

NextGen Group PLC
Interim Report 2006

NextGen Group PLC

Interim Results to 30th June 2006

NextGen Group Plc, the “gene-to-protein” company, announces its interim results for the six months ended 30th June 2006.

Highlights

- Key hires in the US
- Improving sales pipeline
- Strategic move into gene synthesis market via Gene Oracle licensing and option agreement
- Launch of new product - Optigel™

NextGen Group PLC

Chairman's Statement

Introduction

During the six month period to 30th June 2006 we have seen invoiced sales and orders in process almost equivalent to the level of sales conducted in the whole of 2005. Sales were below expectations for a number of reasons, primarily that the majority of large pharmaceutical and biotech customers undergo major reorganisations, which have resulted in uncertainty in the company's export market for equipment sales. However we are pleased to report that, just after the end of the period, we received an order for two ExpressionWorkstations™ and associated software from a major pharmaceutical company and are hopeful that this marks an introduction to the anticipated higher level of sales for the second half of the year, which is traditional in companies in this sector.

NextGen is continuing to build its sales team in order to commercialise its range of products. The fee for service business shows great promise for growth as the company establishes itself as a highly competent and credible provider of outsourced protein related research and development services using its biological experience, proprietary equipment and software.

Trading Review

Turnover for the consolidated group for the 6 months was £468,799 – a decrease of 22.8% when compared to the £607,038 achieved in the same period in 2005 by NextGen Sciences Limited. However, the 2005 turnover included the second stage sale of £450,000 from the sale of an ExpressionFactory™ to a major pharmaceutical company ordered in 2004 but sale completed during 2004 and 2005.

The percentage gross profit achieved was 63.8% compared to 55.7%.

Total operating costs increased from £1,314,539 to £1,647,183 an increase of 25.3%. This increase is mainly due to the increase in the US sales force, costs of being an AiM listed company and the fair value of share options granted in the year being recognised as an employee expense.

Operating loss of £1,348,048 compared to a loss of £976,258 in the first half of 2005.

Product Range Expansion

The Group continues to expand its range of services and intends to build strategic alliances with other companies in complementary sectors of its target markets, particularly in drug discovery. New products launched recently include the Optigel™ system: custom gradient pre-cast gels for the 2D gel electrophoresis market. The Group anticipates the launch of a gene synthesis service in early October following its agreement with Gene Oracle of Mountain View, California.

NextGen Group PLC

Commercial Outlook

As mentioned above, we have seen the first signs of strengthening opportunity identification and sales closure, for all products in our portfolio, following the arrival of our new commercialisation team. The sales pipeline for Q3 and Q4 2006 is stronger than that which we have seen in the first half-year. However we face the difficulties of a long sales cycle for our capital products coupled with the major players in the biopharma market tending to set their budget on an annual basis. We have found, in many cases, this means that whilst desire for the product is high the provision for instrument purchase may not be in the 2006 budget. These two pressures coupled together could result in sales achievement for our capital products being significantly lower this year than was originally anticipated. To try to alleviate this situation we have targeted our sales force to drive heavily into the fee for service business, benefiting from a much shorter sales and cash recognition cycle, whilst also handling diligently all opportunities for instrument and software sales we identify.

OrchestratorIMS™

The Group's team of software developers under the guidance of Ian Kelly, Chief Technology Officer continues to develop the OrchestratorIMS™ system, which is used to control and monitor the equipment and biological processes it performs. The capabilities of this software have been demonstrated to a number of major pharma customers, with several adopting it and one such company has accepted it as a platform for multiple sites.

While experiencing the pains of commercial growth, the Group continues to advance quite rapidly in developing its ability to survive and prosper, with all the directors, management and personnel focussed on achieving the expectations set out for them.

P. Anthony Rhatigan
Chairman

29 September 2006

NextGen Group PLC

Consolidated income statement for the six months ended 30 June 2006

	6 months ended 30 June 2006 Unaudited £	6 months ended 30 June 2005 Unaudited £	Year ended 31 December 2005 Audited £
Turnover	468,799	607,038	1,011,533
Cost of sales	<u>(169,664)</u>	<u>(268,757)</u>	<u>(485,687)</u>
Gross profit	299,135	338,281	525,846
Operating charges	<u>(1,647,183)</u>	<u>(1,314,539)</u>	<u>(3,189,115)</u>
Operating loss	(1,348,048)	(976,258)	(2,663,269)
Interest receivable	(14,898)	(4,385)	(12,221)
Interest payable	<u>13,243</u>	<u>23,297</u>	<u>54,974</u>
Loss on ordinary activities before taxation	(1,346,393)	(995,170)	(2,706,022)
Tax on loss on ordinary activities	<u>-</u>	<u>227,135</u>	<u>226,466</u>
Loss for the financial year deducted from reserves	<u>(1,346,393)</u>	<u>(768,035)</u>	<u>(2,479,556)</u>
Basic Loss per share	0.19p	1.0p	1.4p

