

HORIZON DISCOVERY GROUP PLC
("Horizon" or "the Company")

Interim Results for the Six Months Ended 30 June 2014

Horizon Reports a Strong First Half Positioning the Company for Continued Growth

Cambridge, UK, 23 September 2014: Horizon Discovery Group plc (LSE: HZD), the international life science company supplying research tools to organisations engaged in genomics research and the development of personalised medicines, today announces its interim results for the six months ended 30 June 2014.

Corporate highlights

- Completion of IPO on 27 March 2014, raising £37.8 million of new money, net of expenses
- Acquisition of Horizon CombinatoRx on 2 June 2014 for £4.74 million, contributing one month of service revenues and establishing Horizon's US operations
- Strategic licensing of two key pieces of CRISPR gene editing intellectual property ("IP") from ERS Genomics and the Broad Institute and an additional piece of rAAV gene editing IP from Stanford University, bolstering Horizon's portfolio of gene editing IP
- Board strengthened with the appointment of Dr. Susan Galbraith and Susan Searle
- Signed distribution agreements with Haplogen Genomics GmbH and Sirion Biotech GmbH giving access to over 9,000 new cell line and related products
- Established additional direct sales and distribution channels including US, Canada and India meaning Horizon's commercial offering is now sold in approaching 50 countries
- Awarded Technology Strategy Board grant to develop standardisation for next generation cancer diagnostics of £0.36 million
- Winner of the Emerging Star Award at the European Mediscience awards for publicly quoted companies in the life science sector

Financial highlights

- Revenues of £4.06 million for the six months ended June 30, up 36% (HY13: £2.98 million)
- Product and service revenues of £3.49 million, up 63% (HY13: £2.14 million) driven by strong growth in genome-editing services, discovery research services and molecular diagnostic reagent products
- Leveraged R&D revenues of £0.57 million (HY13: £0.85 million) including service revenues of £0.57 million, up 75% (HY13: £0.33 million) with Cumulative R&D milestones of £158 million, up 27% (FY13: £124 million), no milestone payments anticipated in 2014 (HY2013: £0.52 million)
- Operating expenditure of £4.80 million (HY13: £3.22 million) in line with strategy to invest in R&D, build out commercial channels and corporate development
- Operating loss of £2.55 million (2013: £1.73 million), in line with expectations
- Closing cash and cash equivalents of £33.47 million

Post-period end highlights

- Horizon CombinatoRx continues its strong performance closing a number of sizeable service contracts including a \$0.84 million contract with Otsuka Pharmaceutical Development and Commercialisation, Inc.
- Reagent Products division continues its rapid growth profile with new orders in excess of \$0.75 million

- New Bioproduction business line closes several contracts worth in excess of \$0.30 million plus potential downstream R&D milestones
- Dr. Emmanuelle Charpentier, Dr. J. Keith Joung, and Dr. Feng Zhang joined Horizon's panel of expert gene editing advisers
- COLTHERES translational medicine consortium led by Horizon co-founders Professor Alberto Bardelli and Dr Chris Torrance receives funding extension beyond the initial four year €6 million term
- Horizon continues to look at non-organic growth opportunities that enable rapid scalability of revenues and ability to enter adjacent markets not currently served

Commenting on the interim results, Dr Darrin M Disley, Horizon's Chief Executive Officer, said: "Over the first half of 2014, Horizon has made progress towards becoming a fully-integrated life science business, strengthening its offering to provide a broad spectrum of products and services from genetic sequence to patient treatment.

"We have continued to invest for growth, focusing on R&D, building additional commercial channels and corporate development. In line with this strategy we have also continued to build our sales, marketing and distribution footprint in European, North-American and Asia-Pacific markets. Our accretive acquisition of CombinatoRx in the US added new capabilities in the combination cancer drug screening market and we bolstered our position in CRISPR IP, further securing our leadership in this space. To help steer the Company through its next stage of growth and development, Horizon added two industry leaders to our Board and added three of the world's most prominent gene editing technology experts to our Scientific Advisory Board.

"Our financial performance has been in line with expectations and we are pleased to report continued strong revenue growth. Based on our trading performance for the first six months and post-period end, and with revenues weighted towards the second half of the year following the acquisition of CombinatoRx in June, we are confident of delivering a strong performance for the full year."

Notes to Editors

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About Horizon Discovery 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 approaching 1,000 organisations across nearly 50 countries, including major pharmaceutical,



biotechnology and diagnostic companies as well as leading academic research centres. The Company supplies its products and services into multiple markets, estimated by the Directors to total in excess of £29 billion by 2015.

