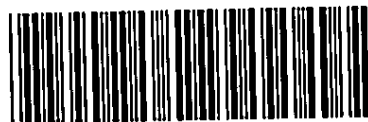


nextgensciences

NEXTGEN GROUP PLC

**Report and Accounts
for the year ended 31 December 2006**

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COMPANIES HOUSE

Company registration number	5556404
Directors	Patrick Anthony Rhatigan, Non Executive Chairman James Gerard Heffernan, Chief Executive Officer David John Wigley, Director of Operations Frank Matthai, Finance Director Klaus Gunter Erich Rosenau, Non Executive Director Kevin O'Donovan, Non Executive Director
Company secretary	Justin McCann
Registered Office	Building 56 Alconbury North Airfield Alconbury Huntingdon Cambridgeshire PE28 4DA
Nominated Adviser	Seymour Pierce Limited 20 Old Bailey London EC4M 7EN
Broker	Ellis Stockbrokers Limited Talisman House Jubilee Walk Three Bridges Crawley West Sussex RH10 1LQ
Bankers	Barclays Bank Plc Mortlock House Vision Park Histon Cambridge CB4 9DE
Solicitors	Fasken Martineau Stringer Saul LLP 17 Hanover Square London W1S 1HU Mills & Reeve Francis House 112 Hills Road Cambridge CB2 1PH
Patent Agents	Greaves Brewster Indigo House Cheddar Business Park Wedmore Road Cheddar Somerset BS27 3EB
Registrar	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA
Auditors	Grant Thornton UK LLP Registered Auditors and Chartered Accountants Byron House Cambridge Business Park Cambridge CB4 0WZ

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Introduction

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**.

In 2005 and again in 2006 the NextGen Group PLC presented its strategy for crystallising its Mission Statement and achieving growth and development of the Group. This centred heavily on the commercialisation of its developed products globally and particularly in the important N American market. In 2006 the Group expanded upon this strategy with the introduction of **contractexpress™**, a fee - for - service business where an operating company of the Group carries out scientific work on behalf of a customer in return for payment. In addition to the focus on rapid organic growth the Group has constantly reviewed the market with a view to forming commercial alliances, licensing technology or acquiring companies whose technology portfolio complements that of the Group. The Group has made considerable progress against all its goals in 2006

- First Sales of the **expressionworkstation™** platform
- The adoption of the **orchestratorIMS™** and the Group's automation platforms by a major global pharmaceutical company on an international basis
- Rapidly growing revenues from **contractexpress™** with repeat and/or enhanced projects from the customer base
- Licensing of Gene Synthesis technology from Gene Oracle, CA, USA
- The formation of a Commercial Alliance in January with Proteomic Research Services Inc MI, USA (PRS) followed by the acquisition of PRS in November 2006

During 2006 the Group comprising the Company and its subsidiaries, NextGen Sciences Ltd, NextGen Sciences Inc and Proteomic Research Services 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 during the year. The effect of these customer reorganisations has generated two major changes for the Group. 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 **contractexpress™** service offering. However, this has been offset by slower than budgeted sales of its equipment and software platforms. The net result is that the Group 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 Group forward to achieving its objective of being cash positive.

Trading Review

Turnover for the consolidated Group for the 12 months ended 31st December 2006 was £1,421,504 (£1,011,553 for 2005) an increase of just over 40%. Percentage gross profit increased to 67.8% (52% for 2005). This significant increase in gross margin was a result of the introduction of the fee-for-service business which accounted for 19% of revenues during the year and the effect of the integration of the revenues generated by PRS, both of which are higher than the margins associated with equipment sales. As the revenues for PRS will be integrated for a full year in 2007, we would anticipate Gross Margins improving further.

Total operating charges 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).

As a result, the operating loss for the year was £2,895,340 (£2,619,480 for 2005) when all operating charges are included.

Future Prospects

2006 was a pivotal year in many respects for the drug discovery industry. The trends in declining productivity and increased expenditure in drug discovery research which have been prevalent over the last decade continued. This resulted in many large pharmaceutical companies entering a period of analysis followed by restructuring and downsizing of certain elements of their business, including

but not limited to, internal research and increasing their dependence on outsourcing in a bid to improve productivity. 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.

In an attempt to assist the drug discovery industry in increasing the number of new drug applications while reducing the number of late stage failures, the Food and Drug Administration of the United States (FDA) issued an update on its Critical Path Initiative. Amongst several initiatives detailed in this update is a clear message to the industry to adopt the use of biomarkers in development of new drugs, all the way from fundamental research through to in-market monitoring. We believe the acquisition of PRS places NextGen in a strong position to attain a significant market share in this emerging market.

Lastly the Group will continue to review the market with the goal of identifying suitable technology and commercialisation partners which may in turn lead to further acquisitions in 2007.

P. Anthony Rhatigan
Chairman

12 June 2007

Introduction

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 achievements made during the year have been

- A rapidly increasing order book for the **contractexpress**TM fee-for-service business with orders totalling over £250,000 achieved during 2006
- The launch and first sales of its **expressionworkstation**TM platform including one pharmaceutical company adopting the NextGen equipment and software platform (**orchestratorIMS**TM) on a global basis
- The signing of its first commercial alliance agreement with Proteomic Research Services Inc USA ("PRS") in January 2006 and the subsequent acquisition of PRS in November 2006
- The signing of a technology acquisition and option to purchase agreement with Gene Oracle Inc USA
- The continued development of its US based field sales force including the hiring of a new Vice President of Global Sales

In 2006 the Group began its transition from being a solely instrumentation and software company with limited direct sales presence, into a global player in the protein related drug discovery market with the development of **contractexpress**TM, the acquisition of PRS, and the first sales of the **expressionworkstation**TM platform. In addition we completed the first phase of hiring a professional US direct sales force, with Mr Jake Orville being hired in November 2006 as the VP of Global sales.

