



Preliminary Results

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Horizon Discovery Group plc
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RNS Announcement
14th April 2015

Horizon Discovery Group plc ("Horizon" or "the Company") Unaudited Preliminary Results for the Year Ended 31 December 2014

- *Horizon reports strong maiden full year results since listing on AIM*
 - *Product and services revenues increase by 99%*
 - *Gross margin improved to 55%*
 - *Well positioned for next stage of accelerated growth*

Cambridge, UK, 14th April 2015: Horizon Discovery Group plc (LSE:HZD) (Horizon), the international life science company providing research tools and services that power genomics research and the development of personalised medicines, is pleased to announce its unaudited preliminary results for the year ended 31st December 2014.

Financial highlights

- Reported revenue increased by 79% to £11.9m (2013: £6.6m) with revenues from products and services growing by 99%
- Gross margin improvement to 55%, up from 52% at the end of 2013
- Research milestone portfolio increased 32% to approximately £158m (2013: £120m) plus royalties
- Operating loss of £5.3m (2013: £2.9m), before exceptional items of £0.8m, as Horizon invests for scale in line with our stated strategy
- Closing cash and cash equivalents of £18.5m (2013: £4.2m)

Corporate highlights

- Raised £68.6m net of expenses including £37.8m of new money for the Company in an IPO on the AIM market of the London Stock Exchange
- Acquisition of CombinatoRx service business and assets from Zalicus Inc. for £4.7m
- Acquisition of Sage Labs Inc. for up to \$48m (£29m) comprising up to \$16m in cash and up to \$32m in new ordinary shares
- Post year-end acquisition of Haplogen Genomics GmbH for an initial consideration of £6m, comprising £3m in cash and £3m in new ordinary shares
- Board strengthened with the appointment of Dr. Susan Galbraith, Susan Searle and Dr. David Smoller
- Strategic licensing of two key pieces of CRISPR gene editing intellectual property from ERS Genomics and the Broad Institute and additional rAAV gene editing intellectual property from Stanford University

Operational highlights

- Number of products grew by 186% to 2,750 (2013: 962) and further enhanced to circa 16,500 since year-end following acquisition of Haplogen Genomics
- Headcount increased to 183 (2013: 74)
- Number of customers increased by 171% to 955 (2013: 353) including 30 of the top 50 pharmaceutical companies

- Horizon Discovery Group offices now open in Boston (USA), St Louis (USA), Boyertown (USA) and Vienna (Austria)

Dr. Darrin Disley, CEO and President, Horizon Discovery Group plc, commented: "Horizon has had another strong year of growth underpinning its position as a leader in the field of genome editing and personalized medicine. Since our listing in March 2014, we have successfully delivered upon our international growth strategy, positioning the Company to offer a full spectrum of products and services that impact academic research, drug discovery and development, biomanufacturing and clinical diagnostics from DNA sequence to patient treatment. A combination of strong organic growth and the key complementary acquisitions of CombinatoRx, SAGE[®] Labs and Haplogen Genomics mean that Horizon is well positioned to deliver further strong revenue growth in the coming year.

"Looking to 2015, we plan further investments in the scaling of our products and services businesses including the development and implementation of new e-Commerce and ERP systems group-wide that will deliver long term value as we continue on our strong growth trajectory. We will also continue to leverage additional non-organic (milestone) value in our research business over the coming years.

"We remain committed to continuing to deliver our strategy of supplying innovative products, services and research that impact the development of personalised medicines and are excited about our prospects for the future as we continue our strategy to build a world class business."

ENDS

Notes to Editors

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About Horizon Discovery Group plc www.horizondiscovery.com/

Horizon is a revenue-generating life science company supplying research tools to organisations engaged in genomics research and the development of personalised medicines. Horizon has a diverse and international customer base of circa 1,000 organisations across circa 50 countries, including major pharmaceutical, biotechnology and diagnostic companies as well as leading academic research centers. The Company supplies its products and services into multiple markets, estimated to total in excess of £29 billion in 2015.

Horizon's core capabilities are built around its proprietary translational genomics platform, a high-precision and flexible suite of gene editing tools able to alter almost any endogenous gene sequence of human or mammalian cell-lines. Horizon offers in excess of 16,500 products, almost all of which are based on the application of gene editing to generate cell lines that accurately model the disease-causing mutations found in genetically based diseases. These 'patients-in-a-test-tube' are being used by customers to identify the effect of individual or compound genetic mutations on drug activity, patient responsiveness and resistance, which may lead to the successful prediction of which patient sub-groups will respond to currently available and future drug treatments.

