



Preliminary Results for the Year Ended 31 Dec 2015

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Horizon Discovery Group plc
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Horizon Discovery Group plc

Preliminary Results for the Year Ended 31 December 2015

- *Horizon reports strong full year 2015 results with revenue and EBITDA ahead of consensus*
- *Revenues grow by 69%*
- *Research milestone portfolio increased 32%*
- *Delivery of investments in line with strategic plan is driving financial and operational growth*

Cambridge, UK, 26 April 2016: Horizon Discovery Group plc (LSE: HZD) ("Horizon" or "the Company"), the world leader in the application of gene editing technologies, is pleased to announce its preliminary results for the year ended 31 December 2015.

Financial highlights

- Total Group revenue increased by 69% to £20.2m (2014: £11.9m)
- Product revenues increased by 124% to £7.8m (2014: £3.5m)
- Services revenues increased by 69% to £12.2m (2014: £7.2m)
- Research milestone portfolio increased 32% to approximately £208m (2014: £158m) plus royalties
- EBITDA loss of £6.6m (2014: £4.0m) ahead of market expectations (see note 2)
- Closing cash and cash equivalents of £25.1m (2014: £18.5m)

Corporate highlights

- Rapid expansion of the product catalogue to over 23,000 genetically-defined cell line and in vivo models, and molecular diagnostic reagents at the end of 2015 (2014: 2,750 products)
- Creation of a fully-integrated life science gene editing services company through the successful integration of recent acquisitions, delivering synergies for our business and customers
- Share placing to raise gross proceeds of £25.0 million for the Company being deployed in targeted investments in scalable infrastructure improvements and scientific leadership
- High profile partnerships signed with leading partners, improving channels to market in product development, research biotech and services businesses
- Board strengthened through the appointment of Grahame Cook as a Non-Executive Director and Chairman of the Audit Committee

Post-period highlights

- Formation of a joint venture, Avvinity Therapeutics, with Centauri Therapeutics Ltd, to explore the development and discovery of novel therapeutics for immuno-oncology

Dr. Darrin Disley, CEO of Horizon Discovery Group plc, commented: "2015 has been characterised by continued strong growth for Horizon by strengthening our core capabilities in the application of gene editing technologies to 'build cells'. This solid foundation has allowed for the rapid expansion of our catalogue to over 23,000 products, including many belonging to our high-growth diagnostic reagents business, and the broadening of our service capabilities with the launch of new drug combination, *in vivo* and CRISPR screening offers.

"This year has also seen Horizon reinforce our business engine through targeted investments in our internal infrastructure including investment in ecommerce and ERP systems, the successful integration of our acquisitions, and by establishing new channels to market with partnerships with leading organisations such as ThermoFisher and Abcam for our cell lines and through an increasing number of OEM deals for our molecular reference standards.

"Success in the new era of Personalised and Genomic Medicine depends on a precise and deep understanding of patient genetics and an unparalleled expertise in precision gene editing. Horizon is at the forefront of these game-changing areas of medicine, and we remain committed to continuing to deliver our strategy of supplying innovative products, services and research that impact the development of personalised medicines through 2016 and beyond. We are excited about our prospects for the future as we continue to build a world class business."

ENDS

An analyst briefing will be held at 09:30am BST on Tuesday 26 April at No 1 Cornhill, London, EC3V 3ND. There will be a simultaneous live conference call and the presentation will be available on the Group's website at horizondiscovery.com.

Please visit the website approximately five minutes before the conference call, at 09:25 am BST, to download the presentation slides. Conference call details:

Participant Std International dial-in: +44 (0) 2071 928000

Conference ID: 97096487

An audio replay file will be made available by the end of the day via the Group's website at <https://www.horizondiscovery.com/about-us/investor-relations>.

Alternatively, you may listen to the replay by dialling the following number:

Dial-in for replay (available until 03/05/2016 12:30 BST): +44 (0)1452550000

Conference ID: 97096487

The Recording will be available four hours after the Event concludes.

Notes to Editors

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About Horizon Discovery Group plc www.horizondiscovery.com/

Horizon Discovery Group plc (LSE: HZD) ("Horizon"), is a world-leading gene editing company that designs and engineers genetically-modified cells and then applies them in research and clinical applications that advance human health.

Horizon's core capabilities are built around its proprietary translational genomics platform, a highly precise and flexible suite of gene editing tools (rAAV, ZFN and CRISPR) able to alter almost any gene sequence in human or mammalian cell-lines.