Business – expansion of contractexpressTM business

With the acquisition of PRS, the Group sought to capitalise on the changing focus of the large pharmaceutical and biotech companies, and it now increasingly focuses on its fee-for-service business. It expects to continue this realignment of its revenue profile during 2007 with returns from its fee-for-service offering becoming the fastest growing area of revenue generation for the Group. The directors anticipate that over 50% of business in 2007 will stem from this initiative.

The Group anticipate that the increasing demand for this service will continue and, to better address the major US market, the Group plans to build a second centre of excellence based at the PRS facility in the US 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 internationally 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 since the acquisition of PRS as is the continued involvement of PRS President Dr Mike Pisano in establishing NextGen in the US. The development of **contractexpress**TM has taken considerable investment from the Group 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. The expansion of the Group's US capabilities is all the more exciting as, following the reorganisations noted above, the major pharmaceutical companies are increasingly seeking to outsource parts of the pre-clinical research process. The directors believe that, during 2007, the Group will be well situated to satisfy that increasing demand in the US market.

Equipment

The timelines for buying expensive capital equipment are long and unpredictable. Notwithstanding this the Group formally announced the launch of two products, the **baculoworkstation**TM and the **expressionworkstation**TM, early in the year and sales of these have progressed during 2006. At the

close of the half year the Group announced that several **expression**workstations 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 Group 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 biopharmaceutical 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 and the directors believe that this broadens the Group's capabilities and makes 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.

As from November 2006 when the formal acquisition of PRS was completed, we have been incorporating the revenues of PRS into the Group accounts. The PRS business attracts high margins and therefore we anticipate the impact of a full year's revenue from PRS will improve the Gross Margin for the Group substantially.

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 from scratch of a Sales team in the US. The result of this, when coupled to PRS revenues, was that year on year sales increased by over 40%, which was divided into approximately 60/40 equipment/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™** 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. In response to this the company is evaluating either developing its own mid-scale protein production capacity or partnering with an existing company in this area.

Further acquisitions

It is the Group'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 Group maintains an active portfolio of acquisition targets and it is possible that one or more of these may be brought to closure in 2007.

James Gerard Heffernan
Chief Executive Officer

12 June 2007

The directors present their report together with the financial statements for the year ended 31 December 2006

Principal activity

The Group's principal activities are research and development services in the protein research arena and the manufacture and sale of products and technology for use within the protein research industry

Results and dividends

There was a loss for the year after taxation of £2,614,599 (2005 loss £2,435,767 – as restated)

The directors do not recommend the payment of a dividend to the ordinary shareholders

Business Review

Market

The trend in declining productivity and increased expenditure in drug discovery research which have been prevalent over the last decade continued. This resulted in many large pharmaceutical companies entering a period of analysis followed by restructuring, downsizing of certain elements of their business including but not limited to research and increasing their dependence on outsourcing in a bid to improve productivity. The Group'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.

Competition

The Group competes with a number of other manufacturers, some of which have significantly greater financial, technical and marketing resources than the Group. In addition, these competitors may have the ability to respond more quickly to new or emerging technologies, adapt more quickly to changes in customer requirements, have stronger customer relationships, have greater name recognition, and may devote greater resources to the development, promotion and sale of their products than the Group. In the markets in which the Group operates, competition is also based on a variety of factors including product performance, functionality, value, and breadth of sales and service organisation. Competition could result in price reductions, reduced margins, and loss of market share.

Key Financial Performance Indicators

The Group has made significant progress in achieving its goals in 2006, this can be highlighted through comparing the key performance indicators of 2006 to 2005

(a) Turnover

The turnover for the Group increased from £1,011,533 in 2005 to £1,421,504 in 2006, which equates to a 40% increase in turnover in the year, 22% of this increase in turnover is through organic growth from its existing operations

(b) Gross profit percentage

Gross profit percentage in 2005 was 52%, this increased in 2006 to 67%. The increase in gross profit percentage is due to the change in product mix during 2006, moving from equipment sales to fee-for-service sales

(c) Sales revenue generated per employee

	Turnover £	Employees No	Turnover Employee £
2006	1,421,504	35	40,614
2005	1,011,533	32	31,610

Financial Risk Management Objectives and Policies

The Group uses various financial instruments including loans, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Market risk

Market risk encompasses currency risk and fair value interest rate risk. The Group's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below.

Currency risk

The Group is exposed to translation and transaction foreign exchange risk. In relation to translation risk, as far as possible the assets held in the country are matched to an appropriate level of borrowing in the same currency. Transaction exposures are a risk to the company as the company does not hedge such transactions by using instruments such as forward exchange contracts. However, the Group does aim to achieve an economic hedge using the foreign currency generated from transactions in funding the overseas operations.

About 9% of the Group's sales are to customers in continental Europe. These sales are priced in Sterling but invoiced in the currencies of the customers involved.

About 60% of the Group's sales are to customers in mainland USA. These sales are invoiced in US dollars. The Group tries to match the cash received from US sales with the cost of operating the US subsidiaries as far as possible to eliminate currency exposures.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Short-term flexibility is achieved by overdraft facilities.

Interest rate risk

The Group finances its operations through share issues and bank borrowings. The Group exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

Credit risk

The principal credit risk arises from the Group's trade debtors.

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.