In addition, Horizon provides cell line generation tools, custom cell line generation services for research and bioproduction applications, quantitative molecular reference standards, *in vivo* disease models, contract research and custom screening services and custom shRNA development services and off-the-shelf validated shRNA (through Horizon's partner Sirion).

Horizon is headquartered in Cambridge, UK, and is listed on the London Stock Exchange's AIM market under the ticker "HZD", for further information please visit: www.horizondiscovery.com.

Chairman's Message

Introduction

2014 was a transformational year in Horizon's development. Since the Company's IPO on London's AIM market in March 2014, our first period of trading has been positive, building upon strong delivery of the Group's products and services into a rapidly growing global market place.

Strategy and Outlook

Horizon has in our opinion made significant progress towards its stated objective of becoming a leader in the fields of genome editing and personalised medicine over the past year through organic expansion of its core products and services, as well as through a series of strategic acquisitions that have provided key intellectual property ("IP"), operational capability and expertise. Looking ahead, Horizon remains focused on investing for scale and value.

Personalised medicine is no longer an ambition, but a key strategic underpinning for healthcare systems and drug developers and it is estimated that the markets in which Horizon operates will represent in excess of £29 billion worldwide in 2015. We are confident that Horizon is ideally positioned to service this market, which we believe is becoming critical in the worldwide drive to improve economic outcomes for drug developers and healthcare reimbursers, while providing better clinical outcomes for patients.

This global demand has led to the need for more cost effective gene editing technologies, placing precisely engineered human cell lines within the reach of the greatest number of researchers, and the need for support services to ensure that these powerful tools are used as effectively as possible. Horizon has responded to these needs in a variety of ways. By licensing key IP for CRISPR gene editing, we are providing our customers with freedom to operate with this new gene editing technique. Through the acquisitions of CombinatoRx and SAGE Labs, we have added key components to our strategy of providing support to our customers 'from sequence to treatment'; and with the acquisition of Haplogen at the start of 2015, we are providing customers with access to on-demand cell line development services.

Alongside the drive of the pharmaceutical and biotechnology industries to create personalised medicines has come the need to ensure that the patients who will most benefit from these tailored therapies can be reliably identified. However, variability in DNA extraction from tumour biopsies and a lack of standardisation are currently major sources of error in molecular laboratories. Horizon has seen a corresponding increase in demand for its reference standard products, which are becoming an industry standard for the development and ongoing quality control of molecular assays, directly improving the accuracy of patient diagnosis.

We believe that these activities are key in Horizon's strategy of enabling adaptive medicine to become a reality, where a patient can not only benefit from personalised, high precision treatments but, as treatment of the patient progresses, monitor the impact of that treatment and help define whether other therapies could be more effective.

Corporate Governance

Since listing, we have further strengthened our Board through the appointments of Susan Searle, co-founder and ex-CEO of Imperial Innovations Group plc, Dr. Susan Galbraith, Senior Vice President and Head of Oncology Innovative Medicines at AstraZeneca, and Dr. David Smoller, Chief Business Officer of Horizon and ex-President of the Research Biotechnology Business and CSO of Sigma Aldrich plc, all of whom have proven records as business leaders. Horizon's Executive and Scientific Advisory Board teams have also been strengthened, adding a diverse mix of talented professionals to the already high calibre leadership team and providing further clear direction in a highly dynamic industry.

I would like to take this opportunity to express our gratitude for the valued support of all of our shareholders, employees and board members since Horizon's IPO. We look forward to building longer-term shareholder value by building a fully-integrated life science company with complementary and balanced revenue streams.

Dr Ian Gilham

Chairman

Chief Executive Officer's review

2014 for Horizon was defined by growth and transformational change. During the year, the Company transitioned from being a private UK life science business employing 74 staff on a single 18,000 sq. ft. site in Cambridge to a publicly-listed international life science group employing 183 staff across 84,000 sq. ft. of facilities located in Cambridge (UK), Boston (USA), St Louis (USA) and Boyertown (USA), and since the period end we have also added a facility in Vienna (Austria).

Utilising CRISPR, ZFN and our proprietary rAAV platforms, we have become a reliable provider of integrated product, service and research solutions throughout the translational research and personalised medicine development from DNA sequence to patient treatment.

Our results for the year reflect the delivery of our strategy of investing for growth in the long term value of the business through four key strategic areas:

1. Sustainable core revenue growth, increasing the visibility and predictability of revenues
2. Increasing the value of what we do, linking value "from sequence to treatment" and building long term strategic partnerships
3. Scientific leadership, launching new products and services underpinned by commercially focused innovation and intellectual property
4. Accelerated growth through M&A and in-licensing that opens new markets and increase our global reach

Sustainable core revenue growth, increasing the visibility and predictability of revenue streams

The company delivered £11.9m (£6.6m 2013; 79% growth) of revenue in 2014, driven largely by exports to non-UK markets. In addition, we closed deals in our leveraged R&D business, yielding £38m of additional potential future milestones (£158m cumulative; 32% growth) plus tiered product royalties.