Horizon offers over 23,000 catalogue products and related research services, almost all of which are based on the generation and application of cell and animal models that accurately recapitulate the disease-causing genetic anomalies found in diseases like cancer. Horizon's commercial offering has been adopted by c1,400 unique research organisations in over 50 countries as well as in the Company's own R&D pipeline to support: a greater understanding of the genetic drivers of disease and the development of molecular, cell and gene therapies that can be prescribed on a personalised basis.

Horizon is headquartered in Cambridge, UK, and is listed on the London Stock Exchange's AIM market under the ticker "HZD".

Chairman's Message

Building on solid foundations

This has been another strong year for Horizon as the business gathers momentum. Our success continues to be driven by the combination of Horizon's world leading precision gene editing toolbox with our deep scientific expertise, building the cell models that power our business. Our Products business (*in vitro* and *in vivo* disease models, diagnostic reference standards), Services business (contract research, genetic screening) and Research Biotech initiatives are supporting customers throughout the life sciences value chain and we are always looking for new ways to innovate, inspire and positively impact our customers, patients and society. We were also pleased to announce the post period addition of Numis Securities (Broker and Nomad) and RBC Capital Markets (Broker) as advisors.

An integrated life science services leader

Success in the new personalised approach to medicine depends not only on new tools, but also on new perspectives, and Horizon is offering a very different perspective with an integrated approach that provides value, guidance and continuity through each step of the process.

The integration of SAGE Labs Inc., CombinatoRx Inc., and Haplogen Genomics GmbH is now complete, enhancing our profile as a fully-integrated life science company. We are now positioned extremely well, both for the era of personalised and genomic medicine now and for the future.

Strengthening governance and scientific leadership

This year, we strengthened the Board through the appointment of Grahame Cook as a Non-Executive Director and Chairman of the Audit Committee. Grahame's deep financial and audit experience is already proving of tremendous value as Horizon continues to grow in fast-growing markets internationally. Additionally, in November, with the acquisition of SAGE Labs successfully integrated into the Company and performing well, we agreed that Dr. David Smoller would leave Horizon to pursue other business interests. I would like to thank David for his support and dedication to the growth of the Company over the past year.

This year also saw the first meeting of Horizon's specialised diagnostics-focused Scientific Advisory Board, which will continue to guide the Company as it seeks to maintain its growing leadership in this space.

A positive outlook for the future

Since our IPO in 2014, Horizon has demonstrated a continued ability to set and achieve ambitious strategic goals. Based on the delivery of strong growth, product and service diversification, successful acquisitions, and investments in scalable infrastructure, we continue to deliver sound business fundamentals for even greater growth. We look forward to continuing to deliver strong shareholder value in 2016 and beyond.

Dr Ian Gilham
Chairman

Chief Executive Officer's review

The 'Cell Builders'

This has been an exciting year of progress for Horizon, defined by growth, unlocking the potential of our platform, integration of acquisitions, and targeted investments for scale. By applying our world-leading gene editing platform to develop patient-relevant cell-based models, Horizon has become firmly established as a leader in both translational research, and personalised and genomic medicine.

Our cutting edge products and services, either stand-alone, or integrated as part of a broader solution, provide our customers and partners with innovative new ways to tackle some of the most difficult challenges in research and drug development. As 'cell builders', Horizon is enabling a revolution through the engineering of cells that can: mimic real human disease in basic research; predict drug response in a clinical trial; or correct the diseases of patients at source.

2015 has also seen a theme of strategic partnership, with Horizon's customer base expanding to over 1,400 unique organisations around the world. Our world leadership in gene-editing, translational genomics and personalised medicine has also allowed us to engage in a wide range of high profile partnerships in the areas of product development (e.g. Axol Bioscience, CareDx, Definigen), market access (e.g. ThermoFisher, Abcam), and research biotech (e.g. Servier, Redx).

Strengthening our infrastructure

Horizon employs approximately 230 staff across 100,000 sq. ft. of operations in Cambridge (UK), Boston (USA), St Louis (USA), Boyertown (USA), and Vienna (Austria), and in 2016 we will be moving our headquarters to a new 31,000 sq. ft. facility in Cambridge with additional research, manufacturing and commercial space to support the next phase in our expansion.

As our business continues to evolve, Horizon has targeted elective investments that will support the demands of future growth. One area of focus has been our digital and information systems infrastructure. We recently launched our new website and eCommerce system, with an integrated webshop capable of supporting our complete catalogue of cell lines, *in*

vitro and *in vivo* disease models and molecular diagnostic reference standards. We are also implementing a new ERP system, designed to integrate all of our back-end financial and logistical systems for greater efficiencies and easier reporting across all of our sites and businesses.