Horizon's core capabilities are built around its proprietary translational genomics platform, GENESIS™, 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 has created almost 2,200 products, almost all of which are based on the application of GENESIS™ 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 GENASSIST™ CRISPR and rAAV gene editing tools, custom cell line generation services for research and bioproduction applications, quantitative molecular reference standards, contract research and custom screening services, custom shRNA development services and off-the-shelf validated shRNA (through Horizon's partner Sirion), and haploid cell lines (through Horizon's partner Haplogen). These latter partnerships provide Horizon with over 9,000 further products for our customers.

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.

Interim management report

Introduction

We are pleased to report strong progress in delivering the strategic plan as set out at the time of our IPO on the AIM market in March 2014, and we are excited by the continued prospects for growth.

Global demand for Horizon's content-driven research tools, services and intellectual property (including drug targets, biomarkers and candidates) continues to be strong. The significant decline in human genome sequencing costs from \$10 million per genome in 2007, when Horizon began trading, to less than \$1,000 today is creating an increased demand from drug researchers for tools to translate data into information on the genetic basis of disease. Horizon's strength lies in the way we can both enable translational genomics research in academia and help biotechnology, diagnostic and pharmaceutical companies develop innovative medicines and companion diagnostic tests that ensure the right drug is given to the right patient, based on their unique genetic profile. Our platform has the potential to improve clinical outcomes for patients and, at the same time, the economic outcomes for drug developers, healthcare insurers and the taxpayer.

Horizon is seeking to build a fully-integrated company that provides its customers with a broad suite of tools and services that will support them from the moment a patient's genome has been sequenced, through to the way that patient is treated.

Business commentary

Strengthening of IP

In line with its strategy, Horizon has continued to develop the breadth and depth of its intellectual property portfolio, including the acquisition of two key pieces of CRISPR intellectual property from ERS Genomics and the Broad Institute which, combined with previously acquired intellectual property from Harvard, provides the Company with what we believe to be the most comprehensive suite of CRISPR IP to be collected by any organisation to date, ensuring that our customers, both now and in the future, will have unencumbered access to this innovative new gene editing technology.

CombinatoRx Acquisition

With the acquisition of the CombinatoRx service business from Zalicus Inc. (on 2 June 2014 for £4.74 million, or \$8.0 million) we continued to deliver upon our strategy of becoming a fully-integrated life science company. The acquisition provides Horizon with a revenue generating, earnings-accretive service business comprising the unique cHTS platform and Chalice™ analytics software, which allows customers to understand the potential of drug combinations in the treatment of disease. This capability is being combined with Horizon's GENESIS™ gene editing platform and X-MAN™ isogenic cell line technology in order to offer a broad suite of services including novel cell-based drug screens. The deal also provides Horizon with significant laboratory and office space in Kendall Square, Cambridge, MA, in the heart of the US pharmaceutical and academic research community, providing a base for the future growth of Horizon's business operations in North America. The subsequent signing of a number of sizeable deals including a \$0.84 million collaboration agreement with Otsuka Pharmaceutical Development and Commercialisation is an early validation of this strategy.

New Appointments

On 9 June 2014, Horizon announced the appointments of Dr. Susan Galbraith, Senior Vice President and Head of Oncology Innovative Medicines at AstraZeneca, and Susan Searle, co-founder and ex-CEO of Imperial Innovations Group plc, as Non-Executive Directors on the Company's Board. We are delighted that two such outstanding and distinguished business leaders have joined us to help guide us through the next stage of the Company's growth.

We are committed to becoming the global leader in genome editing and translational genomics, and so Horizon has added three of the world's foremost experts in gene editing and recognised inventors of the CRISPR system (Drs Charpentier, Joung, and Zhang) to our scientific advisory board.

GENASSIST™ Launch

Horizon's goal is to make the latest developments in gene editing accessible to the wider scientific community, and to this end we launched GENASSIST™, a comprehensive suite of products and services designed to enable customers to generate their own genomically-modified cell lines. Not only will GENASSIST™ help to drive revenues, but a key element of the launch strategy is to enable the global academic research community to access high-quality, validated gene editing reagents to generate thousands of new genetically-defined cell lines, which they can then deposit into the Horizon cell line inventory. This program builds on the historical strategy of having academic customers perform outsourced product development in return for a future royalty on derived product and service sales.