Our technology platforms, products and services are being used by an increasing number of academic, biotechnology, diagnostic and pharmaceutical customers. In 2014 our customer base grew by 171% to 955 (2013: 353) in circa 50 countries, including 30 of the top 50 global pharmaceutical companies. In addition to working with some of the largest pharmaceutical companies in the world, Horizon also counts many of the most innovative biotechnology companies and academic institutions as customers. Our customers include GlaxoSmithKline, AstraZeneca, Novartis, Boehringer Ingelheim, Sanofi, and John Hopkins University. This rapidly growing customer base has been enhanced through two acquisitions in 2014 and a further acquisition in early 2015.

Increasing the value of what we do, linking value "from sequence to treatment" and building long term strategic partnerships

As a result of our targeted acquisitions, we believe that Horizon is now the only integrated company capable of offering a suite of tools that power genomics research across the full spectrum from DNA sequence to patient treatment. As drug companies seek more targeted treatments and greater efficiencies in development, Horizon's services enable these efficiencies at every step along the way from discovery, through clinical development to biologic drug manufacturing, diagnosis and treatment.

In addition to our products and services, Horizon offers capabilities to organisations which have a need for bespoke research projects in drug discovery. For example, in 2014, Horizon added to an existing collaboration and license agreement with AstraZeneca with a second agreement to explore its first-in-class kinase target programme, HD-001. All costs associated with this collaboration are covered by AstraZeneca, and Horizon is entitled to receive milestones as these are achieved through the life cycle of the project. We believe that this form of collaboration and leverage milestone deal is a further demonstration of the attractiveness of Horizon Discovery's approach and another endorsement from one of the world's most significant pharmaceutical companies.

Scientific leadership, launching new products and services underpinned by commercially focused innovation and intellectual property

In line with our strategy set out at IPO, the Company has broadened its portfolio of IP. In addition to Horizon's proprietary position in rAAV and CRISPR IP previously licensed from Harvard, the licensing of CRISPR intellectual property from ERS Genomics and the Broad Institute, together with additional CRISPR and ZFN-related IP gained through the acquisition of SAGE Labs, provide Horizon with a comprehensive position in genome editing. Horizon also entered into a non-exclusive licence agreement with Stanford University in July 2014 to access further intellectual property related to the use of a proprietary serotype of AAV (Adeno-Associated Virus) for commercial applications involving homologous recombination in gene editing.

In August 2014, Horizon announced the appointment of three of the world's leading gene editing scientists to the Company's Scientific Advisory Board (SAB). Dr. Emmanuelle Charpentier, Dr. Keith Joung and Dr. Feng Zhang are all prominent leaders in the discovery and development of the CRISPR-Cas9 system. They are all highly respected in the field of genome editing and their appointment to Horizon's SAB is an endorsement of our capabilities and leadership position in the market. We are honoured to be working with them.

Post year-end, in March 2015, Horizon announced that it will be providing genomic Reference Materials to support Phase Two of Cancer Research UK's Stratified Medicine. We believe that the Company's work with Next Generation Sequencing could help improve survival rates of lung cancer, which are still too low and with limited treatment options, validates Horizon's leadership in the provision of diagnostic reference standards.

Accelerated growth through M&A that opens new market segments and increases our global reach

In a reverse of the normal trend, we have been a consolidator of high-growth companies. In May 2014, Horizon announced the acquisition of CombinatoRx, the combination high throughput screening business and related assets from Zalicus Inc., for £4.74m. This acquisition immediately provided a revenue-generating service business which, combined with Horizon's X-MAN® cell lines, is enabling the Company to perform phenotypic cell-based screens with compound, siRNA, shRNA and sgRNA (for CRISPR-based screening) screening libraries. This scalable translational genomics platform has increased service revenues as well as provided opportunities to access high value pharmaceutical industry contracts to deliver future milestones.

In September 2014, Horizon acquired SAGE Labs Inc. for up to \$48m (£29m) comprising up to \$16m in cash and up to \$32m in new ordinary shares. This acquisition significantly expanded Horizon's product, service and research offerings, providing cost consolidation and cross selling opportunities into a broader customer base as well as helping Horizon to achieve its goal of providing a fully integrated genomics platform. As part of the deal, Horizon received exclusive access to ZFN technology for in vivo model generation and non-exclusive for other uses, and certain exclusive and non-exclusive CRISPR in vivo-related intellectual property.