Strategy

Horizon has maintained consistent delivery of our strategy of: sustainable core revenue growth; constantly increasing the value of what Horizon provides customers; scientific leadership via its academic partnerships and grant funded research, and accelerated growth through licensing and M&A activities.

Sustainable Core Revenue Growth

Horizon continues to grow rapidly across all of our businesses, with our Products business delivering revenue growth of 124% to £7.8 million, and our Services business up 69% to £12.2 million. This has been based in large part on strong organic growth, as we continue to reach new customers. By the end of 2015, we had over 1,400 unique customers, up from 955 at the end of 2014.

It is also important to highlight the contribution from Haplogen Genomics, acquired at the beginning of 2015. The acquisition has fueled a significant expansion of our catalogue (which now stands at over 23,000 cell lines, reference standards and *in vivo* model catalogue products), is supporting rapid, low cost product development across the business, and has provided the foundation for new screening-based services offerings.

Increasing value

Horizon is an increasingly integrated business. Our customers value the insights and continuity of support that we provide them so that when working with us to meet a specific need, we're ready to help them with their next, and the next after that.

We also partner with other highly innovative companies to enhance our capabilities. An example is our partnership with CareDx, with whom we are working to develop Reference Standards to support the development and optimisation of cell-free DNA testing, which has the potential to significantly improve early diagnosis of certain forms of cancer.

Partnerships also offer an opportunity to increase channels to market and to support other leading companies in their industries. A great example is our agreement with Abcam, where they are using Horizon's cell lines to validate their antibodies so that academics can have more confidence in the outcomes of their research.

Scientific leadership

Horizon's success is based on our outstanding scientific leadership in high value areas of science that promise to be important drivers of growth in future years.

We are expanding our cell line expertise into the area of induced pluripotent stem cells (iPSCs) where we are partnering with the best companies in the space such as DefiniGEN and Axol to help us drive our strategy. Horizon has also started to deploy CRISPR gene editing broadly across product development and genetic screening services (supported through capabilities acquired from Haplogen Genomics). Finally, we are deepening the Group's expertise and infrastructure in synthetic lethality, immuno-oncology and cell and gene therapy, some of the most important areas in the emerging personalised and genomic medicine paradigm, and where we have committed up to £10 million of investment over the next two years.

Accelerated growth

We remain highly-active in looking for new technologies and capabilities that accelerate our growth and these opportunities may be accessed through in-licensing, partnerships, or through M&A.

Horizon's Research Biotech business was enhanced through two high profile agreements with RedX Pharma and Servier, increasing our potential portfolio of milestone upside to £208 million plus product royalties. We are actively engaged in additional discussions and we are excited about the potential for this part of our business in 2016 and beyond.

Post period, Horizon announced an evolution of our leveraged strategy as we entered into a joint venture with Centauri Therapeutics Limited to form Avvinity Therapeutics, a UK-based immuno-oncology company that combines Centauri's Alphamer technology with Horizon's gene editing expertise to discover and develop novel molecules targeting life threatening diseases including difficult to treat cancers.

Outlook

Horizon's strategy is delivering growth and positioning us well for 2016 and beyond. The next year will be one of continued targeted investment, expanding our offerings, particularly in the high growth Products part of the business, deepening our scientific capabilities and providing additional value to our customers, all while focusing on operating efficiencies with the clear goal of delivering our 'path to profit'. I am excited by what the next period will bring, and look forward to sharing that journey with you.

Dr Darrin M Disley
Chief Executive Officer

Chief Financial Officer's Review

Consistent with our strategy laid out at the time of our IPO, Horizon has continued to focus on driving top line growth and to make targeted investments in the infrastructure, product development, commercial capability and technological innovation

that will deliver scale and value for our shareholders.

Horizon's 'flywheel' commercial engine

At the heart of Horizon's success is our extensive bank of engineered cell line models - the business engine from which we drive ever increasing value. We are the Cell Builders, using our world class precision gene editing toolkit and unmatched experience to build cells and associated genetic data that are central assets of our business. We derive multiple revenue streams from our cell lines, whether through direct product sales, the application of these cells in services, or by using them as manufacturing engines to harvest further revenues. Further value is realized from our core assets through our Research Biotechnology business by combining our product and service offerings with novel IP, oncology and drug discovery expertise to accrue further net asset value, downstream milestones and the potential for product royalties. We deliver this through our 'flywheel' commercial model, whereby we drive ever increasing revenue and margin from our core assets as the business scales.