Directors

The directors who served during the period are shown below:

Patrick Anthony Rhatigan
James Gerard Heffernan
David John Wigley
Klaus Gunter Erich Rosenau
Frank Matthai
Kevin O'Donovan

Directors' interests

The interests of the directors (and their families) who served during the year ended 31 December 2006 are detailed in the Directors' Remuneration Report on pages 12 to 14.

Substantial shareholders

At 31 May 2007 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	%
PERfekt Beteiligungsmanagement GmbH	274,937,806	29.90
OAR Kommunikations- und Outsourcing-Beratungsgesellschaft mbH	116,312,427	12.65
The Create East of England Partnership	112,930,756	12.28
Private Life Partners	76,202,668	8.29
Patrick Anthony Rhatigan (includes Oakley Securities)	35,957,445	3.91

Supplier payment policy

Whilst it does not follow any specific published code or standard, the Group and Company's policy concerning the payment of suppliers is to agree terms of payment at the start of business with each supplier. The number of days' purchases outstanding for payment at 31 December 2006 was 40 days (2005: 27 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 people and endeavours to provide employment where possible having regard to the physical demands of the Group's operations and the abilities of the disabled persons. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Group may continue. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

Funding

During the year the Company undertook a share placing of Ordinary Shares that raised approximately £0.6 million after expenses. Refer to Called Up Share Capital note 22.

Directors' responsibilities for the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the Group, of the profit or loss of the Group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable United Kingdom Accounting Standards have been followed, subject to material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also

responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Research and development

The software development team have during the period introduced greater functionality within its range of products

Post Balance Sheet Events

On 1 March 2007 35,714,000 Ordinary Shares with an aggregate value of £35,714 were issued raising £246,873 after expenses

On 4 April 2007 90,000,000 Ordinary Shares with an aggregate value of £90,000 were issued raising £427,500 after expenses

International Financial Reporting Standards

As an AIM-listed company, the Company will be required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) from 2007. The Company has carried out a review of the conversion from UK GAAP to International Financial Reporting Standards and believes that the impact will be limited to largely presentational changes apart from the treatment of intangible assets and goodwill. The first financial results prepared in accordance with IFRSs will be for the six months ending 30 June 2007

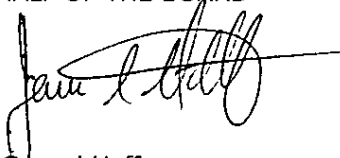
Annual General Meeting

The Annual General Meeting will be held on 11 July 2007 at 10 00am at the offices of Fasken Martineau Stringer Saul LLP, 17 Hanover Square, London W1S 1HU. Notice is sent to shareholders with this report together with an explanation of any special business to be considered at the meeting and are detailed on pages 39 to 42

Auditors

The auditors, Grant Thornton UK LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment as auditors in accordance with section 385 of the Companies Act 1985 will be proposed at the Annual General Meeting

ON BEHALF OF THE BOARD



James Gerard Heffernan
Chief Executive Officer
12 June 2007

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

The Board

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

Management reports are produced monthly and distributed in advance of the Board meetings and include strategy papers and summaries of the key features of the Group's financial position and operating performance.

Remuneration Committee

The Remuneration Committee comprises the non-executive directors and is under the chairmanship of Mr K O'Donovan. It meets and approves the remuneration and terms and conditions of employment for the executive directors. Share option scheme plans are reviewed and approved by the committee.

Audit Committee

The audit committee comprises the non-executive directors and is under the chairmanship of Mr A Rhatigan. It meets at least twice a year to review the draft interim and full accounts. It discusses the scope and planning of the audit with the auditors before the audit and agrees their remuneration.

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

Directors' Remuneration

Details of the directors' remuneration policy and related disclosures are contained in the Directors' Remuneration Report on pages 12 to 14.

Internal Control

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

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

- The Board has adopted a risk-based approach to establishing the system of internal control. The risk management approach is used to focus available resources on the Group's most significant areas of risk and to determine key control objectives. In particular the processes for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed and have been reviewed.
- The executive directors are closely involved in the management of the business at a detailed level. This is supported by reviews of daily, weekly and monthly detailed analyses of the performance of the business.
- Detailed annual budgets are prepared, reviewed in detail and agreed by the Board and actual performance is reported against these budgets on a regular basis. Major commercial, technological and financial risks are assessed as part of this process.

- The Group has established controls and procedures over the security of the data held on its computer systems

The Group has in place an organisational structure with clearly defined lines of responsibility, delegation of authority and reporting requirements

Procedures for developing policy and fixing remuneration

The Committee consists of the non-executive directors, and is chaired by Kevin O'Donovan

Policy on executive director's remuneration

The Group's policy is to attract, motivate and retain high calibre individuals and to reward them for enhancing shareholder value

The implementation of this policy is achieved by:

- An annual review of the salaries for the executive directors
- Periodic review of other benefits such as the provision of Company cars and medical insurance
- Where considered appropriate, the participation in an annual bonus scheme based on the achievement of profit and individual performance targets
- Where considered appropriate, the provision of share options
- A contribution of 5% of basic salary to the Company pension scheme or a personal pension scheme held by the relevant executive director

Service contracts

Each of the executive directors has a full-time service contract with the Group. The service agreements with James Heffernan and David Wigley are terminable by the director on not less than six months notice in writing and twelve months by the Company, and that with Frank Matthai on not less than three months notice by the director and three months notice by the Company.

In addition to their salaries, each of the executive directors is entitled private medical cover and pension contributions outlined above. In addition James Heffernan is entitled to a company car. 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.