Post year-end, in January 2015, Horizon announced the acquisition of Haplogen Genomics GmbH, a biotechnology company based in Vienna, Austria, for an initial consideration of £6.0m. The acquisition provides Horizon with a proprietary high-throughput cell line generation platform based on human haploid genetics that increases its cell line inventory significantly and simultaneously has enabled an on-demand cell line development service to be launched. We expect that these combined offerings will significantly strengthen the Company's position in the rapidly growing academic genomics research market. We believe that these products and services acquired fit optimally within Horizon's pre-existing business and sales infrastructure, allowing these offers to be commercialised immediately.

These acquisitions are not only beneficial to the earnings potential of the Group, but are also mutually commercially supportive as the Company can cross sell products and sell into new territories. Importantly these acquisitions have been fundamental in transforming Horizon into a fully integrated business capable of delivering critical products and services to our customers from DNA sequence to patient treatment.

Outlook

We have a clear strategy for the continued growth of the Company and are well positioned to deliver further revenue growth in 2015. We plan further investments in the coming year in the scaling of our products and services businesses including the development and implementation of new e-Commerce and ERP systems group wide that will deliver long term value. Horizon has taken significant strides in 2014, underpinning its progress to becoming a fully integrated international life science company and I am excited by our prospects for the future.

Dr Darrin M Disley

Chief Executive Officer

Chief Financial Officer's Review

Revenue and gross margin

Revenue for the year increased by 79% to £11.9m, with revenues from products and services growing at 99%, fuelled by strong organic growth enhanced by acquisitions, in combination services, genome-editing services and molecular diagnostic reagent product sales.

Leveraged R&D service revenue of £1.2m was 60% ahead of last year. This revenue represents contributions from customers to joint drug discovery alliances, from which the Company is eligible to receive potential future pre-clinical and clinical R&D milestones of up to £158 million (undiscounted milestone value, excluding future product royalties), a 32% increase on the prior year following the addition of £38m in potential future milestones during the year. This portfolio of contracted milestones provides Horizon with multiple opportunities for near to medium-term milestones arising from projects primarily funded by strategic partners, and demonstrates the enhanced value Horizon can deliver by leveraging our commercial offerings in a risk managed way. As anticipated, no R&D milestones fell due in 2014 (prior year £0.5m).

Gross margins have continued to improve from 52% to 55% primarily driven by a significant improvement in product margins as the business continues to scale.

Profitability

In line with our strategy set out at the time of our IPO in March 2014, we have invested in the business to build long term shareholder value through scale. As a result, operating loss before exceptional items was £5.3m, as we continued to invest in R&D in line with our strategy and to build out our commercial channels and through corporate development including M&A accelerate the scale of the business. Non-recurring exceptional items of £0.8m were associated with corporate activity, including the IPO and the acquisitions of CombinatoRx, SAGE Labs and Haplogen Genomics.

Our investment in R&D during the year of £2.2m has delivered new products and improvements to our core technologies. Our investment into innovative, commercially focused research is part funded through Government grants and research and development tax credits, which totalled £764,000 during the year.

We have also invested in building out our channels to market and building our brand presence, resulting in sales and marketing expenditure of £2.7m in the year that will continue to contribute to our ability to build market share and deliver on our revenue potential.

Corporate and administrative expenses of £7.6m before exceptional items reflect investments we have made in building the infrastructure of the business to deliver scale, and we expect to continue to make such investments during the course of the coming year. These expenses include £2.6m of non-cash items relating to share option costs, depreciation of fixed assets and amortisation of intangible assets arising from our acquisitions of £0.5m, £1.2m and £0.9m respectively.

As a result of our trading and investment activity, loss after tax for the period was £5.9m, in line with the Board's expectations.

Balance sheet

Our year end cash balances were £18.5m, a significant increase on the prior year following the receipt of proceeds from the issue of new shares on IPO of £37.8m net of expenses. In line with our strategy, cash and shares were used to finance the two acquisitions during the year, as a result of which the intangible assets of the business increased significantly to £32.9m, primarily as a result of goodwill arising on acquisitions, core technologies acquired through our M&A activity together with investments we have made in building the depth and breadth of our IP portfolio.