Financial performance

Revenue for the year increased by 69% to £20.2m in 2015, reflecting a second year of very strong growth since our IPO in March 2014. In addition, the Group is eligible to receive future R&D milestones of up to £208m plus future product royalties, an increase of 32% over the prior year (year ended 31 December 2014: £158m).

Because genetics is at the heart of the personalised medicine revolution, Horizon's world class gene editing capability helps to underpin the "sequence to treatment" value chain in a rapidly expanding market. Our revenue growth reflects strong product and service sales, from academic customers studying the function of genetics through to global pharmaceutical and diagnostic companies that are treating disease.

Horizon's strong business infrastructure and the organic growth of our business, bolstered by the successful integration of businesses acquired in 2014 and early 2015, is providing Horizon with revenue streams that are increasingly sustainable, visible and predictable.

Products

Our Products business reported very strong growth, with revenue of £7.8m, a 124% increase over 2014.

Through our acquisition of Haplogen, our core cell bank asset increased from an inventory of 2,750 to in excess of 23,000 products in the year. Our products were sold to in excess of 1,400 unique customers in over 50 countries. We expanded our market footprint very substantially through channel deals with a number of significant partners, including Abcam for validating antibodies, Thermo-Fisher for our X-MAN[®] cell lines and Swift Biosciences and a number of global diagnostic companies for our HDx[™] Reference Standards. We also delivered important investments such as our eCommerce platform that have been built to support significant long term scale.

As we drive an ever increasing volume of product sales through our direct (Off the Shelf) and indirect (OEM) channels, our gross margin continues to expand, from 54% in 2014 to 57% this year.

Services

Our Services business performed strongly, delivering £12.2m of revenue, a 69% increase over the prior year. Our service offerings are a blend of two areas: gene editing to build models that are added to our core assets, and the application of our models to generate high quality data.

The first area, paid-for gene editing, is delivered as a mid-margin service that contributes engineered cell and *in vivo* models to our core catalogue. We can then apply our models in high margin applications on behalf of our customers, whether in bespoke services (for example to study the effects of drugs in the context of specialist genetic models), or in compound screening (for example to study the synergies between combinations of drugs against panels of our cell models).

These capabilities are increasingly scalable as we make targeted investments in infrastructure, technologies and offer innovative services in areas such as immuno-oncology. Our gross margin of 46% (57% in 2014), which reflects the change in mix of gene editing services and high end applications following the three acquisitions since our IPO, was delivered at significantly increased revenue scale. We anticipate future gross margin improvement as revenues continue to scale and our business drives towards profitability.

Research Biotech

The fundamental strength of our core gene editing expertise, our advanced genetic models, and our knowledge in the application of our models in cutting-edge research and development, allows our Research Biotech business to deliver additional upside value. For example, we are able to deliver novel insights in the fields of immuno-oncology, synthetic lethality cell and gene-based therapies. This value is delivered through a risk managed portfolio to deliver milestone, royalty and net asset value upside.

During the year, we entered into significant collaborations with leading biotechnology and pharmaceutical companies such as Redx and Servier. As a result, we are now eligible to receive future R&D milestones of up to £208 million plus future product royalties, an increase of 32% over prior year (year ended 31 December 2014: £158m).

Since the year end, we were excited to announce the formation of an immuno-oncology joint venture that has the potential to deliver significant returns from an initial £2.5m investment that, along with our technology contribution, gives us an equity stake in an exciting new biotech business.

Path to profit

Consistent with our strategy laid out at the time of our IPO, Horizon has continued to make targeted investments in the

scalable infrastructure, product development, commercial capability and technological innovation that will drive growth and shareholder value.

Our investment in R&D during the year totalled £5.3m, significantly increasing our product catalogue and service offerings and improving on our core capabilities including in the area of genome editing. Our investment into highly innovative, commercially directed research is funded in part through government grants which totalled £0.5m during the year. We also received research and development tax credits of £0.1m during the year. During 2015, we announced our commitment to invest up to £10.0m across the succeeding two years in our Research Biotech business, including in the fields of synthetic lethality, immuno-oncology and cell therapy. These are three important areas of cancer research which have the potential to deliver significant upside from our core platform and capabilities.