NextGen Group PLC

Consolidated balance sheet at 30 June 2006

	6 months ended 30 June 2006 Unaudited £	6 months ended 30 June 2005 Unaudited £	Year ended 31 December 2005 Audited £
Fixed assets			
Tangible assets	176,870	191,454	207,481
Current assets			
Stocks	440,133	112,149	188,779
Debtors: due within one year	270,530	140,262	2,669,095
Cash at bank and in hand	520,180	961,305	151,588
	<u>1,230,843</u>	<u>1,213,716</u>	<u>3,009,462</u>
Creditors: amounts falling due within one year	<u>(932,653)</u>	<u>(670,009)</u>	<u>(1,458,985)</u>
Net current assets	<u>298,190</u>	<u>543,707</u>	<u>1,550,477</u>
Total assets less current liabilities	475,060	735,161	1,757,958
Creditors: amounts falling due after more than one year	(67,767)	(184,082)	(142,907)
	<u>407,293</u>	<u>551,079</u>	<u>1,615,051</u>
Capital and reserves			
Called up share capital	696,733	160,865	693,400
Share premium account	1,794,100	-	1,697,433
Other reserve	547,137	80,007	508,503
Merger reserve	5,731,082	5,614,053	5,731,082
Profit and loss account	(8,361,759)	(5,303,846)	(7,015,367)
Shareholders' funds	<u>407,293</u>	<u>551,079</u>	<u>1,615,051</u>

NextGen Group PLC
Consolidated cash flow statement
for the six months ended 30 June 2006

	6 months ended 30 June 2006 Unaudited £	6 months ended 30 June 2005 Unaudited £	Year ended 31 December 2005 Audited £
Net cash inflow (outflow) from operating activities	(2,021,008)	(2,473,574)	(2,204,947)
Returns on investments and servicing of finance			
Interest received	14,898	4,535	12,221
Interest paid	(6,241)	(11,456)	(23,380)
Finance lease interest paid	(7,002)	(11,991)	(31,594)
Net cash inflow (outflow) from returns on investments and servicing of finance	<u>1,655</u>	<u>(18,912)</u>	<u>(42,753)</u>
Taxation	(7)	227,135	226,466
Net cash outflow from capital expenditure and financial instruments	(43,142)	(15,519)	(81,693)
Financing			
Repayment from borrowing	(31,250)	(31,250)	(62,500)
Capital elements of finance lease rentals	(37,656)	(47,512)	(90,472)
Issue of convertible loan stock	-	-	95,413
Issue of shares/debentures	2,500,000	2,722,791	2,336,495
Expenses paid in connection with share issues	-	-	(622,567)
Net cash (outflow) inflow from financing	<u>2,431,094</u>	<u>2,644,029</u>	<u>1,656,369</u>
Increase (decrease) in cash	<u>368,592</u>	<u>363,159</u>	<u>(446,558)</u>

NextGen Group PLC

Notes to the interim statement for the six months ended 30 June 2006

1. The interim results have been prepared on the basis of the accounting policies set out in the audited financial statements for the six months ended 30 June 2006 with the exception of FRS 20 – share based payments, which has been adopted in the period under review as detailed in note 3 below.
2. The calculation of earnings per share is based on the profit after taxation for the period divided by 693,399,909 (30 June 2005: 75,549,891, 31 December 2005: 178,102,563) shares being the weighted average number of shares in issue during the period.
3. The fair value of the share options granted is recognised as an employee expense with corresponding increase in equity. Fair value has been determined taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense in the period, £38,634, is adjusted to reflect the number of options that had not vested as at 31 December 2005.
4. The financial information set out above does not constitute financial statements. The statutory financial statements for the year ended 31 December 2005 have been delivered to AIM and the auditor's report on those financial statements was unqualified. The figures for the year ended 31 December 2005 have been extracted from the statutory financial statement for that year. The financial information for the six months ended 30 June 2006 and 30 June 2005 are unaudited.
5. This interim report is being sent to all shareholders and is available to the public from the Group's registered office.