Richard Vellacott
Chief Financial Officer
14 April 2015

HORIZON DISCOVERY GROUP PLC

CONSOLIDATED INCOME STATEMENT (unaudited)

Year ended 31 December 2014

	Note	2014 £	2013 £
REVENUE	2	11,904,574	6,646,113
Cost of sales		(5,350,476)	(3,207,741)
Gross profit		<u>6,554,098</u>	<u>3,438,372</u>
Other operating income		614,953	403,919
Sales, marketing and distribution costs		(2,671,118)	(2,194,830)
Research and development costs		(2,158,346)	(1,266,125)
Corporate and administrative expenses (including exceptional items of £800,555; 2013 nil)		(8,449,397)	(3,310,400)
OPERATING LOSS		<u>(6,109,810)</u>	<u>(2,929,064)</u>
Investment income		46,261	12,128
Finance costs		(9,363)	(125,950)
LOSS BEFORE TAX		<u>(6,072,912)</u>	<u>(3,042,886)</u>
Taxation		149,441	72,609
LOSS FOR THE YEAR		<u><u>(5,923,471)</u></u>	<u><u>(2,970,277)</u></u>
LOSS PER SHARE			
Basic and Diluted (Pence)	3	(9.2p)	(7.5p)

All transactions are derived from continuing operations. Exceptional items relate to Initial Public Offering expenses and acquisition expenses.

HORIZON DISCOVERY GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

Year ended 31 December 2014

2014
£ 2013
£

LOSS FOR THE YEAR	(5,923,471)	(2,970,277)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	116,488	-
	<u>116,488</u>	<u>-</u>
Other comprehensive income for the year net of tax	116,488	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(5,806,983)</u>	<u>(2,970,277)</u>

HORIZON DISCOVERY GROUP PLC

CONSOLIDATED BALANCE SHEET (unaudited)

		31 December 2014	
	Note	2014 £	2013 £
Non current assets			
Goodwill		22,611,845	47,965
Other intangible assets		10,302,368	513,945
Property, plant and equipment		7,014,726	3,568,925
Investments		20	20
		<u>39,928,959</u>	<u>4,130,855</u>
Current assets			
Inventories		1,307,304	453,024
Trade and other receivables		5,990,340	2,051,518
Restricted cash		237,829	-
Cash and cash equivalents		18,215,093	4,187,208
		<u>25,750,566</u>	<u>6,691,750</u>
Total assets		<u>65,679,525</u>	<u>10,822,605</u>
Current liabilities			
Trade and other payables		5,869,765	2,747,706
		<u>5,869,765</u>	<u>2,747,706</u>
Total current liabilities		<u>5,869,765</u>	<u>2,747,706</u>
Net current assets		<u>19,880,801</u>	<u>3,944,044</u>
Non-current liabilities			
Deferred tax		1,295,823	-
Deferred income		-	270,884
		<u>7,165,588</u>	<u>3,018,590</u>
Total liabilities		<u>7,165,588</u>	<u>3,018,590</u>
Net assets		<u>58,513,937</u>	<u>7,804,015</u>
Equity			
Share capital	4	2,413,521	1,805
Share premium account		37,583,372	-
Share option reserve		1,634,894	1,155,577
Merger reserve		29,401,616	13,359,116
Capital redemption reserve		14	14
Retained earnings		(12,519,480)	(6,712,497)
		<u>58,513,937</u>	<u>7,804,015</u>
Total equity		<u>58,513,937</u>	<u>7,804,015</u>

HORIZON DISCOVERY GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

Year ended 31 December 2014

	Share capital £	Share premium account £	Share option reserve £	Capital redempt- ion reserve £	Merger reserve £	Retained earnings £	Total £
Balance at 1 January 2013	1,737	7,033,531	989,707	14	-	(3,686,251)	4,338,738
Loss for the year	-	-	-	-	-	(3,026,246)	(3,026,246)
Issue of shares during the year net of share issue costs	68	6,325,585	-	-	-	-	6,325,653
Credit to equity for equity settled share based payment transactions	-	-	165,870	-	-	-	165,870
Balance at 31 December 2013	1,805	13,359,116	1,155,577	14	-	(6,712,497)	7,804,015

	Share capital £	Share premium account £	Share option reserve £	Capital redempt- ion reserve £	Merger reserve £	Retained earnings £	Total £
Balance at 1 January 2014	1,805	13,359,116	1,155,577	14	-	(6,712,497)	7,804,015
Loss for the year	-	-	-	-	-	(5,923,471)	(5,923,471)
Bonus issue	2,075,450	(2,075,450)	-	-	-	-	-
Issue of shares pre IPO	7	694,926	-	-	-	-	694,933
Reverse asset acquisition capital adjustment	-	(11,978,592)	-	-	11,978,592	-	-
Issue of shares on IPO	222,222	39,777,777	-	-	-	-	39,999,999
Issue of shares on SAGE acquisition	109,579	-	-	-	17,423,024	-	17,532,603
Issue of shares on exercise of options	4,458	118,506	-	-	-	-	122,964
Share issue costs	-	(2,312,911)	-	-	-	-	(2,312,911)
Credit to equity for equity settled share based payments	-	-	479,317	-	-	-	479,317
Accumulated other comprehensive income	-	-	-	-	-	116,488	116,488
Balance at 31 December 2014	2,413,521	37,583,372	1,634,894	14	29,401,616	(12,519,480)	58,513,937

As at 31 December 2013, Horizon Discovery Ltd was the parent company and ultimate controlling party of the group. On 19 March 2014, a group reorganisation was implemented as a result of which a new parent company, Horizon Discovery Group plc became the parent company and ultimate controlling party of the group.