AUDITED INFORMATION

Directors' remuneration

	Salary	Bonus	Benefits	2006 Total (exc.pension)	2005 Total (exc.pension)	2006 Pension	2005 Pension
	£	£	£	£	£	£	£
P A Rhatigan (a)	74,375	-	-	74,375	-	-	-
J G Heffernan	104,504	20,000	10,024	134,528	63,955	26,415	2,523
D J Wigley	79,770	50,000	810	130,580	90,307	21,337	2,500
F Matthai	37,750	-	441	38,191	37,013	-	-
K G Rosenau	33,750	-	-	33,750	-	-	-
K O'Donovan	15,000	-	-	15,000	12,000	-	-
	345,149	70,000	11,275	426,424	203,275	47,752	5,023

a) £49,375 of P.A.Rhatigan's salary will be paid to Oakley Securities Limited, a company owned and controlled by P.A.Rhatigan

Directors' Interests

The interests of the directors and their families in the shares of the Company at 31 December 2006 were as follows

	As at 31 Dec.2006	As at 31 Dec 2005
P A Rhatigan (i)	35,957,445	35,957,445
J G Heffernan	332,978	332,978
D Wigley	4,732,829	4,732,829
F Matthai (ii)	3,327,750	3,327,750
K G Rosenau (iii)	132,312,427	102,319,337
K O'Donovan	148,219	148,219

- (i) 2,500,000 of these shares are held in the name of Oakley Securities Limited, a company owned and controlled by P A Rhatigan
- (ii) 1,877,750 of the ordinary shares are registered in the name of Frank Matthai 1,450,000 ordinary shares are held on trust for an unrelated third party
- (iii) These shares are registered in the name of OAR, a company which is wholly owned by K G Rosenau's mother and of which he is a director and includes 5,772,388 ordinary shares which are held on trust for a third party

Share options

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

	As at 31 Dec.2006	Exercise Price	Expiry Date	
P A Rhatigan (i)	832,445	£0 030	31 Dec 2008	
P A Rhatigan	2,000,000	£0 030	10 Feb.2011	Granted 10 Feb 2006
J G Heffernan	332,978	£0 030	31 Dec 2008	
J G Heffernan	34,836,662	£0 023	30 Dec 2010	
J G Heffernan	19,844,843	£0 008	30 Dec 2011	Granted 23 Dec 2006
D Wigley	1,450,000	£0 028	9 Mar 2015	
D Wigley	53,882,348	£0 001	6 Jul 2010	
D Wigley	1,015,000	£0 028	23 Sep 2014	
D Wigley	244,876	£0 172	16 Apr 2013	
D Wigley	80,562	£0 103	16 Apr 2013	



Directors' Remuneration Report

nextgensciences

D Wigley	244,876	£0 001	16 Apr 2013	
D Wigley	4,383,529	£0 043	10 Feb 2011	Granted 10 Feb 2006
K G Rosenau (ii)	2,320,000	£0 030	31 Dec 2008	Granted 23 Dec 2005
K G Rosenau	2,000,000	£0 030	10 Feb 2011	Granted 10 Feb 2006
K O'Donovan	54,375	£0 028	30 Jun 2008	
K O'Donovan	3,219	£0 030	31 Dec 2008	
K O'Donovan	2,000,000	£0 030	10 Feb 2011	Granted 10 Feb 2006

(i) these share options are held in the name of Oakley Securities Limited, a company owned and controlled by P A Rhatigan

(ii) these share options are registered in the name of OAR, a company which is wholly owned by K G Rosenau's mother and of which he is a director

Save as set out above, no share options or warrants to subscribe for shares in any other body corporate in the Group were granted to or exercised by a director or his immediate family in the year ended 31 December 2006

Report of the Independent Auditors to the members of NEXTGEN GROUP PLC

We have audited the Group and parent Company financial statements (the "financial statements") of NextGen Group Plc for the year ended 31 December 2006 which comprises the principal accounting policies, the consolidated profit and loss account, the consolidated balance sheet, the Company balance sheet, the consolidated cash flow statement and notes 1 to 32. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 the directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Chief Executive Officer's Report that is cross referenced from the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Chief Executive Officer's Report, the Corporate Governance Statement and the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Report of the Independent Auditors to the members of NEXTGEN GROUP PLC

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent company's affairs as at 31 December 2006 and of the group's loss for the year then ended,
- have been properly prepared in accordance with the Companies Act 1985, and
- the Directors' Report is consistent with the financial statements

Emphasis of matter - Going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the Group's ability to meet its liabilities as they fall due. The financial statements have been prepared on the going concern basis, the validity of which depends on receipt of orders and the related sales revenue or injection of funds into the business from further fundraising. If these sales revenues are not received or additional funds are not raised, the Group may be unable to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.



**GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
CAMBRIDGE**

12 June 2007

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

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

Principal Accounting Policies**BASIS OF PREPARATION**

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention

The principal accounting policies of the Group are set out below. The policies remained unchanged from the previous year, with the exception of the policy relating to the treatment of share-based payments which has been changed in accordance with the provisions of FRS20. The Company operates an equity-settled share based compensation scheme. The fair value of the employee services received in exchange for the grant of shares or share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares or share options granted, excluding the impact of any non-market vesting conditions (for example profitability and sales growth targets). Fair value is determined by reference to Black Scholes probability models. This change results in a restatement of the 2005 treatment of administration costs and reserves, as explained in note 1 to the Financial Statements.

BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements of NextGen Sciences Limited, NextGen Sciences Inc. and Proteomic Research Services Inc. (collectively the "Group"), drawn up to 31 December each year. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting except for those qualifying as group reconstructions where merger accounting is permitted. All inter company balances and transactions have been eliminated on consolidation.

TURNOVER

Turnover is the total amount receivable by the Group for goods supplied and services provided, excluding VAT and trade discounts.

