the loss for the year and represents:

	2006	2005
	£	Restated £
Loss before taxation	<u>(2,916,013)</u>	<u>(2,662,233)</u>
Expected corporation tax on loss at 19 % (2005:19%)	(554,042)	(505,824)
Effects of:		
Expenses not deductible for tax purposes	91,028	139,131
Difference between capital allowances and depreciation	(6,920)	(6,978)
Tax losses carried forward	470,092	362,016
Other timing differences	(158)	11,655
Research and development tax credit	<u>(301,414)</u>	<u>(226,466)</u>
Current tax charge for the period	<u>(301,414)</u>	<u>(226,466)</u>

Unrelieved tax losses of approximately £9 million (2005: approximately £7 million) remain available to offset against future taxable trading profits. A deferred tax asset of approximately £1,733,757 (2005: £1,224,084) calculated at 19% in respect of trading losses has not been recognized as an asset as the future benefit cannot be determined at 31 December 2006.

NOTE 8 RECONCILIATION OF SHAREHOLDERS FUNDS AND MOVEMENT ON RESERVES

Group	Share capital £	Share premium £	Merger relief reserve £	Merger reserve £	Other reserve £	Profit and loss £	Total shareholders funds £
At 1 January 2006 as previously stated	693,400	1,697,433	-	5,731,082	508,503	(7,015,367)	1,615,051
Prior year adjustment	-	-	-	-	(43,789)	43,789	-
At 1 January 2006 as restated	693,400	1,697,433	-	5,731,082	464,714	(6,971,578)	1,615,051
Allotment during the year	3,333	96,667					100,000
Proceeds from issue of shares	90,000	540,000					630,000
Share issue costs		(25,200)					(25,200)
Share issue to acquire PRS	7,061		63,544				70,605
Share based payments					465,707		465,707
Retained loss for the year						(2,614,599)	(2,614,599)
At 31 December 2006	793,794	2,308,900	63,544	5,731,082	930,421	(9,586,177)	241,564

NOTE 9 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2006 £	2005 Restated £
Operating loss	(2,895,340)	(2,619,480)
Depreciation	164,788	134,827
Amortisation	4,314	-
Share option charge	465,707	384,707
(Increase)/decrease in stock	(255,256)	95,788
(Increase)/decrease in debtors	(185,827)	63,488
Decrease in creditors	(258,097)	(264,277)
Net cash outflow from operating activities	<u>(2,959,711)</u>	<u>(2,204,947)</u>

NOTE 10 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2006 £	2005 Restated £
Decrease in cash in the year	(52,265)	(446,558)
Cash outflow from financing (i.e. debt)	63,000	62,500
Cash inflow from finance leases	46,967	90,472
Change in net debt resulting from cash flows	<u>57,702</u>	<u>(293,586)</u>
Inception of finance leases	<u>(22,320)</u>	<u>(68,346)</u>
Movement in net debt in the year	<u>(22,320)</u>	<u>(68,346)</u>
Movement in net debt	<u>35,382</u>	<u>(361,932)</u>

Net debt at start of year	(145,406)	216,526
Net debt at end of year	(110,024)	(145,406)

NOTE 11 ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2006	Cash flow	Non cash items	At 31 December 2006
	£	£	£	£
Cash in hand	151,588	(52,265)	-	99,323
Debts	(140,625)	63,000	-	(77,625)
Finance leases	(156,369)	46,967	(22,320)	(131,722)
	<u>(145,406)</u>	<u>57,702</u>	<u>(22,320)</u>	<u>(110,024)</u>

NOTE 12 PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined under Section 240 of the Companies Act 1985. The consolidated profit and loss account, consolidated balance sheet and consolidated cash flow statement and associated notes for the year ended 31 December 2006 have been extracted from the group's audited financial statements. These financial statements have not been delivered to the Registrar.