HORIZON DISCOVERY GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT (unaudited)

Year ended 31 December 2014

	Note	2014 £	2013 £
Net cash outflow from operating activities	6	(6,472,724)	(2,222,168)
Investing activities			
Interest received		46,261	12,128
Acquisition of subsidiaries net of cash and settlement costs		(8,853,131)	-
Purchases of property, plant and equipment		(1,947,711)	(897,285)
Proceeds on disposal of property, plant and equipment		105,000	
Purchase of intangible assets		(6,254,740)	(133,716)
Net cash used in investing activities		(16,904,321)	(1,018,873)
Financing activities			
Loan settlement		(864,401)	(544,843)
Proceeds on issue of shares net of expenses		38,507,160	4,282,496
Interest paid		-	-
Net cash from financing activities		37,642,759	3,737,653
Effect of exchange rate changes		-	-
Net increase in cash and cash equivalents		14,265,714	496,612
Cash and cash equivalents at beginning of year		4,187,208	3,690,596
Cash and cash equivalents at end of year		18,452,922	4,187,208

HORIZON DISCOVERY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

Year ended 31 December 2014

1. BASIS OF THE ANNOUNCEMENT

The unaudited preliminary results for the year ended 31 December 2014 were approved by the Board of Directors on 14 April 2014. The preliminary results do not constitute full accounts within the meaning of section 434 of the Companies Act 2006 but are derived from unaudited accounts for the year ended 31 December 2014 and year ended 31 December 2013.

The preliminary announcement is prepared on the same basis as set out in the unaudited statutory accounts for the year ended 31 December 2014. The accounts for the year ended 31 December 2013, upon which the auditors issued an unqualified opinion, also had no statement under section 498(2) or (3) of the Companies Act 2006.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards, as adopted by the European Union (EU) (IFRS), this announcement does not in itself contain sufficient information to comply with IFRS.

Horizon Discovery Group plc (the "Company") is a limited liability company incorporated and domiciled in England and Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange. The consolidated financial information of the Horizon Discovery Group plc ("the Group") is presented in pounds Sterling (£), which is also the functional currency of the Group.

The statutory accounts for the financial year ended 31 December 2014 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

Basis of consolidation

The group financial statements include the financial statements of the company and all the subsidiaries during the periods reported for the periods during which they were members of the group. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or effective date of disposal, as appropriate. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

On 19 March 2014, a group organisation was completed as a result of which a new parent company, Horizon Discovery Group plc, became the parent company of the Group through the acquisition of Horizon Discovery Limited in a share-for-share exchange. The acquired entity was ultimately controlled and managed by the same parties before and after the share-for-share exchange and control was not transitory. The transaction, therefore, met the definition of a common control transaction in accordance with IFRS 3 Business Combinations.

Going concern

On 21 March 2014, Horizon Discovery Group plc, the parent company of the group, secured an investment of £40m gross of expenses through the completion of an Initial Public Offering. Accordingly, the Directors consider that the Group has sufficient funds for the foreseeable future.

In order to ensure that the Group and Company can meet their liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements, the Board has considered cash flow forecasts for this period, ensuring that these have been appropriately prepared and that they are based on reasonable assumptions.

The Group has cash and cash equivalents of £18.5m as at 31 December 2014, and net current assets of £18.8m at the same date. Given the Group's performance and financial position, and the available headroom apparent in the cash flow forecast, the directors are satisfied with the continued adoption of the going concern basis of preparation for the financial statements.

2. SEGMENTAL REPORTING

Products and services from which reportable segments derive their revenues

Information reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance is focussed on the revenues, gross margins and operating profits in respect of products, services and leveraged activities. The Group's reportable segments under IFRS 8 are therefore as follows:

- Products** - Revenues arise from the sales of cell lines, reagent and other products.
- Services** - Custom cell line manufacturing, combination screening and other discovery services which are charged on either a fixed fee contract basis or on the basis of charging scientific FTEs to customers.
- Leveraged** - This business unit is operated on a portfolio basis, and its revenues will typically be either fees for services at reduced margin and downstream milestones and royalties.