Revenue is recognised when the contracted services have been fulfilled. Where completion of a sale is conditional upon customer acceptance, recognition is deferred until such acceptance is received.

Revenue for product service and upgrades is recognised over the period during which the service is provided. Where service and upgrades are included in the price of the product, they are unbundled and treated separately for purposes of revenue recognition.

Royalties are recognised over the period to which such royalties relate.

RESEARCH AND DEVELOPMENT

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost, net of depreciation. Depreciation is calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life as follows:

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

INTANGIBLE ASSET - GOODWILL

Purchased goodwill arising on consolidation, representing the excess of the purchase price over the fair value of the identifiable assets less liabilities acquired, is capitalised in the year in which it arises and is thereafter amortised over its expected useful economic life of 10 years

INTANGIBLE ASSET - LICENCE

Acquired licences are shown at historical cost. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their useful economic lives.

LEASE AND HIRE PURCHASE COMMITMENTS

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the term of the lease and their expected useful lives. The capital element of future lease obligations are recorded as liabilities, while the finance element is charged to the profit and loss account 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 profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

STOCKS

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow moving or defective items where appropriate.

RETIREMENT BENEFITS

The Group operates a defined contribution scheme under which the amount charged to the profit and loss account is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as creditors, accruals or prepayments in the balance sheet.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

FOREIGN CURRENCY

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange prevailing at that date. Exchange differences are taken into account in arriving at the operating loss.

The results of overseas operations are translated at average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. All exchange differences are included in the profit and loss account.

SHARE BASED PAYMENTS

The Group has applied the requirements of FRS 20 (IFRS 2) Share-based Payment. 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 group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Equity-settled share based payments issued by NextGen Group Plc relating to the employees of the subsidiary, NextGen Sciences Ltd are debited to the cost of the investment in subsidiary in the parent company balance sheet.

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 profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

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

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

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

	Note	2006 £	2005 Restated £
Turnover	4		
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	5	-	(114,000)
Operating (loss) profit	6		
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	7	(36,578)	(54,974)
Loss on ordinary activities before taxation		(2,916,013)	(2,662,233)
Tax on loss on ordinary activities	10	301,414	226,466
Loss for the financial year deducted from reserves	24	(2,614,599)	(2,435,767)
Basic Loss per share	12	0 4p	1 4p
Diluted Loss per share	12	0 4p	1 4p

All of the above relates to continuing operations

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

**Consolidated Balance Sheet
AT 31 DECEMBER 2006**

	Note	2006 £	2005 Restated £
Fixed assets			
Intangible assets – Goodwill	13(a)	515,563	-
Intangible assets – Licence	13(b)	26,564	-
Tangible assets	14	241,634	207,481
		783,761	207,481
Current assets			
Stocks	16	472,154	188,779
Debtors, due within one year	17	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	18	(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	19	(56,608)	(142,907)
		241,564	1,615,051
Capital and reserves			
Called up share capital	22	793,794	693,400
Share premium account	24	2,308,900	1,697,433
Merger relief reserve	24	63,544	-
Other reserve	24	930,421	464,714
Merger reserve	24	5,731,082	5,731,082
Profit and loss account	24	(9,586,177)	(6,971,578)
Shareholders' funds		241,564	1,615,051

The financial statements were approved by the Board of Directors on 12 June 2007

James Gerard Heffernan

Director

Frank Matthai

Director

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

**Company Balance Sheet
AT 31 DECEMBER 2006**

	Note	2006 £	2005 Restated £
Fixed assets			
Intangible assets	13(b)	26,564	-
Investments	15	823,264	613,400
		849,828	613,400
Current assets			
Debtors due within one year	17	2,140,166	2,688,142
Cash at bank and in hand		42,606	-
		2,182,772	2,688,142
Creditors: amounts falling due within one year	18	(205,394)	(654,481)
Net current assets		1,977,378	2,033,661
Total assets less current liabilities		2,827,206	2,647,061
Capital and reserves			
Called up share capital	22	793,794	693,400
Share premium account	24	2,308,900	1,697,433
Merger relief reserve	24	63,544	-
Other reserve	24	964,340	464,714
Profit and loss account	24	(1,303,372)	(208,486)
Shareholders' funds		2,827,206	2,647,061


The financial statements were approved by the Board of Directors on 12 June 2007

James Gerard Heffernan

Director

Frank Matthai

Director



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



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

	Note	2006 £	2005 Restated £
Net cash outflow from operating activities	25	(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	3	(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	26	(52,265)	(446,558)

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

1 GOING CONCERN

The financial statements have been prepared on a going concern basis, which assumes that the Group will continue to trade for the foreseeable future. During the year the Group incurred losses after taxation of £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.

2 PRIOR YEAR ADJUSTMENT – FRS 20 SHARE BASED PAYMENTS

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.

3 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 at the higher of 3 pence per share or the then 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	-	-
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	101,500
Total assets	<u>261,054</u>
Creditors: amounts falling due within one year	210,054
Deferred revenue	394,932
Total liabilities	<u>604,986</u>
Net liabilities	(343,932)
Goodwill	519,877
	<u>175,945</u>
Satisfied by	
Shares issued	70,605
Cash	105,340
	<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

4 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	151,097	222,891
	<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

5 OTHER OPERATING CHARGES - EXCEPTIONAL ITEMS

	2006	2005
	£	£
Compensation for loss of office for a former director of NextGen Sciences Limited	-	114,000