Sales and marketing expenditure totalled £5.1m as we continued to invest in our channels to market, brand presence, and direct sales force. Horizon invested in commercial infrastructure through an advanced website and ecommerce platform complete with an integrated webshop capable of supporting our complete product catalogue.

Corporate and administrative expenses of £11.1m before exceptional items reflect investments we have made in building the infrastructure of the business to deliver scale. This included investments in facilities to deliver increasing demands of the business together with ongoing investment in our underlying ERP system to deliver superior businesses intelligence. These expenses also included £4.0m of non-cash items relating to share option costs, depreciation and amortisation of intangible assets arising from our acquisitions of £0.3m, £2.0m and £1.7m respectively. Exceptional items totalled a net credit to the 2015 P&L of £0.4m (2014: expense £0.8m).

As a result of our elective investment in growth and long-term value, the Group reports a full year EBITDA loss of £6.6 million (2014: £4.0m). This is in line with investment strategy and our 'path to profit' that is expected to enable the company to drive towards profitability as revenues continue to scale.

Capital sufficiency and efficiency

Horizon's year-end cash balance was £25.1m, a significantly stronger position than the £18.5m at year end 2014, supported through our raising of gross proceeds of £25.0 million for the company. £6.0m of cash and shares were invested in the acquisition of Haplogen Genomics GmbH during the year, as a result of which the intangible assets of the business increased to £13.6m.

Richard Vellacott
Chief Financial Officer

HORIZON DISCOVERY GROUP PLC

CONSOLIDATED INCOME STATEMENT Year ended 31 December 2015

	Note	2015 £'000	2014 £'000
REVENUE		20,156	11,905
Cost of sales		(10,192)	(5,351)
Gross profit		9,964	6,554
Other operating income		806	615
Sales, marketing and distribution costs		(5,078)	(2,671)
Research and development costs		(5,296)	(2,158)
Corporate and administrative expenses		(11,075)	(7,649)
Exceptional items	3	391	(801)
OPERATING LOSS		(10,288)	(6,110)
Investment income		70	46

Finance costs		(326)	(9)
LOSS BEFORE TAX		<u>(10,544)</u>	<u>(6,073)</u>
Taxation		661	150
LOSS FOR THE YEAR		<u>(9,883)</u>	<u>(5,923)</u>
LOSS PER SHARE			
Basic and Diluted (Pence)	4	(11.2p)	(9.2p)

All transactions derived from continuing operations.

HORIZON DISCOVERY GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Year ended 31 December 2015

	2015 £'000	2014 £'000
LOSS FOR THE YEAR	(9,883)	(5,923)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	2,648	116
Other comprehensive income for the year net of tax	<u>2,648</u>	<u>116</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(7,235)</u>	<u>(5,807)</u>
Total comprehensive income attributable to:		
Owners of the Company	<u>(7,235)</u>	<u>(5,807)</u>

HORIZON DISCOVERY GROUP PLC

CONSOLIDATED BALANCE SHEET 31 December 2015

	Note	2015 £'000	2014 £'000
Non current assets			
Goodwill		30,778	22,820
Other intangible assets		13,619	10,094
Property, plant and equipment		7,961	7,015
		<u>52,358</u>	<u>39,929</u>
Current assets			
Inventories		1,793	1,308
Trade and other receivables		9,652	6,046
Cash and cash equivalents		25,067	18,453
		<u>36,512</u>	<u>25,807</u>
Total assets		<u>88,870</u>	<u>65,736</u>
Current liabilities			
Trade and other payables		(6,779)	(5,870)
Total current liabilities		<u>(6,779)</u>	<u>(5,870)</u>
Net current assets		<u>29,733</u>	<u>19,937</u>
Non-current liabilities			
Deferred tax		(1,277)	(1,296)
Deferred consideration		(958)	-
		<u>(2,235)</u>	<u>(1,296)</u>
Total liabilities		<u>(9,014)</u>	<u>(7,166)</u>
Net assets		<u>79,856</u>	<u>58,570</u>
Equity			
Share capital	5	2,571	2,414
Share premium account		61,774	37,583
Share option reserve		1,936	1,635
Merger reserve		33,274	29,402
Retained earnings		(19,699)	(12,464)
Total equity		<u>79,856</u>	<u>58,570</u>