Financial review

As previously announced on July 23rd 2014, revenue for the six month period was £4.06 million, 36% ahead of the prior year period (HY2013: £2.98 million) and in line with current market expectations. Revenue includes approximately one month of revenue consolidation from CombinatoRx, the full impact of which will be felt in the second half of the year.

Product and service revenues of £3.49 million were 63% ahead of last year (HY2013: £2.14 million) with genome-editing services, discovery research services and molecular diagnostic reagent products continuing to be strong drivers of growth.

Leveraged R&D service revenue of £569,000 was 75% ahead of last year (HY2013: £325,000). This revenue represents contributions from customers to joint drug discovery alliances, from which the Company is eligible to receive future pre-clinical and clinical R&D milestones of up to £158 million (excluding future product royalties), a 27.5% increase following the addition of £34.12 million during the period. It is not anticipated that any R&D milestones will fall in 2014 (HY2013: £523,000).

Operating expenditure for the period was £4.8 million (HY2013: £3.2 million), as we continued to invest in R&D in line with our strategy and to build out our commercial channels and in corporate development including M&A to drive the scale of the business. In addition there were non-recurring exceptional items associated with corporate activity, including the IPO and the acquisition of CombinatoRx of £0.44 million.

As a result of such trading and investment activity, loss after tax for the period, including the £0.44 million of non-recurring IPO and M&A costs, was £2.96 million (HY2013: £1.85 million), in line with the Board's expectations for the first half of the year.

Cash balances as at 30 June 2014 were £33.5 million (FY2013: £4.2 million), a significant increase on prior year following the receipt of proceeds from the issue of new shares on IPO of £37.8 million net of expenses. Investment activities in the period included the consideration paid for the acquisition of CombinatoRx of £4.74 million.

Current trading

Since the period end Horizon CombinatoRx continues to flourish as an integrated company closing a number of sizeable service contracts including a \$0.84 million contract with Otsuka Pharmaceutical Development and Commercialisation, Inc. Horizon's Reagent Products division continues its rapid growth profile with new orders

in excess of \$0.75 million and the new Bioproduction business line closed several contracts worth in excess of \$0.30 million, plus potential downstream R&D milestones.

Outlook

Horizon continues to deliver on the strategic objectives set out at the time of the IPO, delivering a combination of organic growth together with acquisitions where these are closely aligned with our strategy to become a fully-integrated life science company. We expect continued growth for the second half of the year and we are confident of a strong performance for the full year.

Ian Gilham
Chairman

Darrin Disley
Chief Executive Officer

Richard Vellacott
Chief Financial Officer

23 September 2014

Independent review report to Horizon Discovery Group plc

For the six months ended 30 June 2014

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises the consolidated income statement, the consolidated balance sheet, consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 10. We have read the other information contained in the half-yearly financial consolidated report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the group intends to use in preparing its next annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

Deloitte LLP

Chartered Accountants and Statutory Auditor

Cambridge, UK

23 September 2014

HORIZON DISCOVERY GROUP PLC

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2014

	Note	Unaudited Six months ended 30 June 2014	Unaudited Six months ended 30 June 2013	Audited Year ended 31 December 2013
		£	£	£
REVENUE	2	4,056,357	2,984,684	6,646,113
Cost of sales		(1,809,162)	(1,495,909)	(3,207,741)
Gross profit		2,247,195	1,488,775	3,438,372
Other operating income	2	167,996	196,142	403,919
Sales, marketing and distribution costs		(1,303,208)	(1,380,328)	(2,194,830)
Research and development costs		(818,495)	(657,074)	(1,266,125)
Administrative expenses		(2,840,899)	(1,379,012)	(3,310,400)
OPERATING LOSS		(2,547,411)	(1,731,497)	(2,929,064)
Interest received	2	25,750	7,393	12,128
Finance costs		-	(125,950)	(125,950)
LOSS BEFORE TAX AND EXCEPTIONAL ITEMS		(2,521,661)	(1,850,054)	(3,042,886)
Exceptional items	3	(436,766)	-	-
LOSS BEFORE TAX		(2,958,427)	(1,850,054)	(3,042,886)
Taxation		-	-	72,609
LOSS FOR THE YEAR		(2,958,427)	(1,850,054)	(2,970,277)
LOSS PER SHARE				
Basic and diluted	4	(0.05)	(0.05)	(0.08)