Assets are not reported by business segment; depreciation is allocated across the business units.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment in 2014:

	Products £	Services £	Leveraged £	Consolidated £
Revenue	3,499,966	7,201,149	1,203,459	11,904,574
Cost of sales	(1,608,712)	(3,130,998)	(610,766)	(5,350,476)
Gross margin	<u>1,891,254</u>	<u>4,070,151</u>	<u>592,693</u>	<u>6,554,098</u>
Result				
Segment result	<u>(3,082,931)</u>	<u>(39,036)</u>	<u>(2,051,602)</u>	(5,173,569)
Corporate expenses				(135,686)
Exceptional items				(800,555)
Operating loss				(6,109,810)
Investment income				46,261
Finance costs				(9,363)
Loss before tax				(6,072,912)
Tax				149,441
Loss after tax				<u>(5,923,471)</u>

2. SEGMENTAL REPORTING (continued)

The following is an analysis of the Group's revenue and results by reportable segment in 2013:

	Products £	Services £	Leveraged £	Consolidated £
Revenue	2,509,296	2,862,126	1,274,691	6,646,113
Cost of sales	(1,651,424)	(1,104,981)	(451,336)	(3,207,741)
Gross margin	<u>857,872</u>	<u>1,757,145</u>	<u>823,355</u>	<u>3,438,372</u>
Result				
Segment result	<u>(1,679,386)</u>	<u>(63,742)</u>	<u>(1,185,936)</u>	(2,929,064)
Operating loss				(2,929,064)
Investment income				12,128
Finance costs				(125,950)
Loss before tax				(3,042,886)

Tax	72,609
Loss after tax	<u>(2,970,277)</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of the share of, investment revenue and finance costs, and income tax expense. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

Other segment information

	Depreciation and amortisation	
	2014	2013
	£	£
Products	621,694	444,979
Services	1,196,203	328,371
Leveraged	301,434	146,177
	<u>2,119,331</u>	<u>919,527</u>

Geographical information

The Group's revenue from external customers and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets) by geographical location are detailed below:

	Revenue from external customers	
	2014	2013
	£	£
Americas	8,086,133	3,739,604
Europe, Middle East and Africa	3,267,593	2,436,956
Asia Pacific	550,848	469,553
	<u>11,904,574</u>	<u>6,646,113</u>

2. SEGMENTAL REPORTING (continued)

Information about major customers

In 2014 the Group had four customers that collectively contributed over 20% of the Group's revenue, with each individual customer contributing 5% or more. Of this, 73% came from the services business unit and 27% from leveraged agreements

In 2013, the Group had two customers that contributed 10% or more to the Group's revenue. Revenues of approximately £1m and £0.9m were recognised across the Services and Leveraged segments.

3. LOSS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

Loss

	2014	2013
	£	£
Loss for the purposes of basic and diluted loss per share being net loss attributable to owners of the Company	(5,923,471)	(2,970,277)

Number of shares

	2014	2013
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	64,215,089	39,379,606

The weighted average number of shares has been retrospectively adjusted to take account of the bonus issue, of 1,146 per share, on 18 March 2014, in accordance with para 64 of IAS 33 'Earnings per share'. The G Shares have been included in the calculation only to the extent they converted into ordinary shares.

4. SHARE CAPITAL

	2014	2013
	£	£
Allotted, called up and fully paid		
78,330,553 ordinary shares of £0.01 each	783,305	-
1,630,215,900 deferred shares of £0.001 each	1,630,216	-
372,525 Horizon Discovery Limited ordinary shares of £0.001 each	-	372
14,238 Horizon Discovery Limited ordinary G1 and G2 shares of £0.10 each	-	1,433
	<u>2,413,521</u>	<u>1,805</u>

5. ACQUISITION OF SUBSIDIARIES

On 2nd June 2014, the group completed the acquisition of the combination high throughput screening (cHTS) business and related assets; the new business was transferred into Horizon Discovery Inc, a wholly owned subsidiary of Horizon Discovery Limited.

The acquisition provided access to the unique cHTS platform and Chalice™ analytics software, which enables both the screening and analysis of thousands of complementary drug combinations and the group to be able to offer services including novel phenotypic cell-based screens with compound siRNA, shRNA and sgRNA (for CRISPR based screening) libraries.

	£
Tangible fixed assets	227,685
Identifiable intangible assets	2,012,241
Other assets	592,487
	<hr/>
Total identifiable assets	2,832,413
Goodwill	1,907,485
	<hr/>
Total consideration	4,739,898
	<hr/> <hr/>
Satisfied by:	
Cash	4,739,898
	<hr/> <hr/>
Net cash outflow arising on acquisition	
Cash consideration	4,739,898
Less; cash and cash equivalent balances acquired	-
	<hr/> <hr/>
	4,739,898

There were no fair value adjustments other than the recognition of acquired intangible assets at fair value and the recognition of fair value of a favourable lease of £592,487.