HORIZON DISCOVERY GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2015

	Share capital £'000	Share premium account £'000	Share option reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2014	2	13,359	1,156	-	(6,657)	7,860
Loss for the year	-	-	-	-	(5,923)	(5,923)
Bonus issue	2,076	(2,076)	-	-	-	-
Issue of shares pre IPO	-	695	-	-	-	695
Reverse asset acquisition capital adjustment	-	(11,979)	-	11,979	-	-
Issue of shares on IPO	222	39,778	-	-	-	40,000
Issue of shares on SAGE acquisition	110	-	-	17,423	-	17,533
Issue of shares on exercise of options	4	119	-	-	-	123
Share issue costs	-	(2,313)	-	-	-	(2,313)
Credit to equity for equity settled share based payments	-	-	479	-	-	479
Other comprehensive income	-	-	-	-	116	116
Balance at 31 December 2014	2,414	37,583	1,635	29,402	(12,464)	58,570

HORIZON DISCOVERY GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY Year ended 31 December 2015

	Share capital £'000	Share premium account £'000	Share option reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2015	2,414	37,583	1,635	29,402	(12,464)	58,570
Loss for the year	-	-	-	-	(9,883)	(9,883)
Issue of shares on Haplogen acquisition	14	-	-	3,004	-	3,018
Issue of shares on placing agreement	131	24,868	-	-	-	24,999
Issue of shares for deferred consideration on Sage	6	-	-	868	-	874
Issue of shares on exercise of options	6	207	-	-	-	213
Share issue costs	-	(884)	-	-	-	(884)
Credit to equity for equity settled share based payments	-	-	301	-	-	301
Other comprehensive income	-	-	-	-	2,648	2,648
Balance at 31 December 2015	2,571	61,774	1,936	33,274	(19,699)	79,856

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Net cash outflow from operating activities	7	(10,953)	(6,473)
Investing activities			
Interest received		70	46
Acquisition of subsidiaries net of cash acquired and associated settlement costs	6	(2,946)	(8,853)
Purchases of property, plant and equipment		(2,689)	(1,948)
Proceeds on disposal of property, plant and equipment		1	105
Purchase of intangible assets		(1,212)	(6,255)
Net cash used in investing activities		(6,776)	(16,905)
Financing activities			
Loan settlement		-	(864)
Proceeds on issue of shares net of expenses		24,328	38,507
Net cash from financing activities		24,328	37,643
Effect of exchange rate changes		15	-
Net increase in cash and cash equivalents		6,614	14,265
Cash and cash equivalents at beginning of year		18,453	4,188
Cash and cash equivalents at end of year		25,067	18,453

HORIZON DISCOVERY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

1. BASIS OF THE ANNOUNCEMENT

The preliminary results for the year ended 31 December 2015 were approved by the Board of Directors on 25 April 2016. The preliminary results do not constitute full accounts within the meaning of section 434 of the Companies Act 2006 but

are derived from audited accounts for the year ended 31 December 2015 and year ended 31 December 2014.

The preliminary announcement is prepared on the same basis as set out in the audited statutory accounts for the year ended 31 December 2015. The accounts for the years ended 31 December 2015 and 31 December 2014, upon which the auditors issued unqualified opinions, 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 2015 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.

Going concern

On 1 May 2015, a placing of shares was completed, raising £25.0m (before expenses). 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 £25.1m as at 31 December 2015, and net current assets of £29.7m at the same date. Given the Group's performance and financial position, and the available headroom evident 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. OPERATING SEGMENTS

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 arising from the sales of Cell Lines, Reagent and other products.
- Services** - Custom cell line manufacturing services, 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.
- Research Biotech** - This business unit is operated on a portfolio basis, and its revenues will typically be either fees for services with downstream milestones or milestone based.

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 2015:

	Products	Services	Research Biotech	Consolidated
	£'000	£'000	£'000	£'000
Revenue	7,835	12,151	170	20,156
Cost of sales	(3,350)	(6,556)	(286)	(10,192)
Gross margin	<u>4,485</u>	<u>5,595</u>	<u>(116)</u>	<u>9,964</u>
Result				
Segment result	<u>(2,432)</u>	<u>(5,471)</u>	<u>(2,477)</u>	<u>(10,380)</u>
Unallocated credit				92
Operating loss				<u>(10,288)</u>

Investment income	70
Finance costs	(326)
Loss before tax	(10,544)
Tax	661
Loss after tax	(9,883)

2. OPERATING SEGMENTS (continued)

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

	Products £'000	Services £'000	Research Biotech £'000	Consolidated £'000
Revenue	3,500	7,201	1,204	11,905
Cost of sales	(1,609)	(3,131)	(611)	(5,351)
Gross margin	1,891	4,070	593	6,554
Result	(3,083)	(39)	(2,052)	(5,174)
Segment result				
Unallocated expenditure				(936)
Operating loss				(6,110)
Investment income				46
Finance costs				(9)
Loss before tax				(6,073)
Tax				150
Loss after tax				(5,923)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment loss represents the loss incurred 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	
	2015 £'000	2014 £'000
Products	1,066	622
Services	2,326	1,196
Research Biotech	316	301
	3,708	2,119

Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") is calculated by adding back the non-cash items disclosed above to the disclosed operating loss for the year.