6 OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The operating loss is stated after charging

	2006	2005
	£	£
Fees payable to the company's auditors for the audit of the company's annual accounts	32,000	28,000
Other services pursuant to legislation - tax services	900	14,785
Depreciation		
Tangible fixed assets owned	118,813	60,899
Tangible fixed assets held under finance leases and hire purchase contracts	45,975	73,928
Amortisation of Goodwill	4,314	-
Research and development expenditure	466,401	859,874
Foreign exchange losses (gains)	24,948	(19,778)
Operating leases		
Plant and machinery	3,508	2,652
Land and buildings	112,000	74,549

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£	Restated £
Bank loans and overdrafts	25,150	21,715
Hire purchase interest	11,428	31,594
Other interest	-	1,665
	<u>36,578</u>	<u>54,974</u>

8 STAFF COSTS

Staff costs during the year were as follows

	2006	2005 Restated
	£	£
Wages and salaries	1,671,406	1,236,494
Social security costs	160,550	138,102
Other pension costs	132,723	115,848
Share based remuneration	465,707	384,707
	<u>2,430,386</u>	<u>1,875,151</u>

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

	2006 Number	2005 Number
Technical	21	19
Sales and marketing	6	5
Administration	8	8
	<u>35</u>	<u>32</u>

9 DIRECTORS' REMUNERATION

Remuneration in respect of directors was as follows

	2006	2005 Restated
	£	£
Emoluments	407,674	183,044
Pension contributions to money purchase pension schemes	47,752	5,023
Compensation for loss of office	-	114,000
	<u>455,426</u>	<u>302,067</u>

	No.	No
The number of directors who are members of a money purchase pension scheme	2	2

Highest paid director - emoluments	134,528	90,307
- pension costs	26,415	2,500
	<u>160,943</u>	<u>92,807</u>

10 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

11 DIVIDENDS

No dividends have been declared or paid in respect of 2006 and 2005

12 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

As identified in Note 32 Post Balance Sheet Events 35,714,000 and 90,000,000 Ordinary Shares were issued on 1 March 2007 and 12 April 2007 respectively These issues will affect future earnings/loss per share calculations

13 INTANGIBLE ASSETS

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

(a) Goodwill arising on the consolidation of Proteomic Research Services Inc is being amortised over its useful life of 10 years. The amortisation period is believed to correspond to the economic life of the business acquired.

Group

	£
Cost	
Additions and at 31 December 2006	519,877
Amortisation	
Provided in the year and at 31 December 2006	4,314
Net book amount at 31 December 2006	515,563

(b) The licence with Gene Oracle will have full provision for any diminution in value where appropriate. At 31 December 2006 the licence is recorded at cost.

14 TANGIBLE FIXED ASSETS

Group	Plant and machinery £	Office equipment fixtures and fittings £	Computer Equipment £	Motor Vehicle £	Total £
Cost					
At 1 January 2006	608,300	65,726	131,434	29,692	835,152
Additions	23,039	2,348	42,119	-	67,506
Acquisition	810,329	-	-	-	810,329
Disposals	(47,748)	-	-	-	(47,748)
At 31 December 2006	1,393,920	68,074	173,553	29,692	1,665,239
Depreciation					
At 1 January 2006	450,300	61,586	112,772	3,013	627,671
Provided in the year	136,410	2,647	18,500	7,231	164,788
Acquisition	650,775	-	-	-	650,775
Disposals	(19,629)	-	-	-	(19,629)
At 31 December 2006	1,217,856	64,233	131,272	10,244	1,423,605
Net book amount at 31 December 2006	176,064	3,841	42,281	19,448	241,634
Net book amount at 31 December 2005	158,000	4,140	18,662	26,679	207,481

The net book value of tangible fixed assets includes £132,245 (2005: £165,871) in respect of assets held under finance lease or hire purchase contracts. The depreciation charge in respect of such assets is £45,975 (2005: £73,928) for the year.

The disposal of tangible assets relates to the transfer of in house equipment into stock.

15 FIXED ASSET INVESTMENTS

Principal group investments

The parent company and the group have investments in the following subsidiary undertakings

Company		Country of registration	Class of share capital held	Proporti on held	Nature of business
NextGen Ltd	Sciences	England and Wales	Ordinary	100%	Development, manufacture and sale of products for the protein research industry
NextGen Inc	Sciences	United States of America	Common stock	100%	Sales and service of products for the protein research industry
Proteomic Research Services Inc		United States of America	Common stock	100%	Sales and service of products for the protein research industry

The 100% shareholding in NextGen Inc is actually held by NextGen Sciences Limited. NextGen Group Plc is the controlling party by virtue of its 100% shareholding in NextGen Sciences Limited.

The loss for the financial year dealt with in the financial accounts of the Company was £1,060,967 (2005 £208,486 – as restated). As provided by section 230 of the Companies Act 1985, no Company profit and loss account is presented in respect of the Company.

Subsidiary undertakings

Company

Cost	£
At 1 January 2006	613,400
Acquisition of subsidiary	175,945
Share based payments	33,919
At 31 December 2006	823,264
Provision for impairment	
At 1 January 2006 and at 31 December 2006	-
Net book amount at:	
At 31 December 2006	823,264
At 31 December 2005	613,400

16 STOCKS

Group	2006 £	2005 £
Raw materials and consumables	122,095	35,670
Work in progress	65,101	145,650
Finished goods	284,958	7,459
	472,154	188,779

Company

The Company has no stocks

17 DEBTORS

Group

	2006	2005
	£	£
Amounts falling due within one year		
Trade debtors	416,267	144,999
VAT	5,718	53,505
Prepayments and accrued income	250,674	70,591
Debtors – share issue proceeds	-	2,400,000
	<u>672,659</u>	<u>2,669,095</u>

Company

	2006	2005
	£	£
Amounts falling due within one year		
Amounts owed by group undertakings	2,123,800	247,228
VAT	11,948	40,914
Other debtors (includes called up share capital not paid)	-	2,400,000
Prepayments and accrued income	4,418	-
	<u>2,140,166</u>	<u>2,688,142</u>