5. ACQUISITION OF SUBSIDIARIES (continued)

On 2nd October 2014, the group acquired 100 per cent of the issued share capital of Sage Laboratories Inc. obtaining control of Sage Laboratories Inc. Sage Laboratories Inc. is a world leader in the generation of advanced transgenic disease models for use in preclinical research. Sage Labs was acquired to allow the group to broaden and extend its offering of product, service and R&D products to customers engaged in every stage of translations genomics and personalised medicine. In addition the group intends to expand Sage Laboratories Inc.'s customer base in Europe, Japan and beyond using the group's existing customer and distributor network.

The initial accounting for Sage Laboratories Inc. has been provisionally determined at the end of the reporting period in respect of intangible asset valuations as the necessary market valuations and other calculations had not been finalised and they have therefore been based on the directors' best estimate of the likely values. The amounts recognised in respect of the identifiable assets acquired and liabilities, determined on a provisional basis, are as set out in the table below.

	£
Tangible fixed assets	2,682,720
Identifiable intangible assets	6,309,202
Inventory	637,903
Trade and other receivables	685,815
Cash and cash equivalents	1,266,500
Trade and other payables	(1,145,641)
Deferred tax liability	(1,295,823)
Borrowings	(864,401)
	<hr/>
Total identifiable assets	8,276,275
Goodwill	20,656,395
	<hr/>
Total consideration	28,932,670
	<hr/> <hr/>
Satisfied by:	
Cash	9,871,445
Equity instruments (10,957,877 ordinary shares of the Company)	17,532,603

Cash paid into Escrow indemnification fund	573,202
Deferred consideration - shares	955,420
Total consideration transferred	28,932,670
Net cash outflow arising on acquisition	
Cash consideration	9,871,445
Less; cash and cash equivalent balances acquired	(1,266,500)
	8,604,945

The goodwill arising from the acquisition includes the addition to the group of a long-term organic innovation and technology growth generator, the opportunity for broadening the customer base, the diversification of product and service offerings, and the consolidation of intellectual property to create broad freedom to operate and significant barriers to competition. None of the goodwill is expected to be deductible for income tax purposes.

The value of the 10,957,877 ordinary shares issued as part of the consideration paid for SAGE Laboratories Inc (£17,532,603) was determined on the basis of the closing price of Horizon Discovery Group plc ordinary shares on the date of completion, 2 October 2014.

On completion, £573,202 was paid into an Escrow indemnification fund; after deduction of any indemnity payments, the balance of the fund will be paid to the vendors 12 months after completion.

5. ACQUISITION OF SUBSIDIARIES (continued)

The deferred share consideration of £955,420 represents \$1.6 million in Company ordinary shares issuable to the vendors unless the indemnification fund is insufficient to settle potential warranty claims under the purchase agreement.

Acquisition-related costs (included in exceptional items) amounted to £312,093.

There were no fair value adjustments other than the recognition of acquired intangible assets at fair value.

6. NOTES TO THE CASH FLOW STATEMENT

Group	2014 £	2013 £
Loss for the year	(5,923,471)	(2,970,277)
Adjustments for:		
Investment revenues	(46,261)	(12,128)
Finance costs	9,363	125,950
Depreciation of property, plant and equipment	1,215,113	774,392
Amortisation of intangible assets	932,074	145,135
Tax credit	(149,441)	(72,609)
Share option charge	479,317	165,870
	<u>(3,483,306)</u>	<u>(1,843,667)</u>
Operating cash flows before movements in working capital		
Increase in inventories	(216,377)	(128,052)
(Increase) in receivables	(2,285,970)	(510,299)
(Decrease) in payables	(633,711)	(3,455)
Cash outflow from operations	<u>(6,619,364)</u>	<u>(2,485,473)</u>
Tax credit received	149,441	301,254
Interest paid	(2,801)	(37,949)
Net cash outflow from operating activities	<u><u>(6,472,724)</u></u>	<u><u>(2,222,168)</u></u>

7. SUBSEQUENT EVENTS

On 8 January 2015, the group announced the acquisition of Haplogen Genomics GmbH for an initial consideration of £6.0m (approximately €7.7m) in cash and the issue of new ordinary shares with further potential earn-out payments based on future performance to be satisfied by the issue of new ordinary shares having an aggregate value of up to approximately £3.9m (€5.0m). The Company is in the process of determining the fair values of the assets and liabilities acquired in accordance with the requirements of IFRS 3 Business Combinations.

END

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