HORIZON DISCOVERY GROUP PLC

CONDENSED CONSOLIDATED BALANCE SHEET
30 June 2014

		Unaudited As at 30 June 2014	Unaudited As at 30 June 2013	Audited As at 31 December 2013
	Note	£	£	£
Non current assets				
Goodwill	5	1,955,450	47,965	47,965
Other intangible assets		3,414,692	497,974	513,945
Property, plant and equipment		3,587,235	3,515,130	3,568,925
Investments		20	20	20
		<u>8,957,397</u>	<u>4,061,089</u>	<u>4,130,855</u>
Current assets				
Inventories		508,777	476,559	453,024
Trade and other receivables	6	4,022,144	2,217,549	2,107,487
Cash and cash equivalents		33,472,322	5,563,421	4,187,208
		<u>38,003,243</u>	<u>8,257,529</u>	<u>6,747,719</u>
Total assets		<u><u>46,960,640</u></u>	<u><u>12,318,618</u></u>	<u><u>10,878,574</u></u>
Current liabilities				
Trade and other payables	7	3,072,259	3,388,054	2,747,706
Total current liabilities		<u>3,072,259</u>	<u>3,388,054</u>	<u>2,747,706</u>
Net current assets		<u><u>34,930,984</u></u>	<u><u>4,869,475</u></u>	<u><u>4,000,013</u></u>
Non-current liabilities				
Deferred income		24,973	165,196	270,884
Total liabilities		<u><u>3,097,232</u></u>	<u><u>3,553,250</u></u>	<u><u>3,018,590</u></u>
Net assets		<u><u>43,863,408</u></u>	<u><u>8,765,368</u></u>	<u><u>7,859,984</u></u>
Equity				
Share capital	8	2,300,944	1,803	1,805
Share premium account		38,952,127	13,310,149	13,359,116
Share option reserve		649,804	989,707	1,155,577
Retained earning		(9,614,955)	(5,536,305)	(6,656,528)
Other reserves	8	11,575,488	14	14
Total equity		<u><u>43,863,408</u></u>	<u><u>8,765,368</u></u>	<u><u>7,859,984</u></u>

HORIZON DISCOVERY GROUP PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2014

	Share capital £	Share premium account £	Share option reserve £	Retained earnings £	Other reserves £	Total £
Balance at 1 January 2014	1,805	13,359,116	1,155,577	(6,656,528)	14	7,859,984
Loss for the period	-	-	-	(2,958,427)	-	(2,958,427)
Bonus issue	2,075,450	(2,075,450)	-	-	-	-
Shares issued	222,228	28,760,676	-	-	11,592,090	40,574,994
Options exercised	-	749,212	(749,212)	-	-	-
Share issue costs	-	(2,058,727)	-	-	-	(2,058,727)
Options exercised	1,461	217,300	-	-	-	218,761
Accumulated other comprehensive income	-	-	-	-	(16,616)	(16,616)
Credit to equity for equity settled share based payment transactions	-	-	243,439	-	-	243,439
Balance at 30 June 2014	<u>2,300,944</u>	<u>38,952,127</u>	<u>649,804</u>	<u>(9,614,955)</u>	<u>11,575,488</u>	<u>43,863,408</u>

Other reserves during the year related to the share capital restructuring that took place as part of the Initial Public Offering.

	Share capital £	Share premium account £	Share option reserve £	Retained earnings £	Other reserves £	Total £
Balance at 1 January 2013	1,737	7,033,531	989,707	(3,686,251)	14	4,338,738
Loss for the year	-	-	-	(1,850,054)	-	(1,850,054)
Shares issued	66	6,276,618	-	-	-	6,276,684
Balance at 30 June 2013	<u>1,803</u>	<u>13,310,149</u>	<u>989,707</u>	<u>(5,536,305)</u>	<u>14</u>	<u>8,765,368</u>

HORIZON DISCOVERY GROUP PLC

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2014

	Unaudited Six months ended 30 June 2014	Unaudited Six months ended 30 June 2013	Audited Year ended 31 December 2013
Note	£	£	£
Net cash outflow from operating activities	9 (4,003,121)	(1,362,152)	(2,222,168)
Investing activities			
Interest received	25,750	7,393	12,128
Purchases of property, plant and equipment	(1,646,559)	(422,567)	(897,285)
Proceeds from sale of equipment	105,000	-	-
Purchase of intangible assets	(3,914,369)	(38,535)	(133,716)
Net cash used in investing activities	(5,430,178)	(453,709)	(1,018,873)
Financing activities			
Bridge loan	-	(544,843)	(544,843)
Proceeds on issue of shares	40,574,995	4,274,774	4,323,741
Costs associated with share issue	(2,058,727)	(39,735)	(39,735)
Share option exercises	218,761	(1,510)	(1,510)
Net cash from financing activities	38,735,029	3,688,686	3,737,653
Effect of exchange rate changes	(16,616)	-	-
Net increase in cash and cash equivalents	29,285,114	1,872,825	496,612
Cash and cash equivalents at beginning of period	4,187,208	3,690,596	3,690,596
Cash and cash equivalents at end of period	33,472,322	5,563,421	4,187,208