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Group

	2006	2005
	£	£
Bank loan	62,500	62,500
Trade creditors	235,619	199,013
Net obligations under finance leases and hire purchase contracts	90,239	91,587
Other taxation and social security	156,340	39,151
Other creditors	155,341	63,014
Accruals and deferred income	1,029,686	1,003,720
	<u>1,729,725</u>	<u>1,458,985</u>

Company

	2006	2005
	£	£
Trade creditors	47,334	-
Amounts owed to group undertaking	-	57,646
Accruals and deferred income	158,060	596,835
	<u>205,394</u>	<u>654,481</u>

Bank loan

See note 19 for details of the bank loan

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Group

	2006	2005
	£	£
Net obligations under hire purchase contracts	41,483	64,782
Bank loan	15,125	78,125
	56,608	142,907

Bank loan

The bank loan was issued under the Small Firms Loan Guarantee Scheme and £250,000 was drawn down on 17 April 2003. It is being repaid in 48 equal monthly instalments, which commenced in April 2004. The amount outstanding at 31 December 2006 was £77,625 of which £62,500 is shown as falling due within one year (note 18). Interest is payable at 7.6% per annum and the loan is secured by a debenture guaranteeing

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

20 BORROWINGS

Borrowings are repayable as follows

Group	2006	2005
	£	£
Bank loans		
Within one year	62,500	62,500
After one and within two years	15,125	62,500
After two and within five years	-	15,625
	77,625	140,625
Finance leases		
Within one year	90,239	91,587
After one and within two years	41,483	41,056
After two and within five years	-	23,726
	131,722	156,369

Borrowing facility

An overdraft facility of £200,000 was available at 31 December 2006 (2005 £200,000). The interest rate is 4 per cent per annum above the Barclays base rate. The amount drawn down on this facility at 31 December 2006 was £nil (2005 £nil). The facility is secured over trade debtors of the Group.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and currency risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk – the Group finances its operations through a mixture of bank borrowings and leasing. The Group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities. For obligation under a bank loan, the fixed rate interest rate is 7.6% (2005 7.6%). For obligation under finance leases, the weighted average fixed

interest rate is 8.8% (2005 9.57%), and the weighted average period for which the rate is fixed is 1.71 years (2005 1.78 years)

Liquidity risk – the Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Surplus cash is invested in overnight deposit accounts.

The carrying values of financial instruments represent the fair values of those instruments. At 31 December 2006 the Group owed £77,625 (2005 £140,625) under the bank loan detailed in note 19. In addition the Group also owed £131,722 (2005 £156,369) under ongoing finance lease agreements, which have fixed interest rates.

Currency risk – the Group is exposed to translation and transaction foreign exchange risk primarily from inter company transactions between its UK and US companies. The table below shows the extent to which Group companies have monetary assets and liabilities other than their local currency. Foreign exchange differences on retranslation of those assets and liabilities are taken to the profit and loss account of the Group companies and the Group.

Net foreign currency monetary (liabilities)/assets

	2006 Sterling £	2005 Sterling £
Functional currency of operation		
US dollar	<u>(104,468)</u>	<u>107,401</u>

Of the net monetary (liabilities)/assets £104,468 (2005 £107,401) relates to intercompany balances.

Short-term debtors and creditors are excluded from the above statements, other than currency risk disclosures.

21 DEFERRED TAXATION

No deferred taxation is provided for at 31 December 2006 (2005 nil). Deferred taxation, which has not been provided for in the financial statements, is set out below.

Group

	2006 £	2005 £
Accelerated capital allowances	-	13,640
Tax losses carried forward	<u>1,733,757</u>	<u>1,210,444</u>
Unprovided deferred tax asset	<u>1,733,757</u>	<u>1,224,084</u>

22 CALLED UP SHARE CAPITAL

The Group

	2006 £	2005 £
Authorised		
2,000,000,000 Ordinary Shares of 0.1p each	<u>2,000,000</u>	<u>2,000,000</u>
Allotted, called up and fully paid		
793,793,708 Ordinary Shares of 0.1p each (2005 693,399,909 Ordinary Shares of 0.1p each)	<u>793,794</u>	<u>693,400</u>

The Company

Authorised

2,000,000,000 Ordinary Shares of 0 1p each	<u>2,000,000</u>	<u>2,000,000</u>
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Allotted, called up and fully paid

793,793,708 (2005 693,399,909) Ordinary Shares of 0 1p each	<u>793,794</u>	<u>693,400</u>
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(a) Share Issue for Services

On 1 March 2006 3,333,333 ordinary shares were issued to Oakley Securities Limited, a company owned and controlled by P A Rhatigan as agreed in the Placing Document for consultancy services in the field of corporate reconstruction and company flotations. The value of the ordinary shares issued to P A Rhatigan was £100,000.

(b) Share Placing

On 2 November 2006 90,000,000 Ordinary Shares with an aggregate nominal value of £90,000 were issued raising an estimated £0.6m after expenses.

(c) Acquisition

On 4 November 2006 7,060,466 ordinary shares with an aggregate nominal value of £7,060 were issued to acquire Proteomic Research Services Incorporated. The value of the ordinary shares issued was £70,605.

(d) Warrants

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

23 SHARE OPTIONS

The following share options were outstanding over 0.1p ordinary shares in respect of NextGen Group Plc share option schemes.