2. OPERATING SEGMENTS (continued)

Geographical information

The Group's revenue from external customers by geographical location are detailed below:

Revenue from external customers

	2015	2014
	£'000	£'000
Americas	14,886	8,086
Europe, Middle East and Africa	4,482	3,268
Asia Pacific	788	551
	<u>20,156</u>	<u>11,905</u>

Information about major customers

In 2015, the Group had four customers that collectively contributed over 25% of the Group's revenue, with each individual customer contributing 4% or more, due to the increase in customer base. Of this, £3.0m came from the services business unit and £2.2m from the products business unit.

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, £2.1m came from the services business unit and £0.8m from Research Biotech agreements.

3. EXCEPTIONAL ITEMS

	2015	2014
	£'000	£'000
Initial Public Offering costs	-	(323)
Acquisition related costs	(182)	(478)
Legal and intellectual property costs	(375)	-
Decrease in expected settlement of contingent consideration	948	-
	<u>391</u>	<u>(801)</u>

4. LOSS PER SHARE

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

Loss

	2015	2014
	£'000	£'000
Loss for the purposes of basic and diluted loss per share being net loss attributable to owners of the Company	(9,883)	(5,923)

Number of shares

	2015	2014
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	88,490,671	64,215,089

Loss per share

	(11.2p)	(9.2p)
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Basic EPS is calculated by dividing the earnings attributable to ordinary owners of the parent by the weighted average number of shares outstanding during the period.

Diluted EPS is calculated on the same basis as basic EPS but with a further adjustment to the weighted average shares in issue to reflect the effect of all potentially dilutive share options. The number of potentially dilutive share options is derived from the number of share options and awards granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period.

IAS 33 - Earnings per Share, requires presentation of diluted earnings per share where a company could be called upon to issue shares that would decrease net profit or increase net loss per share. No adjustment has been made to the basic loss per share as at 31 December 2015, as the exercise of share options would have the effect of reducing the loss per ordinary share, and therefore is not dilutive.

5. SHARE CAPITAL

	2015 £'000	2014 £'000
Allotted, called up and fully paid		
94,090,380 (2014: 78,330,553) ordinary shares of £0.01 each	941	784
1,630,215,900 (2014: 1,630,215,900) deferred shares of £0.001 each	1,630	1,630
	<u>2,571</u>	<u>2,414</u>

6. ACQUISITION OF SUBSIDIARIES

Acquisition of Haplogen Genomics GmbH

On 8 January 2015, the Group acquired 100 per cent of the issued share capital and obtained control of Haplogen Genomics GmbH which was subsequently renamed Horizon Genomics GmbH ("Horizon Genomics"). Horizon Genomics was acquired to add circa 12,000 products to Horizon's cell line catalogue and a capability to perform next generation high-throughput functional genomics screening services built on proprietary gene-trapping technology and CRISPR-based sgRNA screening methodologies. Access to the propriety platform is enabling integration into existing products, services and R&D activities, furthering revenue opportunities.

The amounts recognised in respect of the identifiable assets acquired and liabilities are as set out in the table below.

	£'000
Tangible fixed assets	28
Identifiable intangible assets	3,697
Inventory	84
Trade and other receivables	226
Cash and cash equivalents	54
Trade and other payables	(228)
Borrowings	(263)
Deferred tax liability	(848)
Total identifiable assets	<u>2,750</u>
Goodwill	6,514
Total consideration	<u>9,264</u>
Satisfied by:	
Cash	3,000
Equity instruments (1,452,785 ordinary shares of the Company)	3,019
Contingent consideration	3,245
Total consideration transferred	<u>9,264</u>
Net cash outflow arising on acquisition	
Cash consideration	3,000
Less: cash and cash equivalent balances acquired	(54)
	<u>2,946</u>

The value of the 1,452,785 ordinary shares issued as part of the consideration paid for Haplogen Genomics GmbH (£3,019k) was determined on the basis of the closing price of Horizon Discovery Group plc ordinary shares on the date of completion, 8 January 2015.