HORIZON DISCOVERY GROUP PLC

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

Six months ended 30 June 2014

1. ACCOUNTING POLICIES

General information

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2013 were approved by the Board of Directors and have been delivered to the Registrar of Companies. The audit report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

This consolidated interim financial information has been reviewed, not audited.

Basis of preparation

The annual financial statements of Horizon Discovery Group plc are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The condensed set of financial statements included in this half-yearly financial report has not been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

The accounting policies adopted in the preparation of the condensed consolidated interim information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2013 except where disclosed otherwise in this note.

Risks and uncertainties

An outline of the key risks and uncertainties faced by the Group was described in the Company's AIM Admission Document, including, competition, technology and intellectual property. It is anticipated that the risk profile will not significantly change for the remainder of the year. Risk is an inherent part of doing business and the strong cash position of the Group, along with the growth profile of the business, leads the Directors to believe that the Group is well placed to manage business risks successfully.

Going concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, support the conclusion that there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly, the going concern basis has been adopted in preparing the half-yearly financial information.

Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred on acquisition is the fair value at the date of transaction for assets and liabilities transferred. All acquisition related costs are expensed as incurred.

Goodwill arises as the excess of acquisition cost over the fair value of the assets transferred at the date of transaction. Goodwill is reviewed for impairment annually, and is carried at cost less accumulated impairment losses. Impairment losses are not reversed in subsequent periods.

Goodwill arising on the acquisition of a foreign operation, including any fair value adjustments to the carrying amounts of assets or liabilities on the acquisition, are treated as assets and liabilities of that foreign operation in accordance with IAS 21 and as such are translated at the relevant foreign exchange rate at the balance sheet date.

HORIZON DISCOVERY GROUP PLC

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

Six months ended 30 June 2014

1. ACCOUNTING POLICIES (continued)

Adoption of new and revised standards

The following new standards and amendments have been applied for the first time during the year ending 31 December 2014:

- IFRS 13 'Fair value measurement' measurement and disclosure requirements are applicable for the financial year.
- Amendments to IAS 1 'Presentation of financial statements' are applicable for the financial year. The Group has included the relevant disclosure requirements within the condensed interim financial statements.
- In addition, IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements', and IFRS 12 'Disclosure of interests in other entities' are applicable for the financial year and have not had a material impact on the Group.

There are no new standards that have been issued but are not yet effective for the financial year that are expected to have a material impact on the Group.

2. REVENUE

An analysis of the Group's revenue is as follows:

	Unaudited Six months ended 30 June 2014	Unaudited Six months ended 30 June 2013	Audited Year ended 31 December 2013
	£	£	£
Products	1,717,265	885,986	2,509,296
Services	1,770,112	1,250,681	2,862,126
Leveraged R&D	568,980	848,017	1,274,691
	<hr/>	<hr/>	<hr/>
	4,056,357	2,984,684	6,646,113
Other operating income – Grants	167,996	196,142	403,919
Interest Received	25,750	7,393	12,128
	<hr/>	<hr/>	<hr/>
	<u>4,250,103</u>	<u>3,188,219</u>	<u>7,062,160</u>

3. EXCEPTIONAL ITEMS

	Unaudited Six months ended 30 June 2014	Unaudited Six months ended 30 June 2013	Audited Year ended 31 December 2013
	£	£	£
Exceptional items	<u>(436,766)</u>	<u>-</u>	<u>-</u>

Exceptional items include amounts expensed to the profit and loss account relating to the Initial Public Offering and the acquisition of CombinatoRx that are non-recurring in nature.