Employee

Date of Grant	Expiry Date	No. of Options	Exercise Price
12 Dec 2001	12 Dec 2011	662,157	£0.1034
16 Apr 2003	16 Apr 2013	569,125	£0.0010
16 Apr 2003	16 Apr 2013	318,913	£0.1034
16 Apr 2003	16 Apr 2013	569,125	£0.1724
16 Apr 2003	16 Apr 2013	812,000	£0.1034
3 Feb 2004	3 Feb 2014	72,500	£0.0010
3 Feb 2004	3 Feb 2014	87,725	£0.2759
23 Sep 2004	23 Sep 2014	3,380,037	£0.0276
9 Mar 2005	9 Mar 2015	1,450,000	£0.0276
31 Mar 2005	31 Mar 2010	57,449	£0.1034
6 Jul 2005	6 Jul 2010	53,882,348	£0.0010
7 Jul 2005	7 Jul 2010	43,877	£0.1034
23 Dec 2005	30 Dec 2010	34,836,662	£0.0225
10 Feb 2006	10 Feb 2011	14,871,759	£0.0425
10 Feb 2006	10 Feb 2011	6,000,000	£0.0300
23 Dec 2006	30 Dec 2011	19,844,843	£0.0077

FRS 20 has been applied to share options granted on 23 December 2005, 10 February 2006 and 23 December 2006. All other options vested prior to 1 January 2006.

The right to exercise share options is subject in all cases to service conditions as specified in the detailed scheme rules. The market price of the 0.1p ordinary shares was 1.025p at 31 December 2006. The market price ranged from 1.025p to 3.000p during year.

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

Expiry dates	Average exercise price per share	2006 Options	Weighted average remaining contractual life	Average exercise price per share	2005 Options	Weighted average remaining contractual life
	£	No	Months	£	No	Months
2006				0.2759	3,262,471	10.0
2010	0.0095	88,820,336	45.7	0.0095	88,820,335	57.7
2011	0.0252	41,378,759	56.7	0.1034	691,157	71.4
2013	0.0950	2,269,163	75.5	0.0950	2,269,163	87.5
2014	0.0320	3,540,262	92.0	0.0341	3,763,649	104.0
2015	0.0276	1,450,000	98.3	0.0276	1,450,000	110.3
Total	0.0137	137,458,520	50.3	0.0145	100,256,775	59.4

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

	Weighted average exercise price per share	2006 Options	Weighted average exercise price per share	2005 Options
	£	No	£	No
Outstanding at 1 January	0.0148	100,256,775	0.0550	9,406,440
Granted	0.0240	40,716,602	0.0104	93,170,335
Lapsed	0.0552	(3,514,857)	0.0276	(2,900,000)
Outstanding at 31 December	0.0165	137,458,520	0.0148	100,256,775

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

	2006	2005
	£	£
Share price	0.0100	0.0300
Exercise price	0.0077-0.0425	0.0225
Expected volatility	65.0%	68.0%
Expected life	3 years	3-5 years
Risk-free rate	4.17%	4.16%
Expected dividends	Nil	Nil

Expected volatility was determined by calculating the historical volatility of the new to AIM competitor companies. The expected life used in the model has been adjusted, based upon management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

24 RECONCILIATION OF SHAREHOLDERS FUNDS AND MOVEMENT ON RESERVES

Group	Share capital £	Share premium £	Merger relief reserve £	Merger reserve £	Other reserve £	Profit and loss £	Total share-holders 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

Company	Share Capital £	Share premium £	Merger relief reserve £	Other reserve £	Profit and loss £	Total share-holders funds £
At 1 January 2006 as previously stated	693,400	1,697,433	-	508,503	(252,275)	2,647,061
Prior year adjustment	-	-	-	(43,789)	43,789	-
At 1 January 2006 as restated	693,400	1,697,433	-	464,714	(208,486)	2,647,061
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					(1,060,967)	(1,060,967)
At 31 December 2006	793,794	2,308,900	63,544	930,421	(1,269,453)	2,827,206

25 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	(2,959,711)	(2,204,947)

26 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	57,702	(293,586)
Inception of finance leases	(22,320)	(68,346)
Movement in net debt in the year	(22,320)	(68,346)
Movement in net debt	35,382	(361,932)
Net debt at start of year	(145,406)	216,526
Net debt at end of year	(110,024)	(145,406)

27 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)
	(145,406)	57,702	(22,320)	(110,024)

28 CAPITAL COMMITMENTS

The Group had no capital commitments at 31 December 2006 or 31 December 2005

29 CONTINGENT LIABILITIES

Other than the deferred consideration that may become payable in respect of the acquisition made during the year (see note 3) the Group had no contingent liabilities at 31 December 2006 or 31 December 2005

30 PENSIONS

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amount to £132,723 (2005 £115,848). Contributions totalling £9,004 (2005 £7,528) were payable to the fund at the year end and are included in creditors.

31 LEASING COMMITMENTS

Operating lease payments amounting to £115,508 (2005 £77,201) are due in the year in respect of the Company's premises at Alconbury UK, Ann Arbor US and a fork lift truck. The leases to which these amounts relate expire as follows

	2006		2005	
	Plant & Machinery	Other	Plant & Machinery	Other
	£	£	£	£
In one year or less	-	-	-	-
Between one and five years	3,508	112,000	2,652	74,549
In five years or more	-	-	-	-
	<u>3,508</u>	<u>112,000</u>	<u>2,652</u>	<u>74,549</u>

32 POST BALANCE SHEET EVENTS

- (a) On 1 March 2007 35,714,000 Ordinary Shares of 0.1p each with an aggregate value of £35,714 were issued raising £246,873 after expenses
- (b) On 12 April 2007 90,000,000 Ordinary Shares of 0.1p each with an aggregate value of £90,000 were issued raising £427,500 after expenses