6. ACQUISITION OF SUBSIDIARIES (continued)

The contingent consideration of £3,245k represents two amounts of €2,500k payable to the vendors on achievement of certain revenue milestones in 2015 and 2016 which at acquisition were expected to be achieved in full. The potential undiscounted amount of all future payments that Horizon could be required to make under the contingent consideration arrangement is between €nil and €5,000k. The contingent consideration is expected to be satisfied by the issue of further new ordinary shares.

The revenue and loss after tax of Haplogen Genomics GmbH included in the consolidated statement of comprehensive income since 8 January 2015 was £1,146k and £(170)k respectively.

A gain of £0.9m has been recognised within exceptional items in the income statement during the year following a management revising their expectation of the probable settlement amount in respect of the 2015 and 2016 revenue milestones. Accordingly, the amounts payable for contingent consideration have been revised down from an initial total of £3,245k. At 31 December 2015, the amounts due within one year and greater than one year were £1,411k and £958k respectively. The 2015 revenue milestone for contingent consideration is expected to be settled through the issuance of share capital in the second quarter of 2016.

Acquisition of Sage Laboratories Inc.

On 2 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 *in vivo* 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. was provisionally determined at the end of the prior reporting period in respect of intangible asset valuations as the necessary market valuations and other calculations had not been finalised and they were therefore based on the directors' best estimate of the likely values. During the current reporting period, the amounts recognised in respect of the identifiable assets acquired and liabilities were finalised and are as set out in the table below. Changes to the provisional amounts were to trade and other payables (provisional: £1,145k) and to the deferred tax liability (provisional: £1,295k), with consequential reduction in goodwill of £387k (provisional £20,656k).

6. ACQUISITION OF SUBSIDIARIES (continued)

	£'000
Tangible fixed assets	2,683
Identifiable intangible assets	6,309
Inventory	638
Trade and other receivables	686
Cash and cash equivalents	1,266
Trade and other payables	(1,246)
Deferred tax liability	(808)
Borrowings	(864)
	<hr/>
Total identifiable assets	8,664
Goodwill	20,269
	<hr/>
Total consideration	28,933
	<hr/> <hr/>
Satisfied by:	
Cash	9,871
Equity instruments (10,957,877 ordinary shares of the Company)	17,533
Cash paid into Escrow indemnification fund	573
Deferred consideration - shares	956
	<hr/>
Total consideration transferred	28,933
	<hr/> <hr/>
Net cash outflow arising on acquisition	
Cash consideration	9,871
Less; cash and cash equivalent balances acquired	(1,266)
	<hr/>
	8,605
	<hr/> <hr/>

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. (£17,533k) 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, £573k in cash was paid into an Escrow indemnification fund, the full value of which was paid to the vendors during the current reporting period. On completion, the deferred share consideration of £956k represented \$1.6 million in Company ordinary shares issuable to the vendors. These shares were issued during the current reporting period.

Acquisition-related costs (included in exceptional items in 2014) amounted to £312k. A deferred tax asset of £1,738k was recognised in respect of acquired tax losses.

7. NOTES TO THE CASH FLOW STATEMENT

Group	2015 £'000	2014 £'000
Loss for the year	(9,883)	(5,923)
Adjustments for:		
Investment revenues	(70)	(46)
Finance costs	326	9
Depreciation of property, plant and equipment	1,972	1,215
Amortisation of intangible assets	1,736	932
Tax credit	(661)	(149)
Change in fair value deferred consideration	(1,290)	-
Share option charge	301	479
	<u>(7,569)</u>	<u>(3,483)</u>
Operating cash flows before movements in working capital		
Increase in inventories	(402)	(216)
Increase in receivables	(3,072)	(2,286)
Decrease in payables	(35)	(634)
	<u>(11,078)</u>	<u>(6,619)</u>
Cash invested in operations	(11,078)	(6,619)
Tax credit received	125	149
Interest paid	-	(3)
	<u>(10,953)</u>	<u>(6,473)</u>

8. SUBSEQUENT EVENTS

On 2 March 2016, the group announced the formation of a joint venture with Centauri Therapeutics Limited for an initial investment of £2.5 million. The new formed Company, Avvinity Therapeutics, will be jointly managed via the Research Biotech Division and represents a strategic move by Horizon to capture the upside potential of its IP, platform technologies and capabilities in immuno-oncology, synthetic lethality and cell based therapy therapeutics.

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