HORIZON DISCOVERY GROUP PLC

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION Six months ended 30 June 2014

4. LOSS PER SHARE

The calculations of basic and diluted EPS are based upon the following data:

	Unaudited Six months ended 30 June 2014	Unaudited Six months ended 30 June 2013	Audited Year ended 31 December 2013
	£	£	£
Loss			
Loss for the purposes of basic and diluted EPS being net profit attributable to equity holders of the parent	(2,958,427)	(1,850,054)	(2,970,277)
	_____	_____	_____
Number of shares			
Weighted average number of ordinary shares for the purposes of basic EPS	55,624,563	36,129,277	39,379,606
	_____	_____	_____
EPS	(0.05)	(0.05)	(0.08)
	=====	=====	=====

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 30 June 2014, as the exercise of share options would have the effect of reducing the loss per ordinary share, and therefore is not dilutive.

5. GOODWILL

	£
Cost	
At 30 June 2013 and 31 December 2013	47,965
Additions	1,907,485

At 30 June 2014	1,955,450
Accumulated impairment losses	
At 30 June 2013, 31 December 2013 and 30 June 2014	-

Net book value	
At 30 June 2014	1,955,450
	=====
At 31 December 2013	47,965
	=====
At 30 June 2013	47,965
	=====

Goodwill of £1,907,485 arose on the acquisition of the CombinatoRx assets from Zalicus Inc. on 2 June 2014.

HORIZON DISCOVERY GROUP PLC

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION Six months ended 30 June 2014

6. TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 June 2014	Unaudited As at 30 June 2013	Audited As at 31 December 2013
	£	£	£
Trade receivables	1,923,467	1,124,864	1,396,166
Other receivables	2,021,100	791,430	638,712
Corporation tax receivable	77,577	301,255	72,609
	<u>4,022,144</u>	<u>2,217,549</u>	<u>2,107,487</u>

7. TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2014	Unaudited As at 30 June 2013	Audited As at 31 December 2013
	£	£	£
Trade creditors and accruals	2,020,319	1,803,244	1,378,206
Deferred income	1,051,940	1,584,810	1,369,500
	<u>3,072,259</u>	<u>3,388,054</u>	<u>2,747,706</u>

The carrying values of the Company's trade and other payables approximates their fair value at the balance sheet date, are uncovered and are denominated in the following currencies:

	Unaudited As at 30 June 2014	Unaudited As at 30 June 2013	Audited As at 31 December 2013
	£	£	£
UK sterling	2,702,027	3,344,186	2,234,070
Euro	-	-	884
Dollars	370,232	43,868	512,752
	<u>3,072,259</u>	<u>3,388,054</u>	<u>2,747,706</u>

HORIZON DISCOVERY GROUP PLC

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION Six months ended 30 June 2014

8. SHARE CAPITAL

	Unaudited As at 30 June 2014	Unaudited As at 30 June 2013	Audited As at 31 December 2013
	£	£	£
Allotted, called up and fully paid			
Nil (30/06/13 – 369,570 : 31/12/13 – 372,525) ordinary shares of £0.001 each	-	370	372
Nil (30/06/13 – 14,328 : 31/12/13 - 14,328) ordinary G1 and G2 shares of £0.10 each	-	1,433	1,433
67,072,769 ordinary shares of £0.010 each	670,728	-	-
1,630,215,900 deferred shares of £0.001 each	1,630,216	-	-
	<u>2,300,944</u>	<u>1,803</u>	<u>1,805</u>

9. NOTES TO THE CASH FLOW STATEMENT

	Unaudited Six months ended 30 June 2014	Unaudited Six months ended 30 June 2013	Audited Year ended 31 December 2013
	£	£	£
Loss for the year	(2,958,427)	(1,850,054)	(2,970,277)
Adjustments for:			
Investment revenues	(25,750)	(7,393)	(12,128)
Finance costs	-	125,950	125,950
Depreciation of property, plant and equipment	534,516	353,469	774,392
Amortisation of intangible assets	94,871	65,925	145,135
Tax credit	-	-	(72,609)
Share option charge	243,439	-	165,870
Operating cash flows before movements in working capital	<u>(2,111,351)</u>	<u>(1,312,103)</u>	<u>(1,843,667)</u>
Increase in inventories	(55,753)	(151,587)	(128,052)
Increase in receivables	(1,914,656)	(391,715)	(510,299)
Increase/(decrease) in payables	78,639	531,202	(3,455)
Cash generated by operations	<u>(4,003,121)</u>	<u>(1,324,203)</u>	<u>(2,485,473)</u>
Tax credit received	-	-	301,254
Interest paid	-	(37,949)	(37,949)
Net cash from operating activities	<u>(4,003,121)</u>	<u>(1,362,152)</u>	<u>(2,222,168)</u>

10. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. There has been no material change in the type of related party transactions described in the financial statements for the year ended 31 December 2013.